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PA e-bulletin

Piper Alderman Legal Update

APRA's Director Banning Powers Confirmed in the High Court

Simon Morris

Dispute Resolution partner, Simon Morris, comments on the recent High Court decision clarifying the use to which testimony given to Royal Commissions may be put

In *X&Y v APRA*, executives of a foreign re-insurer, who had received from APRA a notice requiring them to show cause why they ought not be disqualified from holding management roles of general insurers conducting business in Australia, sought declarations restraining APRA from relying to their detriment on evidence they gave to the Royal Commission into the failure of HIH.

APRA, in requiring the applicants to show cause why they ought not be banned, relied in large part on the evidence that each had given to the Royal Commission.

Relevant to the challenge was the construction of a provision of the *Royal Commission Act* (the **Act**) that made it an offence to cause a disadvantage to a person for or on *account* of evidence which they have given before a Royal Commission.

The applicants argued that the APRA officer, who had authored the show cause notice relying on the testimony they had given to the Royal Commission, was causing each of them a disadvantage and was therefore committing an offence. The High Court rejected the argument holding that APRA did not commit an offence in using evidence given at the Commission when exercising its *Insurance Act* powers to disqualify persons from holding management positions.

Two lines of reasoning emerged:

> In a joint judgment, six Justices of the Court found that on a contextual reading of the Act the restriction on the use of evidence given at a Royal Commission should be limited to the circumstances where a person intentionally or willfully causes damage to another by reason of the fact of, or on account of, their giving evidence at the Royal Commission. The majority concluded that the APRA officer, in relying on the Royal Commission evidence, was acting in the discharge of his statutory functions conferred by the *Insurance Act* and his conduct lacked the requisite purpose or intention to constitute an offence.

> Justice Kirby in a separate judgment adopted the reasoning of the Full Court of the Federal Court to the effect that the detriment or disadvantage to the witness arose not for or on account of the evidence as such but for or on account of the pre-existing state of affairs which the evidence may help to prove or disprove. Kirby J reasoned that the state of affairs had a reality independent of the evidence itself. This distinction was rejected by the majority in their joint judgment as introducing an illusory distinction between detriment suffered by reason of having given evidence and detriment suffered by reason of the content of the evidence.

While the decision is a welcome clarification of the law about the use of evidence given to commissions of enquiry, it is also a cautionary reminder to all persons who find themselves required to give testimony to a commission of enquiry that the evidence they give may be used in a myriad of ways, some of which to their detriment.

Supreme Court of Victoria e-Litigation Practice Note

On 8 February 2007, the Chief Justice of the Supreme Court of Victoria issued an e-litigation Practice Note: Guidelines for the Use of Technology in any Civil Litigation Matter. The new Practice Note seeks to provide " … guidance to parties and lawyers in the use of technology for the preparation and management of civil litigation in the Court and a court approved framework and default standard for managing both hard copy and electronic documents in a technology environment". Dispute resolution articled clerk, Emma-Jane Clark explains.

The Practice Note applies when one or more of the following are present:

> a substantial portion of the potentially discoverable documents consists of electronic material

> the total number of potentially discoverable documents exceeds one thousand documents;

> there are more than three parties to the proceeding; and

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> the proceedings are multi-jurisdictional or cross border.

The Practice Note includes an extensive definition of a document which includes electronic material. Accordingly, the Note encourages lawyers to establish at an early stage whether their own clients and other parties hold any electronic material which is potentially discoverable.

The use of technology that may lead to the more efficient conduct of litigation and therefore covers all aspects of litigation, from the exchange of documents between parties, communication between parties, making discovery, construction of an electronic court book and electronic trials is also considered.

The Practice Note not only guides parties and practitioners but goes further by providing for the appointment of an e-Master to assist with the implementation of the Practice Note and an e-Litigation Co-ordinator who can be contacted by lawyers for information and assistance.

Compliance with the matters in the Practice Note is not mandatory and at present the parties are still required to file hard copies of court documents with the court. However, the Judge or Master can order a copy of documents be delivered in electronic format. The Court maintains that it is the primary responsibility of the parties to agree upon the use of technology. However, a party may apply for an order in relation to the application of the Practice Note.

