

SHORT PARTICULARS OF CASES
APPEALS

OCTOBER 2022

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REALESTATE.COM.AU PTY LTD v HARDINGHAM & ORS
(S57/2022);
RP DATA PTY LIMITED v HARDINGHAM & ORS (S58/2022)

Court appealed from: Full Court of the Federal Court of Australia
[2021] FCAFC 148

Date of judgment: 18 August 2021

Special leave granted: 12 April 2022

Realestate.com.au Pty Ltd (“REA”) operates an online platform (a website and related mobile apps) for the advertisement of residential properties for sale or lease. Real estate agents upload marketing material to the platform, pursuant to a subscription agreement that each real estate agency has with REA, the terms of which include the incorporation of terms and conditions that are contained on REA’s website (“REA’s Terms & Conditions”). REA’s Terms & Conditions include a provision that the agency grants REA a perpetual licence to publish, copy, adapt and license to other persons any content that the agency provides.

RP Data Pty Limited (“RP Data”) operates a website, *corelogic.com.au*, by which it makes available to subscribers detailed property information, both current and historical. The information includes content that has been provided to it by REA.

Mr James Hardingham is a professional photographer and the sole director of Real Estate Marketing Australia Pty Ltd (“REMA”), which has produced and supplied to real estate agencies numerous photographs and floor plans in an editable digital form (REMA has an exclusive licence in the copyright of Mr Hardingham’s works). The photographs and floor plans were supplied pursuant to informal oral agreements, each of which was made when an agent called Mr Hardingham and the latter agreed that REMA would provide the requested material for a certain marketing campaign for the sale or lease of a property.

In 2018, Mr Hardingham and REMA commenced proceedings against RP Data, alleging infringement of copyright for the latter’s publication of works that had been supplied by REMA to REA. RP Data cross-claimed, seeking indemnity from REA. RP Data resisted the infringement claim on the basis that it was the beneficiary of two phases of sub-licensing: firstly, from the agencies to REA, and then from REA to RP Data. Mr Hardingham and REMA accepted that an implied term of REMA’s agreements with real estate agencies was the authorisation of sub-licensing by the agencies to others, but contended that that authorisation extended only for the life of a marketing campaign, until the relevant property had been leased or sold, and not in accordance with REA’s Terms & Conditions.

On 17 December 2019, Thawley J dismissed the claim of Mr Hardingham and REMA. His Honour found that Mr Hardingham and REMA knew or assumed that their works became available on RP Data’s website a few days after appearing on REA’s platform, and that they knew that their works remained on REA’s platform after the completion of the sales and leasing campaigns for which they had been provided. Thawley J held that the licence granted by REMA to the agencies permitted the agencies to sub-license the copyright works in the form required by REA and contained in REA’s Terms & Conditions. Such was the case on either of two bases: 1) it was to be inferred from the dealings of Mr Hardingham, REMA and

the agencies; or 2) it should be implied in order to give business efficacy to the agreements of those parties.

An appeal by Mr Hardingham and REMA was allowed by the Full Court of the Federal Court (Greenwood and Rares JJ; Jackson J dissenting). The majority found that an objective awareness by Mr Hardingham and REMA of a likely need for terms of sub-licensing by agencies to REA was insufficient for inferring a term that Mr Hardingham and REMA agreed to sub-licensing on any terms that may be prescribed and be changed unilaterally by REA. Greenwood and Rares JJ also found that the broad scope of the sub-licensing authority for which RP Data and REA contended was significantly against the interests of Mr Hardingham and REMA, and could not be implied for business efficacy.

Jackson J however would have dismissed the appeal, finding that the only way the agencies could benefit in the way that they, Mr Hardingham and REMA must have intended, was if the agencies could upload the works to REA's platform. That sufficed to infer that Mr Hardingham and REMA objectively intended that the agencies upload the works in accordance with REA's standard terms and conditions.

