FEDERAL COURT OF AUSTRALIA

Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd [2022] FCAFC 112

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| File number(s): |  |
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| Judgment of: | **GREENWOOD, CHEESEMAN AND MCELWAINE JJ** |
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| Date of judgment: | 6 July 2022 |
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| Catchwords: | **COPYRIGHT –**  appeal from decision of the primary judge dismissing claims of copyright infringement, misuse of confidential information, and various breaches of contract – where primary judge upheld the claims in relation to only one of the respondents – where appellant contends that its claims should have been upheld by the primary judge against all respondents  **COPYRIGHT** – whether the primary judge erred in dismissing the copyright infringement claims against the respondents – whether the primary judge erred in not considering the evidence from 29 September 2016 in deciding what inferences should be drawn on the appellant’s authorisation case – whether the primary judge erred in not concluding that the appellant’s authorisation case was made out against each of the respondents and within the period 29 September 2016 to June 2018 – grounds 1 to 7 allowed  **COPYRIGHT** – whether the primary judge erred in dismissing the contract claims against the fourth and fifth respondents – where there was no error in the approach of the primary judge – grounds 10, 11, 12, and 13 dismissed |
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| Legislation: | *Copyright Act 1968* (Cth) ss 13, 22(6), 31(1), 35 36(1), 36(1A), 101(1), 115(4)  *Copyright Amendment (Digital Agenda) Act 2000* (Cth) ss 36, 101(1A)  *Federal Court of Australia Act 1976* (Cth) ss 24, 37M, 37N  *Federal Court Rules 2011* (Cth) r 36.54(c) |
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| Cases cited: | *ABT17 v Minister for Immigration and Border Protection* (2020) 269 CLR 439; [2020] HCA 34  *Allesch v Maunz* (2000) 203 CLR 172; [2000] HCA 40  *Australasian Performing Right Association Limited v Jain* (1990) 26 FCR 53  *Australasian Performing Right Association Limited v Metro on George Pty Ltd* (2004) 210 ALR 244; [2004] FCA 1123  *Australian Tape Manufacturers Association Ltd the Commonwealth* (1993) 177 CLR 480; [1993] HCA 10  *Bahonko v Sterjov* (2008) 166 FCR 415; [2008] FCAFC 30  *Banque Commerciale SA (En Liqn) v Akhil Holdings Ltd* (1990) 169 CLR 279; [1990] HCA 11  *Beale* *v Government Insurance Office of NSW* (1997) 48 NSWLR 430  *Browne v Dunn* (1894) 6 R 67  *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd (No 2)* [2021] FCA 1053  *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd* [2021] FCA 809  *Cooper v Universal Music Australia Pty Ltd* (2006) 156 FCR 380  *Coulton v Holcombe* (1986) 162 CLR 1; [1986] HCA 33  *Electricity Generation Corporation t/as Verve Energy v Woodside Energy Ltd* (2014) 251 CLR 640; [2014] HCA 7  *Federal Commissioner of Taxation v Glencore Investment Pty Ltd* [2019] FCAFC 187; 281 FCR 219  *Jadwan Pty Ltd v Rae and Partners and Others* (2020) 278 FCR 1; [2020] FCAFC 62  *JR Consulting & Drafting Pty Ltd v Cummings* (2016) 116 IPR 440; [2016] FCAFC 20  *Lee v Lee* (2019) 266 CLR 129; [2019] HCA 28  *Microsoft Corporation v PC Club Australia Pty Ltd* (2005) 148 FCR 310; [2005] FCA 1522  *Mifsud v Campbell* (1991) 21 NSWLR 725  *Minister for Immigration and Border Protection v SZVFW* (2018) 264 CLR 541  *MWJ v The Queen* (2005) 80 ALJR 329; [2005] HCA 74  *Performing Right Society Ltd v Ciryl Theatrical Syndicate Ltd* [1924] 1 KB 1  *Roadshow Films Pty Ltd v iiNet Limited* (2012) 248 CLR 42; [2012] HCA 16  *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285; [2011] FCAFC 23  *Seymour v Australian Broadcasting Commission* (1977) 19 NSWLR 219  *State Rail Authority of New South Wales v Earthline Contractors Pty Ltd (in liq)* (1999) 73 ALJR 306  *Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd* (2014) 110 IPR 82; [2014] FCA 1366  *United Dominions Corporation Ltd v Brian Pty Ltd* (1985) 157 CLR 1; [1985] HCA 49  *Universal Music Australia Pty Ltd v Cooper* (2005) 150 FCR 1; [2005] FCA 972  *Universal Music Australia Pty Ltd v Sharman Licence Holdings Ltd* (2005) 222 FCR 465; [2005] FCA 1242  *University of New South Wales* *v Moorhouse* (1975) 133 CLR 1; [1975] HCA 26  *Warren v Coombes* (1979) 142 CLR 531  *WEA v Hanimex* (1987) 17 FCR 274  *Winstone v Wurlitzer Automatic Phonograph Company of Australia Pty ltd* [1946] VLR 338 |
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| Division: | General Division |
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| Registry: | New South Wales |
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| National Practice Area: | Intellectual Property |
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| Sub-area: | Copyright and Industrial Designs |
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| Number of paragraphs: | 359 |
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| Date of hearing: | 15, 16 February 2022 |
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| Counsel for the Appellant: | Mr M Green SC and Mr W H Wu |
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| Solicitor for the Appellant: | McLean & Associates Solicitors |
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| Counsel for the First, Second, Fourth, Fifth, Sixth and Seventh Respondents: | Mr H P T Bevan SC |
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| Solicitor for the First, Second, Fourth, Fifth, Sixth and Seventh Respondents: | Mills Oakley Lawyers |

ORDERS

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|  | | NSD 1015 of 2021 |
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| BETWEEN: | CAMPAIGNTRACK PTY LTD ACN 142 537 988  Appellant | |
| AND: | REAL ESTATE TOOL BOX PTY LTD ACN 614 827 379  First Respondent  BIGGIN & SCOTT CORPORATE PTY LTD ACN 072 450 689  Second Respondent  DAVID SEMMENS (and others named in the Schedule)  Third Respondent | |

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| order made by: | GREENWOOD, CHEESEMAN AND MCELWAINE JJ |
| DATE OF ORDER: | 6 JULY 2022 |

In these orders:

**DreamDesk Source Code Works** means the literary works in the source code of the DreamDesk system and includes the three PHP files named “src\Functions\edms.php”, “views.adhoc-edit.php” and “views\adhoc-edit2.php”;

**DreamDesk Database and Table Works** means the literary works in the DreamDesk database and 18 tables within the database;

**PDF Works** means the literary or artistic works in the PDF templates in the “client\_data” folder in the DreamDesk system;

**Toolbox system** means the “Real Estate Tool Box” software system.

THE COURT ORDERS THAT:

1. The appeal be allowed.

2. Set aside orders 6 and 8 made on 31 August 2021 in proceeding NSD 772 of 2017.

3. In lieu thereof:

(a) Declare that the first, second, sixth and seventh respondents have between 29 September 2016 and June 2018 infringed:

(i) the copyright in the DreamDesk Source Code Works, by:

A. authorising the third respondent to reproduce the whole or a substantial part of the DreamDesk Source Code Works in material form in developing the Toolbox system;

B. authorising other developers of the Toolbox system to reproduce a substantial part of the DreamDesk Source Code Works in material form in developing the Toolbox system;

C. authorising users of the Toolbox system to reproduce a substantial part of the DreamDesk Source Code Works in material form in using the Toolbox system; and

(ii) the copyright in the DreamDesk Database and Table Works, by:

A. authorising the third respondent to reproduce a substantial part of the DreamDesk Database and Table Works;

B. authorising users of the Toolbox system to reproduce a substantial part of the DreamDesk Database and Table Works.

(b) Declare that the first respondent has infringed the copyright in the DreamDesk Source Code Works, by authorising between 29 September 2016 and June 2018 the third respondent to communicate a substantial part of the DreamDesk Source Code Works to the public, in developing the Toolbox system.

(c) Declare that the fourth and fifth respondents have infringed between 29 September 2016 and June 2018:

(i) the copyright in the DreamDesk Database and Table Works, by authorising the third respondent to reproduce a substantial part of the DreamDesk Database and Table Works;

(ii) the copyright in the PDF Works, by authorising the third respondent to reproduce the whole of the PDF Works in material form.

(d) The first, second, sixth and seventh respondents be permanently restrained from reproducing or authorising the reproduction of the whole or a substantial part of:

(i) the DreamDesk Source Code Works;

(ii) the DreamDesk Database and Table Works,

in material form, without the licence of the copyright owner.

(e) The first respondent be permanently restrained from communicating or authorising the communication of the whole or a substantial part of the DreamDesk Source Code Works to the public, without the licence of the copyright owner.

(f) The fourth and fifth respondents be permanently restrained from reproducing or authorising the reproduction of the whole or a substantial part of:

(i) the DreamDesk Database and Table Works;

(ii) the PDF Works

in material form, without the licence of the copyright owner.

(g) Within 28 days of the date of these orders, each of the first, second, fourth, fifth, sixth and seventh respondents permanently destroy or erase, on oath or affirmation, all reproductions of the DreamDesk Source Code Works, the DreamDesk Database and Table Works and the PDF Works in their possession, custody, power or control, such verification to set out steps undertaken to give effect to the destruction or erasure.

(h) The matter be remitted to the primary judge for an inquiry as to damages or profits in respect of copyright infringement.

4. The Parties file and exchange any submissions as to costs or other consequential orders not to exceed 3 pages within 7 days.

5. The question of costs, and any consequential orders, be determined on the papers.

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

REASONS FOR JUDGMENT

GREENWOOD J:

## Part I: Background and matters of principle

1 I have had the benefit of reading the final draft reasons for judgment of his Honour Justice McElwaine and the final draft reasons of her Honour Justice Cheeseman. I agree with the orders proposed by his Honour McElwaine J and his Honour’s reasoning explanatory of the basis upon which the orders are to be made.

2 I respectfully disagree with the conclusion of her Honour Cheeseman J that the appeal ought to be dismissed, and although there are a number of contextual matters of principle identified by her Honour with which I agree, there are a number of significant and material considerations that, in my view, ought to have been examined by the primary judge and made the subject of *exposed* findings in *quelling* the controversy at trial on the *question* of whether parties described as the “represented respondents” (and I will return to these designations shortly), engaged in conduct properly characterised as authorisation of the primary infringements (as found by the primary judge) of the appellant’s copyright subsisting in particular source code (called the “DreamDesk source code”), the “DreamDesk Database Work”, “Table Works” and “PDF Works” (the “DreamDesk system”), *by* Mr Semmens and software developers acting under his direction (Mr Gallagher and Mr Zhang), *and* *by* users, in the period on and from 29 September 2019 (and ultimately until June 2018).

3 I agree with both McElwaine J and Cheeseman J that the question of whether the represented respondents engaged in conduct of authorising infringements of the appellant’s copyright in the DreamDesk system by the developers, and users, of a software program or system called the “Toolbox system” in the period from 29 September 2016 to June 2018 by reason of the “indifference” of the represented respondents to the gravity of the matters of fact and law put to them (and to their lawyers) by the appellant (and by its lawyers), was part of the controversy before the primary judge. The grounds of appeal contend for error on the part of the primary judge in failing to determine this aspect of the case on authorisation based upon the conduct of the represented respondents in the period on and from 29 September 2016. The text of the particular grounds of appeal going to this aspect of the case are discussed in the reasons for judgment of McElwaine J and it is not necessary to recite them in these reasons.

4 Moreover, this aspect of the case was an important part of the controversy not a matter at the periphery of the controversy to be quelled by a trial of the action.

5 Thus, in my view, it was *necessary* for the primary judge in deciding the authorisation case in the period on and after 29 September 2016 to address the matters of fact reflected in the chronology of events that emerged between the parties on and after 29 September 2016 *material* to the authorisation case in that period in the context of the primary judge’s findings made on the *whole* of the evidence. The reason that is so, put analogically, is that there is a geological *fault line* running through the evidence at 29 September 2019 that meant that the seam of evidential strata did not just continue, but came to be seen in a different setting. That which went before can be seen but altered by the evidence of the events on and after 29 September 2019. The point is not that evidence of the later events was overlooked by the primary judge in addressing the general narrative of events and exchanges, but rather, in *reasoning* to a *conclusion* on the authorisation case on and after 29 September 2019, evidence of material matters were simply not weighed in the balance or, put another way, taken into account in *reasoning to a conclusion* answering the statutory questions arising under s 36(1) and s 36(1A) of the *Copyright Act 1968* (Cth) (the “Act”), in that period. It was a fact‑intensive question, and the material findings in the period prior to 29 September 2016, and facts material to the question arising on and after 29 September 2016, *had* to be weighed in the reasoning on the authorisation question in the period on and from 29 September 2016.

6 The appellant contends that the primary judge failed to address these matters.

7 The appellant also contends that a consideration of the material matters in evidence before the primary judge concerning the period on and after 29 September 2016 taken in conjunction with facts as found by the primary judge concerning conduct in the earlier period, but nevertheless material to the authorisation case in the subsequent period, properly gave rise to an *inference* of authorisation by the represented parties which ought to have been drawn by the primary judge but, in contended error, was not drawn.

8 Before examining the contentions of the appellant on these questions, the following matters of principle concerning appellate review ought to be noted:

(1) An appeal by way of re‑hearing, such as the appeal in this case, is a procedure for the correction of error. The identification of error, within the limits of the grounds of appeal, whether of law or fact, on the part of the primary judge, is an indispensable condition of a successful appeal: *Minister for Immigration and Border Protection v SZVFW* (2018) 264 CLR 541 (“*SZVFW*”), Gageler J at [30]. To the extent necessary to address the grounds on which the primary judge is respectfully said to have erred, the Full Court is “obliged” to conduct a “real review” of the trial and the primary judge’s reasons for, in this case, dismissing the authorisation case in the period on and after 29 September 2016: *SZVFW*, Gageler J at [32].

(2) In conducting a real review of the primary judge’s reasons, the judges exercising the appellate jurisdiction of this Court cannot excuse themselves from the “task”, central to the exercise of the appellate jurisdiction (in an appeal such as this), of weighing conflicting evidence and deciding whether inferences ought to be drawn or not, and reaching their own conclusions: *SZVFW*, Gageler J at [32].

(3) In applying the general standard of “correctness” to appellate review, the majority in *Warren v Coombes* (1979) 142 CLR 531, Gibbs ACJ, Jacobs and Murphy JJ, said this at 551 about the position of an appellate court in determining proper inferences to be drawn from facts found or undisputed facts (see also, *SZVFW*,Gageler J at [41]):

Shortly expressed, the established principles are, we think, that in general an appellate court is in as good a position as the trial judge to decide on the proper inference to be drawn from facts which are undisputed or which, having been disputed, are established by the findings of the trial judge. In deciding what is the proper inference to be drawn, the appellate court will give respect and weight to the conclusion of the trial judge, but, once having reached its own conclusion, will not shrink from giving effect to it.

(4) In undertaking a real review of the primary judge’s reasons within the limits of, and the extent necessary to address the grounds of appeal, the Full Court in applying the correctness standard must observe the “natural limitations” that arise concerning the resolution of challenges to the credibility of witnesses based on factors such as the demeanour of the individuals in giving evidence (or impressions the primary judge may have found about them). It may be that considerations alive in the case before the primary judge are not necessarily fully reflected in the transcript and, of course, the primary judge is the trier of fact (and the application of the facts as found according to law), weighing all of the evidence “viewed as a whole”: *SZVFW*, Gageler J at [33].

(5) Keeping the scope of these natural limitations in mind (otherwise described by the majority in *Warren v Coombes* at 552 as the “advantages enjoyed by the judge who conducted the trial”), the majority also said this at 552:

[I]f the judges of appeal consider that in the circumstances the trial judge was in no better position to decide the *particular question* than they are themselves, or if, after giving *full weight* to his [or her] decision, they consider that it was wrong, they must discharge their duty and give effect to their own judgment.

