

HIGH COURT OF AUSTRALIA

McHUGH, GUMMOW, HAYNE, CALLINAN AND HEYDON JJ

POLYAIRE PTY LTD

APPELLANT

AND

K-AIRE PTY LTD & ORS

RESPONDENTS

Polyaire Pty Ltd v K-Aire Pty Ltd
[2005] HCA 32
16 June 2005
A51/2004

ORDER

1. *Appeal allowed with costs.*
2. *Set aside the orders of the Full Court of the Federal Court of Australia made on 23 January 2004 and in their place order that the appeal to the Full Court is dismissed with costs.*

On appeal from the Federal Court of Australia

Representation:

D M Yates SC with B J Jenner for the appellant (instructed by Lynch Myer)

D K Catterns QC with S J Goddard for the respondents (instructed by Thomson Playford)

Notice: This copy of the Court's Reasons for Judgment is subject to formal revision prior to publication in the Commonwealth Law Reports.

CATCHWORDS

Polyaire Pty Ltd v K-Aire Pty Ltd

Intellectual property – Designs – Infringement of a registered design – Fraudulent imitation of a registered design – Where alleged infringing design sufficiently different not to be an obvious imitation – Whether fraudulent imitation requires that differences between alleged infringing design and registered design be attributable to dishonest disguise of the latter – Whether the application of a fraudulent imitation requires that alleged infringer applied design with knowledge of the existence of the registration and of absence of consent to its use, or with reason to suspect those matters.

Words and phrases: "fraudulent".

Designs Act 1906 (Cth), s 30(1)(a).

1 McHUGH, GUMMOW, HAYNE, CALLINAN AND HEYDON JJ. Nearly 70 years ago, Dixon J, in his judgment in *Macrae Knitting Mills Ltd v Lowes Ltd*¹, observed of the *Designs Act* 1906 (Cth) ("the Act") that it:

"shows a marked economy in the statement of its principles. It does not explain what it means by the very general expressions employed. The case law, as might be expected, cannot reduce to certainty the vagueness which the legislation exhibits, but the cases do contain statements which I think afford some guidance in the application of this rather peculiar Act."

2 The issues which arise on the present appeal bear out what Dixon J said in *Macrae*.

The Design

3 The appellant ("Polyaire")² carries on from premises in South Australia business as a manufacturer and seller of air-conditioning components.

4 Polyaire was the registered proprietor under the Act of Design No 110628 ("the Design"). The Design was registered for a period of one year commencing 21 March 1991 and the period of registration was extended thereafter³. The article in respect of which the Design was registered was stated in the Certificate of Registration as "an air conditioning outlet director part". This expression is a circumlocution for a "grille", being that part of an air-conditioning unit which directs the flow of air from the unit to the room or other area to be air-conditioned.

5 The Certificate of Registration contains a statement of novelty. The novelty is said to result in "the arrangement of the end parts of the blades and a coupling bar interconnecting said ends at each side of a surrounding frame as illustrated in the representations". Five pages of representations are attached.

1 (1936) 55 CLR 725 at 729.

2 Formerly named "A C Components Pty Ltd".

3 Polyaire also was registered proprietor of Design No 84267, which was registered in 1981 in respect of an "Airconditioning Air Outlet Director". There is no issue concerning this design which arises on this appeal.

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The litigation

6 This appeal is brought from the judgment of the Full Court of the Federal Court (Mansfield, Emmett and Bennett JJ)⁴ which reversed the decision of the primary judge. In an action in the Supreme Court of South Australia, Besanko J⁵ found against K-Aire Pty Ltd ("K-Aire") and the other eight respondents in respect of the application of a fraudulent imitation of the Design to the articles identified in the action as exhibits P3 and P4 and as "KA1" and "KA2". Each was a grille or outlet director. After KA1 had appeared on the market and Polyaire had complained of infringement of the Design, changes were made which produced KA2. Besanko J granted declaratory and injunctive relief in respect of both KA1 and KA2. He also made orders directed to enabling Polyaire to make an election between its claim for damages and its claim for an account of profits. Counter-claims challenging the validity of the registration of the Design were dismissed.

7 The respondents appealed (by leave) to the Full Court. The injunctive relief granted by Besanko J had been stayed pending the outcome of the appeal. The appeal succeeded on the issue of infringement and the orders of the trial judge in that respect were set aside and orders substituted dismissing the claim for infringement.

8 The Full Court delivered its reasons in December 2003 and its orders were entered on 29 January 2004. The application for special leave to appeal to this Court was filed but, before the grant of special leave on 12 August 2004, the Act was repealed with effect from 17 June 2004 upon the commencement of certain provisions in the *Designs Act* 2003 (Cth) ("the New Act").

