

ON APPEAL FROM THE FULL COURT OF THE FEDERAL COURT OF AUSTRALIA

BETWEEN: ARISTOCRAT TECHNOLOGIES AUSTRALIA PTY LTD
(ACN 001 660 715)
First Appellant/Applicant

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ARISTOCRAT INTERNATIONAL PTY LTD
(ACN 000 148 158)
Second Appellant/Applicant

ARISTOCRAT TECHNOLOGIES INC
Third Appellant/Applicant

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and

GLOBAL GAMING SUPPLIES PTY LTD
(ACN 008 548 589)
First Respondent

ANTHONY EDWARD ANDREWS
Second Respondent

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IMPACT GAMING PTY LTD
(ACN 109 299 461)
Third Respondent

FRANCIS GEORGE BERNARD CRAGEN
Fourth Respondent

APPELLANTS/APPLICANTS' SUBMISSIONS

Part I: Suitable for publication

1. The appellants/applicants certify that this submission is in a form suitable for publication on the internet.

Part II: Issues presented by the appeal and application

2. Whether having regard to the concurrent findings of fact made by the primary judge and the Full Court, the administration of justice warrants a grant of special leave and an upholding of the appeal?
3. Is it legitimate to apply s. 97 of the *Evidence Act, 1995* (Cth) to evidence of a person's awareness or state of mind about that person's own business activities where the issue is the person's knowledge or reason to believe under s. 38 of the *Copyright Act, 1968* (Cth) or participation in a common design in respect of later business activities?

Part III: Judiciary Act 1903

4. The appellants/applicants have considered whether any notice should be given in compliance with s 78B of the *Judiciary Act 1903* (Cth). In their view this is not necessary.

Part IV: Citations

5. The reasons for the judgment of the trial judge are published as *Aristocrat Technologies Pty Ltd v Global Gaming Supplies Pty Ltd* (2009) 84 IPR 222 [2009] FCA 1495 (paragraphs of which are referred to herein as **PJ[]**). The reasons for the supplementary judgment of the trial in relation to costs and relief are published as *Aristocrat Technologies Pty Ltd v Global Gaming Supplies Pty Ltd* [2010] FCA 277 (paragraphs of which are referred to herein as **SPJ[]**).
6. The reasons for the judgment of the Full Court are published as *Allam v Aristocrat Technologies Australia Pty Ltd; Global Gaming Supplies Pty Ltd v Aristocrat Technologies Pty Ltd* (2012) 95 IPR 242; [2012] FCAFC 34 (paragraphs of which are referred to herein as **AJ[]**).
7. The reasons for the supplementary judgment of the Full Court are published as *Allam v Aristocrat Technologies Australia Pty Ltd (No. 2)* [2012] FCAFC 75 (paragraphs of which are referred to herein as **SAJ[]**).

Part V: Relevant facts

8. The appellants/applicants (together **Aristocrat**) are engaged in the business of manufacturing and selling electronic gaming machines (AJ[7], [8]). A gaming machine incorporates computers which play a game of chance based on odds of winning according to computer programs (**game software**). The computer programs comprising the game software are literary works in which copyright subsists. Those computer programs are stored on sets of removable memory chips

called Erasable Programmable Read Only Memory chips or EPROMS which are installed inside the gaming machine. The games are viewed on a video screen which simulates the spinning reels of mechanical gaming machines (AJ[13]).

9. Aristocrat gaming machines come in different versions, the "Mark V" and "Mark VI" versions being relevant to the proceedings (AJ[17]; PJ[114]). Each Aristocrat gaming machine is supplied with the game software for a particular Aristocrat game (eg "Wildcard") installed in the machine (AJ[217]; PJ[115]). Copyright subsists in each of the computer programs comprised in the game software for each of the Aristocrat Mark V and Mark VI games and it is owned by the first applicant (**ATA**).
10 Those matters were not disputed (AJ[21], [11]; PJ[116]).
10. In order to comply with Australian state and territory regulatory requirements, a gaming machine must have a **compliance plate** affixed to it which bears a **unique serial number**, the registration details of which identify the specific machine and the game installed on that machine. For example, in NSW Aristocrat gaming machine serial numbers start with the prefix XAW followed by a six digit number (PJ[18]-[19]; [125]-[128]). The appearance on a gaming machine of such a serial number represents it as an Aristocrat gaming machine that has been genuinely manufactured and contains game software which has been reproduced with the authority of the owner of the copyright in that game software (AJ[38]; [131] last sentence; [169] first two sentences).
11. Regulatory authorities in certain overseas countries such as Latin American countries require demonstration that a gaming machine has a unique serial number to confirm that they are genuine machines ([PJ[133] last sentence).
12. Between 1999 and 1 October 2004, the first respondent in S168 (the second respondent in S169) (**Global**) carried on the business of selling second-hand gaming machines to overseas markets and in particular to Latin America. Its sole director and shareholder was the second respondent in S168 (the third respondent in S169) (**Andrews**) (AJ[23]-[25]).
13. From 1 October 2004, Global and the third respondent in S168 (the fourth respondent in S169) (**Impact**) carried on the same business pursuant to a joint venture. The sole director and shareholder of Impact was the fourth respondent in S168 (the fifth respondent in S169) (**Cragen**) (AJ[5], [24]-[25]).
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14. Mr Riad Allam, the first respondent in S169 (**Allam**), provided gaming machine refurbishment services to Global, and upon its commencement, to the joint venture. Upon the incorporation of Tonita Enterprises Pty Limited, the sixth respondent in S169 (**Tonita**) on 14 July 2006, such services were provided to the joint venture by that entity (AJ[27]-[29], [32]). Global managed the refurbishment of gaming machines by Allam and later Tonita for the joint venture and both Impact and Global sourced gaming machines and sales for the joint venture (AJ[33]).