[emphasis added]

9 In this appeal, the central matter, put simply, is that in deciding whether the represented respondents authorised infringements of the appellant’s copyright by users of the “Toolbox system” on and after 29 September 2016, the primary judge failed to have regard to, weigh and make findings about, important evidence of events on and after 29 September 2016 central to that question, and failed to have regard to material facts as found in the period anterior to 29 September 2016 that *inform* the extent to which an inference may be drawn concerning the contended indifference of the represented respondents to things put to them on and from 29 September 2016.

10 In the context of that *aspect* of the controversy before the primary judge to be quelled by the primary judge’s decision, the appeal court is in a position to consider the facts *as found*, the evidence of the events on and from 29 September 2016 said not to have been considered, and determine whether an inference is to be drawn which establishes the contended case on authorisation in that period and whether failure to draw the contended inference reflects error to be corrected in undertaking the necessary “real review” according to the “correctness” standard of appellate review.

11 I respectfully disagree with her Honour Cheeseman J’s observation at [147] of her Honour’s reasons that: “in the absence of error by the primary judge, it is not necessary to embark upon a real review of all of the material that was before the primary judge in order to revisit the primary judge’s rejection of the authorisation claims”. I do so because that approach respectfully seems to me to invert the essential task of the Full Court which is, within the limits of the grounds of appeal, and to the extent necessary to address them, the appellate court *must* conduct a real review of the primary judge’s judgment, the reasons explanatory of the findings, and the evidence said not to have been addressed in the reasoning, all going to the authorisation case in the post‑29 September 2016 period in order to decide *whether* the primary judgment reflects error in failing to draw the contended inference and *whether* inferences are to be drawn.

12 As to other matters of principle, I accept that the extent of the primary judge’s duty to “record the evidence given and the findings made depend, as the duty to give reasons does, upon the circumstances of the particular case” and where “certain evidence” is “important or critical” to a “proper determination” of claims made in the controversy to be quelled by a decision of the primary judge, evidence of that character cannot be “overlooked” and nor can the primary judge fail to “give consideration” to it. If such evidence is “not referred to” in reasoning to a conclusion, certain inferences arise. All “material” or “ultimate” findings of fact should be set out in the reasons. The application of the law to the facts found in determining the claims ought to be set out in the reasons. As to these matters, see *Beale* *v Government Insurance Office of NSW* (1997) 48 NSWLR 430 at 442‑444, emphasised by Cheeseman J. I also accept that the reasons of the primary judge may properly “omit attention to peripheral issues” (*State Rail Authority of New South Wales v Earthline Contractors Pty Ltd (in liq)* (1999) 73 ALJR 306, Kirby J at [90]), but that is not true of evidence characterised as “important or critical” or “material” to a “proper determination” (that is, a proper quelling) of the claims of a plaintiff or applicant at trial.

13 Where, as here, the contention is of the latter kind, the obligation of the appellate court is to conduct a “real review” of the primary judge’s decision as explained by the primary judge’s reasons, according to the “correctness” standard of appellate review: no more, no less.

14 It is now necessary to consider the findings of the primary judge in relation to the relevant events giving rise to the controversy, and the particular findings and reasoning concerning the events on and after 29 September 2016 material to the authorisation case in that period.

## Part II: The relevant events and findings made by the primary judge about them

15 The so‑called “represented respondents” (all represented by the same legal team) are Biggin & Scott Corporate Pty Ltd (“Biggin & Scott” or “B&S”), Real Estate Tool Box Pty Ltd (“RETB”), Dream Desk Pty Ltd (“DDPL”), Mr Meissner, Mr Stoner and Ms Bartels. In these observations, I am concerned with findings made by the primary judge relevant, ultimately, to the question of whether B&S, Mr Stoner, Ms Bartels and RETB authorised, in the later period, by their conduct, infringements of the copyright subsisting in the appellant’s “DreamDesk” software (and related works) by users of the “Toolbox system” and conduct of Mr Semmens (and the software developers under his direction), of infringing the appellant’s copyright in developing the Toolbox system. So far as any other aspect of the appeal is concerned in relation to the fifth respondent, Mr Meissner, and the sixth respondent, DDPL, I agree with the observations of McElwaine J. I also agree generally with the observations of McElwaine J in relation to B&S, RETB, Mr Stoner and Ms Bartels, but I also wish to make the observations reflected in these reasons in relation to those respondents.

16 Biggin & Scott in the entire period relevant to these proceedings was the franchisor of a group of real estate agencies operating in Victoria. The group of agencies had been using an online software system called “Campaigntrack” from 2006 to 2009 and then again in 2013. Through that software system, the appellant, Campaigntrack Pty Ltd (“CPL”), provided online marketing and sales services to the real estate industry.

17 The Campaigntrack software system had a range of functionalities. It is not necessary to describe them here.

18 In November 2014, Mr Meissner operated (and continued to operate throughout the relevant events) an advertising agency called “JGM Advertising Pty Ltd” (“JGM”). In November 2014, Mr Meissner met with Mr Semmens and his business partner, Mr Ewart. In the meeting, Mr Semmens and Mr Ewart proposed creating a new internet online real estate marketing system and sought investment from Mr Meissner for the venture called the “DreamDesk venture”. On 11 March 2015, Mr Meissner, Mr Semmens and Mr Ewart agreed to incorporate DDPL to pursue that venture. They agreed the proportionate distribution of the shares to be issued in DDPL once Mr Meissner (and JGM) had recouped the investment. That allocation did not occur due to events relating to the conduct of Mr Semmens. DDPL was incorporated ultimately on 12 March 2015. Mr Meissner was its sole director and shareholder. Mr Semmens became an independent contractor to DDPL for the venture and worked on the “technical and software development” of the DreamDesk system.

19 The DreamDesk system developed by Mr Semmens had two principal components. The first was a “web application” comprising a software program provided to users over the internet, executed on a remote server to deliver particular functionality. It enabled a real estate agent to quote, manage, invoice and market real estate campaigns and create artwork and enable email marketing. The second was a “relational database” arranged in a particular way for associating (or relating) particular records (data) one to the other within the database.

20 Mr Stoner was a director of B&S. Between March and May 2015, Mr Stoner was approached by Mr Ewart who suggested that B&S consider moving from the Campaigntrack system to the DreamDesk system. Ultimately, agreement was reached and Mr Stoner for the Biggin & Scott franchisor entity (and the group of agencies), on the one hand, and Mr Meissner for DDPL, on the other hand, entered into a written agreement by which B&S became a client of DDPL. The B&S group went “live” on the DreamDesk platform on 17 August 2015.

21 On 26 May 2016, Mr Semmens signed two important documents both of which contained an acceptance (admission) that whilst an officer of DDPL, he had “deliberately used confidential information and trade secrets and other intellectual property (including but not limited to the ‘*Process 55*” system) being the property of TDG and Campaign Track so as to develop the business of Dream Desk”. He also acknowledged (or at least asserted) that “Mr Martin Ewart, a person associated with [DDPL] is and was at all material times aware of the conduct I have engaged in as described above”. Mr Semmens also acknowledged that he had “deliberately gained access to the private email accounts of [Mr Farrugia] the CEO of The Digital Group and [Mr Stewart] Exec Chairman of The Digital Group”. Both documents contained the statements and the full text is set out by the primary judge at [22].

22 The primary judge described these signed statements of Mr Semmens as a statement that he had copied an earlier system called “*Process 55*” (a web‑based real estate marketing system), when he developed the DreamDesk system.

23 The primary judge explained the context in which Mr Semmens came to make these statements. The primary judge explained that by September 2013, The Digital Group Pty Ltd (“DGPL”), a company founded by Mr Semmens and his brother‑in‑law, Mr Farrugia, owned the intellectual property (copyright) in *Process 55*. Mr Stewart (mentioned above in the statement and who had joined the DGPL venture), and Mr Farrugia, held the view that Mr Semmens “had stolen the intellectual property of [DGPL] in the development of the DreamDesk system”: PJ, [21].

24 On 28 May 2016, Mr Semmens and Mr Ewart told Mr Meissner of these matters. On 30 May 2016, Mr Stewart and Mr Farrugia told Mr Meissner of their concern that Mr Semmens had used DGPL’s intellectual property in developing the DreamDesk functionality (in particular, the “PDF Distiller” functionality enabling images to be used in real estate marketing campaigns), without authority.

25 As a result, Mr Meissner decided to either buy the title to *Process 55* to solve the problem created by Mr Semmens or sell the DreamDesk system.

26 However, in May/June 2016, CPL and another company called “New Litho Pty Ltd” (“NLPL”) agreed in principle with DGPL to purchase the *Process 55* system. They ultimately did so by an agreement with DGPL in August 2016. CPL and NLPL also wanted to purchase the DreamDesk system. In July 2016, DDPL (Mr Meissner) agreed to sell DreamDesk to CPL and NLPL for $50,000. DDPL sought a licence‑back of a particular feature called “Dashboard” which displayed on a homepage or intranet page key information for a user at the “front‑end” of the DreamDesk system, and other functionality. The agreement for the sale of the intellectual property in the DreamDesk system was signed on 18 July 2016 between DDPL, CPL and NLPL. It expressly excluded any intellectual property that DreamDesk may have derived from *Process 55* or functionality of DreamDesk used necessarily in conjunction with *Process 55* to enable operation of the DreamDesk system.

27 The agreement also provided for an exclusive Australia‑wide licence‑back to DDPL to use the DreamDesk intellectual property for the purpose of operating the “DreamDesk Business” until 3 October 2016.

28 On 30 July 2016, Mr Semmens made enquiries of a company called “Aleyant Systems LLC” (“Aleyant”) which owned a web‑based online design system called “eDocBuilder” (otherwise called the “EDB Tool” or the “Tool”). On 2 August 2016, Mr Semmens had discussions with Aleyant and was given an online demonstration of the EDB Tool used for designing data publishing systems.

29 The primary judge drew an inference that the point of the enquiry was to determine whether the Tool could be used to deliver a new system with the same eventual functionality as DreamDesk. At [37], the primary judge first notes his conclusion (derived from the analysis later appearing in his Honour’s reasons) that the new system, to be called “Toolbox” was developed “by first copying *substantial parts*, probably *the whole*, of the source code of DreamDesk” [emphasis added] by Mr Semmens and developers acting under his instructions.

30 On 3 August 2016, Mr Semmens met with Mr Stoner (who, apart from being a director, was also the CEO of Biggin & Scott), at B&S’s Head Office. Mr Semmens told Mr Stoner that he “could create a system with similar functionality to DreamDesk and Campaigntrack” and asked Mr Stoner whether he (meaning B&S) would be interested in “developing the [new] system”: PJ, [38].

31 At that meeting, Mr Stoner showed Mr Semmens a letter he had written and had already signed. The text of the letter is set out at [38] of the primary judge’s reasons. Mr Stoner said in the letter that he was happy for the EDB Tool to be used as a “PDF delivery system”, and as to the arrangement with Mr Semmens he said this: “You are *instructed to build* a web to print delivery system that does *not breach* any other [company’s] IP or ownership, *in particular* *DreamDesk* or *Campaign Track*” [emphasis added]. To make that point even clearer, Mr Stoner also said this in the letter: “In simple terms we *do not want* [anything] used that can be claimed as owned by *the* *2 companies above*” [emphasis added].

32 Although Mr Stoner had handwritten both his own name (above which he had signed the letter) and the name of Mr Semmens at the foot of the letter in order for him to also sign, Mr Semmens did not sign the letter.

33 At [40], the primary judge inferred, from the terms of the letter, that the development of the new Toolbox system was already underway on 3 August 2016. Having reviewed aspects of Mr Stoner’s oral evidence, the primary judge reached four findings at [43] of the reasons.

34 *First*, Mr Stoner knew that Mr Semmens had admitted to “using Process 55 in developing DreamDesk”.

35 *Second*, it was “hardly surprising” that Mr Stoner wanted an assurance from Mr Semmens that he would not infringe (again) the intellectual property rights of others in building the new web to print delivery system).

36 *Third*, Mr Stoner “trusted” Mr Semmens not to infringe the rights of DDPL or CPL (and NLPL) in developing the new system.

37 *Fourth*, Mr Stoner did not want Mr Semmens to misuse the intellectual property of others in developing the new system.

38 Ms Bartels (a director of B&S and later, company secretary of RETB) was told by Mr Stoner of the substance of the letter. Mr Bartels left it to Mr Stoner to determine the specifications of the new system. The primary judge made two findings at [45] concerning Ms Bartels.

39 *First*, Ms Bartels was likely to have known that Mr Semmens had admitted to using *Process 55* to develop DreamDesk and that this “had caused problems”.

40 *Second*, Ms Bartels did not want Mr Semmens to misuse the intellectual property of others in developing the new system.

41 Because the licence‑back to DDPL would end on 3 October 2016, the new system had to be developed by Mr Semmens and made functional and available online to the B&S group of agencies by 3 October 2016, a period of merely two months from the date of the meeting with Mr Stoner on 3 August 2016. The licence‑back to DDPL in effect facilitated a sub‑licence to DDPL’s client, B&S and the B&S agencies. The primary judge observes that Mr Semmens most likely started to develop the Toolbox system on or about 9 August 2016: PJ, [54].

42 As to the EDB Tool, the primary judge observes that Mr Stoner gave evidence about changes that had been made to the “username” and “password” for the EDB template. The detail of it does not presently matter. The primary judge concluded that the events did “reflect adversely on Mr Stoner’s credibility”, but the primary judge observes that the explanation was that Mr Stoner wanted his own login details to be created in order to provide those details to the appellant’s solicitor “so as not to provide them with a document which indicated the *involvement of Mr Semmens*”in the relevant events (that is, the use of the EDB Tool by Mr Semmens to develop a new system).

43 From 16 August 2016 to 19 September 2016, Mr Semmens ran a number of “migration scripts” concerning the DreamDesk system. The detail of it is set out at PJ, [56] and PJ, [57]. Mr Semmens accepted that he had done so: PJ, [58]. Mr Semmens gave evidence that Ms Bartels told him to keep the client data up to date: PJ, [59]. Doing so did not copy any of CPL’s intellectual property: PJ, [64].

44 During the period of the development of Toolbox, Ms Bartels, in discussions with Ms Keys of CPL on 18 August 2016, sought to convey the impression that B&S were considering moving to the Campaigntrack system, whilst at the same time B&S was actually seeking to develop the new Toolbox system (PJ, [71]), and Mr Stoner’s position in the period 18 August 2016 to 6 September 2016 was that the Campaigntrack system was his “least preferred option” for use by the group: PJ, [72]. The primary judge accepted that in this period, B&S conveyed to CPL that it was actually considering using Campaigntrack’s system for the group when, in fact, the Campaigntrack system was B&S’s “least preferred option”: PJ, [73].

45 At [75], the primary judge commences a description of the early development of the Toolbox system from 26 August 2016. The primary judge concludes that it was likely that Mr Meissner was aware of these developments and the involvement of DDPL people and his own (JGM) staff: PJ, [78]. The primary judge accepted that one of the DDPL actors, Ms Neal, was using an email address for her engagement in work on Toolbox that was not her DDPL email.

46 From [84], the primary judge describes the ongoing development of Toolbox from 8 September 2016. For example, on 8 September 2016, Ms Neal and Ms Bartels exchanged emails copied to Mr Semmens and Mr Stoner regarding aspects of the functionality of the Toolbox system and the integration of data with the real estate agency’s customer relationship management system.

47 In mid‑August 2016, Mr Stoner decided that the Toolbox venture ought to be undertaken through a separate entity: PJ, [70]. Mr Stoner, in proposing a “structure”, was speaking for B&S. B&S (and its partners in the venture) were to have a controlling interest of 70%, with Mr Semmens (and his partners) a 30% interest. The “objective” was to have each B&S agency on the new Toolbox system by 3 October 2016. Further, Mr Stoner, Ms Bartels and B&S were taking an active role to ensure the success of the new venture by bringing in production revenue from the agencies, sharing information about use of Toolbox and by Mr Stoner and Ms Bartels persuading customers to move to the Toolbox system. As to these matters, see PJ, [86].