REA's grounds of appeal include:

- The Full Court erred in finding that RP Data had infringed Mr Hardingham's copyright in the photographs and floor plans provided by REMA pursuant to the 20 transactions the subject of the separate question for determination.
- The Full Court erred in failing to find that there was a term implied in fact or inferred, in the informal contracts between Mr Hardingham and REMA and the commissioning real estate agencies by which those agencies were authorised by way of licence *"to upload the photographs and floor plans to the realestate.com.au platform and grant to REA a licence in the form required by REA and contained in REA's usual terms and conditions"*.

RP Data's grounds of appeal include:

- The majority erred in characterising the issue as whether the agreement made between Mr Hardingham and REMA and real estate agencies is subject to an "agreed" term rather than a right to sub-license in the form required by REA and contained in REA's usual terms and conditions.
- The majority erred in failing to consider whether the permission, licence or consent Mr Hardingham and REMA conceded they granted to real estate agencies concerning the use of the works ended when the property was no longer marketed for sale or lease.

METAL MANUFACTURERS PTY LIMITED v GAVIN MORTON AS LIQUIDATOR OF MJ WOODMAN ELECTRICAL CONTRACTORS PTY LTD (IN LIQUIDATION) & ANOR (B19/2022)

Court appealed from: Full Court of the Federal Court of Australia
[2021] FCAFC 228

Date of judgment: 16 December 2021

Special leave granted: 12 May 2022

The Respondents, comprising the liquidator of the company and the company in liquidation, commenced proceedings in the Federal Court against the Appellant, as defendant and creditor, to recover an unfair preference pursuant to s 588FA of the *Corporations Act 2001* (Cth) (“the Act”), and for orders for payment of the sums claimed pursuant to s 588FF of the Act.

Justice Derrington reserved the following question for the consideration of the Full Court:

Is statutory set-off, under s 533C(1) of the Corporations Act 2001 (Cth), available to the defendant in this proceeding against the plaintiff's claim as a liquidator for the recovery of an unfair preference under s 588FA of the Act?

The question concerns the right of a creditor who had received an unfair preference under s 588FA of the Act, to avail itself of the statutory set-off in s 533C of the Act. The creditor claims to be entitled to set off its obligation under s 588FF of the Act to repay the preference received not against the underlying debt, but against another debt owed by the company in liquidation to it.

The special case was supported by agreed facts, including that the Appellant received payments during the relation back period totalling \$190,000. The quantum of the Appellant's alleged set-off was admitted to be \$194,727.23, arising otherwise than from the underlying debts owed by the company and the subject of the payments during the relation-back period said to be preferences. The liquidator conceded that if set-off was available, the proceeding instituted to recover the preferential payments must be dismissed.

The Full Court answered the question reserved as “No”, for three main reasons:

Firstly, a conclusion that there was a lack of mutuality between the liability of the creditor (pursuant to court order) to pay the company and the indebtedness of the company to the creditor; that is, the different interest in which the company owes money to the creditor, and in which the company receives money pursuant to the liability to repay not as a “creditor” of the preferred creditor, but as a payee pursuant to court order in an action brought by the liquidator in the execution of her or his duty to gather in the estate of the insolvent company for the benefit of all unsecured creditors and the administration of the estate;

Secondly, a conclusion that there was a lack of mutuality between the creditor and the company on the basis that, as at the relevant date, there was no right or equity (vested or contingent) enjoyed by the company or duty or obligation (vested or contingent) in the creditor to recover or repay the unfair preference; and

Thirdly, the construction of s 553C that best reflects and vindicates the underlying purposes of the law of set-off in insolvency and the law of preferences, excludes its operation in the circumstances of this special case.

