Appendix 7

Decisions of interest

Administrative and Constitutional Law and Human Rights NPA

Secretary, Department of Education and Training v Simpson Networks Pty Ltd t/as Melbourne School Holiday Club [2019] FCAFC 239 (23 December 2019, Greenwood, Yates and Colvin JJ)

The respondent (MSHC) was an approved child care provider that operated a care programme for at risk and vulnerable children during school holidays. The programme was offered between 8am and 6pm, with care also provided from 6pm until 8am at no charge. MSHC's approval as a child care provider was cancelled immediately following the 2017 winter vacation. In respect of the 2017 winter vacation, MSHC claimed that it was entitled to child care benefits by way of fee reduction for 146 children of $1,490,892.

A delegate of the Secretary found that MSHC was not entitled to child care benefits by way of fee reduction. Eligibility for child care benefits depended on an individual incurring liability to pay for care. The delegate concluded MSHC's hourly fees were so much higher than the average vacation care fees for Victoria that no one would agree to pay such extraordinarily high fees across a week and no individual had incurred a genuine liability to do so. The delegate considered that MSHC appeared to be deliberately inflating its fees to attract high rates of child care benefits.

The Federal Circuit Court set aside the delegate's decision upon an application by MSHC for judicial review. The primary judge found that MSHC did not have a contractual right to charge its full fees, but that individuals were still liable to pay reasonable fees for the care provided on the basis of a quantum meruit. The primary judge found it was unreasonable, and unfair for the delegate to find that MSHC should not receive any benefit at all for its provision of child care services.

The Full Court found that in an application for judicial review the question was whether there had been reviewable error by the delegate, not whether a different conclusion should have been reached. The Full Court found the primary judge was in error in reaching his own conclusion as to whether there was liability to pay. Furthermore, if there was no liability to pay, a nil benefit was the proper outcome and the delegate's decision could not be said to be unreasonable on that basis.

MSHC submitted the reviewable error was that the delegate failed to take into account a mandatory consideration, namely the actual arrangements between individuals and MSHC in respect of each child. As the legislation required a weekly calculation for each child, the Full Court found it was unlikely that in each case it was mandatory to consider the details of the arrangement made with each individual. No such mandatory consideration could be discerned from the statute. The Full Court found the actual arrangements were not a mandatory consideration, but were merely factual matters to be considered where relevant in determining whether there was a liability to pay.

Administrative and Constitutional Law and Human Rights NPA

Makasa v Minister for Immigration and Border Protection [2020] FCAFC 22 (28 February 2020, Allsop CJ, Kenny, Besanko, Bromwich and Banks-Smith JJ)

Mr Makasa, a citizen of Zambia, arrived in Australia in 2001 when he was 18 years old. Following a number of convictions for assault, driving offences and sexual offences in 2005, 2007 and 2009, a delegate of the Minister cancelled Mr Makasa's visa. In 2013, the cancellation decision was set aside by the Tribunal. In 2017, Mr Makasa was convicted of a summary offence and fined $300. Later that year he was disqualified from driving for 12 months and fined after being convicted on a charge of drink driving. These events led to the Minister deciding to personally cancel Mr Makasa's visa.

Before the primary judge, Mr Makasa contended that the visa cancellation power was not available for exercise in relation to the same person on the same facts and circumstances, where the original exercise of power resulted in a decision not to cancel a person's visa, but accepted that he would be unsuccessful if the Minister had relied upon his more recent offending in 2017 in exercising the visa cancellation power. The primary judge was of the view that the Minister did take into account the 2017 offences as forming the basis for his decision to cancel Mr Makasa's visa.

The hearing of this appeal coincided with the resumed hearing of an appeal in another matter, *Brown v Minister for Home Affairs* [2018] FCA 1722. The two appeals gave rise to the following question: whether the Minister can re-exercise the discretion conferred by s 501(2) of the *Migration Act 1958* (Cth) to cancel a person's visa where the Tribunal has set aside a delegate's decision to cancel the visa under s 501(2) and decided instead not to cancel the visa; and if so, whether the Minister can rely on the very same facts to enliven the discretion in s 501(2) as the Tribunal did on review?

By majority, the Full Court allowed the appeal and ordered Mr Makasa to be released from immigration detention. Whether or not the cancellation power could be re-exercised involved a process of statutory construction. Allsop CJ, Kenny and Banks-Smith JJ found it was open to the Minister, acting personally, to set aside the decision of the Tribunal and substitute his own decision, but not to re-exercise his discretion to cancel Mr Makasa's visa, relying on the same 2009 convictions as the Tribunal to enliven the power.

Besanko J delivered minority reasons, finding that in circumstances where the intermediate conclusions of the Tribunal and the Minister were similar, the inference should be drawn that the Minister failed to treat the decision of the Tribunal as a relevant consideration of great importance and this constituted jurisdictional error.

Bromwich J, in dissent, found that there was no re-exercise of the cancellation power, as the Tribunal had previously decided not to exercise the cancellation power. Bromwich J found the Minister's exercise of the cancellation power in 2017 was lawful because it was not unreasonable for the Minister to consider that the new drink driving conviction was a material change or difference.

An appeal is currently pending in the High Court of Australia, special leave having been granted on 12 June 2020.

Admiralty and Maritime NPA

Neptune Hospitality Pty Ltd v Ozmen Entertainment Pty Ltd [2020] FCAFC 47 (19 March 2020, McKerracher, Markovic and Anastassiou JJ)

Neptune and Kanki entered into a joint venture agreement (the agreement) to operate a hospitality and entertainment business aboard the vessel, Seadeck. Seadeck was owned by Ozmen, and Neptune and Kanki took possession pursuant to a charter agreement (the charter agreement). Although the parties anticipated large profits, the business was not ultimately successful.

On 11 July 2017, Kanki served a breach notice (the notice) under the agreement, requiring certain breaches be remedied by Neptune. Kanki subsequently relied on the alleged unremedied breaches as the basis for its entitlement to terminate the agreement. In turn, Ozmen claimed that the termination of the agreement enabled it to validly terminate the charter agreement. Neptune disputed any relief sought by Kanki and Ozmen, claiming that both had unclean hands.