The Development appears to reflect the Court's aim of ensuring technology is a tool in the facilitation of justice and not a hurdle to accessing the Court system. The Practice Note refers to the possibility of the Court ordering a party to provide hardware, software or other resources so that an opposing party can access electronic materials.

The Practice Note coupled with the recent introduction of the Crimes (Document Destruction) Act 2006, reflects the increasing requirements placed on participants in commercial life to proactively manage documents, including electronic versions and other electronic information such as metadata which can be electronically stored and transferred.

China gets tough on intellectual property infringement

Tim O'Callaghan

Intellectual property partner, Tim O'Callaghan, and associoate, Leonora Roccisano, observe that the opening of the Chinese market to foreign investment has brought with it reform by the Chinese government of its foreign trade agreements. This reform commenced with China's entry into the World Trade Organisation and importantly for foreign businesses seeking to break into the Chinese market, tightening of its intellectual property laws and processes.

The increased willingness of Chinese Courts to uphold intellectual property rights is reflected in a number of recent trade mark infringement decisions. Such recent decisions include:

Premier League v Xuzhou Xingshi Celebration Service

On 30 December 2006 the Beijing No. 1 Intermediate Peoples Court held that a Chinese sporting events company logo was too similar to that of the Premier League.

The Xingshi Celebration Service Company's trade mark being a lion with a crown and one paw raised with two Chinese characters underneath was registered as a trade mark in 1999 for use by organisations involved in sporting competitions.

The English Football Association sought to register the Premier League's logo, being the lion with a crown with one paw raised above a football and the words "*The FA Premier League*" underneath as a trade mark in 2000 when it entered the Chinese market. It made its application to the Trade Mark Review and Appraisal Board (**TRAB**) under the State Administration Commerce of China. However, this application was initially rejected because of its similarity to the Xingshi trade mark. This decision was appealed in 2001 on the grounds that the Xingshi trade mark imitated that of the English Football Association. This led to the TRAB registering the English Football Association's trade mark on the grounds that it was unique and that there may have been risk of copying by Xingshi Celebration Service Company as the English Football Association's trade mark had been broadcast in China for many years.

The Xingshi Celebration Service Company lodged proceedings against the TRAB and the English Football Association with respect to the registration of the English Football Association's trade mark claiming that it had developed its logo and that the English Football Association could not provide any evidence that the Chinese public had seen the English Football Association's trade mark in China before 1999. The Xuzhou Celebration Service Company failed in these proceedings.

Although in China protection of trade marks is granted based on earlier trade mark registration, making it quite difficult for foreign companies to protect trade marks which are not registered in China, this case shows that it may be possible.

In this matter, copyright was ruled to subsist as regulations for the implementation of the copyright law of the Peoples Republic of China protect original two dimensional designs which have an aesthetic effect. Because the English Football Association's trade mark depicted a lion not in its natural form and it could not be proved that the trade mark was in the public domain (originally an argument used by the Xingshi Celebration Service Company as a bar to establishing trade mark ownership), the trade mark was considered a work of fine art and subject to protection under Chinese copyright laws.

Starbucks Corporation v Shanghai Xing Ba Ke Coffee Shop Co

The Shanghai Municipal Higher Peoples Court recently held that the Shanghai Xing Ba Ke Coffee Shop Co infringed the trade mark of Starbucks and ordered it to change its name and make a public apology to Starbucks. This was in addition to a payment of the equivalent of AUS$83,000 in damages.

In 1996 Starbucks registered "STARBUCKS" as a trade mark in China. This was followed by its registration of the Chinese translation of the word "STARBUCKS" in December 1999. Shanghai Xing Ba Ke Coffee Shop Co had its company name reserved in October 1999. It used this company name and the English word "STARBUCKS" on cards, menu signs and invoices since commencement of trading in March 2000. It had also used a green logo similar to that of Starbucks on its menus, cafe windows, receipts and business cards. Instead of a mermaid, it has a picture of a coffee cup in the circle.

It was ruled that Shanghai Xing Ba Ke Coffee Shop Co had competed illegally by using the name Xing Ba Ke which in Chinese composite of the word, the Chinese character "Xing" means "Star" and the characters "Ba" and "Ke" together sound like the word "bucks". It was ruled that Shanghai Xing Ba Ke had intentionally used Xing Ba Ke in its name and thus infringing the trade mark of Starbucks.

