FEDERAL COURT OF AUSTRALIA

Carlisle Homes Pty Ltd v Tick Homes Pty Ltd [2018] FCA 973

|  |  |
| --- | --- |
| File number: | VID 717 of 2018 |
|  |  |
| Judge: | **MURPHY J** |
|  |  |
| Date of judgment: | 26 June 2018 |
|  |  |
| Catchwords: | **COPYRIGHT** – application for an interlocutory injunction restraining reproduction and sale of house plans and building houses in accordance with the plans – allegation of copying house plans in infringement of copyright in the plans – prima facie case established – damages an adequate remedy – balance of convenience against grant of interlocutory injunction – application dismissed  |
|  |  |
| Legislation: | *Copyright Act 1968* (Cth)  |
|  |  |
| Cases cited: | *Apotex Pty Ltd v Cipla Ltd* [2017] FCA 1627*Australian Broadcasting Corporation v O’Neill* (2006) 227 CLR 57*Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618 *Clarendon Homes (Aust) Pty Ltd v Henley Arch Pty Ltd* (1999) 46 IPR 309*Eagle Homes Pty Ltd v Austec Homes Pty Ltd* (1999) 87 FCR 415*Henley Arch Pty Ltd v Lucky Homes Pty Ltd* [2016] FCA 1217*InterPharma Pty v Hospira, Inc (No 3)* [2017] FCA 1536*SW Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466*Tamawood Ltd v Henley Arch Pty Ltd* (2004) 61 IPR 378; [2004] FCAFC 78 |
|  |  |
| Date of hearing: | 21 June 2018 |
|  |  |
| Registry: | Victoria |
|  |  |
| Division: | General Division |
|  |  |
| National Practice Area: | Intellectual Property |
|  |  |
| Sub-area: | Copyright and Industrial Designs |
|  |  |
| Category: | Catchwords |
|  |  |
| Number of paragraphs: | 53 |
|  |  |
| Counsel for the Applicant: | Mr T D Cordiner QC and Mr A Christophersen |
|  |  |
| Solicitor for the Applicant: | K&L Gates |
|  |  |
| Counsel for the Respondents: | Mr P H Wallis |
|  |  |
| Solicitor for the Respondents: | Aitken Partners |

ORDERS

|  |  |
| --- | --- |
|  | VID 717 of 2018 |
|   |
| BETWEEN: | CARLISLE HOMES PTY LTD (ACN 106 263 209)Applicant |
| AND: | TICK HOMES PTY LTD (ACN 620 818 180)First RespondentRESIMAX GROUP PTY LTD (ACN 164 428 942)Second RespondentARCHTEK PTY LTD (ACN 610 883 997) (and another named in the Schedule)Third Respondent |

|  |  |
| --- | --- |
| JUDGE: | MURPHY J |
| DATE OF ORDER: | 26 JUNE 2018 |

THE COURT ORDERS THAT:

1. The application for injunctive relief be dismissed.
2. The proceeding be granted a hearing date as soon as practicable.
3. The Applicant pay the Respondents’ costs of the application.

Note: Entry of orders is dealt with in Rule 39.32 of the *Federal Court Rules 2011*.

REASONS FOR JUDGMENT

MURPHY J:

1. In this proceeding the applicant, Carlisle Homes Pty Ltd, alleges that the respondents, Tick Homes Pty Ltd, Resimax Group Pty Ltd, Archtek Pty Ltd and Aziz Kheir have infringed Carlisle Homes’ copyright under the *Copyright Act 1968* (Cth) (**Copyright Act**) in relation to nine of its residential home plans, doing so by reproducing and offering for sale reproductions of those plans and/or by homes built in accordance with the reproductions (or substantial parts of them). Pending the hearing and determination of the substantive proceeding Carlisle Homes seeks an interlocutory injunction to restrain the respondents from reproducing or substantially reproducing any of reproductions of the plans and from offering for sale, selling or constructing any houses in accordance or substantially in accordance with any of the reproductions of the plans (or substantial parts of them) without Carlisle Homes’ prior written consent.
2. For the reasons I explain, I have refused the injunctive relief sought and ordered a speedy hearing of the substantive proceeding.

