

# 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

#### *Metricon Homes Pty Ltd v Barrett Property Group Pty Ltd [2008] FCAFC 46*

Copyright in plans and drawings of project homes and houses built to their design. Whether work copied was a substantial part of the work in suit – whether sufficient similarity – role of appellate Court in relation to primary judge's factual findings.

#### *Digga Australia Pty Ltd v Norm Engineering Pty Ltd [2008] FCAFC 33*

Respondent manufactured and sold buckets for use with Bobcat in accordance with engineering drawings it prepared for the bucket components. The appellant "reverse engineered" from respondent's bucket to enable it to manufacture and sell its buckets and, to that end, to prepare engineering drawings.

Question: whether appellant effected two-dimensional and three-dimensional reproductions of respondent's drawings of the bucket components. Respondent's drawings recorded electronically on computer by use of computer aided design (CAD) system.

Held: prior to 17 June 2004, s 77(2) of the Copyright Act did not except from infringement drawings prepared in the course of the manufacture of articles, even though the manufacture of the articles was itself excepted from infringement; after 17 June 2004, the new s 77A did effect such an exception; both before and after 17 June 2004, the design of the pivot arm component fell within the definition of "corresponding design" and the manufacture of that component did not constitute a three-dimensional infringement of the respondent's copyright in its drawings.

***Elwood Clothing Pty Ltd (ACN 079 393 696) v Cotton On Clothing Pty Ltd (ACN 052 130 462)***  
**[2008] FCA 447**

Issue: Elwood's entitlement to claim copyright under the *Copyright Act 1968* (Cth) ("the Act") in twodesigns and whether Cotton On Clothing Pty Ltd ("Cotton On") has infringed it.

Both the Design Drawings were exploited industrially by application to a T-shirt and swing tag, respectively: will not deprive them of copyright protection provided that they are original artistic works; *The Polo/Lauren Company LP v Zilani Holdings Pty Ltd* [2008] FCA 49 at [73] notes that "artistic works exploited in two dimensions as visual features of pattern or ornamentation will ... retain copyright protection" (quoting the Revised Explanatory Memorandum to the *Designs (Consequential Amendments) Bill 2003* (Cth)).

The law: Whether a work will be recognized as an artistic work such as a drawing is highly fact-specific, such that no bright-line rule can be drawn; the important principle in deciding whether the work is a "drawing" is whether the work at issue can be said to have a visual rather than "semiotic" function: *Miller & Lang, Limited v Polak* [1908] 1 Ch 433.

Held: *the text of the Design Drawings conveys an image or impression to be associated with the Elwood brand; it does not tell a story, give instructions, describe a scene, or convey information about the world or the product on which it is featured. That is, it performs none of the functions that one would expect to find in a literary text. Certainly no reasonable consumer would purchase items featuring the Design Drawings on that basis (ie for their textual or literary value). Rather, the consumer purchases the items because the selection and arrangement of the various elements (text, colour, font, shape, and so on) has been carefully made to form an aesthetically pleasing visual "look and feel" in the same way that any picture or drawing does.*

*As a result, the Design Drawings are artistic works - drawings - within the meaning of s 10(1) of the Act in which copyright may subsist."*

Scope of originality: *Elwood cannot claim a monopoly over all designs featuring the layout described, and that Cotton On, or any other competitor, may ape the basic concept used by Elwood in its design, including by using letters or numbers on the shoulders.*

Conclusion on infringement: *The analysis in relation to the Vintage swing ticket is similar. The form, shape and placement of the graphics was taken by Cotton On. I accept that the shape of the graphic is important or crucial to its design and success. However, as with the NewDeal print, what Cotton On has admittedly taken is one integer of a series of integers which together constitute the copyright work. And the integer taken is, in fact, the idea and not a substantial part of the work.*

**Trade Practices Act 1974 (Cth)**

***Fubilan Catering Services Limited (Incorporated in PNG) v Compass Group (Australia) Pty Ltd***  
**[2008] FCAFC 53**

- Questions: (a) whether unfulfilled promise constitutes misleading or deceptive conduct.  
(b) whether fiduciary relationship existed between parties engaged in arms' length commercial transactions.

The Court reiterated that the making of a promise which is not performed or a prediction which is not fulfilled is not, without more, misleading or deceptive: *Global Sportsman Pty Ltd v Mirror Newspapers Pty Ltd* (1984) 2 FCR 82, at 88, *per curiam*; *Bill Acceptance Corporation Pty Ltd v GWA Ltd* (1983) 50 ALR 242. It is only where the making of a promise or prediction contains an implied representation of present fact, such as a representation that the promisor is capable of performing the promise, that the promise or prediction can be misleading or deceptive. Alternatively, if the promise can be construed as a representation with respect to a future matter, and the promisor does not have reasonable grounds for making the representation, it is taken to be misleading: *TP Act*, s 51A(1). In this case, the promisor, unless it adduces evidence to the contrary, is deemed not to have had reasonable grounds for making the representation: s 51A(2).