The grounds of appeal are:

- The Full Court erred in concluding that for the purpose of s553C(1) of the *Corporations Act 2001* (Cth):
 - a) the interest of a creditor in the position of the Appellant, in respect of its claim against a company in the position of the Second Respondent; and
 - b) the interest of a company in the position of the Second Respondent, in respect of its claim against a creditor in the position of the Appellant,are of a different right, nature and interest, such that there is no mutuality existing between the creditor and company.
- The Full Court erred in concluding that, as at the relevant date for the application of s553C(1) of the Act, a company in the position of the Second Respondent does not have an existing right or claim (either vested or contingent) against a creditor in the position of the Appellant, for the recovery of an unfair preference pursuant to ss588FA and 588FF of the Act.
- The Full Court erred in finding that the failure of the Parliament to incorporate the recommendation of the Australia Law Reform Commission as to its proposal with respect to the form of s553C, did not evince an intention by the Parliament to permit the application of statutory set-off in circumstances involving the recovery of unfair preferences.

SELF CARE IP HOLDINGS PTY LTD & ANOR v ALLERGAN AUSTRALIA PTY LTD & ANOR (S79/2022 & S80/2022)

Court appealed from: Full Court of the Federal Court of Australia
[2021] FCAFC 163;
[2021] FCAFC 180

Dates of judgments: 7 September 2021;
13 October 2021

Special leave granted: 13 May 2022

Allergan Inc is the manufacturer of an injectable anti-wrinkle product, Botox, and is the owner of Trade Mark No 1578426 (“the TM”), which is for the wordmark BOTOX. The TM covers various classes including class 3, which includes anti-wrinkle creams (which Allergan Inc does not produce). Botox is administered by health care workers and is available only on prescription. It reduces the appearance of wrinkles for approximately four months after application.

In 2017, Allergan Inc and its subsidiary Allergan Australia Pty Ltd (together, “Allergan”) commenced Federal Court proceedings against the appellants (together, “Self Care”), over the branding and marketing of skin creams in Self Care’s Freezeframe range of products. Those products included Protox and Inhibox. The phrase “instant Botox® alternative” appeared on the packaging of, and in marketing material for, Inhibox, a product which had the effect of significantly reducing the appearance of wrinkles for some hours after application, and when applied daily over a 28-day period. Allergan claimed infringement of the TM under s 120(1) of the *Trade Marks Act 1995* (Cth) (“the Act”), and also contended that Self Care had made misleading or false representations in contravention of the *Australian Consumer Law* (Schedule 2 to the *Competition and Consumer Act 2010* (Cth), “ACL”).

On 7 December 2020, Stewart J dismissed Allergan’s claim. His Honour found that the term PROTOX was intended to leverage off the fame of Botox and that it was used as a trade mark, but held that it did not so nearly resemble BOTOX that it would likely deceive or cause confusion. Stewart J held that the phrase “instant Botox® alternative” was not used as a trade mark, and therefore could not infringe the TM under the Act. His Honour also held that the phrase did not contravene the ACL by misleading consumers or by misrepresenting Inhibox’s performance or quality, as it said nothing about how long the product’s wrinkle-reducing effect would last.

An appeal by Allergan was unanimously allowed by the Full Court of the Federal Court (Jagot, Lee and Thawley JJ). Their Honours held that Stewart J had erred in considering deceptive similarity under s 120(1) of the Act by failing to address potential confusion in the minds of consumers as to the *source* of the Protox and Botox products. The Full Court held that s 120(1) was contravened because there was a real risk that consumers might wonder whether Protox was offered as an alternative product by those behind Botox, as the words’ similarity implied an association.

The Full Court held that the phrase “instant Botox® alternative” was used as a trade mark because, in view of its prominence on packaging and in website advertising, it was used to identify the Inhibox product and to distinguish it from the products of

other traders. Their Honours considered that although the word “alternative” implied that the two products were different, it did not necessarily imply that they were not associated or that they came from different sources. Their Honours therefore held that s 120(1) was infringed because “instant Botox® alternative” so nearly resembled BOTOX that it would likely deceive or cause confusion. The Full Court held that Self Care could not avoid infringement by reliance on s 122(1)(b)(i) of the Act, as the impugned phrase was not used in good faith to indicate Inhibox’s characteristics or intended purpose, nor by reliance on s 122(1)(d), as there was no distinguishing of Self Care’s product from Allergan’s in the manner of comparative advertising.