15. There was a dispute at trial as to the nature of the joint venture and its date of commencement. On the basis of the facts proved by an email chain on 12 and 15 November 2004 parties to which included Andrews and Cragen, the primary judge found that the joint venture commenced on 1 October 2004 (AJ[25]; PJ[764]-[765]). The relevant email chain is referred to at AJ[219]-[220] and PJ[278]-[282]; [331]-[334]; [744]-[756] and [869]. That finding was not challenged on appeal (AJ[5]). When first tendered, that email chain was admitted against Global and Andrews (together **the Global Parties**) as well as against Impact and Cragen (together **the Impact Parties**) (PJ[280]). The Full Court confirmed that those emails, along with other emails, were available to be used by the primary judge to establish “the nature and existence of the joint venture and the witnesses’ credit” (AJ[181]).
16. The primary judge found that the 12 to 15 November 2004 email chain evidenced an offer by Global and Impact through both Andrews and Cragen to supply gaming machines described as “Aristocrat” machines with compliance plates with fake serial numbers for a customer of the Global Impact joint venture. In so doing the primary judge rejected on credit grounds the evidence of Andrews and Cragen which attempted to provide an innocent explanation of those emails (PJ[281], [282], [331]-[334]; AJ[74], [78], [81], [82]). The Full Court did not disturb those findings.
17. At trial, and on appeal, Aristocrat alleged that prior to the commencement of the joint venture on 1 October 2004, by reason of s. 38 of the *Copyright Act, 1968* (**the Act**) Global had infringed ATA’s copyright in computer programs constituting Aristocrat game software by selling in Australia, without ATA’s licence, articles, namely gaming machines, where Global “*knew, or ought reasonably to have known, the making of the article constituted an infringement of copyright*”. That section has two broad elements. The first is a “dealing element” namely that the person must in Australia deal in an article the making of which in fact infringes another’s copyright. The second is a “knowledge” element, namely that the dealer knew or ought to have known that the making of the article infringed copyright.
18. The allegation was that in three transactions prior to the commencement of the joint venture (referred to in the judgments as DN (duplicate number) transaction no. 13 on 17 July 2002, transaction no. 20 on 9 June 2003 and transaction no. 28 on 4 November 2003) Global sold a total of 18 gaming machines identified in its invoices as “Aristocrat” gaming machines each with a specified “unique” serial number, in circumstances where Global’s own records demonstrated that it had in fact already sold Aristocrat gaming machines with those serial numbers to another person on a prior occasion. The allegation was that the later “duplicate number” (**DN**) transactions were sales of machines with unauthorised copies of Aristocrat computer programs, because Global had already sold the genuine authorised copies in earlier transactions (AJ[266]).
19. Aristocrat also alleged that in two transactions after the commencement of the joint venture (referred to in the judgments as DN transaction no. 46 on 14 June 2005

and transaction no. 51 on 30 August 2005), Global and Impact as joint venturers infringed ATA's copyright pursuant to s. 38 of the Act by selling a total of 24 gaming machines identified in its invoices as Aristocrat gaming machines each with a specified "unique" serial number, in circumstances where the joint venture's own records demonstrated that it had already sold Aristocrat gaming machines with those "duplicate" serial numbers to another person on a prior occasion (AJ[266]).

- 10 20. Aristocrat also alleged that in four transactions (referred to in the judgments as MC (or Machines in Clubs) transaction no. 34 on 5 October 2004, transaction no. 36 on 4 January 2005, transaction no. 48 on 12 July 2005 and transaction no. 54 on 20 February 2005) Global and Impact as joint venturers infringed ATA's copyright pursuant to s. 38 of the Act by selling a total of 16 gaming machines identified in its invoices as Aristocrat gaming machines each with a specified "unique" serial number, in circumstances where a witness called by Aristocrat, Ms Oldfield, had identified each of those serial numbers on genuine Aristocrat gaming machines located in NSW clubs. The allegation was that the sale by the joint venturers of those gaming machines were sales of machines with unauthorised copies of Aristocrat computer programs, because the genuine machines with those matching serial numbers were already located in NSW clubs (the machines in clubs or **MC** transactions) (AJ[308]).
- 20 21. The above described nine transactions are referred to hereafter as **the Impugned Transactions**.
22. Aristocrat alleged that each of Andrews and Cragen was a joint tortfeasor in the abovementioned infringing conduct of their respective companies in respect of the Impugned Transactions. Aristocrat also alleged that Allam was a joint tortfeasor in that infringing conduct of those companies in respect of the Impugned Transactions.
- 30 23. The Global and Impact Parties, supported by Allam (AJ[300]), contested those allegations. In particular, Andrews gave evidence seeking to explain each of the Impugned Transactions as part of a positive case advanced by Global and Impact that they had only ever supplied genuine Aristocrat machines with genuine game software (AJ[260]; PJ[29], [636]). That case was sought to be supported by the evidence of Cragen (PJ[656]). It was also sought to be supported by the evidence of Allam who denied any involvement in copyright infringing activities (PJ[30], [668]) and against whom the documents supporting the Impugned Transactions were admitted when first tendered.
- 40 24. None of the explanations suggested that the impugned DN transactions or the impugned MC transactions, were not transactions for the sale of gaming machines with game software which functioned as Aristocrat game software (AJ[121] last sentence; [169]). Rather, the Global and Impact Parties, supported by Allam, sought to suggest primarily by reference to Andrew's and Cragen's evidence that in

fact there had not been a sale of machines with duplicate numbers twice (eg AJ[267]) or that the machines in the clubs were not proven to be the genuine machines. Hence, the issue was not whether the DN transactions or the MC transactions were the sale of gaming machines which reproduced Aristocrat's gaming software (and hence computer programs), but whether the reproductions in those machines were made with the licence of the copyright owner (AJ[169]).