# THE SALIENT FACTS

1. The evidence in the application is by affidavit and there was no cross-examination. Carlisle Homes relies on affidavits by its Managing Director, John Doulgeridis, its Senior Designer, Shane Rogers, and its solicitor, Savannah Hardingham. The respondents rely on an affidavit by the fourth respondent, Mr Kheir who is a director of each of Tick Homes, Resimax and Archtek. Much of their evidence is uncontentious.

## The parties

1. Carlisle Homes is a substantial home building company which commenced operation in 2004 and which it is appropriate to describe as a high volume builder. It has constructed over 8,000 homes since 2004 and since 2014 it has constructed over 1,000 homes per year.
2. Mr Kheir states that he founded the Resimax Group in 2008. Resimax is primarily involved in developments of detached volume housing and also in apartment developments. It currently controls more than 5,000 residential lots and homes to be developed, and it is also a high volume developer and builder. Together with Dean Mallia, an experienced draftsperson in the high volume housing industry, Mr Kheir set up Archtek in 2016, primarily to provide drafting services to Resimax. In 2017 he set up Tick Homes to provide affordable homes for first home buyers by offering relatively inexpensive house and land packages to be built on land developments in which Resimax is involved.

## The creation of the Carlisle Homes Plans

1. Mr Rogers is an experienced house designer and draftsperson and since October 2011 he has been employed by Carlisle Homes, to create house plans for that company. Mr Doulgeridis works closely with Mr Rogers when he is designing plans and Carlisle Homes markets and promotes the plans and the houses built by reference to the plans as original designs.
2. Carlisle Homes’ original house plans include the following nine house designs created by Mr Rogers in the course of his employment:
3. the Bayview 19, completed in about September 2014;
4. the Edgewood 23, completed in about September 2014;
5. the Glenbrook 25, completed in about June 2016;
6. the Portland 25, completed in about July 2015;
7. the Rutherford 32, completed in about June 2016;
8. the Peninsula 33, completed in about July 2016;
9. the Lennox 23, completed in about November 2012;
10. the Brooklyn 16, completed in about June 2015; and
11. the Newbury 23, completed in about June 2015;

(collectively the **Carlisle Homes Plans**).

## The creation of the Tick Homes Plans

1. In early 2017 Mr Kheir began assembling the management team to lead the development of Tick Homes within Resimax. Amongst others, in May 2017 he engaged Darren Mehl to be Resimax’s Chief Operating Officer and to have responsibility for Tick Homes, and in July 2017 he engaged James Farrar as Tick Homes’ Building Manager. Mr Mehl had worked for Carlisle Homes until he was made redundant in April 2017.
2. Mr Kheir states that shortly after employing Mr Mehl he instructed him to prepare a design brief to Mr Mallia for the construction of a suite of home plans to suit Resimax’s upcoming developments. The design brief was for homes to be built on relatively small blocks of land for buyers with budgetary constraints, which required precision in determining room sizes and home size. He says that Mr Mehl prepared the design brief in July 2017. The design brief is in evidence and in my view it is at a high level.
3. Mr Kheir says that he exercised only high level oversight of the design process, but he observed that Mr Mallia worked closely with Mr Mehl and Mr Farrar to design the plans. Mr Mehl, Mr Mallia and Mr Farrar all worked in the same Melbourne office.
4. Mr Kheir says that Mr Mallia prepared an initial set of 15 plans over approximately three months from July to September 2017, which included the nine home plans which are the subject of complaint in this proceeding (the **Tick Homes Plans**). Subsequently Mr Mallia prepared at a further set of five plans for Tick Homes over approximately two months from March to April 2018, none of which are at issue in the proceeding.
5. The respondents did not put on affidavits by Mr Mallia, Mr Mehl or Mr Farrar as to the creation of the Tick Homes Plans but Mr Kheir says that Mr Mallia informed him about the design process he used in preparing the home plans. He also says that Mr Mallia recently prepared an example of the design process by which he prepared the home plans, which is in evidence. In my view Mr Kheir’s evidence tends to show that Mr Mallia only informed Mr Kheir about the design process in broad terms and the example of the design process Mr Mallia said he utilised is also at a high level.
6. Mr Kheir says that Mr Mehl informed him that he instructed Mr Mallia:
7. to use standard dimensions for rooms such as toilets, bathrooms, ensuites, walk-in robes and laundries to enable efficient construction of the rooms consistent with the shape and size of the fixtures and fittings contained in the rooms; and
8. to ensure that the overall size of the homes enabled efficient construction, such as by ensuring that the overall length of the home was consistent with the length of the bricks to be used in constructing the home.