The Full Court found that “instant Botox® alternative” also constituted a representation as to the efficacy of Inhibox, as some reasonable consumers would consider that after ceasing the use of Inhibox they would obtain a long-lasting effect similar to that which was had from Botox. Since no scientific material supported such a representation, their Honours found that it was not reasonably made and that it was misleading or deceptive. The Full Court therefore held that Self Care had by its misrepresentation engaged in conduct that contravened s 18 of the ACL, and that it had also misrepresented the quality and performance characteristics of Inhibox in contravention of s 29 of the ACL.

In both appeals, Self Care’s grounds of appeal include:

- The Full Court erred in holding that Self Care infringed the TM by using “instant Botox® alternative” or “Protox”.
- The Full Court erred in holding that Self Care had used the phrase “instant Botox® alternative” as a trade mark within the meaning of s 120(1) of the Act.
- The Full Court erred in holding that the phrase “instant Botox® alternative” as used by Self Care constituted misleading or deceptive conduct for the purposes of ss 18 and 29 of the ACL.

By a notice of contention in each appeal, Allergan raises the following grounds:

- Having found that, in adopting the trade mark PROTOX, the intention was to leverage off the fame or reputation of BOTOX, the Full Court should also have held that the mark was fitted for that purpose and therefore likely to deceive or cause confusion, applying *Australian Woollen Mills Ltd v F S Walton & Co Ltd* (1937) 58 CLR 641 at 657.
- Having found that, in adopting the trade mark “instant Botox® alternative”, the intention was to leverage off the fame or reputation of BOTOX, the Full Court should also have held that the mark was fitted for that purpose and therefore likely to deceive or cause confusion, applying *Australian Woollen Mills Ltd v F S Walton & Co Ltd* (1937) 58 CLR 641 at 657.

**BRYANT & ORS AS LIQUIDATORS OF GUNNS LIMITED AND
AUSPINE LIMITED v BADENOCH INTEGRATED LOGGING
PTY LTD (A10/2022)**

Court appealed from: Full Court of the Federal Court of Australia
[2021] FCAFC 64;
[2021] FCAFC 111 (costs)

Date of judgment: 10 May 2021;
24 June 2021 (costs)

Special leave granted: 18 March 2022

The Respondent (“Badenoch”) is a family-owned business providing logging and transport services. The Appellants (“the Liquidators”) are the liquidators of Gunns Limited (in liquidation) (receivers and managers appointed) and its wholly owned subsidiary Auspine Limited (in liquidation) (receivers and managers appointed); together, Gunns. The Liquidators were appointed as joint and several administrators of Gunns on 25 September 2012, being the applicable ‘relation-back day’ within the meaning of s 91 of the *Corporations Act 2001* (Cth) (“the Act”). In proceedings brought in the Federal Court, the Liquidators alleged that 11 payments (“the impugned payments”) made by Gunns to Badenoch in the period from 26 March 2012 to 25 September 2012 (“relation-back period”) are insolvent transactions and voidable under s 588FE of the Act. The impugned payments were made after the date of Gunns’ insolvency on 30 March 2012 (“insolvency date”).

The primary judge (Davies J) was asked to consider whether the impugned payments were unfair preferences within the meaning of s 588FA(1) and voidable transactions within the meaning of s 588FE(2) of the Act. It was not disputed that the payments were made in the relation-back period and at a time when Gunns was insolvent. Davies J determined that only two of the impugned payments (payments 3 & 4) were an integral part of a continuing business relationship between Gunns and Badenoch for the purpose of s588FA(3) of the Act. After determining that there was a continuing business relationship between Gunns and Badenoch for part of the relation-back period, and thus that the procedure in s 588FA(3)(c) - (d) of the Act was engaged in respect of the dealings between Gunns and Badenoch from 17 April 2012 to 30 June 2012, her Honour next found the Liquidators were entitled to apply the peak indebtedness rule to claim that the single transaction was an unfair preference. Her conclusion meant that the Liquidators were entitled to nominate any point in the continuing business relationship within the relation-back period as the beginning of the “single transaction” for the purpose of s 588FA of the Act. The primary judge found that payments 1, 2 and 5 to 11 did not form part of a continuing business relationship for the purpose of s 588FA(3) of the Act, as these payments were made in circumstances where Gunns and Badenoch were “looking backwards rather than forwards; looking to the partial payment of the old debt rather than the provision of continuing services”. Davies J found on the facts that a reasonable person in Badenoch’s circumstances would have had grounds for suspecting insolvency from March 2012 at the latest, and concluded that the good faith defence was not made out. Her Honour also concluded on the facts that Badenoch was not entitled to claim the benefit of a set-off under s 553C of the Act.