48 On 14 September 2016, Ms Keys (and Mr Dean) of CPL, met with Ms Bartels. The primary judge notes that Ms Bartels gave evidence that she demonstrated features of the DreamDesk system which were not part of the Campaigntrack system to them. Ms Bartels gave evidence that she did so “in the hope that [CPL] would keep DreamDesk alive for B&S so we did not ultimately have to go down the track of launching a new system”. Ms Keys, however, gave evidence that Ms Bartels had said that everything is “pretty much set for B&S to come back to Campaigntrack”; the “only issue” was whether Campaigntrack could accommodate an intranet feature; and “at this point, it is just a matter of going through the contract and finalising the pricing”: PJ, [89]. The primary judge preferred the version of the facts given in evidence by Ms Keys: PJ, [90].

49 RETB was incorporated on 15 September 2016 with Mr Stoner as the sole director and a 95% shareholder. Ms Bartels was appointed as company secretary and a 5% shareholder. RETB became the trustee of a unit trust on 1 October 2016 to conduct the new Toolbox venture.

50 On 6 or 7 September 2016, CPL and NLPL paid the purchase price for DreamDesk to DDPL and by email asked Mr Meissner for the passwords which were to be provided as part of the settlement. By 16 September 2016, the passwords had not been provided. On 16 September 2016, Ms Neal (DDPL) sent an email to Ms Keys advising that Mr Meissner was on a cruise ship and not contactable until 18/19 September 2016. Having considered Mr Meissner’s evidence and an email he caused to be sent on 16 September 2016, the primary judge formed the view that Mr Meissner could have been contacted.

51 On 21 September 2016, Mr Stoner sent an email to Ms Keys copied to Mr Meissner and Ms Bartels expressing concern that DreamDesk would be “shut off” on and from 3 October 2016. The primary judge accepted (at [100](1)) that Mr Stoner, by the email, sought to convey the impression that CPL was putting B&S in a difficult position commercially, and that if CPL turned off DreamDesk on 3 October 2016, B&S would have “little option but to “go manual”, whereas the true position was that “Mr Stoner considered that he would likely have available a competing system which even if not fully functional, would be sufficiently operational to avoid ‘going manual’”.

52 At [100](3), the primary judge accepted that Mr Stoner’s “communication did not convey that he was, together with others, developing a competing system and his comments to [CPL, Ms Keys] were *intended* to convey that his interests were more confined than they really were” [emphasis added]. At [102], the primary judge observes that “despite Mr Stoner’s evidence”, it was probable that at least one of Mr Stoner’s purposes of the email was to “buy time” in order to “further develop or complete the development of the Toolbox system”: PJ, [102].

53 Thus, it seems that the primary judge had accepted, at least in the context of this email, that Mr Stoner was willing to convey an impression that he knew to be incorrect in order to suit the particular circumstances of the day.

54 On 22 September 2016, Mr Semmens provided Ms Keys with some degree of access to the server on which DreamDesk was stored. However, at some time between 19 and 22 September 2016, Mr Semmens deleted migration scripts from the “virtual server” and from the DreamDesk system: PJ, [104].

55 Mr Watts is the CEO of NLPL. On 22 September 2016, he discovered that RETB had been incorporated; that the Toolbox domain name had been registered to RETB; and that when the Toolbox internet protocol address was entered into a browser, it resolved to a login page for the DreamDesk system. On 23 September 2016, CPL and NLPL began investigating whether the Toolbox system had been copied from the DreamDesk system. The primary judge at [106] concluded that both systems were running on the computer of Mr Semmens having regard to the IP address for his computer.

56 On 26 September 2016, Mr Stoner sent an email to Ms Keys saying that Biggin & Scott would not be entering into a contract with CPL.

57 Mr Stoner sought an extension from 3 October 2016 for four weeks to continue using DreamDesk.

58 On 26 September 2016, Ms Keys spoke to Mr Meissner asking why CPL had not yet received access to the DreamDesk system and particularly the Amazon web server. After speaking to Ms Neal and Mr Semmens, Mr Meissner sent an email to Ms Keys saying that access would be fixed that morning.

59 On 27 September 2016, Mr Stoner again requested a four week extension of access to DreamDesk until 24 October 2016.

60 In the course of CPL attempting to establish whether the Toolbox system had been copied from the DreamDesk system, enquiries were made of Mr Semmens for access to a facility called the “DreamDesk Git repository” which through access in the repository to features and interactions called “commits and branches” would establish when “things occurred”. At [113], [115] and [116], the primary judge concluded that Mr Semmens had deleted these features of the repository for versions of the DreamDesk system and the Toolbox system and found that his doing so “made it ‘virtually impossible’ for [CPL] to prove when certain things occurred, in particular various development pathways of the DreamDesk system”.

## Part III: Aspects of the primary judge’s other findings

61 Before turning to the events on and from 29 September 2016, the following findings of the primary judge ought to be noted:

(1) At [263], the primary judge accepted the conclusions of Mr Taylor (a Court appointed IT expert), set out in his report that substantial parts of the corresponding code in the Toolbox system had been copied from DreamDesk.

(2) At [275], the primary judge found that knowledge of the development of the Toolbox system lay principally with Mr Semmens (and developers under his direction, Mr Gallagher and Mr Zhang), and Ms Neal. The primary judge concluded at [275] that the appellant’s evidence demonstrated that Toolbox was developed by reproducing DreamDesk.

(3) At [278](2), the primary judge found that Mr Semmens made the deletions from the DreamDesk Git repository to prevent CPL from having access to evidence probative of copying of the DreamDesk system or parts of it.

(4) At [278](1) and (3), the primary judge found that Mr Semmens deleted migration scripts and “RSYNC commands” because he did not want CPL to know that he had copied data, although neither act constituted infringement. He did not take those steps on instructions from Ms Bartels or B&S.

(5) At [278](4), the primary judge found that Mr Semmens altered a particular Git commit log to prevent CPL obtaining probative evidence of copying from the DreamDesk system. He did not do so on the instructions of Mr Stoner, B&S or RETB.

(6) At [278](6), the primary judge found that Mr Semmens took the steps there described in order to make it more difficult for CPL to establish its case.

(7) At [278](7), (8), (10) and (11), the primary judge found that Mr Semmens took the steps there described which had the effect of removing information relevant to whether an infringement had occurred.

(8) At [280], the primary judge found that Mr Semmens was the “main developer” of the Toolbox system and that he reproduced a substantial part of the source code works and the whole of three “PHP Files” in the DreamDesk system.

(9) At [281], the primary judge found that Mr Semmens copied the whole or substantial parts of the DreamDesk source code (and system) and then proceeded to modify it or caused Mr Gallagher and Mr Zhang to modify it under his supervision.

(10) At [282] to [284], the primary judge found that Mr Semmens reproduced the DreamDesk source code as a whole at least as early as early August 2016. The primary judge also found that reproductions occurred when the DreamDesk system was used, loaded, edited or modified by Mr Semmens. The primary judge found at [284] and [285] that Mr Semmens reproduced a substantial part of each of the “Database Work”, the “Table Works” and the “PDF works” (see the primary judge’s definitions of those works at [193] and [194]).

## Part IV: The steps taken by CPL and NLPL and events occurring on and from 29 September 2016

62 As earlier mentioned at [55] of these reasons, on 22 September 2016, CPL and NLPL discovered particular events in relation to RETB and the Toolbox domain registration. As also mentioned earlier, investigations then began immediately to determine whether DreamDesk had been copied (as was ultimately found) in developing the Toolbox system. Other aspects of those investigations were mentioned earlier including difficulties CPL had on 28 September 2016 in securing access to the Git repository and the requests made by Mr Stoner on 26 September and 27 September 2016 for a four week extension from CPL of the licence‑back of the DreamDesk system until 24 October 2016.

63 On 29 September 2016, McLean & Associates (Ms McLean), the solicitors for CPL, sent an email to Mr Meissner (DDPL) attaching a letter of that date referring to the request (of Mr Stoner) to extend the licence‑back to DDPL to enable B&S to enjoy continuing use of DreamDesk. The letter noted DDPL’s failure to perform its obligations under the Sale Agreement which seems to be a reference to the delays in providing CPL with all of the necessary login details, passwords, server access (and the various matters concerning access set out in an email of 28 September 2016 from Mr Ryan Allen of CPL). Mr Allen had been retained by CPL on 23 September 2016 to investigate possible copying of DreamDesk in developing the Toolbox system. At [122] to [124], the primary judge describes the following things revealed by Mr Allen’s forensic searches between 3 October 2016 and 10 October 2016:

122 On 3 October 2016, Mr Allen found evidence of RSYNC commands being run on the production server of the DreamDesk system. An RSYNC command is a command to copy files from one location to another. The production server is the service used to provide the DreamDesk system to customers.

123 On 4 October 2016, Mr Allen installed a software named “sudoreplay” on the production server of the DreamDesk system, to record and allow playback of a user’s activity on the server. The videos logged by the sudoreplay software showed:

(1) on 5 October 2016, the running of an RSYNC command for files in a sub‑folder “images”, found in a sub‑folder for Whitford Property. Whitford Property was a real estate agency operating in Victoria;

(2) on 5 October 2016, the running of an RSYNC command for files in a sub‑folder for Biggin & Scott;

(3) on 6 October 2016, the running of an RSYNC command for files in a sub‑folder “images”, found in a Biggin & Scott sub‑folder; and

(4) on 10 October 2016, the running of an RSYNC command for files in a sub‑folder “approved”, found in a Biggin & Scott sub‑folder.

124 All of the above RSYNC commands copied files to an identified target folder, which included the word “toolbox”, at an identical IP address. In cross‑examination, Mr Semmens stated that he ran the RSYNC commands.

64 Returning to the letter of 29 September 2016, Ms McLean also notes the direct request by B&S (Mr Stoner’s requests) to extend the licence. The letter also notes two other matters in these terms:

* Our clients have become aware of *improper access* and *duplication of code* which is intellectual property now owned by our clients;
* Our clients are also aware of the incorporation and involvement of *Real Estate Tool Box Pty Ltd*.

[emphasis added]

65 The letter advised that CPL (and NLPL) would extend the licence to DDPL (and thus to B&S) for one week from 3 October 2016 subject to four matters.

66 *First*, DDPL not permit use of the DreamDesk platform otherwise than in the ordinary course of business.

67 *Second*, B&S not use the platform otherwise than in the ordinary course of business.

68 *Third*, all relevant parties involved provide an undertaking to CPL that the intellectual property already obtained or duplicated will not be used for any purpose.

69 *Fourth*, all relevant parties involved provide an undertaking to CPL that the intellectual property already obtained or duplicated will be destroyed immediately.

70 The letter observes that absent the undertaking from all relevant parties in those terms, the extension would not be granted. The letter called for a response by 3.30pm the following day.

71 Mr Meissner responded by email the next day at 1.23pm saying that, in principle, he agreed to the “terms” subject to a number of comments.

72 *First*, one copy of the DreamDesk platform would need to be kept, in his view, until DDPL had been paid by its customers (including B&S). Mr Meissner contended that DDPL would need access to data to deal with those customers and also suppliers.

73 *Second*, DDPL believed that everything required to be done under the Sale Agreement had been “supplied this week”.

74 *Third*, Mr Meissner said this: “I understand what is required under the contract, and it will be enforced by myself in terms of end date; non use of [the] platform; inappropriate use by current clients in anything apart from its present usage, and my participation in any area other than as a print broker”.

75 *Fourth*, Mr Meissner said that he did not understand the reference to “another company” (which was Mr Meissner’s reference to RETB).

76 *Fifth*, Mr Meissner observed that if the licence‑back was to be extended, B&S would be told that “as of midnight October 10 2016 [DDPL] will no longer support the platform and web to print [the licence from CPL having come to an end]”.

77 *Sixth*, as to complaints made by CPL about improper duplication of code, Mr Meissner said this: “The IP purchased by your client is being used solely by [DDPL] contractors (no one else) for its *original function only*, and [Biggin & Scott] only has *login* *to enter campaign related material*” [emphasis added].

78 On 3 October 2016, Mr Maletic of Mills Oakley, the solicitors representing all relevant parties except Mr Semmens, sent an email to Ms McLean requesting, on behalf of B&S, an extension of the licence until 17 October 2016. Mr Maletic observed that B&S is a large franchisor with over 40 franchisees. He observed that more time would be required to enable the franchisees to transfer their requirements “off the platform” while the licence was on foot. Mr Maletic observed that a date of 24 October 2016 had been sought (by Mr Stoner) but, as a matter of compromise, a date of 17 October 2016 was now sought by B&S “in good faith”. The letter confirmed that B&S would provide the undertakings as sought.

79 On 5 October 2016, McLean & Associates sent an email to Mr Meissner attaching a letter of that date and an undertaking addressed to Mr Meissner, DDPL and Mr Semmens. The proposed extension would be on terms of the provision of the undertaking and payment of a fee of $5,000. The undertaking was framed in terms of addressing the conduct complaint of improper access and duplication of the DreamDesk code and apprehension about the existence and role of RETB. The elements of the undertaking to be given by DDPL, Mr Meissner and Mr Semmens were these:

[DDPL], Meissner and [Semmens] undertake and agree that they individually or jointly with any other person or entity will not use, market, sell, copy, duplicate or in any way enable or facilitate the development of any system by making use of any of the intellectual property which comprises and/or relates to the system of [DreamDesk], which is now owned by [CPL] to the extent that they will not permit, now or at any time in the future, access by any third party to the system known as [DreamDesk] for any use other than its ordinary permissible use.

[DDPL], Meissner and [Semmens] also undertake and agree that they will immediately cause to be returned to [CPL], or if unable to be returned then destroyed so as to render useless, any of [DreamDesk’s] intellectual property or code which has already been copied, duplicated or otherwise provided to any third party or entity of any description whatsoever.

80 Mr Meissner responded by email on 5 October 2016 at 9.29pm agreeing to all “Re Meissner”. As to Mr Semmens, Mr Meissner said that he could not speak for him and that Mr Semmens had never used DreamDesk “unless under DDPL authority”. As to the concern about use, Mr Meissner said that “no part [of DreamDesk] can, or ever was used, by others”.

81 On 5 October 2016 at 9.09am, Ms Neal of DDPL sent an email to “all” (which seems to be Mr Semmens, Mr Adams and Ms Davies of DDPL, Mr Stoner of B&S and Mr Meissner) offering to “come in” after 1.00pm to provide help. On 5 October 2016, Ms Neal responded, suggesting certain steps and Mr Semmens responded suggesting that help in relation to templates and a simple guide on using the new system would be helpful.

82 On 6 October 2016, Ms Neal sent an email to Mr Semmens, Ms Page (B&S), Mr Stoner, Mr Meissner and Mr Adams and Ms Davies at DDPL addressing aspects of the domain, the sub‑domain and “endpoint” issues and other matters. On 6 October 2016, Ms Page sent an email to all the above people advising that B&S would be ready by 7 October 2016.

83 On 6 October 2016 at 12.03pm, Ms McLean pressed Mr Meissner to secure the execution of the undertaking by Mr Semmens. At 3.57pm that day, Mr Maletic sent an email to Ms McLean attaching the undertaking duly executed by B&S (by Mr Stoner and Ms Bartels), RETB (by Mr Stoner and Ms Bartels) and by Mr Stoner and Ms Bartels on their own behalf. Mr Maletic also sought confirmation of the extension of the licence until 17 October 2016.

84 On 6 October 2016 at 9.43am, Mr Stoner sent the undertaking that B&S, RETB and he and Ms Bartels were being called upon to sign (which was in the same terms as the undertaking sent to Mr Meissner, DDPL and Mr Semmens to sign) to Mr Semmens. Mr Semmens gave evidence that he and Mr Stoner, “possibly we discussed it”, but said that he would not have signed it because he believed it “restricted me from working in the industry”. That, of course, was not the textual terms of the undertaking. Mr Semmens also said that he would not sign the undertaking in any event due to his intense dislike of CPL. At 3.57pm that day (about six hours later), the undertaking signed by Mr Stoner and Ms Bartels on their own behalf and on behalf of B&S and RETB was sent to Ms McLean.