- 10 25. The primary judge upheld Aristocrat's allegations that the DN and MC transactions represented sales of machines with unauthorised copies of Aristocrat computer programs. The Full Court upheld those findings of his Honour (AJ[121] last sentence; [248], [307],[353]-[362], [437]). Those findings established the "dealing element" of the section 38 infringement allegations. The findings in relation to that aspect of each of the Impugned Transactions were as follows.

Impugned Pre-Joint Venture Transactions by Global

- 20 26. DN transaction no. 13 on 17 July 2002 by Global: Global Invoice 363 dated 17 July 2002 to Altagracia included 10 "Aristocrat" gaming machines identified by serial numbers, when Aristocrat machines with the same serial numbers had already been sold by Global to Play King SA pursuant to Invoice 360 dated 14 July 2002 (AJ[270], [272]). Andrews' explanation was that the 17 July 2002 transaction did not proceed (AJ[271]; PJ[860],[862]).
- 20 27. DN transaction no. 20 on 9 June 2003 by Global: Global Invoice 585 dated 9 June 2003 to Alexis Ophthalmic Services included 4 "Aristocrat" gaming machines identified by serial numbers, when Aristocrat machines with the same serial numbers were also sold by Global pursuant to three different invoices numbered 770 (AJ[274]-[281]). Andrews' explanation was that the 9 June 2003 transaction did not proceed (AJ[275]; PJ[861]).
- 30 28. DN transaction no. 28 on 4 November 2003 by Global: Global Invoice 770 dated 4 November 2003 to Faberio S de RL de CV included 4 "Aristocrat" gaming machines identified by serial numbers, when Aristocrat machines with the same serial numbers were also sold by Global pursuant to Invoice 585 dated 9 June 2003 and two other invoices numbered 770 (AJ[274]-[281]). Andrews' explanation was that the 4 November 2003 transaction did not proceed (AJ[276], [278]; PJ[861]).
29. In respect of each of the three foregoing DN transactions, the primary judge rejected Andrews' explanation on grounds including credit (AJ[281], [291], [301]; PJ[863], [864], [868]). Furthermore, in rejecting Andrews' explanations for the transactions, the primary judge found that the more probable explanation was that Andrews had selected the fake serial numbers and, further, had done so because he knew or believed that those fake serial numbers would be likely to pass any

inspection undertaken by regulatory authorities in the importing country to check that they were genuine machines (AJ[273], [291]; PJ[869]). Andrews did not give evidence to the effect that he did not appreciate that the numbers were duplicate numbers of previous Global transactions or that the machines did not contain copies of Aristocrat software. His only explanation was that the transactions did not occur. The Full Court upheld the primary judge's findings including the finding that the more probable explanation was that Andrews had selected the fake serial numbers and had done so for the reason indicated by the primary judge (AJ[301],[305]).

- 10 30. The Full Court also rejected the respondents' submission that because these 3 DN transactions occurred before the commencement of the joint venture between Global and Impact, they could not be maintained against the Global Parties (AJ[295], [302]).

Impugned Post-Joint Venture Transactions by Global/Impact

- 20 31. MC transaction no. 34 on 5 October 2004 by Global/Impact: Global Invoice 1045 dated 5 October 2004 to Luis Miguel Naveda Cruzado in Peru included 5 "Aristocrat" gaming machines identified by serial numbers, when the genuine Aristocrat machines with the same serial numbers were observed on 23 October 2007 by Ms Oldfield in clubs in Sydney (AJ[309], [310]; PJ[840], [843], [844]). The primary judge accepted the reliability of Ms Oldfield's evidence and the Full Court rejected the respondents' challenge to those findings (AJ[332]-[337]). Andrews' explanation for the transaction was that the serial numbers in that invoice were incorrectly recorded (AJ[345]). The primary judge did not accept that explanation and the Full Court rejected the respondents' submission that the explanation should have been accepted (AJ[342]-[345], [348]-[350], [353], [354]).
- 30 32. MC transaction no. 36 on 4 January 2005 by Global/Impact: Global Invoice 1155 dated 4 January 2005 to Cathay Entretenimientos SAC in Peru included 2 "Aristocrat" gaming machines identified by serial numbers, when the genuine Aristocrat machines with the same serial numbers were observed on 23 October 2007 by Ms Oldfield in clubs in Sydney (AJ[311], [312], [332]-[337]; PJ[848], [849]). Andrews' explanation was that the serial numbers in that invoice were incorrectly recorded (AJ[346]). The primary judge did not accept that explanation and the Full Court rejected the respondents' submission that the explanation should have been accepted (AJ[346]-[353]).
33. MC transaction no. 54 on 20 February 2005 by Global/Impact: Impact Invoice 1201 dated 20 February 2005 to Reel Games in Florida included 4 "Aristocrat" gaming machines identified by serial numbers, when the genuine Aristocrat machines with the same serial numbers were observed on 28 August 2007 and 23 October 2007

by Ms Oldfield in hotels and clubs in Sydney (AJ[315], [316], [332]-[337]; PJ[848], [849]). Andrews' explanation was that the machines in that invoice were reimported into Australia and sold to local clubs (AJ[317]) and that one of the machine numbers was incorrectly recorded (AJ[361]). The primary judge did not accept that explanation and the Full Court rejected the respondents' submission that the explanation should have been accepted, in particular because there was no evidence that the machines were ever resold locally (AJ[318]-[323], [361], [362]).