At first instance, the primary judge rejected that Neptune had acted in breach of its fiduciary duty. However, the primary judge found that Neptune failed to provide requested financial information, failed to provide information regarding the catering arrangements for the business, and proceeded to unilaterally relocate Seadeck, in breach of the agreement. The primary judge held that the agreement was validly terminated, and concluded that Ozmen would have to give a ship's mortgage over Seadeck to secure any obligations owing by either Ozmen or Kanki to Neptune, following an investigation into the finances of the joint venture business.

On appeal, the Full Court broadly agreed with the primary judge's conclusions, noting that his reasoning was 'compelling'. The Full Court noted that the primary judge considered, but rightly rejected, Neptune's arguments as to Kanki's alleged breach of its duty to act in good faith. The Full Court also rejected that Kanki's notice did not strictly comply with formal requirements of the notice, where it found that Neptune's conduct indicated it understood its obligations under the notice. The Full Court further found that it was open to the primary judge to draw inferences in Kanki's favour. It disagreed that the finding that Neptune sought to relocate Seadeck, in breach of the agreement, was 'glaringly improbable'. However, contrary to the primary judge's conclusions, the Full Court found that the obligation to provide financial information did not extend to BAS statements.

As the primary judge was correct on the substantive issues, the Full Court held that the orders at first instance ought not to be disturbed.

Commercial and Corporations NPA | Corporations and Corporate Insolvency Sub-area

Bellamy's Australia Limited v Basil [2019] FCAFC 147 (23 August 2019, Murphy, Gleeson and Lee JJ)

Bellamy's Australia Limited (Bellamy's) is the respondent in two competing class actions. Bellamy's sought orders capping the costs that could be recovered by the applicants in those class actions to only a single set of costs between both proceedings, or alternatively imposing quantum caps of approximately $4.5 million in total.

The primary judge refused to make the orders sought, noting that quantum caps could not yet be adequately assessed, should be mutual, and could operate unfairly to group members. The primary judge found it was preferable to deal with costs questions retrospectively and in the interim to leave in place a case management protocol designed to reduce or minimise costs duplication and inefficiency.

In its application for leave to appeal, Bellamy's did not press for quantum caps, but sought that any costs be agreed or assessed on the basis that the applicants are treated as being represented by one set of counsel and one firm of solicitors in the one proceeding.

The Full Court found that, supposing the primary judge's interlocutory decision to be wrong, substantial injustice would not result if leave was refused. This was because the issue of an adverse costs order against Bellamy's might never arise and, even if it did, a range of procedural options would be available to Bellamy's to protect its position.

If costs were taxed, a taxing officer would not allow costs incurred or increased through unreasonableness or any other unnecessary expense. Bellamy's could also seek an order that any unreasonably incurred costs be disallowed or directing an inquiry as to whether any costs have been so incurred. If the class actions settled, the Court would only allow the deduction of fair and reasonable costs from the settlement sum. This would include consideration as to whether costs were duplicative or excessive. Bellamy's could also retrospectively make an application before the primary judge to limit its adverse costs exposure. The Full Court agreed there was no compelling reason to deal with costs prospectively and now.

The Full Court also found that the primary judge's decision was not attended with sufficient doubt to warrant its reconsideration on appeal. Although the undesirability of multiple class actions for the one alleged wrong and the desirability of avoiding duplication of costs was obvious, the Australian class actions regime recognised the possibility of multiple class actions and did not mandate that the respondent will only face one proceeding or one set of adverse legal costs.

The Full Court said docket judges have considerable latitude in fashioning solutions to deal with multiplicity of class actions. The Full Court found the primary judge exercised his discretion by reference only to considerations relevant to its exercise and upon facts connected with the litigation with which his Honour was dealing. The Full Court respectfully agreed with the pragmatic approach adopted by the primary judge, and dismissed Bellamy's application for leave to appeal.

Commercial and Corporations NPA | Corporations and Corporate Insolvency Sub-area

Shafston Avenue Construction Pty Ltd v McCann [2020] FCAFC 85 (22 May 2020, Farrell, Davies and Moshinsky JJ)

The appellants claimed to be creditors of the third respondent, a joint venture company incorporated to engage in construction projects in Queensland (the joint venture company). Shareholders in the joint venture company were China Railway Construction Group Co Ltd (China Rail) and Rimfire Constructions Pty Ltd.

Each of the shareholder companies entered into a deed of covenant (deed of covenant), by which each shareholder company agreed to pay a certain amount to the joint venture company, in the event that the joint venture company were wound up.

In November 2017, Mr McCann and Mr Jahani were appointed jointly and severally as the administrators of the joint venture company, and in March 2018, the joint venture company entered into a deed of company arrangement (the DOCA).

The appellants applied to terminate the DOCA, and for orders that the joint venture company be wound up. The appellants argued that the DOCA was unfairly prejudicial to them and the other creditors, in addition to being contrary to public policy because it excluded any investigations into insolvent trading by the joint venture company directors. Reeves J, as the primary judge, determined that the DOCA should not be terminated, and found there was not a likely prospect of the creditors of the joint venture company receiving a better outcome in liquidation. Reeves J noted that there would be some risk in attempting to enforce the China Rail deed of covenant as China Rail had indicated it intended to defend any such proceedings on the basis that the deed of covenant was unenforceable. Reeves J also noted potential difficulties with enforcing any judgment obtained, where China Rail lacked any significant assets within Australia.

The appellants appealed from the orders of the primary judge, refusing to terminate the DOCA, to the Full Court. The Full Court rejected the appellants' contention that the primary judge had erred in finding there was not a likely prospect of the creditors receiving a better outcome in the liquidation of the joint venture company. The Full Court noted that the primary judge found that there was a realistic prospect of obtaining an Australian judgment against China Rail, and held that it was open to the primary judge to accept Messrs McCann and Jahani's 'high-end' estimate of a 75 per cent recovery rate under the deed of covenant. The Full Court held that the primary judge correctly identified that the appellants' submissions assumed a 100 per cent recovery under the deed of covenant, while the estimate of 75 per cent took into account the risks of litigation against China Rail.