9 However, s 155(1) of the New Act states that, if proceedings arising from an application to a court under the repealed Act were pending immediately before the commencement of the New Act, the matter is to be decided as if the Act had not been repealed. Section 40I of the Act provided that an appeal lay to the Federal Court from a "prescribed court" (an expression including the Supreme Court of South Australia). An appeal then lay to this Court by special leave under s 33 of the *Federal Court of Australia Act* 1976 (Cth). The special leave application which was pending on 17 June 2004 has been accepted by the parties

4 *K-Aire Pty Ltd v Polyaire Pty Ltd* (2003) 60 IPR 512.

5 *Polyaire Pty Ltd v K-Aire Pty Ltd* (2003) 226 LSJS 109.

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as a proceeding "arising from" an application to a court within the meaning of s 155(1) of the New Act. There is no objection to the competency of the appeal to this Court. Nor is there any disagreement with the proposition that the issues that arise on the appeal are to be determined as if the old Act had not been repealed.

The provenance of s 30 of the Act

10 The appeal turns principally upon the construction of a phrase in par (a) of s 30(1) of the Act. That sub-section deems a person to infringe the monopoly in a registered design if, without the licence or authority of the owner, that person engages in one or more of the activities in par (a), (b) or (c). Paragraph (a) states:

"applies the design or any fraudulent or obvious imitation of it to any article in respect of which the design is registered".

11 Paragraphs (b) and (c) were introduced when s 30 was recast⁶ after the determination in *Hella-Australia Pty Ltd v Quinton Hazell (Aust) Pty Ltd*⁷ that, as s 30 had stood, the only infringing application of a design was one within Australia. In that case, the design had been applied to goods manufactured in Japan and then imported into Australia. Nothing turns upon the changes made in response to *Hella* by the addition of pars (b) and (c)⁸.

6 By s 3 of the *Designs Act* 1967 (Cth). Section 30 was subsequently amended by s 19 of the *Designs Amendment Act* 1981 (Cth), but no change was made to par (a) of s 30(1).

7 [1968] 1 NSW 235.

8 Paragraphs (b) and (c) include as infringements the following acts:

"(b) imports into Australia for sale, or for use for the purposes of any trade or business, any article in respect of which the design is registered and to which the design or any fraudulent or obvious imitation of it has been applied outside Australia without the licence or authority of the person who was the owner of the registered design at the time when the design or imitation was so applied; or

(c) sells, or offers or keeps for sale, or hires, or offers or keeps for hire, any article:

(Footnote continues on next page)

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12 What is significant for present purposes is that par (a) remained unchanged from the text of s 30 as enacted in 1906. Paragraph (a) in turn reflected the provisions of par (a) of s 58 of the *Patents, Designs, and Trade Marks Act* 1883 (UK) ("the 1883 Act")⁹. The 1883 Act had consolidated the untidy statute law relating to registered designs. Section 58 of the 1883 Act stated that it was not lawful "for any person without the license or written consent of the registered proprietor to apply such design or any fraudulent or obvious imitation thereof, in the class or classes of goods in which such design is registered".

13 Section 58 was repealed by the *Patents and Designs Act* 1907 (UK) ("the 1907 Act")¹⁰, but was replaced by s 60 which was in terms not materially different. The 1907 Act was repealed in part by the *Patents and Designs Act* 1949 (UK). Section 43 of this statute departed from the 1883 Act and the 1907 Act; it conferred exclusive rights in respect of "an article to which the registered design or a design *not substantially different from* the registered design has been applied" (emphasis added).

14 A registration system had been set up first by a statute of 1839 ("the 1839 Act")¹¹. Section 3 of the 1839 Act had forbidden the doing or causing to be done of certain acts in relation to a registered design "without the Licence or Consent in Writing of the registered Proprietor thereof". Those acts were:

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- (i) to which the design or any fraudulent or obvious imitation of it has been applied in infringement of the monopoly in the design; or
 - (ii) in respect of which the design is registered and to which the design or any fraudulent or obvious imitation of it has been applied outside Australia without the licence or authority of the person who was the owner of the registered design at the time when the design or imitation was so applied."

9 46 & 47 Vict c 57.

10 7 Edw VII c 29.

11 2 & 3 Vict c 17.

5.