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34. DN transaction no. 46 on 14 June 2005 by Global/Impact: Global Invoice 5 dated 14 June 2005 to Casino & Gaming Supplies in Peru included 18 "Aristocrat" gaming machines identified by serial numbers, when Aristocrat machines with the same serial numbers had already been sold by Global/Impact to Willy Kwak pursuant to Invoice 1158 dated 4 January 2005 (AJ[283], [285]). Andrews' explanation was that the 14 June 2005 transaction did not proceed (AJ[284]; PJ[861]). The primary judge rejected that explanation (AJ[286]; PJ[866]).
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35. MC transaction no. 48 on 12 July 2005 by Global/Impact: Impact Invoice 48 dated 12 July 2005 to Princess Entertainment in Belize included 5 "Aristocrat" gaming machines identified by serial numbers, when the genuine Aristocrat machines with the same serial numbers were observed on 9 November 2007 by Ms Oldfield in clubs in Sydney (AJ[313], [314]; PJ[848], [849]). Andrews gave no explanation in relation to this transaction but Global/Impact submitted that there was evidence that the machines had been reimported into Australia (AJ[355]). The Full Court confirmed the rejection of that submission (AJ[356]-[362]).
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36. DN transaction no. 51 on 30 August 2005 by Global/Impact: Global Invoice 050830 dated 30 August 2005 to Mak's International included 7 "Aristocrat" gaming machines identified by serial numbers, when Aristocrat machines with the same serial numbers had already been sold by Global to Choy Espectaculos pursuant to Invoice 050505 dated 5 May 2005 (AJ[287], [289]). Andrews' evidence confirmed that Invoice 050830 was a final invoice but it was submitted that the machines must have been substituted for other machines at the last minute (AJ[288], [290]). The primary judge rejected that explanation (AJ[290]; PJ[871], [872]).
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37. In respect of each of the two post-venture DN transactions, as he had done with the pre-joint venture DN transactions, the primary judge rejected Andrews' explanation on grounds including credit (AJ[281], [291], [301]; PJ[866], [868]) and found that the duplicated serial numbers had been selected by Andrews and for the reason that he knew that those numbers would pass an inspection (AJ[291]; PJ[869]). Again Andrews did not give evidence to the effect that he did not appreciate that the numbers were duplicate numbers of previous Global transactions or that the machines did not contain copies of Aristocrat software. His only explanation was that the transactions did not occur. The Full Court upheld the primary judge's findings in relation to these transactions including the finding as to Andrews'

selection of the fake serial numbers and the reason why Andrews selected them (AJ[301],[305], [307]).

Finding That Fake Serial Numbers Inferred Infringing Software

- 10 38. The primary judge noted that the relevant gaming machines sold with fake serial numbers were not in evidence and that whether those machines contained copyright infringing components, and in particular copyright infringing game software could only be a matter of inference (PJ[7], [822], [823], [897]). In particular his Honour recorded: *“Instead, the case was built upon discrepancies in the serial numbers affixed to the gaming machines sold by the respondents, as identified in their business records and invoices”* (PJ[823]). The Full Court similarly, at least in relation to the DN transactions recorded: *“The Aristocrat parties invited the Court to infer that these transactions represented dealings made in infringement of s 38 of the Copyright Act”* (AJ[266]).
39. The primary judge found that there would be little point in having fake serial numbers for gaming machines containing genuine Aristocrat software and therefore concluded that the gaming machines the subject of an infringing transaction included an unauthorised copy of Aristocrat game software (PJ[897]).
- 20 40. The Full Court confirmed that, in circumstances where the real issue was whether the DN transactions and MC transactions could be otherwise explained, it was open to the primary judge to conclude that the game software in each of the impugned transactions was a reproduction of Aristocrat game software (AJ[169] last three sentences). In relation to both the DN transactions and the MC transactions, the Full Court accepted that the reasonable inference is that there would be no point in using fake serial numbers in those impugned transactions if the game software installed on the machines was genuine in the sense of authorised reproductions of Aristocrat software (AJ[131] last sentence). That reflected the primary judge’s finding at PJ[897].

Primary Judge’s Section 38 and Joint Tortfeasor Findings

- 30 41. The primary judge found that each of the DN and MC transactions was an “infringing transaction” by Global in relation to the pre-joint venture transactions, and by Global and Impact in relation to the joint venture transactions (PJ[898], [902]), and awarded damages on that basis (PJ[899]-[901]; AJ[104]). Although the primary judge had earlier noted that Aristocrat claimed that the transactions were s. 38 dealings with infringing copies of ATA’s works with “knowledge or constructive knowledge of the infringements” (PJ[41]), his Honour did not specifically refer to that section or satisfaction of the knowledge element of the section in making findings but clearly enough found that element was satisfied. The primary judge also found that each of Andrews and Cragen was jointly and severally liable for those dealing damages (PJ[905]; AJ[106]). The primary judge also found that

Allam was liable in respect of each of the impugned transactions because of his knowing involvement in supplying infringing components for the purposes of the transactions (PJ[903]).