Given those matters, and the requirements for bedroom sizes in the design brief prepared by Mr Mehl, Mr Kheir says that the size of the main living areas in the Tick Homes Plans was to a large extent determined as being the residual space left after the other requirements were fulfilled.

1. Importantly, Mr Kheir says that Mr Mallia informed him that he was unaware of the Carlisle Homes Plans at the time he designed the Tick Homes Plans, and says that Mr Mehl informed him that he did not refer to any Carlisle Homes Plans when he participated in the design of the Tick Homes Plans.

## The launch of the Tick Homes Plans

1. Mr Kheir says that in early December 2017 Tick Homes prepared flyers for seven of the Tick Homes Plans, which were uploaded to Tick Homes’ website on 5 December 2017. On 8 March 2018 Tick Homes published the 15 home plans Mr Mallia usually prepared on its website and in promotional material, on 26 April 2018 it had a launch function for suppliers and industry participants and on 28 April 2018 it launched a Tick Space Experience Centre in Essendon Fields. From March 2018 Tick Homes advertised extensively using billboards around Melbourne and also on social media, including Facebook and Instagram.
2. Tick Homes started selling house and land packages which include homes to be built in accordance with the Tick Homes Plans in December 2017, and it commenced taking deposits from and entering contracts with customers for the construction of such homes shortly thereafter. The evidence is that it has entered contracts with nine customers and it has started work on the sites in respect of seven of those homes, and it has taken deposits from customers in respect of a further 24 homes, to be built in accordance with the Tick Homes Plans.

## The alleged similarities between the two sets of plans

1. Mr Rogers has worked as an architectural draftsperson for more than 42 years, principally as a designer for volume project home building companies and design companies including AV Jennings Ltd, Simonds Group Ltd, Henley Arch Pty Ltd and finally Carlisle Homes. Based on his experience he says he expects that the designers of detached house plans of similar floor areas with the same number of floors, competing for the same segment of the project house market, and designed to fit blocks of land in new subdivisions or in established areas, typically with a frontage narrower than the block depth, would produce plans with many similar features.
2. He says that he would expect to see a plan that is compact and efficient, that minimises the total length of external walls, corridor length and wasted space. He says he would expect it to include features such as an attached garage, front door in the front façade (usually located centrally), open plan kitchen/dining/living areas, a main bedroom with ensuite bathroom and walk-in robe, subsidiary bedrooms and an additional family bathroom near those bedrooms and an internal laundry. While the arrangement of the rooms is influenced by functionality and the constraints of a compact plan shape, he says that within those restrictions there is substantial scope for originality. He says there is further scope for originality in the manner in which rooms and external areas are configured and designed, the detailed planning and fit out of bathroom, kitchen, laundry and linen cupboards and in features such as door and window details. He says that any number of combinations and variations can be used to include the popular features to which he referred and an almost endless variety of substantially different design results.
3. Mr Rogers reviewed each of the nine Tick Homes Plans and he identifies numerous features which he says are reproductions of the corresponding Carlisle Homes Plans, or substantial parts of those plans, which similarities are not dictated by the block size and which are on their own and/or in combination unique and important distinctive features of the relevant Carlisle Homes Plans. He says that:
4. Tick Homes’ Ozone 19 plan reproduces the Bayview 19 plan;
5. Tick Homes’ Yve 23 plan reproduces the Edgewood 23 plan;
6. Tick Homes’ Brooklyn 23 plan reproduces the Newbury 23 plan;
7. Tick Homes’ Patagonia 25 plan reproduces the Glenbrook 25 plan;
8. Tick Homes’ Amazon 25 plan reproduces the Portland 25 plan;
9. Tick Homes’ Phantom 32 plan reproduces the Peninsula 33 plan;
10. Tick Homes’ Ella 25 reproduces the Lennox 23 plan;
11. Tick Homes’ Drone 16 plan reproduces the Brooklyn 16 plan; and
12. Tick Homes’ Dawn 32 plan reproduces the Rutherford 32 plan.
13. Mr Rogers set out the alleged objective similarities between the various plans in some detail. He says the claimed similarities are not dictated by the block size and are unique and distinctive to the relevant Carlisle Homes Plan. It is unnecessary to descend to all the detail of each plan to deal with the interlocutory application. For present purposes it is sufficient to note that the types of claimed similarities include features such as the following, alone and/or in combination:
14. the use and position of bulkheads (a section of ceiling that has been dropped and boxed-in or enclosed) near the entry and between certain rooms to increase the perception of space in a narrow home and define spaces;
15. a “meals step in” to define and separate the meals area and give the living area its own defined position, and also provide more landscaping space adjacent to the meals area;
16. niches or alcoves in living areas to allow a television to be installed without projecting into the room;
17. an open plan kitchen, meals and living space running lengthwise to increase the spacious feel of the house;
18. the location and dimensions of the alfresco dining area;
19. the kitchen layout including a kitchen island bench with sink and dishwasher in it and a bench to the rear featuring the cooker and rangehood;
20. the location and dimensions of the master bedroom with an ensuite bathroom and internal walk-in robe; and
21. the layout and arrangement of other rooms and features.