Badenoch appealed and the Liquidators cross-appealed. The Full Court disagreed with the primary judge's conclusion that payments 1 and 2 did not form part of a continuing business relationship. The Full Court held that the continuing business relationship ended on 10 July 2012, and that payments 1 to 4 and all debits between 26 March 2012 and 31 July 2012 were a single transaction within the meaning of s 588FA(3)(c), which did not constitute an unfair preference. In reaching that decision, the Full Court held that the primary judge erred in finding that the peak indebtedness rule in *Rees v Bank of New South Wales* (1964) 111 CLR 210 applied in Australia to claims made under s 588FA of the Act. The Full Court found that the change in the business relationship between Badenoch and Gunns in July 2012 terminated the continuing business relationship between them, with the result that payments 5-11 were not made as part of that relationship for the purposes of s 588FA(3). The Full Court concluded that the 'continuing business relationship' defence was not available when the purpose of inducing further supply was subordinated to a predominant purpose of recovering past indebtedness.

The grounds of appeal are:

The Full Court erred in setting aside the primary judge's finding that:

- The appellants were entitled to choose the point of peak indebtedness during the statutory period in their endeavour to show that from that point there was a preferential payment under s 588FA(1) of the *Corporations Act 2001* (Cth) (peak indebtedness rule) on the basis that, by enacting s 588FA(3)(c) of the Act, Parliament intended to abolish the peak indebtedness rule and to allow creditors to have the benefit of earlier dealings within a continuing business relationship when determining whether there has been an unfair preference.
- Payments made in March and April 2012 (payments 1 and 2) were not part of a continuing business relationship for the purposes of s 588FA(3) of the Act and that the continuing business relationship ended on 30 June 2012 on the basis that the principle *Sutherland v Eurolinx Pty Ltd* (2001) 37 ACSR 477, 504 [148], namely, that there will be no mutual assumption of continuing business relationship where the purpose of inducing further supply is "subordinated to a predominant purpose of recovering past indebtedness", was to be treated with caution and by applying its own, alternative, sole purpose, test.

DAVIS v MINISTER FOR IMMIGRATION, CITIZENSHIP, MIGRANT SERVICES AND MULTICULTURAL AFFAIRS & ORS (M32/2022); DCM20 v SECRETARY OF DEPARTMENT OF HOME AFFAIRS & ANOR (S81/2022)

Court appealed from: Full Court of the Federal Court of Australia
[2021] FCAFC 213

Date of judgment: 23 November 2021

Special leave granted: 12 May 2022

Each of the appellants, Mr Davis and DCM20, is a non-citizen. They each made an application for a visa under the *Migration Act 1958* (Cth) (“the Act”), and in each case the application was refused by a delegate exercising powers of the Minister then responsible for administering the Act. Those decisions were affirmed on review by the Administrative Appeals Tribunal (“AAT”) and the then Migration Review Tribunal (“MRT”) respectively. At relevant times s351(1) of the Act provided that the Minister may substitute a more favourable decision for that made by the MRT (in the case of Mr Davis) or the AAT (in the case of DCM20), if the Minister thinks it is in the public interest to do so. The power to intervene under s351 may only be exercised by the Minister personally (s351(2)). The Minister does not have a duty to consider whether to exercise the power in respect of any decision, whether he or she is requested to do so or in any other circumstances (s351(7)).

