

27/97

SUPREME COURT OF VICTORIA

KMA CORPORATION PTY LTD v G&F PRODUCTIONS PTY LTD

Eames J

5, 15 May 1997 — (1997) 38 IPR 243; [1997] AIPC 39,531 (91-341)

CIVIL PROCEEDINGS – COPYRIGHT – ARTWORK SUPPLIED TO THIRD PARTY – USED BY ANOTHER PARTY WITHOUT LICENCE – WHETHER LICENCE ASSUMED TO HAVE BEEN GRANTED – WHETHER OWNER OF COPYRIGHT ESTOPPED BY CONDUCT IN SUPPLYING ARTWORK: COPYRIGHT ACT 1968 (CTH) S36(1).

G&F supplied artwork (masthead for a newsletter) to Bingo 2000. Upon a request by Bingo 2000, G&F supplied the artwork to KMA for an express and limited purpose. However, without any licence from G&F, KMA incorporated the artwork in newsletters which it produced for Bingo 2000. Subsequently, G&F claimed an account of profits against KMA, being the sum paid by Bingo 2000 to KMA for producing the newsletters. On the hearing, the magistrate made an order in favour of G&F together with an order restraining KMA from using the artwork without the express consent of G&F. Upon appeal—

HELD: Appeal dismissed.

1. Copyright is infringed by a person who, not being the owner of the copyright, and without the licence of the owner, acts in breach of the copyright. In the present case, G&F owned the copyright in the artwork and it was open to the Magistrate to find that G&F never granted a licence to Bingo 2000 to reproduce the artwork. Accordingly, Bingo 2000 could not have authorised KMA to reproduce that artwork in the newsletters.

2. When G&F handed the artwork to KMA, no representation was made as to the grant of a licence, nor was anything done which could have induced any assumption that a licence had been given. In those circumstances, G&F were not estopped from claiming for breach of their copyright.

EAMES J: [1] This is an appeal brought under s109 of the *Magistrates' Court Act* 1989, against orders made by Magistrate Mr Barberio M. at Melbourne Magistrates' Court on 30 October 1996. His Worship was called upon to determine a claim for account brought by the present respondent against the present appellant and two other parties pursuant to the provisions of the *Copyright Act* 1968 (Cth) (hereinafter called "the Act"). The respondent's claims against the two other parties were settled before the hearing and the action proceeded against the appellant only. After hearing witnesses, the learned Magistrate found for the respondent and ordered the appellant to pay the sum of \$1,987.21 together with interest in the sum of \$172.08 and costs of \$793.60. The Magistrate also made an order restraining the appellant from using artwork of the respondent, without express consent of the respondent. From those modest orders the appellant now appeals.

The respondent is a marketing consultant and graphic designer. In 1995 the respondent entered an agreement with the company Bingo 2000 Pty Ltd ("Bingo 2000"), through its agent or officer Bernie Parkin, to perform artwork for the business of Bingo 2000. There is and was no dispute that at all times the respondent was the owner of copyright in the artwork pursuant to the terms of s35(2) of the Act. Copyright is infringed by a person who, not being the owner of the copyright, and without the licence of the owner, acts in breach of the copyright: s36(1). The material which the respondent was to produce was a logo, business card, invitation, a "with compliments" slip, a letterhead, a manual, promotional posters, a programme and a card. The dispute in the Magistrates' Court did not concern that artwork, but concerned some additional artwork of the respondent which comprised a masthead for a newsletter. The newsletters were, later, printed by the appellant (which was a printer), using the masthead which had been designed by the respondent and which incorporated the logo of Bingo 2000. A computer disk which contained the masthead (which was then reproduced by the appellant in producing the newsletters), [2] was supplied by the respondent to the appellant at the request of an agent of Bingo 2000, and, also, after discussion between one Manfred Schmidt, an employee of the appellant, and one Peter Guiliano, a director of the respondent.