"No Person shall use for the Purposes aforesaid, or any of them, or print or work or copy, such registered Design, or any original Part thereof, on any Article of Manufacture, for Sale:

No Person shall publish, or sell or expose to Sale or Barter, or in any other Manner dispose of for Profit, any Article whereon such registered Design or any original Part thereof has been used, *knowing that the Proprietor of such Design has not given his Consent to the Use thereof upon such Article*:

No Person shall adopt any such registered Design on any Article of Manufacture for Sale, either wholly or partially, *by making any Addition to any original Part thereof, or by making any Subtraction from any original Part thereof*". (emphasis added)

15 The 1839 Act had been succeeded in 1842 by a statute ("the 1842 Act")¹² which, in ss 7 and 8, dealt with remedies for piracy but which now in express terms forbade fraudulent imitation of designs¹³. In particular, s 7 stated:

"No Person shall apply *any such Design, or any fraudulent Imitation thereof* for the Purpose of Sale, to the ornamenting of any Article of Manufacture, or any Substance, artificial or natural, or partly artificial and partly natural:

No Person shall publish, sell, or expose for Sale any Article of Manufacture, or any Substance, *to which such Design, or any fraudulent Imitation thereof*, shall have been so applied, after having received, either verbally or in Writing, or otherwise from any Source other than the Proprietor of such Design, Knowledge that his Consent has not been given to such Application, or after having been served with or had left at his Premises a written Notice signed by such Proprietor or his Agent to the same Effect." (emphasis added)

12 5 & 6 Vict c 100. See Edmunds and Bentwich, *The Law of Copyright in Designs*, 2nd ed (1908) at 8.

13 The 1842 Act was repealed by the 1883 Act.

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The 1842 Act introduced (by s 9), in addition to the penal provisions for piracy, a civil remedy for damages sustained "either by the Application of any such Design or of a fraudulent Imitation thereof".

16 It is from the texts of the 1839 Act and the 1842 Act, and then the 1883 Act and the 1907 Act with the attendant case law, that Polyaire derives the basis for its submission respecting the meaning of "fraudulent" later found in par (a) of s 30(1) of the Act.

17 The submission, which should be accepted, is that the application of a "fraudulent imitation" requires that the application of the design be with knowledge of the existence of the registration and of the absence of consent to its use, or with reason to suspect those matters, and that the use of the design produces what is an "imitation" within the meaning of par (a). This, to apply the general principle recently exemplified in *Macleod v The Queen*¹⁴, is the knowledge, belief or intent which renders the conduct fraudulent¹⁵.

18 This construction of par (a) of s 30(1) is consistent with the approach to the term "fraudulent" taken by the Full Court of the Federal Court in *Turbo Tek Enterprises Inc v Sperling Enterprises Pty Ltd*¹⁶. Their Honours rejected a submission that it was necessary to show that the alleged infringer had actual knowledge of the fact of registration, saying¹⁷:

"Fraud is a general concept with which the law is familiar and which it well understands. It has many aspects. There is no reason to think that the legislature, when it used the words, 'fraudulent imitation', in s 30(1)(b) of the Act, intended them to have any narrow or restricted operation. There is no apparent reason why the legislature should have intended the Act to apply in a restrictive way and, even then, only when the alleged infringer had actual knowledge of the fact of registration. To take any other view would give to would-be infringers the opportunity to

14 (2003) 214 CLR 230 at 242 [37], 256 [99]-[100], 264-265 [130].

15 See as to the permissible inference by a jury of fraud against a party who "wilfully shuts his eyes" the judgment of Lord Esher MR in *English and Scottish Mercantile Investment Company Ltd v Brunton* [1892] 2 QB 700 at 707-708.

16 (1989) 23 FCR 331.

17 (1989) 23 FCR 331 at 347-348.

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avoid the consequences of the Act by a multiplicity of expedients. Deviousness would be encouraged. Opportunism and expediency would be rewarded. What is required is a realistic and practical approach which will allow for the fact that there will be an infinite variety of circumstances and that each case will depend on its own facts."

The Full Court held that it was sufficient that the alleged infringer had reason to believe or strongly suspected that an article which it had imported and marketed embodied a design that was registered, *or in respect of which an application was pending*¹⁸. It is unnecessary in the present appeal to decide whether the proposition respecting applications pending but not granted is correct.