85 On 7 October 2016 at 2.32pm, Ms McLean responded to Mr Maletic’s email noting that Mr Meissner had not procured the signature of one party (Mr Semmens) to the undertaking and the fee of $5,000 had not been paid. Ms McLean then asked the following question of Mr Maletic in the light of the difficulty CPL had experienced in securing the signature of Mr Semmens to the undertaking: “In the meantime, we have been asked by our client to enquire what system your client is moving over to. The purpose of that request is in order for our client to gauge whether there would be any possible reasons for the resistance to the provision of the undertaking requested”.

86 On 7 October 2016 at 5.44pm, Ms McLean sent an email to Mr Maletic advising that DreamDesk would not be extended beyond 10 October 2016 as no undertaking had been provided by Mr Semmens; the licence fee had not been paid; and Mr Meissner had not yet made clear that he would cease operating DreamDesk on 10 October 2016.

87 On 7 October 2016, Ms Page (5.06pm) sent an email to Mr Semmens (copied to Mr Stoner), re “tool box” asking about the allocation of templates, brochures, templates onto Drop Box, mail cards, B&B, MUI and other matters concerned with implementation issues for the Toolbox system.

88 On 9 October 2016, Mr Maletic sent an email to Ms McLean arising out of his discussions with Mr Meissner, putting the proposition to Ms McLean that DDPL was content for the licence to be extended to B&S until 17 October 2016 and that Mr Meissner was willing and able to advance payment for the licence fee upon confirmation as to the amount owing and the account into which the funds had been paid. On 9 October 2016, Ms McLean responded saying that DDPL had been paying a monthly fee and knew the account details for payment. Ms McLean observed that, in any event, Mr Maletic’s email did not address (and nor had Mr Meissner addressed in a satisfactory fashion) the request for an undertaking to be provided by Mr Semmens. In that context, Ms McLean said this:

Our client is already *aware of activity* that has given rise to the *necessity* to seek the undertakings that have been requested. If no questionable activity is anticipated then we would have expected that there would have been absolutely no resistance to what was sought. This is not the case and accordingly, our client has made a decision based on the response received.

[emphasis added]

89 On 10 October 2016, Ms McLean sent an email to Mr Meissner pressing for the payment of the fee of $5,000. Ms McLean confirmed the account details and pressed Mr Meissner for the undertaking from Mr Semmens which, if not given, would result in the licence ending that day. Mr Meissner responded that day saying that he had no control over Mr Semmens who was taking his own legal advice.

90 On 10 October 2016 at 5.45pm, Ms McLean advised Mr Maletic that she looked forward to hearing when Mr Semmens had received his advice, and also looked forward to receiving confirmation of payment of the fee. Ms McLean observed that upon both events occurring, access to DreamDesk would be reinstated.

91 That evening, B&S’s access to DreamDesk was brought to an end.

92 The Toolbox system went “live” on 10 October 2016.

93 At [149], the primary judge accepted that Mr Semmens took a series of steps on 11 October 2016 that deleted particular records, copied others and ran a copy of a DreamDesk sub‑domain which remained undisclosed to CPL.

94 In November 2016, the parties agreed to appoint an independent forensic IT expert, Mr Justin Geri, to inspect the Toolbox system and report as to whether there was any potential copying from the DreamDesk system. Mr Geri is the director of Forensic IT at Ferrier Hodgson Forensics. In order for Mr Geri to undertake that task, Ms McLean made a request of Mr Maletic for his clients to provide Mr Geri with access to the “GitHub repository” which logs all changes made in the development of Toolbox. On 24 November 2016, Mr Maletic provided Ms McLean with a log file which the Court‑appointed expert, Mr Taylor, later identified and described as having had multiple changes made to it including 233 author changes from (Semmens at dreamdesk) to (Semmens at a private email address) and 54 changes in “commit descriptions”. Mr Stoner gave evidence that he did not ask Mr Semmens to make the changes in the log file to be provided for Mr Geri’s analysis but also said that Mr Semmens had “told him” that “he had changed it [the Git log repository) because he had the email address in there [the repository] of DreamDesk” and “I gave clear instructions to David to remove any mention of DreamDesk” in that “when David was building the system, I made very clear I didn’t want DreamDesk mentioned in anything” : PJ, [153] and [154].

95 At [155], the primary judge found that Mr Stoner and B&S did not want Toolbox to be based in any way on the intellectual property related to DreamDesk, and did not want there to be “any argument that it was so related or references to DreamDesk from which such an argument could be made”, and “it was for that reason that Mr Stoner did not want DreamDesk to be ‘mentioned in anything’”. The primary judge concluded that Mr Semmens realised there was, in fact, “mention of DreamDesk, or some similar description, in the Toolbox system which he wished to conceal”. The primary judge found that Mr Semmens did not take those steps on the instruction of any other person. The primary judge accepted Mr Stoner’s evidence that he did not ask Mr Semmens to change the log file.

96 As to Mr Semmens, the primary judge makes a number of adverse observations about the conduct of Mr Semmens at [157] to [161] read in conjunction with [164] to [168]. It is not necessary to repeat them all. They are serious especially in the context of his conduct overall as found. It is sufficient to note that at [168] the primary judge finds that:

Given the evidence as a whole, I conclude that Mr Semmens altered or purposefully deleted some files and accounts, and disposed of computers, in order to prevent access to files by [CPL] through compulsory processes available to [CPL] in the present proceeding.

97 In Mr Geri’s preliminary report of 19 January 2017, he observes that based on discussions with CPL and Mr Semmens, his understanding was that Mr Semmens was a key developer of both DreamDesk and Toolbox. He makes a number of observations at paras 27 and 28 about significant similarities in tables, front end menu options and functionality. He observes that a comparison of 51 different front end options available to users was undertaken between the two systems which identified “exact matches” between 47 of the 51 options examined. At paras 30 and 31, Mr Geri expresses the following view:

30. In relation to my instructions regarding “the potential copying or duplication of any intellectual property” in my opinion there is a *high probability* that intellectual property purchased by [CPL] has been used in the development of Real Estate Toolbox. The applications have been developed by the same developer who had access to both systems during the development process.

31. To forensically confirm if [CPL] intellectual property has been used in the development of Real Estate Toolbox a forensic examination of the servers responsible for hosting and managing the Real Estate Toolbox application should be undertaken. Further to this an examination of any device used by Mr Semmens during the development [of] both applications should also be undertaken to identify if any [CPL] intellectual [property] exists on the devices.

[emphasis added]

98 On 19 January 2017, Ms McLean sent an email to Mr Maletic arising out of the opinion expressed by Mr Geri of a “high probability” that the intellectual property of CPL had been used in the development of Toolbox. Ms McLean called upon Mr Maletic’s clients to cease operating the “Real Estate Tool Box system” failing which proceedings would be commenced.

99 On 20 January 2017, Mr Maletic responded on behalf of at least B&S, RETB, Mr Stoner and Ms Bartels (although he seems to make an observation on behalf of Mr Semmens as well). He said these things.

100 *First*,Mr Maletic said that to “enable” his clients to respond to the demand, CPL would need to “clarify” “what the intellectual property (IP) is that your client asserts that it owns”. Of course, at this point, Mr Maletic’s clients well understood that the DreamDesk software and its component systems earlier developed by Mr Semmens was the source of CPL’s rights and that it had been acquired from DDPL with a licence‑back to 3 October 2016 with controversy over the extension of the licence. Moreover, B&S, RETB, Mr Stoner, Ms Bartels, Meissner and DDPL (but not Mr Semmens) had all given a signed undertaking about the rights in DreamDesk. Mr Maletic, standing in the shoes of B&S, RETB, Mr Stoner and Ms Bartels, was asking, on their behalf, for something they well knew and comprehensively understood. Mr Maletic himself had directly engaged in the licence‑back discussions, the extension and the undertaking.

101 *Second*, Mr Maletic asked for proof of ownership of the IP including copies of any agreements as between DDPL and CPL and proof of assignment of the copyright.

102 *Third*, his clients asked for any contracts or agreements that would have the effect of excluding Mr Semmens from maintaining any rights in the DreamDesk IP said to be owned by CPL.

103 *Fourth*, Mr Maletic’s clients sought details of prejudice suffered by CPL and the “basis you say your client’s IP has been breached”.

104 The point of Ms McLean’s email was the question of addressing Mr Geri’s opinion arising out of the concerns expressed on 29 September 2016 which ultimately gave rise to the undertaking of 3 October 2016, and Mr Geri’s engagement. Mr Maletic’s clients wanted to say, in effect: “We don’t understand what you’re talking about”. Mr Maletic’s email of 20 January 2017 is an exercise, at least in part, in obfuscation and deflection by his clients for whom, at all relevant times, he spoke. That approach was compounded by Mr Maletic’s email of 2 February 2017 when he said that due to no response to his email of 20 January 2017, his clients would proceed on the basis that they denied that CPL *owned* the intellectual property it asserted it owned and denied any *breach* of CPL’s rights.

105 On 3 February 2017, Ms McLean responded by letter emailed that day challenging the *bona fides* of Mr Maletic’s clients in adopting the position reflected in Mr Maletic’s email of 20 January 2017. Taking up Mr Geri’s report, Ms McLean noted that Mr Maletic’s clients had not provided Mr Geri with unfettered access to accounts, schema, front end code, the GitHub repository or access to a complete forensic copy of the server for Toolbox for analysis.

106 Next, the letter makes the point about the curiosity of being called upon to clarify the IP in issue, and the *bona fides* of Mr Maletic’s clients in doing so. The letter says this (among other observations on this topic:

* You have asked us to clarify what the “intellectual property” (IP) is that our client asserts that it owns.
* We find it curious that your client chooses to raise this query now, after an allegation by our client that your client has copied or otherwise improperly duplicated or caused to be duplicated the intellectual property that our client purchased. Your client acknowledged our client’s rights in relation to the intellectual property regarding the [DreamDesk] system so to raise that question now bespeaks an absence of *bona fides*.

107 Notwithstanding that observation, the letter, in response to the request, sets out the cluster of works comprising the DreamDesk system acquired from DDPL, and CPL’s rights in *Process 55* acquired by CPL to overcome the difficulty of Mr Semmens having “deliberately used” the intellectual property of others in developing the business of DreamDesk (as he had conceded in writing).

108 As to the production of documents in proof of CPL’s ownership of the intellectual property, the letter says this:

* In circumstances where your client has, at all times been aware of and acknowledged our client’s rights as an owner of the intellectual property relating to the [DreamDesk] system and that that has been confirmed to your client by the director of [DDPL], Mr Meissner, we do not consider it to be necessary to provide you with a copy of any of the agreements which relate to the intellectual property which it now owns.

109 The letter then addresses the question of prejudice. It then sets out contentions as to breach, all of which so far as Mr Semmens is concerned, were made good at trial as to primary infringement of DreamDesk. The letter concluded by seeking an undertaking that any use of Toolbox be ceased by 6 February 2017.

110 Mr Maletic responded on 9 February 2017. As to the complaint about a lack of unfettered access for Mr Geri to the material, sources or sites relating to Toolbox identified in detail in Ms McLean’s letter, Mr Maletic characterised those requests as “an attempt to fish for evidence that may support your client”.

111 As to the source and ownership of the intellectual property in the component works of DreamDesk, Mr Maletic’s clients maintained, in effect, the earlier position adopted on 20 January 2017. As to breach, Mr Maletic’s clients asserted that no breach of CPL’s rights had occurred and that Toolbox does not use the DreamDesk source code nor any other component of DreamDesk.

112 Of course, Toolbox did use the source code and other works of DreamDesk, as ultimately found at trial.

113 More importantly, notwithstanding the complaint made on 29 September 2016, the giving of the undertaking on 3 October 2016 in the face of that complaint and the requests for extension of the licence, and the preliminary report of Mr Geri, Mr Maletic’s clients had no independent basis for any of the contentions made in the correspondence by Mr Maletic, all of which were shown at trial to be wrong so far as title to DreamDesk works were concerned and the extensive use and copying of DreamDesk to build Toolbox.

114 In the result, Mr Maletic’s clients refused to cease using Toolbox and the litigation ensued.

115 Biggin & Scott continued to use Toolbox until June 2018. RETB ceased trading at that time. Biggin & Scott transitioned to a new system in April 2018 called “REDHQ”. Biggin & Scott, Ms Bartels and Mr Stoner’s family company all hold shares in REDHQ.

116 Mr Semmens is the Chief Technology Officer of REDHQ.

117 Each day that users of the Toolbox system used that system (from the moment it went “live” (PJ, [289])) it contained a substantial part of the DreamDesk source code. At the time it went live, Toolbox was based, in substantial part, on the DreamDesk database and table structures. Importantly, the use of the Toolbox system by users (including the more than 40 agencies in the B&S group and B&S itself) “causes the source code to be copied into memory and run” and thus “use of Toolbox involved a reproduction of a substantial part of the DreamDesk source code”: PJ, [289] and [290]. Each and every day after 29 September 2016, Mr Stoner, Ms Bartels, B&S and RETB were on notice of a serious contention that use by users involved an act of infringement as Toolbox was run copying and replicating the DreamDesk source code and other works. On 3 October 2016, they had given an undertaking not to use any system making use of any of the intellectual property comprising the DreamDesk system. By 19 January 2017, they knew that Mr Geri, the director of Forensic IT at Ferrier Hodgson Forensics had expressed the preliminary view (as an informed view of an expert) that there was a “high probability” that CPL’s intellectual property in DreamDesk had been used in the development of Toolbox. Mr Stoner and Ms Bartels also knew as they confronted the events on and after 29 September 2016 that the problem they were now confronting through the contended actions of Mr Semmens (and developers under his direction) in developing Toolbox concerned a person who had previously caused a similar problem for Mr Meissner and DDPL by Mr Semmens’ conduct of using, unlawfully, *Process 55* to develop DreamDesk, which in turn had led to the blunt statements of protection or insurance recited in Mr Stoner’s letter of 3 August 2016. Now, the possible conduct of Mr Semmens that Mr Stoner was concerned about inherent in the letter of 3 August 2016 and against which he sought to protect himself (and Ms Bartels, and RETB as it would emerge in due course) had emerged as a real and present danger for the Toolbox system and B&S, RETB, Mr Stoner and Ms Bartels.

118 Yet, each day (until June 2018 as it transpired), Mr Stoner, Ms Bartels, B&S and RETB, were content for the B&S group members and other users to *use* Toolbox engaging reproductions of the DreamDesk source code (as users caused the source code to be copied into memory and run) and other infringements of component parts of DreamDesk (that is, Source Code Works, the Database Work, the Table Works and the Menu Work).

119 They must also be taken to have been content with the obfuscating response of Mr Maletic on 20 January 2017 in responding to the concerns put to them by CPL, by asking questions about matters they already well understood rather than addressing the affirmative things that might have been done to investigate the concerns put to them by CPL through Ms McLean and the concerns raised by the preliminary view expressed by Mr Geri. Ms McLean correctly called into question the *bona fides* of the response as explained in her letter attached to the email of 3 February 2017. Mr Maletic’s clients well knew and understood the source of the rights being asserted against them.

## Part V: The reasoning concerning the authorisation case against Mr Stoner, Ms Bartels, B&S and RETB

120 The authorisation case against B&S was that it authorised the reproduction of a substantial part of the Database Work, the Table Works and the Menu Work and as to use by users of Toolbox, B&S was said to have authorised the reproduction of a substantial part of the Source Code Works, the Database Work, the Table Works and the Menu Work. B&S was also said to have authorised the loading, editing and modification of Toolbox.

121 As against RETB, the authorisation case was that it authorised the reproduction of a substantial part of the Source Code Works, the Database Work, the Table Works and the Menu Work. It was said to have authorised the communication of a substantial part of the Source Code Works and the Menu Work.