The issues in the case before the Magistrate, and before me, are twofold. In the first place, the respondent claimed before the Magistrate, and succeeded in this claim, that it had retained its copyright in the artwork comprising the masthead and had never granted a licence to Bingo 2000 to reproduce the artwork comprising the masthead. Accordingly, Bingo 2000 could not have authorised the appellant to reproduce that artwork in the newsletters. The respondent, therefore, claimed an account of profits against the appellant pursuant to s115 of the Act, the profits being what the appellant was paid by Bingo 2000 for producing the newsletters. In response to that first proposition, the unsuccessful argument of the appellant, before the Magistrate, was that there had been a licence granted by the respondent to Bingo 2000 to use this artwork, and, accordingly, the appellant had, in turn, been properly authorised by Bingo 2000 to reproduce the artwork.

An alternative argument advanced before the Magistrate by the present appellant, and repeated before me, was that if it was the case that the appellant did not have a licence to reproduce the artwork, then the respondent was, nonetheless, estopped from pursuing its claim against the appellant. The respondent was estopped from claiming for breach of copyright because, so it was said, the conduct of the respondent in supplying the artwork to the appellant rendered it unjust and unconscionable for the respondent to now plead that the appellant acted in breach of copyright by making use of that artwork. It was submitted that the respondent had handed over the copyright artwork, comprising the masthead, without advising the appellant that copyright licence had not been granted by the respondent to Bingo 2000; without advising that the appellant, accordingly, had no authority to use the artwork for any purpose without express agreement of the respondent; and without advising that authority was being withheld insofar as it would have been required for the production of the newsletters.

[3] The affidavit material filed before me is singularly unhelpful as to the precise terms of the reasons for the decision of the Magistrate. It is clear that he did deliver ex-tempore reasons, and I have very abbreviated notes of what was apparently said. It appears that he rejected the appellant's contention that the respondent had granted a licence to Bingo 2000, or to anyone else, for the use of the artwork for the newsletters. It appears, also, that his Worship must have rejected the alternative estoppel argument.

Four questions of law have been referred for decision in the appeal, but the only questions pursued concerned the licence issue and the estoppel issue which are, generally, raised under questions 1 - 3. Counsel for the appellant conceded that if his client failed as to those issues then it was the case that the relief which was ordered was appropriate, both as to quantum and as to the form of relief. Thus, question 4 did not require to be answered. The questions of law as identified by order of Master Evans are as follows:

1. Whether the contract licensing Bingo 2000 Pty. Ltd. to exploit the artwork the subject of the proceeding for its commercial purposes entitled the Appellant as a matter of law to produce the newsletters the subject of the proceeding;
2. Whether the Respondent was estopped from denying that the Appellant was licensed to print the newsletters the subject of the proceeding by reason of its conduct in providing relevant artwork to the Appellant;
3. Whether the Magistrate erred in finding that the contract between the parties did not grant Bingo 2000 Pty. Ltd. a licence to exploit the artwork for its commercial purposes by engaging the Appellant to print the offending matter;
4. Whether the Magistrate erred in finding that the Appellant had breached Section 115 of the *Copyright Act 1968* (CTH) by printing the offending matter.

[4] Counsel for the respondent complained, with some justification, that the questions were framed with some vagueness, and that by virtue of the vagueness of the terms in which the appellant had framed the appeal grounds, the appellant was seeking, impermissibly, to convert this into an appeal in the nature of a re-hearing. Although the first of the four questions is couched as though raising a question of law it is clear, in my view, that merely a question of fact is raised, namely as to the terms of the agreement between Bingo 2000 and the respondent, and as to whether the terms provided a licence to Bingo 2000 which, in turn, permitted it to authorise the appellant to reproduce the artwork for the newsletters. The third question listed by the Master for determination is merely a variation of the same question posed in question 1. The terms in

which question 3 is expressed make less of an attempt to disguise the fact that all that is being raised is a question of fact, namely, as to the terms of the contract between Bingo 2000 and the respondent.

Counsel for the appellant sought to overcome the obvious objection that no question of law was raised in the grounds of appeal by submitting that the Magistrate erred in law by drawing an inference which was not open to be drawn on the evidence, namely, that Bingo 2000 had not received a licence from the respondent. That was said to be a question of law, rather than seeking to have this court draw another conclusion as to the facts. In order to support that assertion counsel for the appellant referred to the well-known statement of Gibbs ACJ, Jacobs and Murphy JJ in *Warren v Coombes* [1979] HCA 9; (1979) 142 CLR 531 at 551; (1979) 23 ALR 405; (1979) 53 ALJR 293, namely that an appeal court is in as good a position as the trial judge in order to decide the proper inference to be drawn from undisputed facts, and to determine whether the inference was open to be drawn by the trial judge which he did draw.