Full Court Findings on Section 38

- 10 42. The Full Court held that the primary judge erred in finding that Aristocrat had established what the Full Court described as the “knowledge” requirement of s 38” (AJ[171] penultimate sentence; [246], [247] and [248]). Accordingly the Full Court allowed the appeals, set aside the findings of infringement under s. 38 and the damages awards against each of the Global and Impact Parties, and as a consequence, the damages award against each of Andrews and Cragen and against Allam insofar as it related to his involvement in those transactions.
43. The Full Court found that the primary judge’s findings in relation to “five essential propositions” underlay the dealing findings in relation to the DN and MC transactions (AJ[84]-[85], [120]).
- 20 44. The first “essential” proposition was the finding that Allam burned Aristocrat game software onto blank EPROMs (PJ[718]; AJ[123]). The Full Court held that this finding, based as it was on physical evidence seized pursuant to pre-trial *Anton Piller* orders from the premises of Allam and Global, and on the trial judge’s credit findings in relation to relevant witnesses, did not involve error and was upheld (AJ[127]-[128]). The Full Court also upheld the primary judge’s finding of Allam’s knowing involvement in the impugned DN and MC transactions (AJ[130]-[132]). The Full Court concluded that *“the totality of the circumstances justify the conclusion that, in relation to [the impugned] transactions, the impugned gaming machines contained Aristocrat game software that had been reproduced by the Allam parties, specifically Mr Allam”* (AJ[133]).
- 30 45. The second “essential” proposition was that the Allam parties manufactured fake Aristocrat compliance plates for use in export to overseas markets (PJ[719]; AJ[138]). The Full Court upheld the finding that Allam had manufactured fake (in the sense of non-genuine) Aristocrat compliance plates (AJ[155]). However, the Full Court upheld only two instances of infringement of copyright in the pleaded Aristocrat drawing (AJ[165]-[167]).
46. The third, fourth and fifth “essential” propositions were respectively that Andrews and Cragen were aware that Allam was burning Aristocrat game software onto blank EPROMS, that Andrews and Cragen were aware that Allam was manufacturing fake compliance plates and that Global and Impact had sent gaming machine artwork to South America for copying (PJ[720]-[722]; AJ[170]).
47. The Full Court held that the primary judge had erred in the use made by his Honour of six email chains (**the Emails**) admitted in evidence against the Global and

10 Impact Parties insofar as the emails were essential to “*connect the particularised infringing transactions with the joint venture*” (AJ[241]), that the primary judge had used the Emails to conclude that the Global and Impact Parties had demonstrated a tendency to engage in infringing transactions (AJ[244]) and this was not a permissible course because the Emails had not been tendered as tendency evidence pursuant to s. 97 of the *Evidence Act, 1995* in conformity with the requirements of that provision (AJ[244], [245]). The notices of appeal before the Full Court did not include as a ground that the primary judge had made use of the Emails contrary to s. 97 of the Evidence Act. That issue was raised *arguendo* by the Full Court. The Full Court accepted that was so but was of the view that it was sufficiently ventilated (SAJ[31]).

48. The Full Court rejected submissions made by Aristocrat subsequent to publication of the Full Court’s reasons to the effect that those reasons in truth dictated an upholding of the primary judge’s findings on the dealing and joint tortfeasor infringements by the Global and Impact Parties and Allam and that the s. 97 tendency evidence finding was in error (SAJ[33]-[34], [44]).

Allam and Tonita

20 49. Although the Full Court upheld the primary judge’s finding that each of the Impugned Transactions involved gaming machines with software reproduced by the Allam parties (AJ[133]), because the joint tortfeasor claim against him depended on section 38 infringements being established against Global and Impact, the Full Court’s findings that Global and Impact had not infringed section 38 meant that the dependent claim against Allam failed. The Full Court also found that only two of the Impugned Transactions had been properly particularised against Allam, namely MC transaction 48 and DN transaction 51 (see AJ[299], [331]).

50. Aristocrat only pursues the appeal and application against Allam in respect of those two transactions. No claim is further pursued against Tonita.

Matters already remitted to primary judge

30 51. The Full Court remitted certain issues to the primary judge (AJ[444]; SAJ[27]), including the question of what, if any, declaratory or injunctive relief should be granted against Allam in relation to copyright infringement arising under s 36 of the *Copyright Act 1968* (Cth) and the determination of the trade mark infringement claim as against all of the respondents.

Damages and Declaratory and Injunctive Relief

52. The Full Court overturned the primary judge’s finding that Aristocrat was entitled to compensatory damages assuming infringing conduct (AJ[388]) and found that Aristocrat would only have been entitled to nominal compensatory damages (AJ[389]). However, the primary judge also made findings of additional damages

(PJ[906]-[915], AJ[107]) and the Full Court rejected the challenge to the additional damages finding (AJ[403], [414]).

53. Aristocrat does not further pursue compensatory damages. If successful in this appeal, the award of additional damages would need to be reassessed by the Full Court or referred to the primary judge to be dealt with along with other remitted matters.

10 54. The primary judge declined to award declaratory or injunctive relief in respect of the Impugned Transactions conduct (SPJ[21], [22]). The Full Court found that that issue was otiose in the light of its findings in relation to the section 38 claim but indicated that it would have been inclined to the view that declarations and injunctions should be made at least with respect to the infringement of copyright in the Aristocrat game software involved in the Impugned Transactions found to be established (AJ[437]). If successful in this appeal, the issue of consequential injunctive and declaratory relief would need to be remitted to the Full Court or to the primary judge to be dealt with at the time other remitted matters are to be dealt with.

Section 136 of the Evidence Act, 1995 (Cth)

20 55. The Full Court levelled criticism at an interlocutory discretionary decision of the primary judge to admit against all respondents certain evidence which had been previously admitted against only some respondents and limited pursuant to section 136 of the *Evidence Act, 1995 (Cth)* to use against only those respondents (AJ[232]-[239]). To the extent that the Full Court overturned that decision (and it is not clear that it in fact did so), it did not bear on its conclusion that the knowledge element of section 38 had not been satisfied. That conclusion was informed by what the Full Court found was the inappropriate use of certain emails, the relevant ones of which were admitted against the Global and Impact Parties in the first instance in any event (for example, as recognised by the Full Court at AJ[241]). Hence, the section 136 issue was not material to the Full Court's ultimate decision.