In March 2016, the Minister issued Guidelines in relation to a number of intervention powers, including that conferred by s351. The Guidelines are directed to officers employed within the Department. They define the circumstances in which requests for intervention under s351 are to be referred to the Minister for “possible consideration”. The appellants each made repeated requests for intervention under s351 (“intervention requests”). The identity of the persons who assessed the intervention requests differs in each case (“Departmental officers”). The Departmental officers did not refer the intervention requests to the Minister because, in their respective assessments, the requests did not fulfil the conditions for referral as set out in the Guidelines (“the Decision”).

The appellants each applied to the Federal Court for relief under s 39B(1) of the *Judiciary Act 1903* (Cth). Among other things, they argued that the assessments were amenable to judicial review on the ground of legal unreasonableness. As to the availability of judicial review on that ground, the appellants relied on the judgment of Robertson J in *Jabbour v Secretary, Department of Home Affairs* [2019] FCA 452 (“*Jabbour*”). The respondents contended that *Jabbour* had been wrongly decided, but acknowledged that the decision should be followed by another single judge of the Court, unless shown to be plainly wrong. The primary judge in each case proceeded from the premise that the assessments were amenable to review, but dismissed the applications on the basis that legal unreasonableness had not been established in the particular case.

The appellants each appealed to the Full Court, where the appeals were heard together, as the proceedings raised common issues concerning the availability and ambit of judicial review, including the utility of the remedies sought and discrete issues concerning the application of principle to the facts of each case.

The Full Court (Kenny, Besanko, Griffiths, Mortimer & Charlesworth JJ) held that, while the Decision involved an exercise of non-statutory executive power of the Commonwealth under s61 of the *Constitution*, the exercise of that power was subject to justiciable limits and was amenable to judicial review on the ground of legal unreasonableness, affirming the correctness of the reasoning of Robertson J in *Jabbour* (although there were substantial divergences in the reasoning supporting that conclusion). The Full Court unanimously rejected the Respondents' argument that the Decision did not affect each appellant's rights or interests. However, the Full Court concluded that the Decision was not affected by legal unreasonableness, notwithstanding that the Assistant Director had made a number of errors in dealing with each Appellant's intervention request. There were also divergences as to what relief could and should have issued had legal unreasonableness been demonstrated.

The first respondent in each matter has filed a Notice of a Constitutional Matter, and the Attorneys-General of the Commonwealth, New South Wales, Victoria and South Australia have intervened. The first respondent has filed a Notice of Contention in each matter.

The grounds of appeal in *Davis* are:

The Full Court erred:

- in finding that the decision by the Third Respondent that the Appellant's request for Ministerial intervention under s 351 of the *Migration Act 1958* (Cth) did not meet the circumstances for referral pursuant to the "Minister's guidelines on ministerial powers (s351, s417, s501J)" ("the Guidelines") issued by the First Respondent ("the Minister"), and to refuse to refer the request to the Minister for consideration or possible consideration whether to exercise the power conferred by s 351 ("the Decision"), was not affected by legal unreasonableness.
- in failing to find that the Guidelines were inconsistent with s 351 of the *Migration Act 1958* (Cth) and were unlawful, in so far as they purported to authorise officers of the Department to exercise personal and non-delegable powers conferred on the Minister, or to prevent the exercise of such powers by the Minister, by "screening out" requests made to the Minister for intervention under s 351 and preventing the Minister from receiving or being made aware of such requests.

The ground of appeal in DCM20 is:

- The Full Court erred in failing to find that, in respect of a request by the appellant that the Minister exercise a power under s 351(1) of the *Migration Act 1958* (Cth) in the appellant's favour, the decision of the second respondent ("Assistant Director") recorded in a minute dated 10 January 2020 ("2020 Minute") not to refer the appellant's request to the Minister for consideration of whether to exercise the power under s 351(1) was legally unreasonable and infected by jurisdictional error.