In my opinion, no question of law is raised in the appeal grounds raised in questions 1 and 3, concerned with the issue of the granting of a licence. That conclusion would be sufficient to dispose of the appeal as to those two questions, since an appeal under s109 must raise a question of law to be competent. Notwithstanding that conclusion, and taking the most generous view of the possibility that the contrary contention might be correct, I will address counsel's argument on the assumption that a [5] question of law was raised, namely, whether it was open to a reasonable magistrate on the evidence before him to draw the inference which he did as to there being no licence granted to Bingo 2000 by the respondent. The undisputed evidence disclosed that when the representative of the respondent, Mr Guiliano, and the agent of Bingo 2000 discussed the terms of performing the artwork for the masthead (which was later to be used by the appellant for the production of the newsletters) nothing was said expressly by Guiliano, about whether any licence was being granted to Bingo 2000. Counsel for the appellant submitted that since the respondent had not expressly stipulated that no licence was granted as to the masthead artwork it should have been inferred, and could only have been inferred by the magistrate, that a licence was granted, because, so it was submitted, when agreement is reached between an artist and a client for artwork to be performed then it follows that it is to be implied that a licence is thereby granted, notwithstanding the fact that payment had not yet been made for the artwork.

No authority was cited to me to support the suggestion that such an agreement to perform copyright artwork for another must carry with it a licence to reproduce the copyright work or to authorise others to do so. Mr Flower, counsel for the appellant, submitted that the magistrate was bound to have drawn the inference that a licence was granted to Bingo 2000. The inference was rendered more certain, he submitted, because when the respondent later invoiced Bingo 2000 for artwork on some of the completed items of artwork which for Bingo 2000 had been contracted (not including the masthead, for which no invoice had yet been delivered, since the work was not completed) the respondent then purported to add a term to the agreement by inserting on the invoice a note which stipulated that a licence to use the copyright artwork would be granted only upon payment, in full, of the sum invoiced.

The fact that such a clause was then attempted to be added illustrated that there had been no refusal to grant a licence at the time of the agreement, so counsel submitted. Counsel for the respondent submitted, conversely, that the term added to the invoice demonstrated that the granting of a licence was only being contemplated between the parties once each item of artwork had been completed and separately invoiced, and [6] the licence would only be granted for each invoiced item once the invoiced sum was paid with respect to each item.

The appellant faces the insuperable hurdle that the Magistrate made a finding of fact that Mr Guiliano at no time intended to grant a licence to Bingo 2000 to reproduce the artwork for the newsletters. Indeed, Mr Guiliano's evidence was that it was expressly agreed by the appellant that it was to be the respondent which would produce the newsletters. There was, therefore, an agreement between Bingo 2000 and the respondent which must have included the implied term that the respondent would alone use the masthead for the purpose of producing the newsletters, since the very fact agreed to was that it would be the respondent which would produce the newsletters. The agreement for the respondent to produce the newsletters was inconsistent, either as a matter of fact or "law" (as to the proper and only inference to be drawn from facts), with the agreement

being, at the same time, one which permitted someone else to produce the newsletters using the artwork.

It is unnecessary to detail the evidence heard by the Magistrate. The evidence of Guiliano was uncontested. It was the evidence of Guiliano that he agreed to perform the artwork at a reduced rate, only because the respondent was to be given the work of producing the newsletters. Given that uncontested evidence, not only was it open to the Magistrate to conclude that in the discussions between the respondent and Bingo 2000 no licence had been granted, it may well be thought that it would have been perverse had any other decision been reached. To succeed on this ground the appellant would have to establish that on the evidence of Guiliano, the inference that he was granting a licence to Bingo 2000 was the only inference reasonably open on the evidence: see *Young v Paddle Bros Pty Ltd* [1956] VicLawRp 6; [1956] VLR 38 at 41; [1956] ALR 301; *Spurling v Development Underwriting (Vic) Pty Ltd* [1973] VicRp 1 at 11; [1973] VR 1; (1972) 30 LGRA 19. As Hedigan J observed in *Owens v Stevens and Collins*, unreported 13 May 1991, at pp12-13, the mere fact that the appellate court is in as good a position as the Magistrate to reach a determination of facts, and inferences from facts, does not mean that the appellate court is entitled to substitute its own opinion as to the facts and inferences for those of the Magistrate. [7] In my opinion, there is no merit in the appeal insofar as the questions complain as to the conclusion reached on the issue of whether a licence was granted to Bingo 2000.