The Full Court also considered whether the primary judge had erred in the exercise of his discretion not to terminate the DOCA. The Full Court held that the appellants' submissions did not establish any error in the *House v The King* (1936) 55 CLR 499 sense. Finally, the Full Court held that, while the possibility of an insolvent trading claim was a relevant consideration, it was open to the primary judge to discount its significance in the circumstances. Accordingly, the appeal was dismissed.

Commercial and Corporations NPA | Corporations and Corporate Insolvency Sub-area

Zoetis Australia Pty Ltd v Abbott [2019] FCAFC 153 (30 August 2019, Allsop CJ, Perram and Beach JJ)

Zoetis Australia Pty Ltd (Zoetis) distributed an equine vaccine for the Hendra virus. Ms Abbott, a stockwoman, alleged that her horses suffered serious side effects from the Hendra virus vaccine which caused them to lose value and become unsuitable for their occupational use. Ms Abbott commenced a representative proceeding on behalf of an open class of horse owners whose horses allegedly suffered side effects from the use of the vaccine. Ms Abbott's legal representatives were acting on a 'no win no fee' basis and had not been successful at securing litigation funding.

Zoetis sought security for costs or alternatively an order for the collection of information concerning the financial capacity of group members to contribute to an amount to be provided as security. It was not in dispute that Ms Abbott did not have the financial capacity to provide the amount of the security sought.

Considerations that weighed in favour of granting security included that the proceeding had been pleaded and prosecuted in a substandard fashion, that Zoetis was not likely to be able to recover its costs from Ms Abbott, that at least some of the group members were likely to have sufficient assets in order to raise the security sought and that there was a real and not insignificant risk of injustice to Zoetis.

Considerations that weighed against granting security included that there was a prima facie arguable case, that the individual claims of each group member were likely to be modest in value, that Zoetis could not realistically expect to obtain an order for security in individual cases brought by such claimants, and that group members were generally entitled to play a passive role while the claims of the lead claimant and common issues were determined.

The primary judge considered that the discretionary factors weighed against ordering security for costs. The primary judge also found that a costly and time consuming interrogation of the financial position of a very large number of group members was not appropriate. The primary judge considered the broader desirable policy outcome of not putting in place obstacles to the ability of claimants to self-fund class action proceedings.

The Full Court unanimously refused leave to appeal, finding the reasons of the primary judge were not attended by sufficient or, indeed, any real doubt as to the proper undertaking of the principal task. The essence of the complaint made by Zoetis was that the primary judge had failed to balance the considerations said to be required by prior authority. Allsop CJ explained that the prior authority did not lay down exhaustive general principles or particular principles as to how to approach security for costs applications in class actions. Allsop CJ found there was no basis to think that the primary judge failed to undertake the appropriate balancing and take into account the potential prejudice to Zoetis in making the order that he did. Perram and Beach JJ agreed with the reasons given by the Chief Justice.

Commercial and Corporations NPA | Economic Regulator, Competition and Access Sub-area

Australian Competition and Consumer Commission v Pacific National Pty Limited [2020] FCAFC 77 (6 May 2020, Middleton, Perram and O'Bryan JJ)

The Full Court found that Pacific National, the dominant firm in the interstate intermodal rail haulage market, was not prohibited by s 50 of the *Competition and Consumer Act 2010* (Cth) from acquiring the Acacia Ridge terminal in Queensland from Aurizon.

The Acacia Ridge terminal connects to the standard gauge interstate rail network and to Queensland's narrow gauge rail network and includes intermodal facilities for moving containers between road and rail transport.

The Australian Competition and Consumer Commission (ACCC) identified the terminal as a 'bottleneck' asset and sought to restrain its acquisition by Pacific National on the basis that ownership would enable Pacific National to deny access to the terminal and thereby raise barriers to entry to the interstate intermodal rail haulage market. The primary judge accepted an access undertaking from Pacific National in relation to the terminal and, on the basis of the undertaking, concluded that the acquisition would not raise barriers to entry and would not contravene s 50. The primary judge also found that, in the absence of the undertaking, the acquisition would raise barriers to entry and thereby substantially lessen competition in contravention of s 50.

The ACCC appealed, arguing that the primary judge did not have power to accept the undertaking or erred in doing so. Pacific National and Aurizon cross appealed, arguing that the primary judge erred in relation to market definition, erred in construing the word 'likely' as meaning real chance (rather than more probable than not) and erred in concluding that, in the absence of the undertaking, the acquisition would raise barriers to entry and thereby substantially lessen competition in contravention of s 50.

The Full Court upheld the cross-appeals on the third ground, but rejected the other two grounds.

On the first ground, the Full Court concluded that the primary judge did not err in relation to market definition. It was open to the primary judge to find that a subset of Pacific National's customers, namely 'captive' customers whose freight needs could not be switched to road or sea, formed a relevant market. It was not necessary for the primary judge to find that captive customers could be identified with a high degree of accuracy. It was sufficient that Pacific National knew enough to be able to engage in price discrimination.

On the second ground, the Full Court concluded that the primary judge did not err by construing the word 'likely' as meaning 'real commercial likelihood'.

On the third ground, the Full Court concluded, on the basis of the factual findings made by the primary judge, that the acquisition would not be likely to substantially lessen competition because barriers to entry were already high and there was no realistic prospect of new entry before a new competing rail terminal was built.

Upholding the cross-appeals required the dismissal of the ACCC's appeal and rendered the ACCC's grounds of appeal moot. Nevertheless, the Full Court addressed the ACCC's grounds. All members of the Full Court agreed that the primary judge erred in reasoning that the access undertaking was relevant in determining whether the acquisition would contravene s 50 and concluded that the power to accept an undertaking only arose once a finding of contravention had been made. Nevertheless, a majority of the Full Court (Middleton and O'Bryan JJ) concluded that, if the acquisition had contravened s 50, it would have been open to the primary judge to accept the access undertaking in lieu of injunctive or other relief, and the acceptance of the undertaking was not beyond power.

An application for special leave to appeal is currently pending in the High Court of Australia.