122 As to use by users, RETB was said to have authorised their use in the same way that B&S had authorised infringements by users.

123 As against Mr Stoner and Ms Bartels, they were said to have authorised reproductions of a substantial part of the Database Work and the Table Works; a reproduction or communication of a substantial part of the Source Code Works and Menu Work; and as to use by users of the Toolbox system, a reproduction of a substantial part of the Source Code Works, the Database Work, the Table Works and the Menu Work. They were also said to have authorised the loading, editing or modification of Toolbox.

124 The authorisation case against all four of these respondents was described by the primary judge as a claim that they authorised the infringements of the developers (essentially in bringing Toolbox into “live” existence) and that they authorised the infringements by users: PJ, [296]. No distinction is made by the primary judge between the period up to 29 September 2016 and the materiality of evidence of events engaging the four respondents on and after 29 September 2016. The primary judge dismissed the authorisation case against all four of these respondents in its entirety.

125 The primary judge dismissed the authorisation case according to the following exposed reasoning.

(1) Because Mr Stoner knew of the events concerning Mr Semmens and *Process 55*, it was “hardly surprising” that Mr Stoner sought the assurance of 3 August 2016 from him not to infringe the rights of others in building a new web to print delivery system. The primary judge repeats his earlier finding that Mr Stoner “trusted” Mr Semmens not to infringe the rights of DDPL or CPL and that he “did not want Mr Semmens to misuse the intellectual property belonging to others” in developing Toolbox. The primary judge reached the same conclusion concerning Ms Bartels. The primary judge finds that they each considered that Mr Semmens “could build the [new] system in sufficient time given his expertise”: PJ, [297](1).

(2) It was not unusual that Mr Stoner and Ms Bartels “left the development of the system to Mr Semmens”: PJ, [297](2).

(3) The instructions given to Mr Semmens by B&S (by Mr Stoner) were to build a computer system with functionality equivalent to DreamDesk without infringing the intellectual property of others: PJ, [297](3).

(4) Neither Mr Stoner nor Ms Bartels (nor B&S nor RETB) conducted any independent audit or verification that the system developed for them did not infringe another company’s intellectual property rights. The primary judge did not regard that matter either “of itself” or “cumulatively with other circumstances” (that is, any other circumstances) as establishing authorisation: PJ, [297](4). The primary judge then said this at [297[(4):

Rather, that is a reflection of the facts that: an instruction had been given not to infringement intellectual property rights; each of Mr Stoner and Ms Bartels trusted there would be no infringement; *in all likelihood, neither turned their mind to whether an independent audit should be carried out*; and a lack of ready means to carry out an independent audit *in the time frame* which would have been required.

[emphasis added]

(5) Thus, neither Mr Stoner nor Ms Bartels (nor, therefore, B&S nor RETB) likely ever turned their minds to an independent audit. The reference to a lack of ready means to carry out an independent audit “in the time frame” seems to suggest that the primary judge had in mind the time frame to build the new system. Mr Stoner and Ms Bartels could have turned their mind to an independent audit and did have the time to facilitate such an audit during the course of the events on and after 29 September 2016 until a view had been reached through such a process.

(6) Mr Stoner did not tamper with the Git log repository; he did cause B&S to pay the invoices of Mr Semmens, unsurprisingly; he or B&S or RETB loaned money to Mr Semmens, again unsurprisingly, as Mr Stoner, Ms Bartels and Mr Semmens were “friends”: PJ, [297](5) and (6).

(7) The primary judge makes the conclusionary observation that RETB did not communicate or authorise a communication of a substantial part of the source code: PJ, [298].

(8) Nor did RETB, B&S, Mr Stoner and/or Ms Bartels authorise a reproduction of a substantial part of the Source Code Works, the Database Work, the Table Works and/or the Menu Work: PJ, [299]. Also at [299], the conclusionary observation is stated that none of RETB, B&S, Mr Stoner or Ms Bartels “relevantly authorise[d]” reproduction of any of the works in issue “either through the user’s use of the Toolbox system”, or the loading, editing or modification of Toolbox.

(9) At [300], the primary judge observes that, “it might be difficult to infer authorisation where the relevant person [any of RETB, B&S, Mr Stoner and Ms Bartels] ‘neither knew nor had reason to suspect that the act might be done’”. The primary judge then said this at [300]:

It has not been established that RETB, [B&S], Mr Stoner or Ms Bartels *knew* (or that they *should reasonably have known*) that any of the works had been reproduced in the Toolbox system or that they *knew* that use by users of the loading, editing or modification of the Toolbox system by developers or others *might involve* reproduction of a substantial part of the DreamDesk system. This is not a case where the act of using the Toolbox system was known necessarily to involve an act of reproduction, such as might be the case in providing a photocopier for the purpose of copying library books. I am not satisfied that [B&S], RETB, Mr Stoner or Ms Bartels *relevantly authorised* any infringement, whether of Mr Semmens or of other developers or users.

[emphasis added]

126 All members of the Full Court sitting on this appeal accept and agree that the question of whether any or all of B&S, RETB, Mr Stoner and Ms Bartels authorised infringements of the copyright subsisting in, “put simply”, the DreamDesk works, by users of Toolbox (or by Mr Semmens in developing Toolbox and modifying it), by adopting a position of indifference to the sequence of events that emerged on and from 29 September 2016, was in controversy before the primary judge and thus formed part of the appellant’s case at trial.

127 However, there is no discussion by the primary judge of that case and no analysis of or findings concerning the evidence and matters material to that case in the reasoning in determining the authorisation case made on and after 29 September 2016. There is no mention of the letter of 29 September 2016, the exchanges that followed it, the seeking, and ultimately obtaining of, the undertakings, the circumstance that Mr Stoner *knew* that Mr Semmens had not signed the important letter of 3 August 2016 as put to him by Mr Stoner or the undertaking put to Mr Semmens which had been discussed with Mr Stoner. Nor is there any discussion of the implications of Mr Geri’s report or any of the matters relevant to that part of the case observed at [117] to [119] of these reasons.

128 To the extent that the primary judge took the view that each of the above four respondents had “no reason to suspect” that the relevant act might be done by users using Toolbox at any time after 29 September 2016; or that on and from 29 September 2016 they had no reason to suspect that Toolbox embodied substantial parts of the relevant DreamDesk works; or that from 29 September 2016 there was no basis on which “they should reasonably have known” that use “might involve” reproducing a substantial part of the DreamDesk system, the conclusions simply cannot stand in the face of the whole of the evidence.

129 It was no answer on and from 29 September 2016 for Mr Stoner to say that he “trusted” Mr Semmens or that he and Ms Bartels, B&S and RETB, all “trusted” Mr Semmens, or that there was no material or serious matters of fact concerning their “friend” and his contended conduct. Mr Stoner knew that his trusted friend Mr Semmens had previously engaged in conduct of the kind now being asserted against him concerning DreamDesk. Rather than investigate the issue properly by giving Mr Geri the necessary comprehensive forensic access to the files and repository, Mr Stoner, Ms Bartels, B&S and RETB denied any use of DreamDesk works, kept using Toolbox until June 2018 and, in the meantime, put the appellant to the cost of proving use of DreamDesk works in Toolbox. Had each of those four respondents confronted the complaints made about copying of DreamDesk and enabled and facilitated a proper investigation of that question, the time and cost of proving use by Mr Semmens might well have been avoided. There, no doubt, would have been an authorisation case to address, but authorisation in the post‑investigation stage would have taken a very different course entirely, once it became revealed, as a question of clear fact (as it ultimately became a clear matter of fact in the evidence at trial), that Mr Semmens had *comprehensively copied* and *reproduced* the DreamDesk intellectual property in circumstances where he had no right to do so and knew he had no right to do so. Once the real facts became clear to Mr Stoner, Ms Bartels, B&S and RETB, it would have also become clear that users would not be entitled to continue to use Toolbox in that state of affairs and thus the authorisation case in the period on and from 29 September 2016 would largely not even have arisen.

130 For my part, I am satisfied that each of the four respondents authorised the infringements on and after 29 September 2016.

131 As to s 36(1A)(a) of the Act, Mr Stoner and Ms Bartels enjoyed the *power* to investigate the contentions being addressed to them by the appellant through its lawyers on and from 29 September 2016 and they enjoyed the *power* to stop Toolbox going live until the concerns put to them by the appellant through its lawyer (against the background of the contextual matters they knew, as already discussed) had been properly addressed. They could have co‑operated with Mr Geri. They enjoyed the *power* to enable access to the sources, files and repositories Mr Geri sought to access to forensically examine the extent to which their trusted friend, Mr Semmens, had reproduced the DreamDesk works in creating the Toolbox system in the compressed time within which he did so. They also enjoyed the *power* to prevent obfuscation on the question of “what rights?” by their lawyer asking questions about things they well knew and already understood. They also enjoyed such *power* for and on behalf of B&S and RETB.

132 As to s 36(1A)(b) and the relationship between the four respondents and Mr Semmens, Mr Stoner and Ms Bartels trusted Mr Semmens and he was their “friend”. As things turned out, he extensively abused their trust (just as he had abused, as they knew, the rights of the owner of *Process 55*). As from 29 September 2016, put anecdotally, a “red light” was flashing. It was no longer open to Mr Stoner and Ms Bartels to deny the conduct put to them, without proper investigation simply on the basis that Mr Semmens was trusted by them not to have substantially used DreamDesk works in developing Toolbox, as found (a denial they were in no position to make in any event from their own knowledge).

133 As to s 36(1A)(c), I am satisfied that neither Mr Stoner nor Ms Bartels took reasonable steps to prevent or avoid the doing of the relevant acts so far as use by users each day engaged infringement and, by not acting reasonably, they allowed the Toolbox system, incorporating substantial reproductions of DreamDesk works to be used.

134 In our system of adversarial litigation, there is little more a party can reasonably do (short of the undesirable notion of taking the law into their own hands) than assert the position it contends for, through its lawyers, as a matter of fact and law in the context of the history of the dealings between the parties and suggest processes that would enable, in a case such as this, a full and frank examination of the relevant source codes, logs, files, repositories and other sources by an expert in order to determine whether the works of another have been reproduced as contended and whether use by users would, each day, engage continuing infringements by reason of that circumstances. If respondents to such a claim, such as Mr Stoner, Ms Bartels, B&S and RETB, are not the authors (developers) of the impugned system (in this case, the Toolbox system), and are not in a position to *know* from their own direct knowledge whether the contentions are true or false or likely to be true or false, denying use, denying breach and denying an effective mechanism for testing the veracity of the contentions (and putting the claimant to litigation where the claim of title and use is shown to be correct) is unreasonable and indifferent in the *contextual circumstances* where they knew Mr Semmens had breached the rights of others in *Process 55*; they knew they had given an undertaking concerning the protection of the DreamDesk works and they knew that Mr Geri had expressed an important preliminary view of real concern. They also knew that Ms McLean had brought to their attention, through Mr Maletic, the difficulty Mr Geri was experiencing in securing access to the files, repository and sources that forensically would reveal evidence probative of the *real* position (a position ultimately established at trial). In other words, in the context of all of these considerations, it was *unreasonable* for them to act as they did and they enjoyed the power both for themselves and B&S and RETB to act reasonably. Rather, they chose to keep using Toolbox until it *suited them* not to, in June 2018, rather than reasonably deal with the problem put before them on 29 September 2016.

135 I am satisfied that the indifference demonstrated by Mr Stoner and Ms Bartels to the matters complained about as put to them, on and from 29 September 2016, constituted an authorisation by them, and through them, by B&S and RETB of infringing use of DreamDesk works by users of Toolbox. I am also satisfied that by reason of their indifference to the complaints put to them, they authorised the infringement of the DreamDesk works by Mr Semmens and the developers acting under his direction in bringing into existence the Toolbox system.

136 Thus, I am satisfied that the authorisation case is made out. I am satisfied that the primary judge ought to have addressed that aspect of the case in his reasoning on authorisation and ought to have found authorisation in the conduct of these four respondents on and from 29 September 2016. I am respectfully satisfied that the primary judge erred in not doing so and, to that extent, on and from 29 September 2016, I would uphold the appeal.

137 I also generally agree, as supplemented by these remarks, as mentioned earlier, with the observations of his Honour Justice McElwaine and I otherwise agree with his Honour in relation to all other aspects of the appeal not addressed in these reasons. I agree with the orders his Honour proposes.

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| I certify that the preceding one hundred and thirty‑seven (137) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice Greenwood. |

Associate:

Dated: 6 July 2022

REASONS FOR JUDGMENT

CHEESEMAN J:

138 I have had the considerable advantage of reading, in draft, the reasons to be published by McElwaine J, which contain a comprehensive recitation of the relevant factual and procedural background (including the way in which the case was run below), the reasons of the primary judge, the grounds of appeal and the respective submissions of the parties. I adopt his Honour’s use of terms. I respectfully agree with his Honour’s reasoning in support of his conclusions in respect of all but one part of the appeal. That part of the appeal is the subject of separate reasons of Greenwood J, which I have also seen in draft. Justice Greenwood agrees with McElwaine J’s conclusions and proposed orders. That permits me to directly address that part of the appeal on which I have reached a different conclusion.

139 It is with respect to their Honours’ conclusion that the primary judge erred in not concluding that the appellant’s authorisation by indifference case was made out against each of the represented respondents in the period from 29 September 2016 to June 2018 that I respectfully disagree. By way of shorthand, I will refer to this part of the appellant’s case as the **later period authorisation case**. Accordingly, in the result, I would dismiss the appeal with costs.

140 I respectfully agree with Greenwood and McElwaine JJ that the later period authorisation case was part of the appellant’s case below. The authorisation by indifference argument was adequately formulated in submissions, notwithstanding that it was either not pleaded, or at best, oblique in the pleading. Such evidence as there appears to have been before the primary judge on this issue was largely documentary, it did not feature in written submissions and it was not put to the relevant witnesses for the parties against whom the finding of authorisation by indifference was sought.

141 The core argument propounded by the appellant on the later period authorisation case is that the primary judge failed to draw the correct inference from all of the primary facts that he found. The appellant contends that the primary judge should have found, and erred in not finding, that:

(1) the represented respondents knew, or had reason to suspect, that the Toolbox system contained reproductions of copyright works in the DreamDesk system (grounds 2 (b)(i), 3 (c)(i) - Mr Stoner, Ms Bartels, Biggin & Scott and RETB; ground 7 (c)(i) – Mr Meissner and DDPL);

(2) Mr Stoner, Ms Bartels, Biggin & Scott and RETB’s failure to take steps to prevent or avoid the infringements and Biggin & Scott and RETB’s continued use of the Toolbox system, about which Mr Stoner and Ms Bartels knew, constituted indifference to the appellant’s rights to such a degree that authorisation was the only available inference to be drawn (grounds 2(b)(ii), 3(c)(ii)); and

(3) Mr Meissner and DDPL’s failure to take any steps to prevent or avoid Mr Semmens’ infringements of the Database Work, the Table Works and the PDF Works, after 29 September 2016, or 5 October 2016, constituted authorisation of those infringements (ground 7(c)(ii)).

142 The appellant does not advance as a ground of appeal that the primary judge erred in that he overlooked relevant evidence. Rather, the appellant contends that the primary judge ought to have made findings based on the following evidence: the 29 September 2016 letter; the circumstances surrounding the requests for, and the giving of, undertakings by the represented respondents; the course of correspondence between the appellant’s solicitor and the represented respondents’ solicitors in the period after 29 September 2016; and the preliminary report of Mr Geri, the IT expert engaged by the appellant. I am not satisfied that the primary judge erred in not making findings to the effect for which the appellant contends. My reasons for reaching this conclusion are as follows.

143 In a frequently cited passage from *Beale v Government Insurance Office of NSW* (1997) 48 NSWLR 430 (at 442-444), Meagher JA described the fundamental elements of a statement of reasons. His Honour began with the observation by Samuels JA in *Mifsud v Campbell* (1991) 21 NSWLR 725 at 728 (at 442):

…it is an incident of judicial duty for the judge to consider all the evidence in the case. It is plainly unnecessary for a judge to refer to all the evidence led in the proceedings or to indicate which of it is accepted or rejected. The extent of the duty to record the evidence given and the findings made depend, as the duty to give reasons does, upon the circumstances of the individual case.