On Mr Rogers’ evidence, different features and combinations of features are significant to each different design.

1. Mr Rogers casts doubt on Mr Mallia’s explanation as to the respondents’ failure to produce any early sketches of the Tick Homes Plans, early CAD draft plans, and emails between Mr Mehl and Mr Mallia attaching draft plans. He says that, based on his experience as a home designer and draftsperson, it usually takes several attempts to put together a design that fits the design brief and there are typically many emails between the designer and the client attaching marked up plans that show the plan’s development. If there are face-to-face meetings between the client and the designer it is typical for comments and instructions for the proposed changes to be marked up on printouts of the plans. He says that it is standard practice that as a CAD file for a plan is developed, copies of the plan at certain stages are saved within the CAD file.
2. The respondents deny that there is any significance to their failure to produce early sketches, draft plans and emails to show the development of the designs. First, Mr Kheir says that he has been informed by Mr Mallia that he was not aware of the Carlisle Homes Plans when he designed the Tick Homes Plans, and he was informed by Mr Mehl that he did not make any reference to any Carlisle Homes Plans when participating in the design process.
3. Second, Mr Kheir explains the absence of sketches and draft CAD plans by stating that Mr Mallia informed him that his preferred method of designing home plans is to design them directly in CAD and that it was not his usual practice to prepare hand sketches prior to designing in CAD, or to save successive drafts of his plans in CAD. The respondents seek to explain the failure to produce any emails containing successive drafts by the fact that Mr Mehl, Mr Mallia and Mr Farrar worked closely together on the design, in the same office.
4. Mr Kheir says Mr Mallia has informed him that he had designed hundreds of plans for volume homes over the last 15 years, that he retains copies of these designs, and that his usual practice was to refer to those designs when designing a new home plan, either by recalling them in his memory or by looking at them. Mr Kheir’s affidavit attaches a bundle of plans that Mr Mallia said he had previously prepared, which include features that appear in the Tick Homes Plans.
5. Mr Kheir seeks to further undercut Carlisle Homes’ allegation of breach of copyright by stating that that a number of volume builders offer home plans that are similar to the Carlisle Homes Plans. His affidavit attaches a bundle of home plans displayed on the websites of various Australian volume building companies.

# RELEVANT PRINCIPLES

## The principles regarding interlocutory injunctions

1. The principles in relation to the grant of an interlocutory injunction are well established. It requires an assessment as to:
2. whether the applicant has established a prima facie case, in the sense that if the evidence remains as it is there is a probability that at the trial of the action the applicant will be held entitled to relief. The applicant must show sufficient likelihood of success to justify, in the circumstances, the preservation of the status quo pending trial. It does not mean that the applicant must show that it is more probable than not that the applicant will succeed at trial, and how strong that probability needs to be depends upon the nature of the rights the applicant asserts and the practical consequences likely to flow from the orders it seeks; and
3. whether the inconvenience or injury which the applicant will be likely to suffer if an injunction were refused outweighs or is outweighed by the injury which the respondent would suffer even an injunction were granted. In this assessment consideration must be given to whether damages are an adequate remedy.