Commercial and Corporations NPA | General and Personal Insolvency Sub-area

Le v Scott as trustee of the property of Chanh Tam Le, a Bankrupt [2020] FCAFC 12 (18 February 2020, Kerr, Anastassiou and Anderson JJ)

The main issue in contention in this appeal was the true ownership of a property located in Sunshine West, Victoria (the property).

In 2015, the respondent was appointed the trustee of the bankrupt estate of the appellant (the trustee). The trustee brought an application seeking declarations and orders for the possession and sale of the property, on the basis that the appellant, together with the second respondent, his wife, held an interest in the property. The trustee alleged that although the certificate of title for the property showed the registered proprietors as Tam Chanh Le and the second respondent, the appellant, Chanh Tam Le, and the registered proprietor, Tam Chanh Le, were in fact the one and the same person. The trustee's application proceeded undefended in the proceedings below, and was granted by the primary judge.

On appeal, the appellant submitted that the registered proprietor, Tam Chanh Le, was in fact the appellant's brother, since deceased. The Full Court received fresh evidence, including documents purporting to be birth and death certificates for Tam Chanh Le.

The Full Court considered that, as a result of the fresh evidence, the question of whether the appellant is the one and the same person as Tam Chanh Le remained a live question. In reaching this conclusion, the Full Court noted a statutory declaration purportedly made by Tam Chanh Le in 2016, certifying his interest in the property.

The Full Court allowed the appeal on a limited basis, and made orders remitting the matter for hearing and determination of whether the appellant is, or was at the relevant time, the joint proprietor of the property.

Commercial and Corporations NPA | Regulator and Consumer Protection Sub-area

Gill v Ethicon Sàrl (No 5) [2019] FCA 1905 (21 November 2019, Katzmann J)

Mrs Gill, Mrs Dawson and Mrs Sanders brought a representative action under Pt IVA of the *Federal Court of Australia Act 1976* (Cth) on behalf of Australian women who suffered debilitating complications as a result of transvaginal implantation of one or more of nine synthetic pelvic mesh devices designed to alleviate stress urinary incontinence or pelvic organ prolapse. Ethicon Sàrl and Ethicon Inc. are Swiss and American manufacturers which supplied the devices to Johnson & Johnson Medical Pty Limited for promotion and supply to the Australian market for over two decades. The trial of this matter was large and complex, taking place between July 2017 and February 2018.

Katzmann J found that all nine devices failed to meet the standards of safety patients were generally entitled to expect and that accordingly, each device had a defect within the meaning of the *Trade Practices Act 1974* (Cth) or the *Australian Consumer Law* and were unfit for purpose and not of merchantable quality. Primary regard was had to the admittedly clinically significant risks of complication, lack of or inadequate warnings about those risks and misleading marketing material. One such finding was that in order to secure inclusion of the devices on the Australian Register of Therapeutic Goods, the devices were marked with the 'CE' logo, a certification which signifies compliance with the requirements for sale in the European Union, in circumstances where the devices did not in fact meet such requirements. Katzmann J found that based on the representations made in instructions for use and marketing material, the respondents engaged in misleading or deceptive conduct. Ethicon Sàrl, Ethicon Inc and Johnson & Johnson Medical Pty Limited were found jointly and severally liable to compensate the representative applicants and any group members who suffered injury as a result of the defects, unless the action was statute-barred and the limitation period not extended.

Katzmann J found that Ethicon Sàrl and Ethicon Inc had a duty of care in the design, testing and evaluation of the devices and, along with Johnson & Johnson, a continuing duty of care in supplying and marketing devices. Katzmann J accepted that both the pre-market and post-market evaluations of safety and efficacy were deficient and insufficient to discharge the duty of care. It was held that but for the failure to warn of the potential complications and extent of evaluation, each representative applicant would not have consented to implantation. The evidence established that the associated risks were not insignificant, were foreseeable, and could result in serious harm. The fact that medical practitioners also owe a duty of care to their patients did not absolve the respondents of their duties to take reasonable care to provide accurate information about the performance and safety of the devices to the applicants or group members.

The representative applicants were awarded a combined $2.6 million in common law damages and Katzmann J granted injunctive relief preventing the supply, distribution and marketing of those devices still on the market without specified information about the adverse events which may result from the implantation of the devices.

An appeal from this judgment is expected to be heard by a Full Court in early 2021.

Commercial and Corporations NPA | Regulator and Consumer Protection Sub-area

Kraft Foods Group Brands LLC v Bega Cheese Limited [2020] FCAFC 65 (14 April 2020, Foster, Moshinsky and O'Bryan JJ)

Kraft Foods Group Brands LLC and H.J. Heinz Company Australia Ltd (together, Kraft) are subsidiaries of Kraft Heinz Company. Kraft peanut butter has been available for purchase in Australia since 1935. By 2007, Kraft Foods Limited (KFL), an Australian company, was selling peanut butter in 'a jar with a yellow lid and a yellow label with a blue or red peanut device, the jar having a brown appearance when filled' (the peanut butter trade dress or PBTD). In 2012, KFL's parent company, Kraft Foods Inc, effected a corporate restructure in which two independent public companies were created to deal with its global snacks business and North American grocery business.

In 2017, Bega acquired the peanut butter business of KFL (later renamed Mondelez Australia (Foods) Ltd (MAFL)) under a sale and purchase agreement including its assets, recipes and goodwill and thereafter commenced manufacturing and selling Bega branded peanut butter using the PBTD. From April 2018, Kraft commenced production of peanut butter in Australia using a new formula with packaging that closely resembled the PBTD but supermarkets refused to stock its product because of potential customer confusion. Bega now accounts for 80 per cent of the peanut butter market in Australia.

Kraft sought declarations that it was entitled to use the PBTD and that Bega had engaged in misleading or deceptive conduct in contravention of the *Australian Consumer Law*, or passing off, through use of the PBTD and other trade marks, and in respect of its advertising campaign. Bega counter-claimed on similar grounds.