In the event, however, that I concluded that no licence was granted, counsel for the appellant next relied upon the estoppel argument. Once again, it is unnecessary to rehearse the evidence in detail as to this matter. Guiliano gave evidence that at the request of an agent of Bingo 2000 he delivered a disk containing the artwork for the masthead to the appellant. He said that he delivered the disk because he had agreed from the outset that there would be one item of work which the respondent would not perform for Bingo 2000 namely, a discount voucher book. He said he was asked to deliver the artwork to the appellant, (which he was told by the Bingo 2000 agent would be producing the voucher book) because the appellant required a copy of the masthead in order to prepare a "dummy" or mock up document to show potential advertisers for the discount voucher book. Guiliano delivered a disk in a format which did not permit high resolution printing, but on being requested by an employee of the appellant to provide a copy of the original high quality disk (because they could not format the original disk), he supplied same, although he had some suspicions which he did not articulate about that request. The employee of the appellant, Schmidt, was not called to give evidence as to this conversation, although he was present in court. The magistrate, quite appropriately, drew the inference that that witness' evidence could not have assisted the appellant.

The estoppel was said to be estoppel by conduct, as identified in *Commonwealth v Verwayen* [1990] HCA 39; (1990) 170 CLR 394 at 444, per Deane J. In my opinion, the Magistrate was quite correct to hold that there was no estoppel in the circumstances of this case. The artwork was being handed over in the belief that it was for an express and limited purpose, and not for the purpose for which it was in fact used. Guiliano made no representation at all as to the grant of a licence, nor did he do anything which should have induced any assumption that a licence had been given. Indeed, the employee of the appellant, Schmidt, was not called to say whether he did in fact even make the assumption which it is now said would have been made by him [8] and in turn by the appellant. For there to have been such unconscionable conduct as would justify the estoppel being applied, the respondent must have played a part in the adoption of the assumption which it is said the appellant made as to its licence to use the artwork: see *Verwayen*, per Deane J at p444. It can not be said that the respondent induced any such assumption: see *Grundt v Great Boulder Pty Gold Mines Ltd* [1937] HCA 58; (1937) 59 CLR 641 at 676.

To be an estoppel there must have been a representation by words or conduct in clear and unambiguous terms (see *Low v Bouverie* [1891] 3 Ch 82 at 106; [1891-94] All ER 348). Since there were no words said by Guiliano which could constitute a representation, it was alternatively argued that there was estoppel by silence. That too is not established in this case. An estoppel by silence rarely arises and will not arise unless there was a duty to speak: see *Williams v Frayne* [1937] HCA 16; (1937) 58 CLR 710 at 736; [1937] ALR 253, per Dixon J. Whether there is such a duty depends on whether a reasonable person would have expected the respondent to bring the true state of facts to the attention of the appellant so as to correct a mistaken assumption known to have been made and where it was his duty in conscience to correct the assumption:

See *Commonwealth v Verwayen*, supra, at 444; see too *Trenorden v Martin* [1934] SASR 340 at 344. No such duty arose in the circumstances of this case.

In my opinion, the magistrate was correct to conclude, as he did, that there was no estoppel in this case. The grounds of appeal argued in this case have not been made out. The answer to each of questions 1 - 3 is "No". The appeal will be dismissed. I will hear the parties as to costs.

APPEARANCES: For the plaintiff: Mr A Flower, counsel. Sheezel Sandor & Associates, Solicitors. For the defendant: Ms E Strong, counsel. Holding Redlich, Solicitors.