The fact that Starbucks had promoted its trade marks in China through media and publicity and had established by October 2005 more than 200 outlets in 21 cities on the Chinese mainland after having opened its first store in 1999, assisted the court in accepted that its trade marks were known by every household, making them "well known" trade marks in China and eligible for special protection under Chinese trade mark laws.

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The fact that Xing Ba Ke had reserved its company name before Starbucks had registered its Chinese trade mark did not grant it prior rights to the name because it had not reserved its business name in good faith, rather it had done so with a dishonest intention of using the reputation and influence of Starbucks in China. This amounts to unfair competition.

Xing Ba Ke Coffee Shop Co intends to appeal against this decision arguing that it did not know about the existence of Starbucks when they used its trade mark and that the court's judgment is groundless.

Anti-Competitive Conduct: Penalising inadvertent breaches

Dispute resolution associate, Mitch Coidan, comments on amendments to the Trade Practices Act (the Act) introducing tougher penalties for anti-competitive conduct.

The amendments increase the maximum civil penalties for companies that engage in anti-competitive conduct to greater than $10 million or three times the value of the gain from the illegal conduct or, if the gain cannot readily be determined, to 10% of the annual turnover of the entire corporate group. The amendments also provide for criminal sanctions attaching to individuals found guilty of breaches, such as cartel conduct, bid rigging, price fixing and market sharing.

The Australian Competition and Consumer Commission (**ACCC**) has always prosecuted intentional breaches of the Act. However, there is now an increasing trend to prosecute persons who inadvertently breach the Act.

For example, in the matter of the ACCC and the Northern Rivers Gestalt Institute (**Northern Rivers**) the ACCC alleged a director of Northern Rivers emailed the directors of eight other Gestalt Institutes seeking their agreement to collectively increase the prices charged for counselling training by approximately 30%. The ACCC alleged that the actions of the director, although inadvertent and common practice within that market, constituted an attempt to fix, control or maintain the price for training services supplied by Northern Rivers, and was therefore a contravention of the Act. No allegation was made that price fixing agreement had actually been implemented but the attempt was enough to constitute a contravention of the provisions of the Act.

The ACCC accepted court-enforceable undertakings from Northern Rivers that it would, inter alia, not enter into, or attempt to enter into, any agreement with any of its competitors about the prices to be charged for the provision of counselling and training services and would agree to the implementation of a trade practices compliance program.

Although compliance programs are not mandatory, if a breach of the Act occurs, the existence of an effective program is likely to be considered favourably by the courts or the ACCC when determining penalties.

Litigation Funding Regulation: Agreement in principle from state attorneys-general

Anne Freeman

Following the High Court's approval of litigation funding in last year's decision of *Campbells Cash and Carry v Fostif* (reported in the October 2006 ebulletin), the question of the regulation of litigation funders was placed firmly on the law reform agenda.

Dispute resolution partner, Anne Freeman, provides an update.

In November 2005, the Standing Committee of Attorneys General (**SCAG**) agreed to engage in consultation about the regulation of the growing litigation funding industry. Its discussion paper, released in May 2006, proved most timely, given the High Court's endorsement of the role of litigation funding in *Fostif*, a decision handed down on 30 August 2006.

Further impetus for regulation was provided by two recent events: the first being another decision of the High Court, in *Sons of Gwalia* (reported in February 2007 e-bulletin) and the second being an agreement also in February of this year between the West Australian Government and litigation funder, IMF (Australia) in relation to claims by elderly investors against the WA Government, alleging negligence of the WA Finance Brokers' Supervisory Board in the supervision of mortgage brokers.

In late 2006, the WA State Government had refused to settle the action on the basis that IMF's commission was too high. The action ultimately resolved when IMF agreed to a 60% reduction in its entitlements. IMF had already reduced its fee of 35% to 22.5% before this agreement. The West Australian Attorney-General used the settlement to emphasise the need for regulation of the litigation funding industry.

An in principle agreement has been reached by the state attorneys-general to introduce regulation of litigation funding and SCAG is expected to meet in April to discuss legislative options for such regulation.

eBay Success in Resale of Ticket Case

Dispute resolution associate, Amanda Lazarou, explains the recent Federal Court decision of *eBay International v Creative Festival Entertainment* in which the organisers of The Big Day Out attempted to restrict the sale of tickets to the event on online market or auction sites.