Part VI: Argument

30 56. Section 38(1) of the Copyright Act relevantly provides that "... *the copyright in a literary work ... is infringed by a person who, in Australia, and without the licence of the owner of the copyright: (a) sells ... an article ... if the person knew, or ought reasonably to have known, that the making of the article constituted an infringement of the copyright ...*".

57. The concurrent factual findings of the primary judge and the Full Court are that three of the Impugned Transactions involved a sale in Australia by Global pre-joint venture, and that six of the Impugned Transactions involved a sale in Australia by

Global and Impact post-joint venture, of "articles" being gaming machines the making of which constituted an infringement of ATA's copyright insofar as they included unauthorised copies of Aristocrat game software being literary works constituted by computer programs the copyright in which is owned by ATA.

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58. The concurrent factual findings are that the only explanations of the Impugned Transactions as innocent transactions were explanations put forward by Andrews and Cragen, and also Allam, that were correctly rejected on grounds including credit grounds. The concurrent factual findings are that the rejection of those explanations on credit grounds properly took into account the content of the Emails and the evidence given in relation to them.
59. The concurrent factual finding of the primary judge and the Full Court is that there would be no reason to use fake serial numbers in selling gaming machines described as "Aristocrat" gaming machines other than that the machines were not genuine Aristocrat machines (PJ[897]; AJ[131] last sentence).
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60. The concurrent factual findings are that the more probable explanation for the use of the fake serial numbers in the Impugned Transactions is that they were selected by Andrews. It must follow that he knew that he was selecting them. An additional aspect of that concurrent finding is that he did so because he knew or believed that those fake serial numbers would pass any inspection undertaken by regulatory authorities in the importing country to check that they were genuine machines (AJ[273], [291]; PJ[869]).
61. The concurrent findings that there were fake serial numbers, that there would be no reason to select fake serial numbers unless the machines being sold were not genuine and that Andrews selected the fake serial numbers, inevitably and inexorably warrant a conclusion that the articles were infringing and that Global and Global/Impact, in each case by Andrews at least, knew or ought to have known that the articles were infringing.
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62. It is unsurprising that the primary judge made no specific reference to the "knowledge element" of section 38 after he found the Impugned Transactions involved infringing articles because those findings necessarily involved rejection of Andrews' (and Cragen's) explanations the effect of which was that Andrews had selected what in fact were fake serial numbers, and there was no reason to do that unless the machines were not genuine. That is to say, those findings inexorably satisfied both the dealing and knowledge elements of section 38.

63. Those concurrent factual findings ought have led the Full Court to uphold the primary judge's findings of copyright infringement pursuant to section 38 including his Honour's implicit finding in relation to the "knowledge element" of that section.
64. The Full Court's conclusion that the Emails were important was correct in part. They were important and available to be used in resolving credit issues. They were important and available to be used in finding that Andrews selected the fake serial numbers. Although not essential to the present argument, they were also available to be used to make findings as to the reason why Andrews selected the fake serial numbers.
- 10 65. The Full Court erred in concluding that the primary judge had misused the Emails to support a conclusion of "tendency" to find the "knowledge element" of section 38 was satisfied.
66. First, there is nothing in the primary judge's reasoning which reflects any such approach. On the contrary, having determined that each of the Impugned Transactions involved infringing articles applying the same logic that appealed to the Full Court, and in the course of so doing having rejected on grounds including credit grounds the purported innocent explanations for the transactions, the primary judge proceeded directly to make findings of infringement. Nothing was said explicitly at that point in the primary judge's reasons in respect of the knowledge element (see PJ[879]-[915]). It may reasonably be inferred that in light of the matters referred to above, the knowledge element was inexorably satisfied.
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67. Secondly, at AJ[241] the Full Court reasoned: *"The primary judge necessarily had to connect the particularised infringing transactions with the joint venture. The only way that he could have made this connection was to draw the inference from the contents of the emails that the respondents had the tendency to act in a particular way, that is, engage in the alleged transactions"*. Similarly, the Full Court found at AJ[245]: *"The error the primary judge made was to treat the chain of emails as being able to prove the particularised infringing transactions, and to use the contents of the emails to demonstrate the connection with the particularised infringing transactions with the joint activity. Without the chain of emails, the primary judge could not have found such connection to the infringements as alleged"*.
- 30
68. That reasoning overlooks the fact that three of the Impugned Transactions preceded the joint venture, as the Full Court itself expressly recognised in rejecting an appeal ground that the case was limited to joint venture transactions only (see

AJ[295], [302] referred to above). The primary judge expressly appreciated that three of the Impugned Transactions were pre joint venture (PJ[902]).

69. Moreover, the Emails were not needed to “connect” the Impugned Transactions with the joint venture. The joint venture’s own invoices made that connection, once the factual finding was made as to the date of commencement of the joint venture.

70. Thirdly, at AJ[244] the Full Court said: “... *the evidence in the emails could show nothing more than a tendency on the part of the respondents at trial to engage in infringing transactions*”. However, the Emails were not used in that way. The Impugned Transactions were proven and found to have been proven by the serial number examination described above and indeed adopted by the Full Court. There is nothing in the primary judge’s reasons to indicate that he made any finding that any transaction post the Emails was an infringing transaction because of the Emails. Indeed the Impugned Transactions occurred contemporaneously with the sale of numerous other Aristocrat gaming machines in respect of which the primary judge made no findings of infringing transactions. The only matters which distinguished the Impugned Transactions were the fake serial numbers.