The two limbs are related in the sense that the stronger the prima facie case the less the balance of convenience needs to be in favour of the applicant: *Australian Broadcasting Corporation v O’Neill* [2006] HCA 46;(2006) 227 CLR 57 at 84-88; *Beecham Group Ltd v Bristol Laboratories Pty Ltd* [1968] HCA 1;(1968) 118 CLR 618 at 622-623.

## Relevant principles regarding breach of copyright

1. For the purposes of the interlocutory application the respondents do not contest that each of the Carlisle Homes Plans are original artistic works pursuant to s 10 of the Copyright Act, that copyright subsists in those works pursuant to s 32, nor that Carlisle Homes is the copyright owner pursuant to s 35. They deny, however, that they have infringed Carlisle Homes’ copyright in the Carlisle Homes Plans.
2. The notion of reproduction under the Copyright Act involves two elements: resemblance to, and actual use of, the copyright work. Broadly, reproduction means copying (both consciously and unconsciously) and it does not include cases where an author produces a substantially similar result by independent work *without* copying: *SW Hart & Co Pty Ltd v Edwards Hot Water Systems* [1985] HCA 59; (1985) 159 CLR 466 at 472 per Gibbs CJ (with whom Mason J agreed at 478 and Brennan J agreed at 491). To establish breach of copyright the applicant must show a “sufficient degree” of objective similarity between the two works in suit and “some causal connection” between the two works, in this case between the nine Carlisle Homes Plans and nine Tick Homes Plans.
3. The issues of resemblance to, and actual use of, the copyright work are discrete because, in the absence of a causal connection, objective similarity does not give rise to a finding of reproduction. They overlap, however, because the necessary causal connection between the alleged infringing work and the copyright work is often established by arguing that an inference of use of the copyright work should be drawn on the basis of a high degree of similarity between the two works, coupled with opportunity to use the copyright work (access) and with failure by the alleged infringer to adequately explain that party’s assertion of independent origination (authorship) of the work said to infringe. The elements of sufficient objective similarity and causal link are aspects of “reproduction” and it can be artificial to consider them separately, and where access to and use of a copyright work is found to have occurred a finding of copying can add significance to “objective similarity”: *Eagle Homes Pty Ltd v Austec Homes Pty Ltd* (1999) 87 FCR 415 at [84]-[85], [98] per Lindgren J (with whom Finkelstein J agreed at [111]); *Clarendon Homes (Aust) Pty Ltd v Henley Arch Pty Ltd* (1999) 46 IPR 309 at [27] per Heerey, Sundberg and Finkelstein JJ.