His Honour continued at (443-444):

…However, there are three fundamental elements of a statement of reasons, which it is useful to consider. First, a judge should refer to relevant evidence. There is no need to refer to the relevant evidence in detail, especially in circumstances where it is clear that the evidence has been considered. However, where certain evidence is important or critical to the proper determination of the matter and it is not referred to by the trial judge, an appellate court may infer that the trial judge overlooked the evidence or failed to give consideration to it: *North Sydney Council v Ligon 302 Pty Ltd* (1995) 87 LGERA 435. Where conflicting evidence of a significant nature is given, the existence of both sets of evidence should be referred to.

Secondly, a judge should set out any material findings of fact and any conclusions or ultimate findings of fact reached. The obvious extension of the principle in *North Sydney Council* is that, where findings of fact are not referred to, an appellate court may infer that the trial judge considered that finding to be immaterial. Where one set of evidence is accepted over a conflicting set of significant evidence, the trial judge should set out his findings as to how he comes to accept the one over the other. But that is not to say that a judge must make explicit findings on each disputed piece of evidence, especially if the inference as to what is found is appropriately clear: *Selvanayagam v University of the West Indies* [1983] 1 WLR 585; [1983] 1 All ER 824. Further, it may not be necessary to make findings on every argument or destroy every submission, particularly where the arguments advanced are numerous and of varying significance: *Rajski v Bainton* (Court of Appeal, 6 September 1991, unreported).

Thirdly, a judge should provide reasons for making the relevant findings of fact (and conclusions) and reasons in applying the law to the facts found. Those reasons or the process of reasoning should be understandable and preferably logical as well.

144 His Honour then observed that (at 444):

…It has been noted by this Court that the content required of a statement of reasons is to be measured against the burden that the provision of reasons imposes on the judicial system: *Sinak v Tess* (Court of Appeal, 15 March 1995, unreported). The reason for this is that the giving of overly elaborate reasons can serve to undermine public confidence in the judiciary and in the judicial system in the same way that insufficient reasons can. On the one hand, the provision of inadequate reasons can lead to a sense of injustice and a reduced appreciation or understanding of legal rights and obligations. On the other hand, an overly onerous duty to provide reasons increases costs and delay in the judicial system which has the effect of undermining public confidence in the judicial system. The costs and delays involved in litigation today are problems which have attracted enormous public attention, a plethora of government inquiries and the attention of the Australian Law Reform Commission. In the end, the balancing act which needs to be undertaken in considering the sufficiency of a statement of reasons involves the adoption of, at the least, a minimum standard which places the parties in a position to understand why the decision was made sufficiently to allow them to exercise any right of appeal.

145 An appeal by way of a rehearing is an appeal for the correction of error framed by reference to the ground or grounds on which the appellant claims that a judgment is erroneous and the existence of error is an indispensable condition of a successful appeal: *Minister for Immigration and Border Protection v* ***SZVFW*** [2018] HCA 30; 264 CLR 541 at 553 [21], 556 [30], 556 [32] (Gageler J). The further observations of Gageler J in *SZVFW* at [33] bear repeating (emphasis added and footnotes incorporated):

Performing its obligation to conduct a “real review”, the appellate court “must, of necessity, observe the ‘natural limitations’ that exist in the case of any appellate court proceeding wholly or substantially on the record” [*Fox v Percy* (2003) 214 CLR 118 at 125-126 [23], quoting *Dearman v Dearman* (1908) 7 CLR 549 at 561]. Limitations of that nature can include: “those occasioned by the resolution of any conflicts at trial about witness credibility based on factors such as the demeanour or impression of witnesses; any disadvantages that may derive from considerations not adequately reflected in the recorded transcript of the trial; and matters arising from ***the advantages that a primary judge may enjoy in the opportunity to consider, and reflect upon, the entirety of the evidence as it is received at trial and to draw conclusions from that evidence, viewed as a whole” [CSR Ltd v Della Maddalena (2006) 80 ALJR 458 at 465 [17]; 224 ALR 1 at 7]. The appellate court needs to be conscious that “[n]o judicial reasons can ever state all of the pertinent factors; nor can they express every feature of the evidence that causes a decision-maker to prefer one factual conclusion over another” [Fox v Percy (2003) 214 CLR 118 at 132 [41] (footnote omitted)]. The more prominently limitations of that nature feature in a particular appeal, the more difficult it will be for the appellate court to be satisfied that the primary judge was in error [eg, SW Hart & Co Pty Ltd v Edwards Hot Water Systems (1985) 159 CLR 466 at 478].***

146 Similar observations were made by Kirby J regarding the relative advantage of the primary judge over an appellate Court in *State Rail Authority of New South Wales v Earthline Constructions Pty Ltd (in liq)* [1999] HCA 3; 160 ALR 588 where his Honour said at 619 [90]:

The true advantages in fact-finding which the trial judge enjoys include the fact that the judge hears the evidence in its entirety whereas the appellate court is typically taken to selected passages, chosen by the parties so as to advance their respective arguments. The trial judge hears and sees all of the evidence. The evidence is generally presented in a reasonably logical context. It unfolds, usually with a measure of chronological order, as it is given in testimony or tendered in documentary or electronic form. During the trial and adjournments, the judge has the opportunity to reflect on the evidence and to weigh particular elements against the rest of the evidence whilst the latter is still fresh in mind. A busy appellate court may not have the time or opportunity to read the entire transcript and all of the exhibits. As it seems to me, these are the real reasons for caution on the part of an appellate court where it inclines to conclusions on factual matters different from those reached by the trial judge. These considerations acquire added force where, as in the present case, the trial was a very long one, the exhibits are most numerous, the issues are multiple and the oral and written submissions were detailed and protracted. In such cases, the reasons given by the trial judge, however conscientious he or she may be, may omit attention to peripheral issues. They are designed to explain conclusions to which the judge has been driven by the overall impressions and considerations, some of which may, quite properly, not be expressly specified.

(Footnotes omitted)

His Honour’s reasoning was applied by the Full Court in *Federal Commissioner of Taxation v Glencore Investment Pty Ltd* [2019] FCAFC 187; 281 FCR 219, 266 at [145] (Middleton and Steward JJ, with whom Thawley J agreed).

147 In the absence of error by the primary judge, it is not necessary to embark upon a real review of all the material that was before the primary judge in order to revisit the primary judge’s rejection of the authorisation claims. Unless error, framed by reference to the ground or grounds of appeal, is established, there is no warrant for an appeal court to substitute its own findings for those of the primary judge. In the circumstances of this appeal, there is a risk in doing so. The advantage enjoyed by the primary judge in receiving all of the evidence as it unfolded, with an opportunity to reflect on it and draw conclusions based on the evidence as a whole, is self‑evident. The liability hearing lasted twelve days and was heard in two blocks of dates, ten months apart. For this Court on appeal to assess whether the appellant’s later period authorisation case was fairly or adequately put to the witnesses and whether it is open to draw an inference in favour of the appellant’s later period authorisation case presents real difficulty. Had I been satisfied that the appellant had established error on the part of the primary judge, it would have been necessary to be satisfied that the material before the Court on this appeal was adequate for the Court to embark on such a task. Although four successive waves of overlapping supplementary materials were provided over the two days of the appeal hearing, I have a residual concern as to whether all of the relevant material has been placed before this Court.

148 I now turn to explain my reasons for concluding that error has not been established by reference to the multiple unchallenged trust findings which span the whole of the relevant period and the nature and quality of the evidence at trial said to support the appellant’s later period authorisation case.

149 It warrants emphasis at the outset that whether a person has authorised the doing of any act comprised in the copyright of a copyright owner is, necessarily, a fact sensitive and fact intensive inquiry. Every case will depend upon its own facts. Matters of degree are involved. Where the conduct relied upon as constituting authorisation is indifference, whether by acts or omissions, the Court is required to assess whether the conduct reaches such a degree that authorisation or permission may be inferred. Critical to that assessment is whether the person said to have authorised the relevant act, by indifference, either knew or had reason to suspect that the act might be done. There is a difference between knowing that specific acts of copyright infringement have occurred and merely suspecting that they may have occurred. That difference in the circumstances of a given case may be of importance.

150 The primary judge made multiple unchallenged trust findings, including those at PJ[297], [299], [300] and [305]. The findings at PJ[297(7)] and PJ[305(6)] are particularly difficult for the appellant to overcome in order to make good the later period authorisation case on appeal. The primary judge’s trust findings are not temporally limited and are made in the context of the primary judge’s assessment of the whole of the evidence, including the case put in cross‑examination of the witnesses for the represented respondents.

151 During the hearing of the appeal, the 29 September 2016 letter became a focus of the appellant’s oral submissions. In my view it is clear that the primary judge was aware of, and considered, the 29 September 2016 letter. The primary judge did not err in not making an express finding in relation to the 29 September 2016 letter. The 29 September 2016 letter expressed the appellant’s concern that there had been “improper access and duplication of code which is intellectual property now owned by our clients” and that the appellant’s willingness to extend the DreamDesk licence was conditional upon the provision of undertakings by all relevant parties that duplicated intellectual property would not be used and would be destroyed immediately. The primary judge referred to the email sent from Mills Oakley, the solicitors for Mr Stoner, Ms Bartels, Biggin & Scott and RETB, to the appellant’s solicitor on 3 October 2016 which expressly refers to, and in effect responds to, the 29 September 2016 letter: PJ[121]. The primary judge observed that Mills Oakley confirmed that Biggin & Scott was willing to provide to the appellant certain undertakings, namely the undertakings requested by the appellant in the 29 September 2016 letter. It follows that the primary judge was aware of, and considered, the 29 September 2016 letter. When the 29 September 2016 letter is considered in the context of the whole of the evidence, it may be inferred that the absence of an express finding in relation to that letter is because the primary judge considered it to be immaterial.

152 The letter was sent on behalf of the appellant. For that reason, it is necessary to consider the primary judge’s findings in relation to the commercial relationships between the parties. Biggin & Scott was a former customer of the appellant. The appellant wished to re-establish its commercial relationship with Biggin & Scott. Biggin & Scott’s experience with the appellant was that it was dissatisfied with the appellant as a supplier/provider. Returning to use the appellant was Biggin & Scott’s least preferred option once DreamDesk was shut down. The appellant’s commitment to convincing Biggin & Scott to return as a customer was a driver in the appellant acquiring Process 55 and DreamDesk. The acquisition was undertaken with a view to shutting down DreamDesk so that customers of DreamDesk, including Biggin & Scott, could be induced to use the appellant as supplier/provider. The evidence demonstrated that the represented respondents were aware of that objective: PJ[98], [147]. The commercial history between Biggin & Scott and the appellant dating back to the beginning of 2015 is relevant to how the allegations made on behalf of the appellant in the 29 September 2016 letter were received by those parties.

153 It is next necessary to consider what was done after the represented respondents received the letter. In response to the 29 September 2016 letter, the represented respondents took active steps to co-operate with the appellant.

154 First, the response by the represented respondents to the 29 September 2016 letter was to give undertakings as requested by the appellant. The giving of undertakings by the represented respondents is consistent with: the finding that the represented respondents trusted Mr Semmens; the represented respondents’ continued belief that Mr Semmens was acting in accordance with the 3 August 2016 direction (at PJ[297(1)]); Mr Stoner’s evidence that he was seeking assurances from Mr Semmens in this regard about every two days (PJ[296(1)]); and the primary judge’s findings of trust premised on Mr Meissner’s state of mind based on his shocked reaction to Mr Semmens’ use of Process 55 in the development of DreamDesk: PJ[305(1)]. The appellant did not demonstrate that it was put to the relevant witnesses that they proffered the undertakings for the ulterior purpose of concealing conduct that comprised infringement. In those circumstances, it was not open for the appellant to submit that was the case. Seen in this light, it is not surprising that that the primary judge did not make findings that the undertakings were proffered at a time when the represented respondents knew, or had reason to suspect, that the Toolbox system contained reproductions of copyright works in the DreamDesk system.

155 Secondly, the represented respondents granted access on two occasions to Mr Geri and co‑operated with him, to allow him to provide an opinion to the appellant as to whether infringement had occurred. To provide such access, after giving the undertakings, is consistent with a continuation of the relationship of trust about which the primary judge made comprehensive findings. Particularly, when the primary judge did not find that the represented respondents were aware of the steps taken by Mr Semmens to cover his tracks: PJ[69], [128], [154], [155], [156], [278(1)], [278(3)], [278(4)], [278(5)]. Indeed, the primary judge rejected the appellant’s submission that the Court should infer that Ms Bartels, on behalf of Biggin & Scott, instructed Mr Semmens to delete RSYNC commands from the DreamDesk system. RSYNC commands operate to copy files from one location to another. While the primary judge accepted that Mr Semmens had in fact deleted the relevant commands, he did not accept that it was done on instruction of Ms Bartels, and by extension Biggin & Scott: PJ[278(3)]. The granting of access to Mr Geri counts strongly against inferring indifference amounting to authorisation on the part of the represented respondents.

156 Thirdly, after they received the preliminary Geri report, the represented respondents were entitled to assess the allegations that had been made in the 29 September 2016 letter by reference to Mr Geri’s preliminary report of 19 January 2017. That report was inconclusive. The critical paragraphs of the Geri report were as follows:

30. In relation to my instructions regarding “the potential copying or duplication of any intellectual property” in my opinion there is a high probability that intellectual property purchased by Campaigntrack has been used in the development of Real Estate Toolbox. The applications have been developed by the same developer who had access to both systems during the development process.

31. To forensically confirm if Campaigntrack intellectual property has been used in the development of Real Estate Toolbox a forensic examination of the servers responsible for hosting and managing the Real Estate Toolbox application should be undertaken. Further to this an examination of any device used by Mr. Semmens during the development both applications should also be undertaken to identify if any Campaigntrack intellectual exists on the devices.

157 Mr Geri’s first opinion, in [30], was no more than a speculative assumption. The conclusion that he reached as to the high probability of copying appears to be based on the fact that the applications have been developed by the same developer and not on his expertise. There was no new information in [30] that the represented respondents did not already know. The primary judge’s finding at PJ[297(1)] is significant in this regard. Mr Geri’s second conclusion, in [31], is that he could not come to a concluded view based on his expertise without further forensic examinations being conducted. There was nothing in Mr Geri’s preliminary report that was capable of displacing the subsisting relationship of trust that the primary judge found to exist between the represented respondents and Mr Semmens, or that was capable of confirming that the allegations of infringement in the 29 September 2016 letter were well made.

158 The appellant did not cross-examine any of the witnesses for the represented respondents meaningfully, or at all, on the preliminary Geri report. The report was only put to Mr Stoner and the proposition put was, on any view, on the periphery of relevance. Critically, it was not directly put to Mr Stoner that he was on notice of the appellant’s claims of copying, from defined points in time, and that he elected not to make inquiries to determine the true position. When Mr Geri’s preliminary report was put to Mr Stoner in cross-examination the following exchange occurred:

HIS HONOUR: Yes, okay. Ask the question.

So you’re aware that Mr – you’re aware that Mr [Geri] relied upon the log files to perform – to express an opinion about matters in them?---From this, yes.

And you’re aware that, in paragraph 30, Mr [Geri] said:

*In relation to my instructions regarding the potential copying or duplication of any intellectual property, it is my opinion that there is a high probability that intellectual property purchased by Campaigntrack has been used in the development of Real Estate Toolbox. The applications have been developed by the same developer who had access to both systems during the development process.*

Do you remember reading that?---Mmm

And then Mr [Geri] concluded to forensically confirm if Campaigntrack’s:

*Campaigntrack intellectual property has been used in the development of Real Estate Toolbox, a forensic examination of the servers responsible for hosting and managing the Real Estate Toolbox applications should be undertaken. Further to this, an examination of any device used by Mr Semmens during the development of both applications should be undertaken to identify if any Campaigntrack intellectual property … –*

That should be intellectual property:

*…intellectual exists on the devices.*

Do you remember reading that?---Yes.