The primary judge found that the assignment or licensing of an unregistered trade mark is not possible without assignment of the underlying goodwill of the business, so that Bega acquired the PBTD when it purchased the peanut butter business from MAFL, including its assets and goodwill. After considering various licensing agreements, the primary judge concluded that

Kraft had not established that KFL had used the PBTD as a mere licensee; and, to the extent that a master trademark agreement purported to assign the goodwill associated with the PBTD to an upstream entity, that assignment was ineffective as a matter of Australian law. It followed that Bega was entitled to use the PBTD and had not misled customers; instead, Kraft had engaged in misleading and deceptive conduct, and passing off, through its use of the PBTD.

On appeal, Kraft's principal contentions related to the proper construction of the restructure documents. The Full Court rejected Kraft's contention that, on the true construction of the documents, viewed in their commercial context, the rights relating to the PBTD were allocated to the North American grocery business, GroceryCo. Kraft also contended that, as a matter of law, it is possible to assign an unregistered trade mark without also assigning the underlying goodwill. The Full Court rejected this contention, holding that it did not represent Australian law. The Full Court dismissed the appeal. The Full Court also dismissed Bega's cross-appeal to the finding that it had infringed a trade mark by use of the Kraft hexagon logo on its shippers.

An application for special leave to appeal is currently pending in the High Court of Australia.

Employment and Industrial Relations NPA

Bianco Walling Pty Ltd v Construction, Forestry, Maritime, Mining and Energy Union [2020] FCAFC 50 (24 March 2020, Flick, White and Perry JJ)

Bianco Walling Pty Ltd (Bianco) is engaged in the construction industry in South Australia. Its business has changed and enlarged over the years so that it ceased its original business of bricklaying and started manufacturing pre-cast concrete panels. Bianco acquired other businesses over time, which produced civil construction products including T-beams and drainage products. From 2006, Bianco had three divisions: the Pre-Cast Division, the Structural Division and the Civil Division.

In November 2017, Bianco applied to the Fair Work Commission (FWC) under s 217 of the *Fair Work Act 2009* (Cth) to vary clause 1.2 of the *Bianco Walling Pty Ltd (Gepps Cross Site) Enterprise Agreement 2016* (EA) by deleting the words 'concrete manufacturing operations' and replacing them with the words 'Pre-Cast Division'. Under that provision, the FWC may vary an enterprise agreement 'to remove an ambiguity or uncertainty'.

A Deputy President of the FWC considered evidence of the circumstances surrounding the making of the EA, including predecessor agreements, and accepted that Bianco had objectively established the common intention of Bianco and its employees that clause 1.2 apply only to employees in its Pre-Cast Division. However, in interpreting the EA, the Deputy President considered he could only have regard to this evidence if the ordinary and plain meaning of the words 'concrete manufacturing operations' were uncertain or ambiguous. Having found they were not, the Deputy President dismissed the application.

The Full Bench of the FWC granted permission to appeal but found no error in the findings, approach and conclusion of the Deputy President, and dismissed the appeal.

Bianco filed an originating application in the Federal Court under s 39B of the *Judiciary Act 1903* (Cth), which was heard and determined by a Full Court.

The Full Court found the FWC was wrong in approaching the matter as though it was required to interpret the EA to discharge its function under s 217, as distinct from determining whether ambiguity or uncertainty existed. In performing its functions, the FWC is obliged to take into account 'equity, good conscience and the merits of the matter' under s 578 and is not bound by the rules of evidence and procedure. The Full Court found that, far from being precluded from having regard to evidence of the parties' common intention and the history of clause 1.2 of the EA, the FWC was permitted to have regard to them.

The Full Court found that the Deputy President and the Full Bench of the FWC had committed jurisdictional error by misunderstanding the nature of the FWC's jurisdiction under s 217 and the task required of it. It issued a writ of certiorari quashing the decisions of the FWC and a writ of mandamus compelling the FWC to exercise its jurisdiction in accordance with law.

Employment and Industrial Relations NPA

Construction, Forestry, Maritime, Mining and Energy Union v Australian Building and Construction Commissioner [2019] FCAFC 201 (15 November 2019, Bromberg, Wheelahan and Snaden JJ)

On 5 and 6 June 2017, Mr Hassett, an employee of the CFMMEU, entered a construction site in Devonport, Tasmania to investigate suspected contraventions of the *Work Health and Safety Act 2012* (Tas). Whilst in attendance he climbed on a crane while it was in operation, refused a request of the site occupier to get off the crane, used insulting language and engaged in abusive behaviour.

Mr Hassett and the CFMMEU admitted to contravening s 499 of the *Fair Work Act 2009* (Cth) (FW Act) by Mr Hassett failing to comply with the site occupier's reasonable occupational and safety request to get off the crane, and s 500 of the FW Act by Mr Hassett acting in an improper manner. The primary judge imposed penalties against Mr Hassett and the CFMMEU in respect of both the s 499 contraventions and the s 500 contraventions.

On appeal, the CFMMEU argued that the primary judge had erred in construing the civil double jeopardy provision in s 556 of the FW Act that provides: 'If a person is ordered to pay a pecuniary penalty under a civil remedy provision in relation to particular conduct, the person is not liable to be ordered to pay a pecuniary penalty under some other provision of a law of the Commonwealth in relation to that conduct.' The CFMMEU contended that because Mr Hassett's conduct that established the s 499 contravention was also an element of the s 500 contravention, only one penalty could be imposed on each of the CFMMEU and Mr Hassett in relation to that 'particular conduct'.

The Full Court found that the primary judge had construed 'particular conduct' in s 556 to mean the whole of the conduct the subject of a contravention and pecuniary penalty, and had erred in concluding s 556 was not engaged because the conduct relevant to the s 500 contravention was more expansive than the conduct the subject of the s 499 contravention.

The Full Court found 'particular conduct' refers to the act or omission that the wrongdoer actually did to constitute the particular contravention. In this case, Mr Hassett's refusal to get down from the crane was conduct relied upon for each contravention and once a pecuniary penalty had been imposed in respect of the s 500 contravention, s 556 operated to preclude the imposition of an additional penalty under s 499 in relation to the same conduct.

The Full Court allowed the appeal and set aside the penalties relating to the s 499 contraventions.