# CONSIDERATION

## Is there a prima facie case of breach of copyright?

1. Carlisle Homes contends that the Tick Homes Plans were created by Mr Mallia referring to and copying the Carlisle Homes Plans without Carlisle Homes’ authority. It argues that the evidence of copying is overwhelming, including that:
2. each of the Tick Homes Plans appears to be a close copy of the corresponding Carlisle Homes Plan;
3. each of the Tick Homes Plans appears to reproduce unique and distinctive features of the corresponding Carlisle Homes Plans;
4. the design documents produced by the respondents in response to Carlisle Homes’ request do not demonstrate the evolution of the designs and do not show that they were created without copying;
5. Mr Mehl was previously employed by Carlisle Homes as General Manager of Carlisle Homes’ “Easy Living” business from April 2015 until April 2017, and he had access to the Carlisle Homes Plans; and
6. Tick Homes has closely emulated multiple aspects of Carlisle Homes’ marketing materials in ways that demonstrate an awareness of and reference to them.
7. Mr Cordiner, Senior Counsel for Carlisle Homes, took the Court to numerous similarities between many of the Tick Homes Plans and the corresponding Carlisle Homes Plan. While the level of objective similarity varies between the different plans, I accept that many of the Tick Homes Plans show a high level of objective similarity to the corresponding Carlisle Homes Plan.
8. Mr Wallis, counsel for the respondents, reluctantly accepted that Carlisle Homes made out a prima facie case of breach of copyright, at least in relation to those plans with stronger similarity, but argues that Carlisle Homes’ case is weak. The respondents argue, amongst other things, that:
9. Mr Mehl and Mr Mallia’s evidence denying that they had any reference to the Carlisle Homes Plans in designing the Tick Homes Plans should be accepted;
10. Mr Mallia’s explanation as to the absence of early sketches, early CAD drafts and emails which show the development of the draft plans without reference to the Carlisle Homes Plans should be accepted;
11. there is little substance in the suggestion that Mr Mehl had access to the Carlisle Homes Plans as the former General Manager of Carlisle Homes' “Easy Living” business, and therefore the opportunity to copy them, when those plans were published on the Carlisle Homes’ website for all and sundry to see;
12. the similarities between the Tick Homes Plans and the Carlisle Homes Plans reflect house features which most consumers would wish to see (such as open plan kitchen/dining/living areas, an alfresco dining area, a main bedroom with ensuite bathroom and walk-in robe, subsidiary bedrooms and an additional family bathroom near those bedrooms) coupled with the restrictions on room and overall size associated with smaller than standard blocks of land;
13. Mr Rogers’ evidence that the Carlisle Homes Plans contain numerous features which are, on their own and/or in combination, unique and important distinctive features has no basis in the evidence or is, at least, overstated; and
14. Carlisle Homes Plans is a volume builder and its “Easy Living” housing range is relatively low cost project housing. Carlisle Homes’ marketing material shows that it did not market the Carlisle Homes Plans on the basis that its homes had unique or distinctive features, instead it largely did so on the basis that its homes are good value for money, quality constructions and will be speedily completed. The respondents submit that the notion that the type of project housing which the Carlisle Homes Plans embody is somehow unique or contains unique features does not withstand examination.
15. There is no dispute that Mr Mehl had access to the Carlisle Homes Plans and the opportunity to copy them. Rough versions of the plans are also available on Carlisle Homes’ website. I infer that Mr Mehl had a close familiarity with the plans and knew that many customers liked them.
16. Mr Mallia denies that he was aware of the Carlisle Homes Plans at the time he drafted the Tick Homes Plans, but this does not exclude the possibility of indirect copying through the instructions Mr Mehl gave Mr Mallia in the drafting process. Further, while Mr Mehl denies that he made any reference to the Carlisle Homes Plans when he participated in the design process, this does not exclude the possibility that he unconsciously copied the Carlisle Homes Plans with which he was closely familiar.
17. It is concerning that some of the nine Tick Homes Plans, all purportedly created from scratch in a three-month period, are closely similar to the Carlisle Homes Plans, and troubling that the respondents did not produce early sketches, drafts and emails showing the evolution of the Tick Homes Plans, to establish that they were created without copying. However, in the absence of more detailed evidence and cross examination I am not prepared to discount Mr Mallia’s explanation (through Mr Kheir) for the respondents’ asserted failure/inability to produce earlier sketches or drafts, or his explanation for the design similarities. They are matters for trial.

Without rehearsing the detail of the similarities between the Tick Homes Plans and the corresponding Carlisle Homes Plan through which Senior Counsel for Carlisle Homes took the Court, I am persuaded that in relation to many of the Tick Homes Plans the level of objective similarity is high. There are also several Tick Homes Plans where the level of objective similarity is significantly lower, in relation to which Carlisle Homes says that they are reproductions of a substantial part of its plans.

1. But whether the Tick Homes Plans are reproductions is a more difficult question. As Wilcox and Lindgren JJ said in *Tamawood Ltd v Henley Arch Pty Ltd* (2004) 61 IPR 378; [2004] FCAFC 78 at [38]:

The application of the law of copyright to project home plans gives rise to special difficulty.  All modern homes have certain features in common.  In the case of project homes competing for the same number of dollars, there are pressures towards sameness.  Of course, the size, number of rooms and facilities will vary according to the price range.  Commonly, however, those in the same price range will be found:

(a) to be designed to fit blocks of approximately similar shape and dimensions;

(b) to provide for vehicular access and accommodation; and

(c) to include features demanded by the market in question, such as, a certain number of bedrooms, a laundry, a kitchen, a family or rumpus room, an ensuite and a walk-in wardrobe (WIR) in association with the main bedroom, built-in wardrobes in the other bedrooms, at least one bathroom in proximity to the other bedrooms, and certain facilities in the kitchen such as a sink, bench, dishwasher, stove, hot plate and microwave oven.