Creative, the organisers of The Big Day Out printed a condition on the back of tickets which cancelled the ticket if it were resold for profit and prohibited ticket resale through online auctions. eBay sought a declaration and injunction from the Federal Court on the basis of general contractual law principles of incorporation and misleading and deceptive conduct.

The general principle for the incorporation of terms and conditions into a contract is that the issuer of the contract cannot rely on any terms and conditions contained therein unless, at the time of the contract, it did all that was reasonably necessary to bring the terms to the other party's attention. It is too late to incorporate additional or different terms after the contract has already been entered into, and the bargain concluded.

It was common ground that the conditions on the back of the tickets were not the same as the conditions on the various online sales sites.

eBay argued that a person purchasing tickets to The Big Day Out through the websites would assume, and would be entitled to assume, that the conditions on the site were the same as those printed on the tickets.

Creative argued that the new condition was simply a restatement of the old condition in substantially the same terms. However, the old condition contained an election, on Creative's part, to cancel the ticket. The new condition, on the other hand, operated irrespective of any election. On that basis, the new and old conditions could not be said to be substantially the same and Creative's argument failed.

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When purchasers used the Ticketmaster website, they were asked to accept Ticketmaster's terms and conditions, which noted that the tickets were sold subject to the promoter's conditions of sale. However, the promoters' terms and conditions were not available until after purchase of the ticket. In addition, the new condition was not brought to the purchaser's attention until after the purchase had been completed and the tickets received.

eBay argued that the contract was concluded when confirmation of purchase was received, whereas Creative argued that the contact was not concluded until after the actual tickets had been received and the customer could read the new condition and make a decision as to whether they wanted to accept the ticket. However, Ticketmaster's own conditions of sale precluded a refund after tickets had already been received.

Justice Rares concluded that purchasers would not adopt Creative's construction. If Creative wished to rely on the new condition, it had to do all things necessary to bring those conditions to the attention of the purchaser and that had not occurred.

Justice Rares also found that Creative had engaged in misleading and deceptive conduct as it had no mechanism to enforce the automatic nature of the new condition.

Given Justice Rares' findings, he granted the injunction and declaration, but stopped short of ordering Creative issue corrective advertising. The Court did not want to be seen to be endorsing scalping as an acceptable practice.

Principles of Calderbank letters and Offers of Compromise

Tom Griffith

The recent Supreme Court of New South Wales case of *Crump and Others v Equine Nutrition Systems* is a timely reminder of the principles surrounding Calderbank letters and "without prejudice" Offers of Compromise. Dispute resolution senior associate, Tom Griffith, explains.

The principles are designed to encourage the early settlement of disputes by imposing costs penalties on parties who unreasonably refuse to consent to settlement proposals.

The principles, briefly stated, are:

> The usual rule in litigation is that the successful party is entitled to its costs, unless some other circumstance is identified, that should lead to another result.

> One such circumstance is where an Offer of Compromise has been made pursuant to the Court Rules which is not accepted and the Offeror obtains a result which is not more favourable than the terms of the Offer. In those circumstances, there is a presumption under the Court Rules that the Offeror (whether the successful party or not) is entitled to indemnity costs from the date of the making of the Offer.

> Offers of Compromise are governed by the Court Rules of the applicable jurisdiction (slightly different in each of the State and Federal jurisdiction) which dictate such matters as the form an Offer must take and how long it must remain open.

> The presumption applies in respect of a successful Offeror's costs unless exceptional circumstances are identified by the Offeree as to why it was reasonable for it not to accept the Offer.

> Another way of attempting to resolve litigation is through the use of "Calderbank letters". A Calderbank letter is a "without prejudice" letter offering to resolve a dispute on a compromise basis without prejudice to that party's rights in the litigation in the event that the offer is not accepted. In order to create a presumption of an entitlement to indemnity costs in the event the offer in the Calderbank letter is rejected and the recipient subsequently does not achieve a better result in the litigation:

> > the offer must contain a real compromise;

> > it must be shown that rejection of the offer was unreasonable;

> > the offer must remain open for acceptance for a reasonable amount of time in order to allow the offeree to consider the terms of the offer;

> > the offer must explicitly state that in the event it is rejected and the Offeror achieves an equal or better result in the litigation indemnity costs will be pursued.

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