Federal Crime and Related Proceedings NPA

The Country Care Group Pty Ltd v Commonwealth Director of Public Prosecutions [2020] FCAFC 30 (6 March 2020, Allsop CJ, Wigney and Abraham JJ)

In 2010, The Country Care Group Pty Ltd won a tender to provide 'assistive technology products', such as wheelchairs and specialised furniture designed for the elderly and people with disabilities, to eligible beneficiaries under a rehabilitation program managed by the Department of Veterans' Affairs. Country Care's managing director, Mr Hogan, developed a nationwide network of subcontractors to supply these products at the prices agreed to between Country Care and the Department.

The prosecution alleged, by the first three charges of the indictment, that Country Care and Mr Hogan attempted to induce members of the network to contravene a cartel offence (s 44ZZRF(1) of the *Competition and Consumer Act 2010* (Cth) (the Act)) by making an arrangement or arriving at an understanding between and amongst members containing a cartel provision (s 44ZZRD(1) of the Act) that they would not advertise for sale goods at a price lower than the contracted price. Mr Harrison, a former employee, was charged with aiding, abetting, counselling or procuring the attempt by Mr Hogan. Country Care's challenge to those charges was dismissed by the trial judge.

The question for the Full Court was whether the first three charges were oppressive or unfair and should be severed and stayed because they would inevitably require the trial judge to give impossible or oppressively complex directions for two of the four elements of the charges; the conduct and circumstance elements. The accused submitted that given the charges were particularised such that there were potentially thousands of 'pathways' to guilt, the trial judge would be required to give the jury directions as to those many pathways and as to the need for unanimity as to any particular pathway or pathways before finding the accused guilty.

Between the hearing of the interlocutory application and the appeal, and at the appeal, the prosecution continued to refine and confine its case in a way that significantly reduced the complexity of the charges. The Full Court found that it was not possible and indeed wrong to rule out the need for any extended unanimity direction because the necessity of any direction ultimately depends upon the evidence and conduct of the trial. However, as to the conduct element and certain aspects of the circumstance element, it was unlikely there would be a need for extended unanimity directions and in any event, if there was, they would not be so complex as to justify severance or stay. Accordingly, the appeal was dismissed.

This is the first time an Australian corporation and individuals have been prosecuted under the criminal cartel provisions of the Act.

Intellectual Property NPA | Copyright Sub-area

Chhabra v McPherson as Trustee for the McPherson Practice Trust [2019] FCAFC 228 (13 December 2019, Greenwood, Charlesworth and Burley JJ)

The respondents are partners in a law firm that joined the Kaden Boriss international law firm network in 2013. The firm used the Kaden Boriss logos until October 2017. The appellants claimed that the first appellant, Mr Lal, was the sole owner of the copyright in those logos, that the respondents used these pursuant to a bare licence revocable at will, and that this licence had been revoked by January 2017. The appellants sought damages for copyright infringement.

The primary judge found that the original owner of the relevant copyright was the company engaged to create the logos, Pulse. A confirmatory deed made in 2017 retrospectively assigned copyright in the logos from Pulse to Mr Lal jointly with another co-owner, Mr Barta. The primary judge found the respondents had a contractual licence to use the logos for the purpose of signifying their firm's participation in the Kaden Boriss network and this licence could not be withdrawn without just cause or, perhaps, reasonable notice. The primary judge found there was no effective revocation of the respondents' licence.

The Full Court agreed with the primary judge that there had not been an assignment of copyright from Mr Barta to Mr Lal, so as to make him the sole owner. The Full Court said general assertions about the right to use a brand were not sufficient, as 'brand' most naturally referred to the common law trade mark. In any event, the Full Court found that the statutory requirements for an assignment of future copyright were not met, as Mr Barta was not the 'owner of the copyright on its coming into existence'. The confirmatory deed was not made until some six years after the copyright came into existence and only had retrospective effect to some months after the copyright came into existence.

The Full Court found it was open to the primary judge to find that the licence was a contractual one and this made it necessary to identify the conditions of revocation in accordance with ordinary contractual principles. Even if the revocation term identified by the primary judge went beyond what was argued at trial by either party, no miscarriage of justice was shown.

The Full Court found the primary judge did not err by finding that Mr Barta did not consent to the revocation, nor by leaving undecided the question of whether Mr Lal as co-owner of the copyright could revoke the respondents' licence without Mr Barta's consent. The alleged acts of revocation were not in accordance with the contractual terms of the licence as found by the primary judge, including because no reasonable notice had been given. In the circumstances, any error in the obiter remarks of the primary judge in considering whether a bare licence was revocable at will was found by the Full Court to not be material to the outcome.

Intellectual Property NPA | Patents and Associated Statutes Sub-area

Commissioner of Patents v Rokt Pte Ltd [2020] FCAFC 86 (21 May 2020, Rares, Nicholas and Burley JJ)

In 2016 and 2017, the Commissioner of Patents determined that Rokt Pte Ltd's claimed invention relating to digital advertising systems and methods was not a patentable invention. The claimed purpose of the invention was to enhance consumer engagement with online advertising by presenting an intermediate 'engagement offer' (e.g a survey or free game, which may be referred to as 'click-bait') targeted to a consumer using a data-based scoring algorithm based on real-time assessment of consumer behaviour and attributes. The primary purpose of the offer was not to sell a product, but to encourage the user positively to engage with the offer, and then be taken on an 'engagement journey' that would lead to targeted advertisements.

The primary judge heard the application *de novo* and found that the resolution lay 'largely in the realm of facts'. Accepting the evidence of one expert, Professor Verspoor, the primary judge found the substance of the invention was the introduction of an 'engagement offer' providing an alternative advertising technique to previous systems. This was found to be an improvement in computer technology such that the use of computers was integral to the invention; a solution to the technical problem of how to address the business problem of attracting consumer attention; and an integration of known components into a single system in an innovative and previously unknown way. The primary judge concluded the claimed invention was a 'manner of manufacture' within the meaning of s 18(1)(a) of the *Patents Act 1990* (Cth) and should proceed to grant.