1. Counsel for the respondents took the Court to numerous examples which tend to show that many of the features of the Carlisle Homes Plans which Mr Rogers described as “on their own and/or in combination, unique and important distinctive features” can be seen in prior house designs of Mr Mallia and in the designs of competing volume builders. I am not persuaded that the features to which Mr Rogers pointed are as unique or distinctive as he says. It is arguable that those features, alone or in combination, are common features or amenities demanded by the market, functional requirements which are logically necessary to the efficient operation of the houses, or are dictated by the block size which points away from an inference of copying.
2. In the finish while I am well satisfied that Carlisle Homes established an arguable case of breach of copyright in relation to all the Carlisle Homes Plans, at this stage of the proceeding I am not persuaded to conclude that the prima facie case is either strong or weak as the parties respectively contend.

## Balance of convenience

1. Carlisle Homes seeks an injunction with a “carve-out” in relation to any customers of Tick Homes who have already entered into a contract to build a home in accordance with one of the Tick Homes Plans, or who have paid a deposit in that regard. This carve out would ensure that any relevant existing contract with Tick Homes can be performed and third-party customers who have already paid deposits are not affected by the injunction sought. Carlisle Homes is also prepared to provide the usual undertaking in respect of any injunctive relief which is granted. It is a substantial business with a high annual turnover and I am satisfied that it is in a position to satisfy the undertaking if it is called upon to do so.
2. Carlisle Homes argues that if the respondents are not enjoined and are permitted to continue with their conduct it will be very difficult to quantify:
3. the commercial advantage that Carlisle Homes will have lost at the time the matter is finally determined as a result of the loss of customers and the loss of future business opportunities;
4. the sales Carlisle Homes lost by not being able to supply designs on an exclusive basis in Melbourne and surrounding areas; and
5. the damage to Carlisle Homes’ reputation and the effect this could have on its ability to attract new customers in the future.

It argues that its marketing emphasises the unique, exclusive and innovative nature of its designs and that its reputation is an important element of its goodwill and position in the marketplace. It contends that if further construction and promotion of homes based on the Tick Homes Plans is permitted (beyond the 33 customers who have already entered into a contract or paid a deposit) that will negatively affect Carlisle Homes’ reputation for exclusive and unique offerings.