The authorities

19 Polyaire relies for a statement of basic principle upon what was said by Farwell J in *Dunlop Rubber Co Ltd v Golf Ball Developments Ltd*¹⁹. Polyaire correctly submits that *Dunlop Rubber* was a case under the 1907 Act which also encapsulates much of the case law under the 1883 Act as it stood in England when the Act was enacted in Australia in 1906²⁰. Farwell J was concerned to distinguish between an obvious and a fraudulent imitation. His Lordship said²¹:

"I think an obvious imitation is something which is very close to the original design, the resemblance to the original design being immediately apparent to the eye looking at the two. With regard to the word 'fraudulent', fraudulent I think does pre-suppose a knowledge of the registered design. I think it would be difficult for a Court to come to the conclusion that an imitation was fraudulent unless the Court was satisfied

18 (1989) 23 FCR 331 at 348.

19 (1931) 48 RPC 268.

20 *Barran v Lomas* (1880) 28 WR 973 at 975; *Grafton v Watson* (1884) 51 LT (NS) 141 at 144; *Sherwood and Cotton v Decorative Art Tile Co* (1887) 4 RPC 207 at 210-211. See also the judgment of Luxmoore J in *Wells v Attache Case Manufacturing Co Ltd* (1931) 49 RPC 113 at 120, and the collection and discussion of the authorities by Romer J in *Rose v J W Pickavant and Company Ltd* (1923) 40 RPC 320 at 332-333. Romer J held (at 333-334) that the defendant had applied an imitation of the plaintiff's design which, while not obvious, was fraudulent.

21 (1931) 48 RPC 268 at 279.

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that the registered design had been known to the author of the alleged infringing design, and further, it seems to me that 'fraudulent' imports something in the nature of making use of the registered design."

Farwell J went on to say of the term "fraudulent" in this context²²:

"It does not necessarily import deliberate intention to steal the property of the owner of the registered design. ... [A] person may be the author of a fraudulent imitation believing perfectly honestly that he has so altered the registered design as to make them two different designs, and so far as his own mind and his own intention are concerned, he may be honest in that sense." (emphasis added)

His Lordship concluded²³:

"But fraudulent imitation seems to me to be an imitation which is based upon, and deliberately based upon, the registered design, and is an imitation which may be less apparent than an obvious imitation; that is to say, you may have a more subtle distinction between the registered design and a fraudulent imitation, and yet the fraudulent imitation, although it is different in some respects from the original, and in respects which render it not obviously an imitation may yet be an imitation perceptible when the two designs are closely scanned and accordingly an infringement."

Besanko J expressly adopted what had been said by Farwell J in *Dunlop Rubber*. *Dunlop Rubber* had been followed by Morton J in *Lewis Falk Ltd v Henry Jacobowitz*²⁴ and by Jenkins J in *WH Dean & Son Ltd v GL Howarth & Coy Ltd*²⁵.

20 It should be added that the English cases on the 1883 Act and the 1907 Act proceeded on the basis that a defendant might be liable for applying "the design" or an "obvious imitation" without knowing of or having reason to suspect the existence of the registered design, so that any copying was, as Cotton LJ put

²² (1931) 48 RPC 268 at 279-280.

²³ (1931) 48 RPC 268 at 280.

²⁴ (1944) 61 RPC 116 at 122.

²⁵ (1948) 66 RPC 1 at 2.

it, "unconscious"²⁶. Further, a designer who was supplied with the registered design and instructed "to make an original design for a similar article", as was the fact in *J Harper and Co Ltd v The Wright and Butler Lamp Manufacturing Company Ltd*²⁷, might succeed in producing what was but an obvious imitation. That being so, there would be no reason to investigate whether, despite differences going beyond those of an obvious imitation, the defendant had procured the application of a fraudulent imitation.

21 In *Fisher & Paykel Healthcare Pty Ltd v Avion Engineering Pty Ltd*²⁸, the Full Court of the Federal Court remarked that it was a misconception to say that an issue of fraudulent imitation can arise only after it has been held that there was no obvious imitation; rather, as a practical matter, it was often preferable for a plaintiff to seek to establish a case on obvious imitation by visual comparison and without having to enter upon the question of what the defendant knew or had reason to suspect. The Court continued²⁹:

"The authorities demonstrate (in particular *Malleys [Ltd v J W Tomlin Pty Ltd]*³⁰) that to support a finding of fraudulent imitation there may be greater differences between the registered design and the offending design than between the registered design and what could be held to be an obvious imitation. This is because the person who has deliberately set out to copy the registered design is presumed more readily to have achieved his object than the person who did so innocently. In this respect designs law, though having no common law base, is analogous to passing off. Nevertheless, whether the imitation is obvious or fraudulent, in the final analysis, as the decision in *Malleys* illustrates, the offending article must have the same fundamental or basic design as the article embodied in the registered design."