The Full Court found that by characterising the problem as one that lay in the realm of facts, and adopting the evidence of Professor Verspoor in order to resolve it, the primary judge erred by failing to address the question of the proper characterisation of the invention according to the authorities. The Full Court reiterated that characterisation is a matter of law based on the construction of the specification, which may be assisted by expert evidence, but which evidence is limited to placing the Court in the position of a person acquainted with the state of the art as at the priority date.

As to the proper characterisation, the Full Court reiterated that whilst the claim must be read with reference to the body of the specification, the invention is defined by the claims. The relevant question for the court in the case of a computer implemented technology is whether or not the invention properly understood is for a mere scheme that is simply implemented by a computer, or whether it is something more. It is not enough that the claimed invention could not be implemented other than by the use of computers, or that the scheme required bespoke software for its implementation on computer equipment.

The Full Court found that the claim amounted to an instruction to carry out a marketing scheme through well-known and understood functions of computer technology. Accordingly, the invention claimed was not patentable. The appeal was allowed.

An application for special leave to appeal is currently pending in the High Court of Australia.

Intellectual Property NPA | Trade Marks Sub-area

Trident Seafoods Corporation v Trident Foods Pty Ltd [2019] FCAFC 100 (20 June 2019, Reeves, Jagot and Rangiah JJ)

Trident Seafoods is a seafood company headquartered in the United States, and looking to expand into Australia. Trident Foods is a long established Australian company, selling food products with Asian flavours and ingredients. Trident Seafoods sought the removal of two trade marks for the word 'TRIDENT' owned by Trident Foods from the Register of Trade Marks for non-use. The trade marks had been registered for decades, but since about 2000, all sales of food under the marks had been made by the parent company of Trident Foods.

The primary judge found that Trident Foods had not used the marks in Australia during the relevant period because the parent company was not an authorised user of the marks. Nevertheless, the primary judge exercised her discretion to decide that the marks should not be removed, considering arrangements made to authorise the parent company's use, post non-use period sales, intentions relating to future use and the likelihood of confusion in the minds of consumers.

The Full Court disagreed with the primary judge's conclusion that Trident Foods had not authorised use of the marks by its parent company. Both companies had common directors and the common purpose of enhancing the value of the brand. The Full Court found the concept of mere acquiescence was commercially unrealistic in the circumstances and inferred control of the use of the marks by their owner. The Full Court also found that Trident Seafoods failed to identify any error of the requisite kind to justify appellate intervention in the primary judge's exercise of discretion.

Trident Seafoods also opposed the registration of a new trade mark application made by Trident Foods. Trident Seafoods argued that registration should be blocked by its own trade mark application and because Trident Foods did not intend to use the new mark.

The Full Court exercised its discretion to decide that the Trident Foods application should not be blocked by the Trident Seafoods application for a mark that will never be able to achieve registration and which has not been used in Australia. The Full Court also found that Trident Foods subjectively intended its parent company to be an authorised user of the mark. Given the very low threshold set with regard to intention to use, the Full Court found there were no circumstances that displaced the presumption of Trident Foods' intention to use the mark. The Full Court allowed the appeal by Trident Foods and allowed its new trade mark application to proceed to registration.

Native Title NPA

Fortescue Metals Group v Warrie on behalf of the Yindjibarndi People [2019] FCAFC 177 (18 October 2019, Jagot, Robertson, Griffiths, Mortimer and White JJ)

In 2003, the Court found that the Yindjibarndi People held non-exclusive native title rights over Moses land, an area of the Pilbara in north-western Western Australia. Shortly after, Stanley Warrie, on behalf of the Yindjibarndi People, made an application for the determination of exclusive native title rights over an area immediately south of Moses land, subject to ss 47A and 47B of the *Native Title Act 1993* (Cth) (NTA). In 2017, that application was granted. The primary judge found that non-Yindjibarndi people must seek permission to enter and use the land, both to protect country and to protect from adverse spiritual consequences, or risk serious physical punishment for transgression. This was found to be proof of control of access and a right of exclusive possession, contrary to the finding in 2003 that the practice of seeking permission was no more than a matter of respect. Fortescue Metals Group Ltd, which was not party to the Moses land determination, challenged the Warrie determination. The appeal was dismissed in three separate judgments.

By ground 1, the appellants argued that the re-litigation of the issue of exclusive possession by seeking inconsistent determinations was an abuse of process. Jagot and Mortimer JJ considered that members of a claim group are not forever fixed with one description of their 'society', that there was no obligation to bring all claims at once and that findings of fact as to rights and interests over different lands and waters may well differ, even though the same overall normative system is involved. Robertson and Griffiths JJ considered that given the 2003 decision was made in a different era, that is before *Griffiths v Northern Territory* [2007] FCAFC 178 and *Banjima People v State of Western Australia* [2015] FCAFC 84 clarified the relevance of 'spiritual necessity' and the proper focus in assessing evidence pertaining to exclusive possession, the inconsistency in the determinations did not reduce public confidence in the administration of justice nor constitute an abuse of process. For White J, the primary judge erred in concluding that s 13 of the NTA, being the power to revoke or vary a determination, is a statutory exception to the principles of *res judicata*, issue estoppel and abuse of process. Nevertheless, White J found there could be no abuse of process, including because the determinations were not inconsistent given they related to different lands and waters.

Jagot and Mortimer JJ, primarily delivering the Court's reasons with respect to grounds 2 and 3, found that a finding of exclusive possession does not depend upon recognition by non-Aboriginal people, nor the effectiveness of enforcement against non-Aboriginal people and that it was inappropriate to assess exclusive possession by reference to common law proprietary concepts or decisions made in the context of extinguishment. Their Honours found that the primary judge's approach was consistent with *Griffiths* and *Banjima*, neither of which held that 'spiritual necessity' itself directly gives rise to exclusive possession, but rather that spiritual concepts are enmeshed in traditional law and custom.