1. Carlisle Homes argues the damage which Tick Homes will suffer if it is enjoined is not as significant as the losses Carlisle Homes is likely to suffer if an injunction is not granted, since:
2. Tick Homes currently offers 11 other house designs that are not the subject of the proposed injunction and which Tick Homes can continue to offer to potential customers in lieu of the infringing plans;
3. the evidence shows that Tick Homes can create fresh house plans, without reference to the Carlisle Homes Plans, within one to two months. Once Tick Homes has created and marketed fresh house plans it will suffer no further damage; and
4. Tick Homes is a new company with a lesser reputation in the market than Carlisle Homes and the proposed injunction is unlikely to cause it reputational damage.
5. In my view the balance of convenience is finely balanced but it leans in favour of the respondents and refusing the injunction sought.
6. *First*, it is no small thing to restrain the respondents’ operations. Tick Homes is a new business in which I infer Mr Kheir has made a substantial investment and it may suffer serious damage through the proposed injunction. Resimax is a substantial property developer which may suffer significant losses if, as a result of an injunction, it is unable to sell house and land packages through Tick Homes for a period.
7. I accept that it would be open to Tick Homes to prepare a fresh set of plans without reference to the Carlisle Homes Plans, but such a process is likely to be more fraught with difficulty than Carlisle Homes says. Tick Homes says that its plans contain common features demanded by consumers which are commonly found in project home plans, and it is not plain to me that Tick Homes could speedily create new plans that satisfied Carlisle Homes that they were made without reference to the Carlisle Homes Plans and which meet the requirements of the market. Rather than enjoining Tick Homes it is appropriate to order a speedy trial of the proceeding to allow a final determination of the issues.
8. *Second*, I accept that as a new business Tick Homes has not yet established a significant reputation. However that cuts two ways. As an emerging business which does not have a strong reputation, there is a greater risk that it will suffer serious harm if it is forced through an interlocutory injunction to withdraw from the market roughly half of the plans it has promoted to customers since December 2017. Nor would it be inexpensive or straightforward for Tick Homes to reintroduce its former plans to the market if it is successful at trial.
9. *Third*, Resimax is a substantial company and, as Carlisle Homes appears to accept, it has the wherewithal to meet any damages award that might be made in Carlisle Homes’ favour. Further, my decision is in part grounded in the respondents’ offer to undertake:
10. to keep an account of all homes constructed in accordance with the Tick Homes Plans, including details of the contract entered into, the plans the subject of the contracts, the identity of the vendors and purchasers and the consideration paid by the purchasers;
11. to maintain a minimum balance in the Tick Homes or the Resimax Group trading accounts of $500,000 up until the final resolution of the proceeding; and
12. to consent to an interlocutory timetable to bring the proceeding to trial as soon as reasonably possible.
13. *Fourth*, I am not persuaded that damages are an inadequate remedy. If Carlisle Homes succeeds at trial the draft concise statement shows that it will seek damages for lost sales or an account of profit in respect of homes built based on the Tick Homes Plans, additional damages for copyright infringement, and damages for diminution in Carlisle Homes’ reputation and goodwill.
14. The difficulties for an infringed party in establishing lost sales through breach of copyright have long been recognised by courts and some accepted approaches have developed to address them: see for example *Henley Arch Pty Ltd v Lucky Homes Pty Ltd* [2016] FCA 1217 at [208]-[213] per Beach J. Carlisle Homes has put on evidence as to the gross margin it earns on houses that it builds using the Carlisle Homes Plans, and in written submissions it accepted that the lost sales and additional damages parts of its claim, while difficult to calculate, are nonetheless quantifiable. Indeed, it asserts that such damages are likely to be substantial.
15. The assessment of damages for lost sales, an account of profit and/or additional damages for copyright infringement will be assisted by the respondents’ undertakings. Such damages are calculable under established principles and in the circumstances damages are an adequate remedy.
16. In relation to any damage to Carlisle Homes' reputation and goodwill I am not persuaded that damages are an inadequate remedy, essentially because:
17. the evidence provides little support for Carlisle Homes’ contention that its marketing emphasises the unique, exclusive and innovative nature of its designs, such that it has a reputation in that regard;
18. while Carlisle Homes is likely to face some complexities and difficulties associated with establishing such damage I do not accept Carlisle Homes’ argument that the difficulties in the present case are the same as those found in *InterPharma Pty v Hospira, Inc (No 3)* [2017] FCA 1536 at [190]-[204] per Kenny J or *Apotex Pty Ltd v Cipla Ltd* [2017] FCA 1627 at [158] per Beach J; and
19. the difficulties associated with an assessment of damages under this head exist whether or not an injunction is granted. If an injunction is granted the effect of the carve-out is that up to 33 homes based on Tick Homes Plans will be built or commenced to be built over approximately the next six months. On Carlisle Homes’ argument the building of those homes will damage its reputation and goodwill. It therefore cannot avoid confronting the difficulties, including the respondents’ arguments that the features of the Carlisle Homes Plans are not unique or distinctive, that Carlisle Homes does not have any reputation for such distinctive features, that customers for relatively inexpensive project homes do not expect or require unique or distinctive house designs, and that Tick Homes are selling house and land packages to different consumers to Carlisle Homes in different areas and/or on different subdivisions and housing estates.
20. If an injunction is refused, Tick Homes is likely to build more houses based on the impugned plans before the proceeding is heard and determined, but in circumstances where the case should be heard and determined within approximately six months there are unlikely to be substantially more.
21. It is appropriate to refuse the injunction sought.

# COSTS

1. I am not aware of any reason why costs should not follow the event, and have ordered Carlisle Homes to pay the respondents’ party/party costs. The parties did not though make any submissions in regard to costs. I accordingly grant any party that seeks an alternative costs order liberty to file short written submissions (no more than two pages) within seven days. Any opposing party may file short written submissions in response within seven days thereafter, and the Court will deal with the question of costs on the papers.

|  |
| --- |
| I certify that the preceding fifty-three (53) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Murphy. |

Associate:

Dated: 26 June 2018

SCHEDULE OF PARTIES

|  |  |
| --- | --- |
|  | VID 717 of 2018 |
| Respondents |  |
| Fourth Respondent: | AZIZ KHEIR |