26 *Grafton v Watson* (1884) 51 LT (NS) 141 at 144. See also *Rose v J W Pickavant & Co Ltd* (1923) 40 RPC 320 at 332; *Dunlop Rubber Co Ltd v Golf Ball Developments Ltd* (1931) 48 RPC 268 at 279.

27 (1895) 12 RPC 483 at 489.

28 (1991) 103 ALR 239 at 248.

29 (1991) 103 ALR 239 at 248 (footnotes omitted).

30 (1961) 180 CLR 120.

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22 In the present litigation, having found no obvious imitation, it was
necessary for Besanko J to decide whether there nevertheless was a fraudulent
imitation.

The respondents' case

23 The respondents do not in terms seek to block the stream of authority on
the 1883 Act and the 1907 Act by asserting a necessity for Polyaire to establish
that the respondents had an intention to steal its property as owner of the Design.

24 However, the respondents do contend that more was required than that
which Besanko J, having adopted *Dunlop Rubber*, found against them. They rely
upon a statement by Burchett J on the appeal in *Koninklijke Philips Electronics
NV v Remington Products Australia Pty Ltd*³¹, repeating what he had said in
*Elconnex Pty Ltd v Gerard Industries Pty Ltd*³². This is to the effect that, while
the copier must know or suspect that the copying will infringe the rights of
another, what makes the conduct fraudulent for the operation of s 30(1)(a) of the
Act is dishonest concealment of the copying in order to evade being held legally
responsible for it.

25 In the present case, the Full Court agreed with that proposition³³. It held
that Besanko J had fallen into error. His Honour had not found that differences
between the Design and KA1 and KA2 had been omitted "in order to disguise the
copying", with the result that "the finding of fraudulent imitation therefore cannot
stand"³⁴.

26 Polyaire submits that the Full Court fell into error by limiting the meaning
of "fraudulent imitation" in s 30(1)(a) to a "sub-species of case", where, in
addition to meeting the criteria in *Dunlop Rubber* and other cases, there has been
a dishonest purpose of concealment of the use of the registered design.

31 (2000) 100 FCR 90 at 112.

32 (1991) 32 FCR 491 at 503.

33 (2003) 60 IPR 512 at 524.

34 (2003) 60 IPR 512 at 524.

Malleys

27 The proposition respecting the necessity for disguise largely has been founded upon what has been perceived as the ground of the decision of this Court in *Malleys Ltd v J W Tomlin Pty Ltd*³⁵. The respondents fix upon the following passage in the joint judgment of the Court, given by Taylor, Menzies and Owen JJ³⁶:

"Turning to s 30 it is apparent that there is infringement in any one of three cases – that is, where the design which has been applied is: – (i) the registered design (ii) an obvious imitation of the registered design (ie, not the same but a copy apparent to the eye notwithstanding slight differences) and (iii) a fraudulent imitation (ie, *a copy with differences which are both apparent and not so slight as to be insubstantial but which have been made merely to disguise the copying*). Visual comparison will establish (i) or (ii) but a finding of fraudulent imitation must require something more because in such a case visual comparison is not of itself sufficient to establish imitation; otherwise it would be an obvious imitation." (emphasis added)

28 Point (ii) is consistent with *Dunlop Rubber*³⁷ and is uncontroversial. However, a further examination of the whole of the reasons in *Malleys* shows that point (iii) would be accurate if the material in brackets were introduced, not by "ie", but by "eg". While a copy with differences which are apparent and not so slight as to be insubstantial but which have been made merely to disguise the copying may answer the description in s 30 of a fraudulent imitation, this state of affairs does not exhaust the scope of that description.

29 The primary judge in *Malleys*, McLelland CJ in Eq, referred³⁸ in detail to *Dunlop Rubber*, no doubt because both sides had accepted its authority. His Honour had been pressed by the defendant with the significance of the addition

35 (1961) 180 CLR 120.

36 (1961) 180 CLR 120 at 127.

37 (1931) 48 RPC 268 at 279-280.

38 *J W Tomlin Pty Ltd v Malleys Ltd* (1960) 77 WN (NSW) 723 at 728-729.

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to its product of a large embossed cross, after notice of the plaintiff's design. McLelland CJ in Eq said of this³⁹:

"The person responsible for the production of the defendant's design for the bottom of its pan was not called as a witness. In the above circumstances I draw the inference that the defendant based its design on the plaintiff's design and that the embossed cross was added with deliberation to make the appearance of the defendant's article different from the plaintiff's design. No explanation of why the embossed cross was added was given by any witness called on behalf of the defendant."