Under ground 4, the appellants submitted that spiritual beliefs are irrelevant to the question of occupation under s 47B of the NTA because they do not establish a presence on the land in a 'concrete real world sense'. Robertson and Griffiths JJ, delivering the Court's reasons, considered this argument artificially restricted the question to Anglo-Australian notions removed from the NTA context. Their Honours recognised that evidence of connection to country may be an important and possibly decisive contextual aspect of the assessment of evidence of occupation, however insufficient in and of itself given the questions of connection and occupation are distinct enquiries. Their Honours affirmed that spiritual connection may be relevant to that enquiry and that occupation by assertion of traditional rights and interests is not limited to areas in which Aboriginal people are physically present.

An application for special leave to appeal was refused by the High Court of Australia.

Other Federal Jurisdiction NPA

Jadwan Pty Ltd v Rae & Partners (A Firm) [2020] FCAFC 62 (9 April 2020, Bromwich, O'Callaghan and Wheelahan JJ)

Jadwan Pty Ltd (Jadwan) owned and operated the Derwent Court nursing home. As a Commonwealth approved nursing home, it received subsidies in respect of its 51 approved bed licences. In 1997, Jadwan's approval was revoked and it ceased operations.

Jadwan commenced negligence proceedings. The first to third respondents were law firms, who each employed Mr Wicks, a solicitor who retained carriage of Jadwan's matters as he moved firms. The fourth respondent was a Melbourne-based solicitor. Jadwan claimed that the first to fourth respondents failed to provide competent advice in relation to the withdrawal of Commonwealth approval, thereby depriving Jadwan of its entitlements to its subsidies and capacity to remain registered as an approved nursing home operator. Jadwan alleged it consequently lost its chance to relocate the nursing home, or alternatively, sell its bed licences. In addition, Jadwan brought proceedings as against the fifth respondent for the alleged loss of opportunity to pursue claims of negligence against Jadwan's former barrister for negligent advice (the barrister).

Jadwan's claims against all respondents were rejected at first instance. The primary judge found that the first respondent's retainer did not extend to legal advice. The primary judge found that Mr Wicks was negligent, when in the employ of the second and third respondents, by reason of his failure to appreciate the consequences of incoming legislation, however, Jadwan did not suffer any loss. This was because of the primary judge's finding that Jadwan had at this stage independently decided not to continue with its nursing home business, and was focused on selling its 51 approved bed licences. The primary judge dismissed the claims as against the fourth respondent, on the ground that the retainer was confined in scope, and as against the fifth respondent, on the ground that even if the barrister had breached his duty, such negligence caused no loss.

The Full Court dismissed an appeal from the primary judge's decision, however, the Full Court disagreed with some of the findings made at first instance. The Full Court concluded that although the first respondent's retainer did in fact require legal skill and that Mr Wicks ought to have exercised reasonable care, Jadwan had not established it would have acted on such advice. The Full Court further considered the primary judge to have erred in finding that Jadwan had decided to 'get out' of operating Derwent Court, finding that the better inference was that Jadwan had been giving serious consideration to ceasing operation and selling its licences but had not made a firm or irrevocable decision as at the relevant date.

Finally, the Full Court disagreed with the primary judge's formulation of the advice a prudent lawyer exercising reasonable care ought to have given. The Full Court accepted that a reasonable solicitor would acquaint themselves with the relevant legislation, and that each of the professionals who provided advice had breached their duties of care. However, the Full Court remained unpersuaded that, had Jadwan been given reasonable advice, that it would have taken action to challenge the revocation of its approval or progress its plans to relocate the nursing home to different premises. Accordingly, no act or omission of Mr Wicks, the fourth respondent or the barrister resulted in the damage alleged by Jadwan, and the appeal was dismissed.

An application for special leave to appeal is currently pending in the High Court of Australia.

Taxation NPA

Burton v Commissioner of Taxation [2019] FCAFC 141 (22 August 2019, Logan, Steward and Jackson JJ)

Mr Burton, an Australian resident, realised capital gains from his US investments in the 2011 and 2012 income years. In the US, Mr Burton paid tax on the majority of these gains at a concessional rate of 15 per cent, and on the remainder at the ordinary rate of 35 per cent. In Australia, the gains were taxed at ordinary rates, but Mr Burton was able to apply a 50 per cent discount to the amount of the gains included in his assessable income. In his Australian returns, Mr Burton sought to claim the US tax he paid either as a foreign income tax offset under domestic law or as a foreign tax credit under the applicable tax treaty.

In the objection decision, the Commissioner of Taxation decided that Mr Burton could only claim half of the US tax he paid against his discounted capital gain. The primary judge dismissed Mr Burton's appeal, finding that 50 per cent of the capital gains made by Mr Burton were not included in his assessable income in Australia, such that only half of the US tax was paid in respect of amounts included in Mr Burton's assessable income in Australia. The primary judge found the terms of the applicable treaty were not inconsistent with this conclusion. By majority, the Full Court agreed with the primary judge.

The Full Court was unanimous in finding that Mr Burton was only entitled to a foreign income tax offset under domestic law for half of the tax he paid in the US. Logan J found it was fatal to the success of Mr Burton's claim that an offset was only available for foreign tax paid 'in respect of an amount that is all or part of an amount included in your assessable income'. Only half of the US tax paid by Mr Burton was in respect of amounts included in his assessable income under Australian tax law. According to Steward J, one first had to identify what was included in assessable income, and then what foreign tax had been paid on that sum. Jackson J agreed with the reasons of both Logan J and Steward J.

The majority of the Full Court also found Mr Burton was not entitled to a credit under the treaty for foreign tax paid on income that was not included in his assessable income in Australia. According to Steward J, because the treaty allowed for a credit by Australia against tax payable, the starting point was the identification of what income Australia taxed. Allowing a credit for US tax paid on income never brought to tax in Australia would go beyond what was required to provide relief from double taxation. Jackson J found the outcome under domestic law was consistent with the general principles expressed in relation to foreign tax credits in the treaty.

Logan J, in dissent, found the amount of the foreign tax credits provided for by the treaty was equivalent to the amount of US tax paid by Mr Burton in respect of the gains he derived from US sources. The mechanism for the computation of Australian taxation in respect of those gains, including the availability of the 50 per cent capital gains tax discount under domestic law, could not alter the amount of Mr Burton's entitlement under the treaty.

An application for special leave to appeal was refused by the High Court of Australia.