On the issue of the existence of a fiduciary duty the court said: “*In our view, the terms of the Management Agreement preclude the existence of a fiduciary relationship in the more general sense contended for by Fubilan. The sophistication of the commercial contractual relationship, the contractual protection afforded to Fubilan and the professional representation available to the appellants during negotiations for the Management Agreement and after its execution, would rarely, and then only for very limited purposes, leave room for a fiduciary relationship. It follows that the appellants have not established the existence of a fiduciary relationship in the sense for which they contend and that they cannot succeed in a claim founded on breaches of any such duty.*”

## **Patents**

### ***Ajinomoto Co Inc v NutraSweet Australia Pty Ltd [2008] FCAFC 34***

Issue: whether invention obvious to a person skilled in the art in light of the common general knowledge at the priority date. Prior art information made publicly available, information that skilled person would be reasonably expected to have ascertained, understood and regarded as relevant to work in the relevant art in the patent area, evidence of work in Australia, work in closely related areas.

Held: The appellant’s patent does not satisfy the test for inventive step pursuant to s 18 of the Patents Act 1990 (Cth). Evidence of work in Australia need only be closely related to the relevant art in the patent area.

**Note:** looks at difference in wording of the 1990 Act and the *Patents Amendment Act 2001*.

### ***ITW AFC Pty Ltd v Loi and Tran Pty Ltd [2008] FCA 552***

Combination patent. Considers hindsight bias and secondary considerations as proof of non-obviousness.

### ***Black & Decker Inc v GMCA Pty Ltd (No 2) [2008] FCA 504***

Issues: standing of licensee (retrospective operation of licence agreement).

## **Trade Marks /Passing Off**

### ***Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd (No 8) [2008] FCA 470***

Further hearing on remitter from Full Court after opinion experts as to consumer behaviour wrongly excluded

Conclusions: *Having considered the evidence of the Cadbury experts, and reconsidered the evidence at the earlier hearing, I am not persuaded that Darrell Lea, in using the colour purple, has passed off its business or products as those of Cadbury or contravened the Trade Practices Act. I am not satisfied that such usage has resulted, or would result, in a hypothetical ordinary and reasonable member of the class constituted by prospective purchasers of chocolate being misled or deceived, contrary to ss 52 or 53(c) and (d).*

Re expert evidence, his Honour made the following comments: *In view of the volume of expert evidence, and the differing views expressed by the expert witnesses, I should state the use that can properly be made of that evidence in reaching a decision in a suit such as this. The decision upon the issue of similarity is an original decision for the court itself. It is to be reached upon an assessment of such similarities and dissimilarities as appear to the court between the plans or buildings under consideration. The fact that one particular expert of the highest authority and of unimpeachable credit is permitted to swear to an opinion on similarity or dissimilarity does not relieve the court of the responsibility of forming its own opinion on this issue. In this sense the expert evidence in a suit such as the present fills a somewhat unusual role. It is almost as if each side calls an expert to argue out with counsel in examination-in-chief and cross-examination the similarity or dissimilarity which that particular expert sees between the plans and houses. By attending to the progress of this argumentative process between counsel and expert the court is enabled to perceive and more readily to appreciate the points of similarity and dissimilarity. In this way the tendering of expert evidence is of value in exposing the facets of the ultimate question to which the expert opinion evidence is directed. But the important point is that, in distinction from the judicial process in relation to expert evidence such as is normally encountered in litigation, a court in the present type of litigation is entitled, and, indeed, bound, to form and act on its own original opinion.*

### ***Hansen Beverage Company v Bickfords (Australia) Pty Ltd [2008] FCA 406***

Applicant failed because it could not make out the existence of the necessary reputation in Australia.

Relevant date for assessment: the point at which the relevant Bickfords' product became available to consumers in Australia.

There were no sales or direct advertising or promotion of Hansen's product in Australia. Rather, the evidence relied upon was that of exposure to persons in Australia through the marketing strategy adopted by Hansen to reach its target demographic primarily in other countries. No expert evidence concerning the reputation of Hansen's product in Australia, nor any survey evidence as to the reputation in and public recognition of the Hansen product in Australia, was sought to be led by any party, although such evidence would be potentially admissible: see *Natural Waters* (2007) 71 IPR at [30].

It sought to tendered TV data records in support of its claimed reputation. Found to be hearsay. On the issue whether they were business records his Honour found: “*the documents sought to be tendered as the three exhibits are not to be regarded as documents which are or form part of the ‘records’ of OzTAM. Merely describing the documents as the ordinary stock in trade of a business, or the produce of the core business activities of a business, does not necessarily mean that such documents form part of the records of a company in the course of, or for the purposes of its business within the meaning of s 69(1).*”

*133 The records referred to in s 69(1) of the Evidence Act are the documents a business generates in the course of, or for the purpose of the business, not documents which it may have or keep as the product of that business. The concept of a business record is an internal record, kept in an organised form accessible in the usual course of business, actually recording the business activities themselves and does not include the product of the business itself: see Sperling J in Roach v Page [2003] NSWSC 939; ASIC v Rich [2005] NSWSC 417; (2005) 216 ALR 320 at [180]- [182] per Austin J. “*

And finally...

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