…

Mr GREEN: Mr Stoner, if you can please look at page 3 of the – the small bundle I’ve sent you – or that the applicant’s solicitors have sent you. Do you agree that it was not true that the initial draft of the independent expert’s report had found no issues relating to the Real Estate Toolbox system?---My recollection is, and I haven’t read this whole ..... is we objected to the report because it mentioned conversations between [Geri] and David – David which made it not what it was supposed to be.

You mean, when you said “David” you mean between Mr [Geri] and Mr Semmens?---yes.

Well, I wasn’t putting that to you. I was putting it to you that you were asked by Mr Hine, “Are you happy with this for Simon?” And it appears that what was being put forward is that:

*The initial draft of the independent expert’s report, they sought*

Meaning Campaigntrack sought:

*found no issues relating to the ..... Real Estate Tool Box system.*

You accept that as at 27 April 2018, that that was not the case?

HIS HONOUR: Just before you answer that, Mr Stoner. Mr Green, am I really assisted? I have the document in front of me.

MR GREEN: Yes, your Honour. Yes, your Honour.

HIS HONOUR: It says – it says – that the opinion of this man as at that time - - -

MR GREEN: Yes.

HIS HONOUR: - - - was that there was a high probability, but he couldn’t prove it.

MR GREEN: Yes. Well, that’s not – that’s - - -

HIS HONOUR: So how is - - -

MR GREEN: “Found no issues,” your Honour is a quote - - -

HIS HONOUR: But - - -

MR GREEN: - - - anyway, but I will move on, though …

159 The exchange between the primary judge and Senior Counsel for the appellant is consistent with the primary judge regarding the preliminary Geri report as being inconclusive. Senior Counsel for the appellant did not pursue the tangential line on which he had commenced in cross-examination. On the appeal the Court was not taken to any evidence to demonstrate that the proposition that the appellant seeks to establish based on the preliminary Geri report was put fairly, or at all, to any witness.

160 That the primary judge regarded the 29 September 2016 letter as immaterial is readily understood when viewed in the context of the continuing relationship of trust between the represented respondents and Mr Semmens, the unchallenged evidence adduced in cross‑examination that Mr Stoner probably sought assurances from Mr Semmens every two days about whether he had complied with the directive issued on 3 August 2016 and the commercial history between the parties. The absence of error and the comprehensive nature of the trust findings made across the whole of the relevant period preclude this Court from embarking on its own fact finding in relation to the later period authorisation case. That the primary judge does not analyse all of the evidence comprised in the main of the correspondence between the appellant’s solicitor and the represented respondents’ solicitors in the period between 29 September 2016 and 9 February 2017 does not establish error. The more compelling inference is that this evidence was considered by the primary judge to be immaterial to his finding on authorisation. That the primary judge regarded the evidence as immaterial is demonstrated by the nature and quality of the evidence in issue, the contextual setting of the comprehensive trust findings, the scant attention given to the evidence in the way in which the appellant put the case below and the inadequacy of any cross-examination of relevant witnesses on this evidence.

161 For these reasons, I would dismiss the appeal with costs.

|  |
| --- |
| I certify that the preceding twenty-four (24) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice Cheeseman. |

Associate:

Dated: 6 July 2022

REASONS FOR JUDGMENT

MCELWAINE J:

# INTRODUCTION

162 The appellant, Campaigntrack Pty Ltd, is a provider of online marketing services to the real estate industry primarily by means of the software system known as Campaigntrack. The second respondent (**Biggin & Scott**) is the franchisor of a group of real estate agencies that operate in Victoria. Between 2006 and 2009, and then from 2013 until 2015, Biggin & Scott used the Campaigntrack software under licence from the appellant. In May 2015, Biggin & Scott moved to a different platform known as DreamDesk, which was a cloud based marketing system developed by Mr David Semmens (**Mr Semmens**). DreamDesk utilises an online platform known as Process 55 which generates marketing material including advertisements, brochures and performs useful administrative tasks.

163 In July 2016, the appellant and New Litho Pty Ltd (**New Litho**) acquired ownership of the copyright in Process 55 and DreamDesk. This was for the purpose of shutting down DreamDesk in order to then persuade clients to move or return to Campaigntrack. Mr Semmens then set about developing another real estate marketing software system known as “Real Estate Toolbox” (**Toolbox**). On 10 October 2016, Biggin & Scott ceased to use DreamDesk and commenced using Toolbox, which use continued until April 2018. In June 2018, Toolbox was discontinued.

164 How those basic facts gave rise to proceedings in this Court is ultimately explained by the conduct of Mr Semmens who, as found by the primary judge, infringed copyright in the DreamDesk source code by reproducing the whole or a substantial part of that code and misused confidential information of the appellant and New Litho as comprised in that code.

165 The appellant commenced proceedings in this Court and contended that there had been infringement of its copyright rights, misuse of confidential information and various breaches of contract in relation to DreamDesk. New Litho was not named as a party and no point was taken before the primary judge or before us that its absence is of any consequence. The primary judge dismissed the proceeding against each of the respondents (**represented respondents**) other than Mr Semmens: *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd* [2021] FCA 809 (**PJ**). The represented respondents are Biggin & Scott, Dream Desk Pty Ltd, Jonathan Meissner, Paul Stoner and Michelle Bartells.

166 In a separate decision, the primary judge made orders to give effect to his earlier reasons: *Campaigntrack Pty Ltd v Real Estate Tool Box Pty Ltd (No 2)* [2021] FCA 1053 (**PJ No 2**). He:

(1) Declared that Mr Semmens infringed copyright in:

(a) The literary works comprised in the source code for the DreamDesk system (**Source Code Works**) by reproducing the whole or a substantial part of the source code in material form in developing the Toolbox system; authorising other developers and users of the Toolbox system to reproduce a substantial part of the Source Code Works in material form in developing the Toolbox system; and authorising users of the Toolbox system to reproduce a substantial part of the Source Code Works in using the Toolbox system;

(b) the DreamDesk database and Table Works, by reproducing a substantial part of their respective structures; and

(c) the PDF works, by reproducing the whole of the PDF works in material form;

without the licence of the appellant or New Litho;

(2) Declared that Mr Semmens misused the confidential information of the appellant and New Litho comprised in the DreamDesk Source Code Works;

(3) Enjoined Mr Semmens, by himself, his servants or agents, from reproducing in material form or authorising reproduction in material form the Source Code Works and from communicating or authorising the communication to the public of the whole or a substantial part of the source code without the licence of the copyright owner;

(4) Made orders requiring Mr Semmens to permanently destroy or erase all reproductions of the DreamDesk copyright works;

(5) Ordered that Mr Semmens pay the appellant’s costs; and

(6) Otherwise dismissed the proceeding, with costs, against the represented respondents.

# GROUNDS OF APPEAL

167 Before this Court, the appellant advanced 13 grounds of appeal. In broad terms, these grounds raise the following issues for determination:

(1) Grounds 1 to 7 – whether the primary judge erred in rejecting the copyright claims against the represented respondents (**copyright authorisation infringement grounds**);

(2) Grounds 8 to 9 – whether the primary judge erred in rejecting the confidential information claims against the represented respondents (**misuse of confidential information grounds**); and

(3) Grounds 10 to 13 – whether the primary judge erred in rejecting the contract claims against the fourth respondent Dream Desk Pty Ltd (**DDPL**) and the fifth respondent (**Mr Meissner**) (**contract claims grounds**).

168 The misuse of confidential information grounds were abandoned during the course of the oral argument. Mr Semmens has not appealed the orders made against him.

# THE ESSENTIAL FACTS

169 I commence by summarising the material facts and I am indebted for the clear and concise manner in which the primary judge summarised the evidence and set out his findings on questions of contested fact, which I adopt in my reasons.

170 As I have noted, Biggin & Scott is the franchisor of a group of real estate businesses. The sixth respondent (**Mr Stoner**) and the seventh respondent (**Ms Bartels**) were each directors of Biggin & Scott.

171 In November 2014, Mr Semmens and his then business partner, Mr Ewart, proposed to develop a new cloud-based real estate marketing system called DreamDesk. Mr Meissner ran an advertising business called JGM Advertising Pty Ltd and agreed to fund the venture. This resulted in the incorporation of DDPL on 12 March 2015. Mr Meissner was the sole director and shareholder. Mr Semmens was not an employee of DDPL but a contractor who worked on the technical and software development of DreamDesk from about February 2015.

172 Biggin & Scott used the Campaigntrack system until mid-2015. On 20 May 2015, an agreement in writing was entered into between it and DDPL. The agreement was signed by Mr Stoner on behalf of Biggin & Scott and Mr Meissner on behalf of DDPL. The effect of the agreement was that Biggin & Scott agreed to become a client of DDPL in order to be able to use the DreamDesk system. Among other things, the agreement acknowledged that “at all times any templates or data relating to properties and staff put into DreamDesk remain[ed] the property” of Biggin & Scott. Biggin & Scott went live with DreamDesk on 17 August 2015.

173 On 28 May 2016, approximately one year following the agreement between Biggin & Scott and DDPL, Mr Semmens and Mr Ewart told Mr Meissner that they had been informed that the intellectual property of a company called The Digital Group Pty Ltd (**Digital Group**) was being used in the DreamDesk software. Digital Group was founded by Mr Semmens and his brother-in-law, Mr Farrugia. The intellectual property alleged to have been misused was the “PDF Distiller”. As Mr Meissner understood it, this enabled the DreamDesk system to produce and edit PDF images used in real estate marketing campaigns. Digital Group’s software was the web-based real estate marketing system, Process 55, which Mr Semmens had been involved in developing between 2001 and 2006.

174 Mr Meissner did not want to operate using intellectual property that he or DDPL were not authorised to use and, in consequence, he decided to either buy Process 55 or sell DreamDesk. Between May and June 2016, the appellant and New Litho negotiated with Digital Group to purchase the intellectual property rights in the Process 55 system and DreamDesk for the purpose of shutting it down so as to persuade clients to move or return to Campaigntrack.

175 On 18 July 2016, two agreements were entered into: (1) the DreamDesk sale agreement between DDPL and Mr Meissner as vendors and the appellant and New Litho as the purchasers; and (2) a binding heads of agreement between Mr Meissner, the appellant and New Litho. Clause 1.2 of the sale agreement provided:

the parties acknowledge that the sale of the intellectual property does not include Process 55 as that is owned by Digital Group Pty Ltd. The sale does not include any intellectual property that DreamDesk may have that is derived from Process 55 or that is separate but used in conjunction with Process 55 for the operation of the DreamDesk business.

176 The agreement further provided for a licence, in favour of DDPL, of intellectual property in the DreamDesk system until 3 October 2016.

177 Between 30 July and 2 August 2016, Mr Semmens inquired about using a web-based online design and publishing system called “eDocBuilder”. On 3 August 2016, Mr Semmens met with Mr Stoner at the head office of Biggin & Scott. Mr Semmens told Mr Stoner that he could create a system with similar functionality to DreamDesk and Campaigntrack. That system became known as Toolbox. At the meeting, Mr Stoner showed Mr Semmens a letter on the Biggin & Scott letterhead which included the following relevant parts:

You are instructed to build a web to print delivery system that does not breach any other companies IP or ownership, in particular DreamDesk or Campaign Track.

All products used should be off the shelf products owned by 3rd parties with a licence agreement or able to be used through open code or any other industry standard that classes the use as open (can not [sic] be claimed).

…

In simple terms we do not want any thing [sic] used that can be claimed as owned by the 2 companies above. We are happy with E-DOC being used as the PDF delivery system …

178 Mr Stoner wrote his and the name of Mr Semmens at the foot of the letter. Mr Stoner signed the letter. Mr Semmens did not sign it. In evidence before the primary judge, Mr Semmens accepted that he discussed the letter with Mr Stoner.

179 The primary judge inferred that the development of a new system (ultimately Toolbox) was by that point in time underway. He also found that Mr Stoner was aware that it was proposed that the new system would use eDocbuilder. Although Ms Bartels did not see the letter of 3 August 2016, she was informed of its substance by Mr Stoner. Ms Bartels left it to Mr Semmens to determine the specifications of the new system.

180 Not unexpectedly, Mr Stoner was cross-examined about the content of the letter of 3 August 2016 and gave the following evidence at PJ [41]:

So you say that this was the instruction that you gave Mr Semmens on 3 August 2016, to build a Web to Print delivery system that does not breach any other company’s IP or ownership, in particular, Dream Desk or Campaigntrack?---Yes.

And you say that you did that without knowledge of what I have taken you to in relation to Process 55?---Yes.

Other than what Mr Ewart said to you about a “problem”?---So on this date, I knew that Dream Desk was – had been, well, I’m not sure if it had been purchased or was being purchased.

You didn’t know or you did know?---I’m not sure. Well, I’m not sure if it had been purchased by then. But on that date, I knew that, who had bought it or was buying it and what the future looked like.

...

Why include “Breach any other company’s IP” if the only knowledge you had was that of the Dream Desk sale?---Well, that’s what their issue was, that they had breached Process 55’s IP.

Well, I think, the evidence you gave us, was you were only aware, very broadly, of what Mr Ewart had told you?---That’s in May, this is August.

So you – the evidence you give is that you became more familiar with the situation relating to Mr Semmens from May to August 2016. Is that correct?---Absolutely.

...

You knew there was a problem with Process 55 and the use of Process 55 by Dream Desk, did you not?----At that stage, yes. On 3 August.

...

You appreciated that there was real risk that Mr Semmens might infringe another company’s IP?---No. I would have to say, “No”. I trust David.

Well, why would you put in – you instructed to:

*Build a Web to Print delivery system that does not breach any other company’s IP or ownership, in particular, Dream Desk or Campaigntrack.*

?---Just to make it clear, I don’t want any crossovers with anything.

...

And the only basis for putting in an instruction, Mr Stoner, is that you were concerned about the possibility that he would use code belonging to Dream Desk or Campaigntrack? — It’s possible. But I don’t think that’s my meaning.

181 The appellant submitted to the primary judge that: “Mr Stoner knew there was a real risk that, in developing the new system, Mr Semmens might infringe the intellectual property rights of DDPL or Campaigntrack”. In response to that submission, the primary judge found at PJ [43]:

In the context of the events which had occurred, including the fact that – to Mr Stoner’s knowledge – Mr Semmens had admitted to using Process 55 in developing DreamDesk, it was hardly surprising that Mr Stoner would seek an assurance from Mr Semmens that he would not infringe the intellectual property rights of others in building a web to print delivery system. I am satisfied that Mr Stoner trusted Mr Semmens not to infringe the intellectual property rights of DDPL or Campaigntrack in developing the new system. I conclude that Mr Stoner did not want Mr Semmens to misuse intellectual property belonging to others in developing the new system.

182 In August and September 2016, Biggin & Scott made inquiries with, and received offers from, other providers of online advertising systems. Mr Stoner’s preference was for the new system to be operational by 3 October 2016, which was the date of the end of DDPL’s licence of intellectual property rights in DreamDesk. If the system was not operational by then another service provider might be required and Campaigntrack was the least preferred option.

183 On 6 or 7 September 2016, the appellant and New Litho purchased DreamDesk from DDPL.

184 There was before the primary judge evidence of a proposed joint venture between Biggin & Scott, companies known as Printco, ABC, and Mr Semmens. That evidence is set out in an email sent by Mr Stoner on 9 September 2016, to two unnamed parties and which the primary judge found was likely sent to, at least, Mr Semmens. At PJ [85], the primary judge set out his ellipsis of that email:

On 9 September 2016, Mr Stoner sent an email to unnamed parties (although the recipients are likely to have included Mr Neil Pearson of Printco), with the subject line “structure”. Printco was a printing business that printed display boards for Biggin & Scott. It is likely that other recipients of the email were ABC (a display board company) and Mr Semmens. The email included (paragraph numbering added):

[1] Hi Guys

[2] Proposed structure for new co

[3] Name AGENT TOOL BOX

Biggin & Scott

Printco

ABC

To own 70%

At a costs of $35,000 each

[4] David Seamans [sic] and partners 30%

At a costs of $30,000

[5] I think we need to be open to JV’s with larger groups along the lines of white labelling the system on a 50/50 basis

And also prepared to take on other investors should the need arise.