71. Fourthly, that the Full Court treated the purported use by the primary judge of the Emails as “tendency” evidence relevant only to the knowledge element of section 38 is confirmed in AJ[248] as follows: “*On the assumption that the primary judge was correct in using the emails in the way he did in making the findings represented by the third, fourth and fifth “essential” propositions (such that the “knowledge” requirement of s.38 of the Copyright Act was established), and in deference to the substantial arguments of the parties, we proceed to consider and determine the remaining issues on appeal*”.

72. It is also apparent from the subsequent reasoning process adopted by the Full Court in determining that the Impugned Transactions involved infringing machines.

73. The Full Court’s reasons do not explain how the Emails could constitute evidence of a “tendency” which bears any logical relationship with the “knowledge” element of section 38. In light of the foregoing, the tendency evidence issue ought not have influenced the Full Court’s decision at all. Nevertheless it was the tendency evidence issue that was the real focus of the Full Court’s decision and its reasoning process on that issue involved error. If that “tendency” determination otherwise has any relevance, Aristocrat makes the following additional submissions.

Additional "Tendency" Submissions If Otherwise Relevant

74. Each of the Emails was admitted without express qualification at the time of their initial tender against the parties participating in the particular email communications (AJ[241] second sentence). The Global Parties were party to all six of the email chains and the Impact Parties were party to four of the six email chains. The Full Court accepted that they were available to be used to establish the "nature and existence of the joint venture and the witnesses' credit" (AJ[181]). The second email chain which was admitted against both the Global and Impact Parties was relied on by the primary judge to find that the joint venture commenced on 1 October 2004 (AJ[25]; PJ[764]-[765]). In so doing, the primary judge was entitled and required to make findings of subsidiary facts on the basis of that email chain that Global and Impact were engaged in transactions as referred to in those emails pursuant to a joint venture, which is exactly what he did. On the basis of that email chain, the primary judge found that each of Andrews and Cragen knew that Global/Impact was offering machines with fake serial numbers and that Allam was making counterfeit compliance plates with fake serial numbers because that is precisely what the emails said (PJ[753],[754], quoted at AJ[220]).
75. Contrary to the Full Court's reasons, such a finding was not precluded from being used to support a conclusion that Global and Impact knew or ought to have known that it was supplying machines with fake serial numbers or that in connection with different transactions selling gaming machines with the same serial number "twice", would involve the sale of infringing machines. It is not evidence of "tendency".
76. It was common ground at the trial and on appeal that the emails were not tendered as evidence of tendency pursuant to s. 97 (AJ[181] third sentence, [243], last sentence). Moreover, there was no ground of appeal challenging any use of the emails on the basis that s. 97 applied (SAJ[29] first bullet point). That was not surprising because despite the Full Court's view, use of the evidence was not precluded by s. 97 of the Evidence Act.
77. For the purposes of the "knowledge" element of s. 38, it has been held that regard may be had to the knowledge, capacity and circumstances of the particular respondent (per Burchett J in the Full Court in *Raben Footwear Pty Ltd v Polygram Records Inc* (1997) 75 FCR 88 at 91). Evidence of that knowledge or capacity or circumstances is not evidence that "*a person has or had a tendency (whether because of the person's character or otherwise) to act in a particular way, or to have a particular state of mind*" within s 97(1) of the Evidence Act. Rather it is evidence of a person's actual knowledge or belief and in this case knowledge or belief about Global and Impact's very own business including its dealings with

Allam. Andrews' and Cragen's knowledge or belief as to the fact that their companies were in the business of offering to supply gaming machines with fake serial numbers or gaming machines with copied Aristocrat software, was plainly relevant to the question of whether Global or Impact knew or had reason to believe that the gaming machines which those very companies supplied in other transactions contained infringing components. It would not prove that the machines contained infringing components. That had to be proved otherwise, and it was proved otherwise by means of the serial number comparison.

- 10 78. The knowledge or belief derived from the Global and Impact Parties own emails about their own business could be used for precisely the reason the Full Court said it could not be used, namely to prove the "mental element" of section 38 in relation to their own later transactions, if in fact it was so used (which is disputed). It could not be used as proof that the other transactions in fact involved infringing components because of any "tendency". That evidence was plainly not so used for that purpose by the primary judge.
- 20 79. Examples of evidence of a knowledge or belief of prior conduct of a person being relevant to an issue and being held not to be tendency evidence include *R v Preston* (NSWCCA 9/4/97 unreported at p7) where evidence of the victim of a sexual assault's belief that the accused had a reputation for violence was held to be relevant to her reason for not calling for help and was held not to be tendency evidence; and *Kaifoto aka Teaupa v R* [2006] NSWCCA 186 at [36]-[38], [44]-[50], [113], [116]) where evidence of a victim's knowledge or belief of prior acts of violence of an accused was relevant to her state of mind of fear causing her to be detained against her will and was held not to be tendency evidence. *A fortiori* the principle captures a person's knowledge or belief about its own business activities.
80. So understood, consideration as to whether the transactions referred to in the Emails actually occurred as a matter of fact becomes irrelevant, insofar as the question relates to the "mental element" of section 38.
- 30 81. Alternatively, if contrary to the foregoing it was evidence otherwise captured by s. 97(1), that section nevertheless did not and could not apply because of the effect of ss. 94(1), 94(3)(a) and 97(2)(b). In relation to s. 94(1), the Emails went to credit in so far as they contradicted the respondents' averments that they did not engage in copyright infringing activities at all and, in the case of Global and Impact, did not know that Allam had engaged in or was engaging in copyright infringing activities when refurbishing the gaming machines for export. The effect of the credit findings was that they knew, or at least ought to have known, that gaming machines refurbished by Allam contained infringing software.