30 This passage is the apparent source for the statement by this Court in *Malleys*⁴⁰ that "in effect" the primary judge had found that the design had been "deliberately based" on the registered design, and that "such differences as there were had been adopted for the purpose of disguising this". That was not to say that, absent such "disguise", there could have been no infringement by fraudulent imitation. The primary judge had relied upon the defendant's deliberation in attempting to differentiate its design as a ground for discounting its argument that there were significant differences, sufficient to take it out of the requirement that there be an "imitation".

31 However, this Court in *Malleys* went on to emphasise that the primary judge had made the finding respecting fraudulent imitation whilst not treating the J rim as an integral part of the design for the base of the toilet pans. The primary judge then had found, as this Court read his decision⁴¹, that, disregarding the J rim, the defendant had deliberately based its design upon that of the plaintiff with such differences as there were having been adopted for the purpose of disguising this deliberate taking of the design. Taylor, Menzies and Owen JJ held⁴² that there was a substantial difference of a material kind given the absence of the J rim, with the result that the design applied by the defendant "was not an imitation of the registered design but a different design which embodied some of the

39 (1960) 77 WN (NSW) 723 at 728.

40 (1961) 180 CLR 120 at 127.

41 *J W Tomlin Pty Ltd v Malleys Ltd* (1960) 77 WN (NSW) 723.

42 (1961) 180 CLR 120 at 128.

features of the registered design". Their Honours added that what had been taken was not the plaintiff's design but its idea⁴³.

32 That approach to the issue of infringement was entirely consistent with earlier authority. A well-known example is the insistence in *Dunlop Rubber* that, at the end of the case, it always must be possible to say that there has been an "imitation"⁴⁴. In the second edition of Edmunds and Bentwich, *The Law of Copyright in Designs*, which appeared in 1908, it had been said⁴⁵:

"A 'fraudulent imitation' is imitation with knowledge that the pattern is a registered design, and *without any sufficient invention on the part of the imitator.*" (emphasis added)

33 The position was correctly put by Besanko J as follows:

"[E]ven if the defendant set out to copy the plaintiff's design and even if the defendant's intention in adopting the differences between the plaintiff's registered design and the accused article was to disguise the copying, there will be no fraudulent imitation unless the accused article is in fact an imitation or copy."

34 After the decision in *Malleys*, consideration was given to the Act by the Designs Law Review Committee which reported in 1973 ("the Franki Committee"). The Franki Committee referred to the above passage in *Malleys* and said⁴⁶:

"We are satisfied that the broad protection afforded by section 30 is appropriate and should remove any idea that if a design is copied *infringement can be avoided by attempting to disguise copying by making apparent and not insubstantial differences.* We do not recommend that there should be any major amendment of it." (emphasis added)

43 (1961) 180 CLR 120 at 128.

44 (1931) 48 RPC 268 at 281-282.

45 at 151.

46 Australia, Designs Law Review Committee, *Report on the Law Relating to Designs*, February 1973 at 29.

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This supports the reading of the passage in *Malleys* for which Polyaire contends. Thereafter, in *Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd*⁴⁷, special leave was granted chiefly to consider the distinction between "obvious" and "fraudulent" imitations, but on further analysis at the appeal the question did not arise.

35 It is important to keep in mind in applying par (a) of s 30(1) of the Act that the Court is concerned with a type of statutory fraud somewhat removed from fraud at common law, and the degree of moral turpitude or recklessness generally required for its establishment. The kind of fraud that the Act seeks to remedy is closer in kind to, but is still not entirely analogous with, equitable fraud, which, for its establishment, does not require that an actual intention to cheat must always be proved; proof of misconception of the extent of a person's obligation, to act or to refrain from acting in a particular way, may suffice⁴⁸.

The significance of "disguise"

36 It should now be accepted that the position respecting infringement by fraudulent imitation and the significance of any "disguise" was correctly summed up as follows by Lehane J at first instance in *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd*⁴⁹:

"[T]he essential questions are, first, whether the allegedly infringing design is based on or derived from the registered design and, then, whether the differences are so substantial that the result is not to be described as an imitation. Frequently, of course, probably usually, changes will have been introduced for the purpose of disguising copying or, perhaps, because of a conscious desire to come as close as possible to the registered design while avoiding infringement. But, as this case illustrates, particular changes may be introduced for other compelling reasons; and there is no obvious reason why that should defeat a claim of fraudulent infringement."

His Honour also observed in *Philips*⁵⁰:

⁴⁷ (1987) 180 CLR 483 at 489.

⁴⁸ See *Nocton v Lord Ashburton* [1914] AC 932 at 954 per Viscount Haldane LC.