82. Further, pursuant s. 94(3), s. 97 “does not apply to evidence of: (a) the character, reputation or conduct of a person; or (b) a tendency that a person has or had; if that character, reputation, conduct or tendency is a fact in issue”. Similarly, pursuant to s. 97(2)(b), the prohibition on tendency evidence under s. 97(1)(a) does not apply if “the evidence is adduced to explain or contradict tendency evidence adduced by another party.” The Global and Impact Parties and Allam ran a positive case and led evidence from Andrews, Cragen and Allam that they had never engaged in copyright infringing activities in the course of doing business (PJ[636]-[639]), [656]-[665], [691]-[692], [701], [703], [710]-[711]). That was evidence to the effect that the conduct of their business historically tended to suggest they had not engaged in the acts the subject of Aristocrat’s infringement claims, in essence because they had a tendency to engage in lawful trade. That positive case invited contradiction by way of the email evidence that demonstrated a tendency to infringe copyright, if it is correct so to characterise that email evidence as the Full Court did (which is disputed), which was permissible pursuant to s. 94(3) and s. 97(2)(b).
- 10
83. The Full Court did not consider the application of either s. 94(1) or s. 97(2)(b). In relation to s. 94(3) the Full Court reasoned that it did not apply because the reference within it to a “fact in issue” should be understood to mean “ultimate fact in issue”. Their Honours cited no authority to support the imposition of such a gloss, but instead referred to commentary from the author of *Uniform Evidence Act* (SAJ[33]) which in turn referred to a separate part of the Evidence Act concerned with opinion evidence (specifically, s. 80). Another Full Court has considered the application of s. 97 without reading such a gloss into it: see *Jacara Pty Ltd v Perpetual Trustees WA Ltd* (2000) 106 FCR 51 at [66] and [67] (particularly, the admissibility of evidence of a “system” which supports an inference that it was implemented in a given case).
- 20
84. The outcome in the case is at odds with the administration of justice having regard to the concurrent factual findings referred to above. The outcome depends on an application of section 97 of the Evidence Act which, if correct, has significant ramifications for the pursuit of s. 38 Copyright Act infringement suits, which are common. A consideration of the interplay of those two sections by this Court is warranted.
- 30
85. If the appeal is upheld in relation to the Impugned Transactions, the findings in respect of the three pre joint venture transactions each of Global and Andrews would be restored and the findings in respect of each of Global, Andrews, Impact and Cragen in respect of the six post joint venture transactions would be restored. Further, the findings that Allam was a joint tortfeasor in respect of two of the

Impugned Transactions, namely MC transaction 48 and DN transaction 51 (see AJ[299], [331]) would also be restored.

Part VII: Applicable provisions

86. The applicable provision of the *Copyright Act, 1968* is as follows:

38. (1) Subject to Division 3, the copyright in a literary, dramatic, musical or artistic work is infringed by a person who, in Australia, and without the licence of the owner of the copyright:

- 10 (a) sells, lets for hire, or by way of trade offers or exposes for sale or hire, an article; or
(b) by way of trade exhibits an article in public;

if the person knew, or ought reasonably to have known, that the making of the article constituted an infringement of the copyright or, in the case of an imported article, would, if the article had been made in Australia by the importer, have constituted such an infringement.

87. The applicable provisions of the *Evidence Act, 1995* are as follows:

- 20 94. (1) This Part does not apply to evidence that relates only to the credibility of a witness.
(2) This Part does not apply so far as a proceeding relates to bail or sentencing.
(3) This Part does not apply to evidence of:
(a) the character, reputation or conduct of a person; or
(b) a tendency that a person has or had;
if that character, reputation, conduct or tendency is a fact in issue.

- 30 97. (1) Evidence of the character, reputation or conduct of a person, or a tendency that a person has or had, is not admissible to prove that a person has or had a tendency (whether because of the person's character or otherwise) to act in a particular way, or to have a particular state of mind unless:

- (a) the party seeking to adduce the evidence gave reasonable notice in writing to each other party of the party's intention to adduce the evidence; and
(b) the court thinks that the evidence will, either by itself or having regard to other evidence adduced or to be adduced by the party seeking to adduce the evidence, have significant probative value.

- 40 (2) Paragraph (1)(a) does not apply if:
(a) the evidence is adduced in accordance with any directions made by the court under section 100; or
(b) the evidence is adduced to explain or contradict tendency evidence adduced by another party.

Part VIII: Orders sought

88. The appellants/applicants seek the following orders:

- (a) Special leave to appeal be granted.
- (b) The appeal be allowed.
- (c) Orders 1, 3 and 6 made by the Full Court of the Federal Court of Australia on 25 May 2011 be set aside.
- (d) The proceedings be remitted to the Full Federal Court for determination or remitter as it deems fit in respect of issues of declaratory and injunctive relief and nominal damages and additional damages.
- 10 (e) The respondents pay the applicants/appellants' costs of the proceedings in this Court.
- (f) The question of the costs of the appeal to the Full Federal Court and the costs of the trial be remitted to the Full Federal Court.
- (g) Such further or other orders or relief as the Court thinks fit.

Part IX: Oral Argument

89. The appellants/applicants estimate that approximately 1.5 hours (including reply) will be required for presentation of its oral argument.

20 **DATED:** 21 December 2012



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