⁴⁹ (1999) 91 FCR 167 at 200.

⁵⁰ (1999) 91 FCR 167 at 200.

"If, literally, it was a requirement of fraudulent imitation that any changes to the design be introduced merely to disguise copying, it would follow that, where there is a design based on a registered design, where the designer earnestly wishes to get as close to the registered design as possible but is, in some respect, prevented by some mechanical imperative and is forced to introduce a change on that account, the design is not a fraudulent imitation however clearly it may fall within the established tests of 'imitation'. I am not convinced that that conclusion, which does not strike me as particularly sensible, is required by authority."

37 We turn further to consider why, consistently with what was said by Lehane J, the appeal should be allowed and the orders of Besanko J restored. It is convenient to refer first to the findings of fact by Besanko J. These have not been challenged.

The findings of fact

38 Something more should be said respecting the respondents. The third respondent, Mr R K Colebatch, was the sole director of K-Aire. He also was managing director of the second respondent ("Kemalex"). Mr Colebatch and the fourth respondent, Mr B V Benfield, were directors of the fifth and sixth respondents. Mr Benfield was a director of the seventh and eighth respondents and Mr Colebatch was sole director of the ninth respondent. At trial, Mr Colebatch, K-Aire, Kemalex and the fifth, sixth and ninth respondents were jointly represented. Mr Benfield and the seventh and eighth respondents together had other representation. In this Court, all respondents had the same representation.

39 Mr Andrew Rogers was an industrial designer. In March 1996, Mr Colebatch asked him whether he would be interested in designing an air-conditioning outlet for Kemalex. After consulting Mr Benfield, for whom Mr Rogers had produced a design for a one-piece outlet director (known as "the china outlet"), and who did not object, Mr Rogers proceeded with discussions with Mr Colebatch. By 10 April 1996, a design had been agreed to Mr Colebatch's requirements and Kemalex placed with Mr Rogers an order for technical drawings. These were completed shortly thereafter and at about this time Mr Rogers produced a model.

40 Besanko J found Mr Rogers an unsatisfactory witness who at times was evasive in cross-examination. His Honour found that in 1996 Mr Rogers "had reason to suspect that any outlet director produced by [Polyaire] was the subject

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of a registered design" and rejected his evidence to the contrary. Besanko J also found that in March 1996 Mr Rogers had in his possession one of Polyaire's outlet director parts manufactured in accordance with the Design. Further, Mr Colebatch had instructed Mr Rogers that he wanted a design which would produce a look similar to that of other products in the market, and Mr Colebatch had insisted upon two requirements which were features of the Design.

41 An appreciation of the critical findings by Besanko J for the issue of fraudulent infringement is assisted by regard to the description of the features of the Design given by his Honour earlier in his reasons. He noted that the Design related to a "blade pack" which rests upon a cruciform section and may be rotated in different directions. Besanko J also said of the drawings attached to the Certificate of Registration:

"The frame which houses the blade boxes is not shown. There are six curvilinear blades in the blade box. The curvature of the blades is such that between the leading edge and the trailing edge the blade turns almost ninety degrees (90°). The blades move in unison. They are attached to the frame of the blade box by means of a spigot or axle which protrudes from the end of the blade and which has a cap or top at the end of it. The spigot or axle is inserted into a horse-shoe shaped aperture which snaps tight after insertion. There are two slots on either side of each aperture which allow the aperture to 'deform' and then snap fit.

There are two control bars on either side of the frame which are there to ensure the blades move in unison. The blades are connected to the control bar by means of an axle which is at the end of each blade and which is above the main axle."

42 Besanko J's findings respecting fraudulent infringement were as follows:

"I find that Mr Rogers in designing KA1 knowingly, consciously and deliberately based his design on [Polyaire's] outlet director part which embodied [the Design]. I make that finding having regard to a number of matters. First, Mr Rogers had an outlet director part which embodied [the Design]. [Polyaire] was a larger seller in the market and its products, including outlet director parts, were popular. I mention at this point that I am unable to accept Mr Rogers' denial that he knew that [Polyaire] was 'a large player in the market'. By 1996 he had been involved in design work for outlet directors for a number of years. He kept himself informed of the products of competitors of his client. He would have had a reasonable appreciation of [Polyaire's] position in the market. Secondly,

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Mr Colebatch's instructions to Mr Rogers were to design a product which looked like other products in the market. Some of Mr Colebatch's specific requirements are features of [the Design]. Thirdly, there are substantial similarities between Mr Rogers' design and [the Design]. The similarities between KA1 and [the Design], particularly in relation to the snap fit mechanism, the control bars and the blade ends including the spigots, are obvious. No other outlet director part similar in respect of those features to KA1 or [the Design] was identified. The publication Mr Rogers identified is, to my mind, an unlikely source of the similarities to which I have referred. It follows that I do not accept Mr Rogers' denial that he modelled the snap fit for the main blade spigot on [Polyaire's] outlet director part. I have already identified other areas in which his evidence was unsatisfactory. His denial on this point is a further example."

43 His Honour reminded himself of the principle (of which *Malleys* itself is a leading example) that a distinctly different shape or configuration might produce not an imitation but a different design⁵¹. He went on:

"In my opinion, the shape and configuration of KA1 is not distinctly different from [the Design]. There are differences, the most significant of which are the absence from KA1 of the chamfered lip and the vertical ribs on the outside of the frame. However, the features of shape and configuration which give [the Design] its distinctive appearance, namely, the snap fit mechanism, the control bars and the blade ends including the spigots (despite small differences) have been copied.

I find that KA1 is a fraudulent imitation of [the Design]."

The respondents' criticisms of factual findings

44 At the end of his judgment in *Hecla Foundry Co v Walker, Hunter and Co*⁵², deciding that there had been an obvious imitation of the plaintiff's registered design in respect of a stove, Lord Herschell apparently rejoiced in saying⁵³:

51 *Malleys Ltd v J W Tomlin Pty Ltd* (1961) 180 CLR 120 at 128.

52 (1889) 6 RPC 554.

53 (1889) 6 RPC 554 at 559. Later, in *In re Wolanski's Registered Design* (1953) 88 CLR 278 at 281, Kitto J, after reference to *Hecla*, remarked: "And I cannot say (Footnote continues on next page)

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"It is impossible in such a case as the present to give reasons for the opinion formed. I can only say that to me it appears, without doubt, that the door complained of is an obvious imitation of the registered design."

45 Lord Herschell notwithstanding, the respondents subjected to extensive criticism the detailed reasons given by Besanko J in support of his finding of fraudulent imitation. Those criticisms are unjustified.

46 Before dealing with fraudulent imitation, his Honour earlier in his reasons had dismissed the contention that there was an obvious imitation. He referred to what he considered to be a number of slight differences. His Honour then continued:

"That leaves as differences between [the Design] and KA1 the steeply chamfered inner lip on the top of the frame of [the Design] and the vertical ribs on the outside of the frame of [the Design]. These features are not present in KA1."

47 Besanko J then asked the question whether those differences were merely slight so that KA1 was an obvious imitation. He concluded that the two differences mentioned, particularly the absence of the steeply chamfered inner lip on the top of the frame were more than slight differences. The result was that there was not an obvious imitation.

48 In dealing then with the question of fraudulent imitation, his Honour, in the passage set out above, adverted to the two features the absence of which had been determinative of his conclusion respecting obvious imitation. However, he went on to indicate that there had been copying of features giving the Design its distinctive appearance, namely the snap fit mechanism, the control bars and the blade ends including the spigots. That approach to the matter was an orthodox application of principle whereby what is not an obvious imitation may yet be a fraudulent imitation.

49 However, the respondents then fixed upon what appeared in an earlier portion of the judgment in which Besanko J rejected the contention that the Design was invalid because it was not a new and original design. Here, his

that the present case is any exception to the rule that the eye, like the heart according to Pascal, has its reasons that reason does not know."

Honour included the chamfered inner lip and the vertical ribs as two of the three features which gave the Design a distinctive shape and configuration compared with the relevant prior art. That was said to cut the ground from the subsequent finding respecting fraudulent imitation where Besanko J had emphasised the copying of the snap fit mechanism, the control bars and blade ends, whilst the chamfered lip and vertical ribs were absent from KA1.

50 However, these matters, which were so significant for the determination of fraudulent copying, had been adverted to in the first category of distinctive features compared with the prior art and, indeed, his Honour had said that it was "particularly" these which gave to the Design its distinctive shape and configuration. When the reasons are read as a whole and an appreciation is given to the different issues to which they were directed at various stages, there is no substance in the complaints made by the respondents.

Conclusions

51 For the respondents to succeed, it therefore is necessary for them to withstand the attack by Polyaire upon insistence by the Full Court upon the necessity for "disguised copying". For the reasons already given, that insistence is misplaced in law.

52 The appeal should be allowed with costs. The orders of the Full Court should be set aside and in place thereof the appeal to that Court should be dismissed with costs.