[6] We are currently sourcing a longer term for the platform 10 years at this stage so to be confirmed

[7] Where the team will sit is an issue as we cannot have one company being able to be see another’s pricing.

We need to agree on this and quick. David may have a solution.

[8] Our objective is to get the system finished with Biggin & Scott using it by not later than October 3rd 2016 stage one

As B&S are bringing in revenue this helps on a few levels but obviously part of start-up few is to help run the team until we pick up

A few new clients.

[9] Biggin & Scott are happy for others to see how their work flow is happening.

[10] Reasoning behind Printco and ABC being partners is two fold

Both have strong relationships with clients whilst at the same time can elevate some ongoing cost by introducing a system

Which covers full web to print capabilities, Boards, brochures, stationary, papers, edm’s, intranet.

[11] First year each partner of the 70% must bring in at least the equivalent of what Biggin & Scott brings in production fee wise.

[12] Obviously if close not a problem but I think we need a taking the piss rule. Should this not happen under p[er]forming partner must offer shares back.

[13] Printco and ABC get full access of the system to offer to their clients obviously.

[14] Paul Stoner and Michelle page [Bartels] available to help get deals across the line should it be needed.

[15] If in agreement let’s get this set up with the rules as above and go for it.

[16] Dave will have a system presentation ready for us next week.

[17] Cheers

Paul Stoner

Chief Executive Officer

[Biggin & Scott signature block]

185 The primary judge accepted as “accurate” the various submissions made by the appellant about this email: PJ [86]. Primarily, Biggin & Scott and Mr Semmens each proposed, with other parties, to become joint venturers in the Toolbox system. Biggin & Scott and its partners would have a controlling interest of 70% and Mr Semmens would have a 30% interest. No direct finding was made that the joint venture was actually entered into, although I infer that it was by several acts of part performance. Ultimately, nothing turns in this appeal on that question.

186 On 15 September 2016, the first respondent Real Estate Toolbox Pty Ltd (**RETB**) was incorporated. Mr Stoner’s view was that if the Toolbox venture was to move forward, it should be done through a separate company. Mr Stoner and Ms Bartels were officers of RETB.

187 On 7 and 19 September 2016, the appellant requested passwords for DreamDesk. On 20 September 2016, Mr Meissner wrote to Mr Semmens asking him to supply the passwords to the appellant and to provide assistance. Mr Semmens provided passwords and login details on 20, 22 and 23 September 2016.

188 On 21 September 2016, Mr Stoner requested a licence extension from the appellant to continue to use the DreamDesk system beyond 3 October 2016. One purpose of the requestwas to “buy time” in order to develop, or complete the development of, the Toolbox system. On 26 September 2016, Mr Stoner emailed Ms Keys (who was acting for the appellant) and Mr Meissner to advise that Biggin & Scott would not be entering into a further contract with appellant. Mr Stoner asked for a four-week extension and “help with the transition”.

189 On 29 September 2016, the appellant’s solicitor, Ms McLean, sent email correspondence to Mr Meissner and DDPL upon which the appellant placed significant reliance in its submissions in this appeal. For that reason, I set it out:

29 September 2016

…

Dear Mr Meissner

**Campaigntrack Pty Ltd –v- Dream Desk Pty Ltd**

We act on behalf of Campaigntrack Pty Ltd

We have been provided with correspondence seeking confirmation as to whether our client would be willing to extend the licence to DreamDesk to you in order for Dream Desk to be made available to your customer Biggin & Scott. It is in that regard that we are instructed to respond as follows:

* Dream Desk has failed to perform all of its obligations pursuant to the recent agreement whereby title to the Dream Desk Business and intellectual property of Dream desk Pty Ltd passed to our clients;
* Our clients are not under any obligation to extend the licence to Dream Desk;
* Our clients have been asked directly by Biggin & Scott to extend the licence on the basis that it ought to operate as a good corporate citizen;
* Our clients owe no duty of care to Biggin & Scott and any remedy that Biggin & Scott could seek would be as against Dream Desk Pty Ltd;
* Our clients have become aware of improper access and duplication of code which is intellectual property now owned by our clients;
* Our clients are also aware of the incorporation and involvement of Real Estate Tool Box Pty Ltd.

Notwithstanding all of the above, our clients are willing to extend the licence to Dream Desk Pty ltd [sic] for the period of one week from 3 October 2016, on the following basis:

* Dream Desk does not permit use of its platform otherwise than in the ordinary course of business;
* Biggin & Scott do not use the platform otherwise than in the ordinary course of business;
* All relevant parties involved provide an undertaking to our client that the intellectual property already obtained or duplicated will not be used for any purpose;
* All relevant parties involved provide an undertaking to our client that the intellectual property already obtained or duplicated will be destroyed immediately.

Absent an undertaking to the effect of the above the extension of the licence will not be granted.

We would appreciate your response by no later than 3:30pm, Friday 30 September 2016.

Yours faithfully

**MCLEAN & ASSOCIATES SOLICITORS**

[signature]

Karen McLean

Solicitor Director

190 Mr Meissner responded by email on 30 September 2016. In part he stated:

…

In principal [sic] I agree to your terms but require us to keep one copy of platform because until we are paid by our customers, and until we have paid all suppliers, we need access to all data generated by the system NOT to generate anything after the expiration date.

…

As I have agreed on numerous occasions I understand what is required under the contract, and it will be enforced by myself in terms of end date; non-use of platform; inappropriate use by current clients in anything apart from its present usage, and my participation in any area other than as a print Broker.

I do not understand your reference to another company, and your involvement statement.

…

The IP purchased by your client is being used solely by Dream Desk contractors (no one else) for its original function only, and Biggin only has login to enter campaign related material.

…

191 Between 29 September and 3 October 2016, that correspondence came to the attention of Biggin & Scott, RETB, Mr Stoner and Ms Bartels. On 3 October 2016, Mills Oakley Lawyers, acting for those parties, requested an extension of the licence, referenced the letter of 29 September and stated that Biggin & Scott was prepared to provide certain undertakings to the appellant. That correspondence failed to address the assertions about “improper access and duplication of code” or the incorporation of RETB. The undertaking terms were ultimately set out in a document provided by Ms McLean on 5 October 2016. In that letter, she recorded that: “we are instructed to inform you that our client has reached no agreement with Mr Semmins [sic] in relation to Jellis Craig.” The undertakings were in the following terms (PJ [129]):

Dream Desk, Meissner and Semmins [sic] undertake and agree that they individually or jointly with any other person or entity will not use, market, sell, copy, duplicate or in any way enable or facilitate the development of any system by making use of any of the intellectual property which comprises and/or relates to the system of Dream Desk, which is now owned by Campaigntrack Pty Ltd to the extent that they will not permit, now or at any time in the future, access by any third party to the system known as Dream Desk for any use other than its ordinary permissible use.

Dream Desk, Meissner and Semmins [sic] also undertake and agree that they will immediately cause to be returned to Campaigntract [sic] Pty Ltd, or if unable to be returned then destroyed so as to render useless, any of Dream Desks [sic] intellectual property or code which has already been copied, duplicated or otherwise provided to any third party or entity of any description whatsoever.

192 Mr Meissner replied by email on 5 October 2016 as follows:

I agree to all re Meissner,

but have no authority, nor was it part of any previous discussion, in relation to David Semmins [sic].

Semmins [sic] never owned the IP, and never has used it unless under Dream Desk authority.

The Dream Desk IP was sold to CT and as such no part can, or ever was used, by others.

As of the cutoff time no part of the IP has been used, copied etc in any other process.

As discussed I am overseas and cannot print or sign any Documents and as such this email should be used as my acceptance on Meissner and Dream Desk matters.

Also I presume the $5000 fee is monthly and only a % will be payable for October

193 Mr Stoner was not aware that Mr Semmens had also been asked to give an undertaking. Mr Stoner thought that an extension would be granted if Biggin & Scott, Ms Bartels and he gave the undertakings. Mr Semmens did not sign the undertaking, though his evidence was that he was not instructed by anyone else not to do so. In cross-examination he gave the following evidence:

Were you told by anyone not to give the undertaking, Mr Semmens?---No.

You were not?---No.

That’s your truthful evidence?---Yes.

You didn’t have a discussion with Mr Stoner about giving an undertaking after he sent an email to you on 6 October 2016 at 9.43 am?---We – possibly we discussed it, but I wouldn’t have – yes, I wouldn’t have signed it because it was, you know, restricting my work. The undertaking that I read pretty much restricted me from working in the industry, so I was never going to sign it.

Which undertaking are you referring to, Mr Semmens?---The one that Therese [Keys] sent me.

When was the last time you read that undertaking, Mr Semmens?---A long time ago. Well, sorry, I should say that’s the way I interpreted it, I did not want to sign it, I didn’t want to have any restrictions.

Do you accept that if the undertaking didn’t do that then you’re mistaken in your recollection?---I’m not mistaken, my recollection is what I said.

All right. Sorry, your Honour, I just have to – we will just find the undertaking, Mr Semmens, just bear with me for a moment. And I should say for the benefit of ..... the undertaking which was sought from this witness, of course. We’re just looking for it at the moment, I will continue?---Regardless of what it said; if it was from Campaigntrack, I would not have signed it, simple as that.

And why is that, Mr Semmens?---Because they are the most deceptive, evil company I’ve ever come across in my entire life.

194 On 6 October 2016, Mills Oakley Lawyers provided the undertaking executed by Mr Stoner and Ms Bartels on behalf of Biggin & Scott and RETB and each personally to Ms McLean. That is also the day on which Ms Bartels began creating artwork that could be used for different advertising material. Her concern was to ensure that something could be up and running with Biggin & Scott’s artwork within minutes if access to DreamDesk was shut off.

195 On 7 October 2016, Ms McLean sent the following email to Mills Oakley Lawyers:

I confirm that I am presently seeking instructions from my client with regard to the extension. While an undertaking has been requested to be provided by Mr Meissner and other parties, Mr Meissner has not yet procured one party to sign the undertaking requested. Further, payment of the licence fee has been requested and at the present time, we are unaware of any payment having been received.

We will keep you informed of progress in relation to the above. In the meantime, we have been asked by our client to enquire what system your client is moving over to. The purpose of that request is in order for our client to gauge whether there would be any possible reasons for the resistance to the provision of the undertaking requested.

196 Later that day, Ms McLean sent further email correspondence to Mills Oakley Lawyers and advised that the DreamDesk licence would not be extended beyond 10 October 2016. She said:

I am writing to confirm that based on our present instructions the licence for Dream Desk will not be extended beyond 10 October 2016. The reasons for this are that:

1. Our client has not received an undertaking executed by David Semmins [sic];

2. Our client has not received payment for the licence fee either for the full month or for any lesser period, which in any event had not been agreed; and

3. We have not received any indication directly from Mr Meissner that he has an intention contrary to the position previously stated that is that Dream Desk would be shut down on 10 October 2016.

Our client made clear to Mr Meissner the basis upon which the extension of the licence would be granted and our clients requests have not been complied with. All of the above matters are matters which are beyond our clients [sic] control and accordingly have led to the decision set out above.

197 In the evening of 10 October 2016, access to the DreamDesk system for Biggin & Scott was denied. Thereafter, Ms Bartels sent an email to all users of the DreamDesk system at Biggin & Scott, which stated:

Hi All

All Directors have been advised by Paul Stoner and below is notification of Dream Desk Web to Print solution which has been shut down without notice tonight.

3 weeks ago we became aware that Campaign Track had aggressively tracked down the owner of a piece of IP in the Dream Desk web to print solution and bought it off them for a large sum of money. The purchase was made with one intention, to shut down Dream Desk as a competitor.

We entered into negotiations with Campaign track which have now stopped due to a major increase in productions fees, not only for us but also our suppliers. One example was we would have to pay $12 per page production fee for the magazine, at this stage we stopped our negotiations and asked for time to exit the system. Another example was 20% or $20 dollars on every print order.

Things very quickly got legal with all kinds of threats and requests that we simply cannot agree to.

As of this morning we had another 7 days on dream desk after numerous legal letters back and forth but at the very last minute this afternoon Campaign Track turned the system off without notice.

Obviously we have had something being done in the back ground which will be sent through to you tonight or first thing in the morning. The new company is called Real Estate Tool Box with the same team and their phone number is [redacted]. We have managed to get most of the information across into the new system but tomorrow will tell.

Please be aware:

Biggin & Scott will never deal with Campaign Track or New Litho and arrangements will be put in place to restrict active pipe moving forward.

This is not the perfect situation but this gives you an idea of the type of business’s these people are running.

198 The Toolbox system went live on 10 October 2016. By the end of October 2016, the appellant had closed down the DreamDesk system. Importantly, the primary judge found that on and from 11 October 2016, Mr Semmens had access to and was running a copy of DreamDesk.

199 In November 2016, agreement was reached between Ms McLean and Mills Oakley Lawyers for the appointment of an independent forensic IT expert to inspect the Toolbox system and provide a report as to whether its content had been copied from the DreamDesk. That expert was Mr Justin Geri (**Mr Geri**) from the firm Ferrier Hodgson. It is not clear to me on the evidence whether Mr Meissner also agreed to the taking of that step and the primary judge made no finding of fact to that effect, save for his reference to “the parties” having reached agreement: PJ [152].

200 Mr Geri was given access to the Toolbox system on 16 November 2016, at the offices of Biggin & Scott and in the presence of Mr Semmens. Mr Geri provided a preliminary report dated 19 January 2017, to Ms McLean who, in turn, emailed it to Mills Oakley Lawyers that day.

201 Mr Geri described the purpose of his engagement as:

8. Our instructions were to undertake a preliminary review in relation to the potential copying or duplication of any intellectual property or other form of breach of copyright relating to the Dream Desk application and the Real Estate Toolbox application utilised.

202 After reciting the investigations that he undertook, Mr Geri expressed a number of preliminary findings including:

30. In relation to my instructions regarding “the potential copying or duplication of any intellectual property” in my opinion there is a high probability that intellectual property purchased by Campaigntrack has been used in the development of Real Estate Toolbox. The applications have been developed by the same developer who had access to both systems during the development process.

31. To forensically confirm if Campaigntrack intellectual property has been used in the development of Real Estate Toolbox a forensic examination of the servers responsible for hosting and managing the Real Estate Toolbox application should be undertaken. Further to this an examination of any device used by Mr Semmens during the development of both applications should also be undertaken to identify if any Campaigntrack intellectual [property] exists on the devices .

203 In her email of 19 January 2017, to Mills Oakley Lawyers, Ms McLean stated that:

We confirm that we have now received the Preliminary Report from Ferrier Hodgson and attach it by way of service. As a consequence of the findings of Mr Geri, we are instructed to request that your clients immediately shut down and cease use of the Real Estate Toolbox system. We ask that you provide us with confirmation that the Real Estate Toolbox system has been shut down and will not be used within 24-hours of the receipt of this email. In the event that we do not receive your response confirming that our request has been actioned, we will seek our client’s instructions in relation to making an application for the appropriate injunctive relief.

204 The requested confirmation was not received. Rather, by correspondence of 20 January 2017, Mills Oakley Lawyers advised that further information was required “to enable our client to properly respond to your demand”, namely:

1. clarify what the “intellectual property” (“IP”) is that your client asserts that it owns;

2. provide us with proof of ownership of the IP, including any agreements, deeds or contracts relating to any assignment of the IP to your client from Dream Desk Pty Ltd;

3. provide us with any contracts or agreements that would exclude David Semmens from maintaining any rights in the IP that your client alleges that it owns; and

4. provide details of the prejudice that your client asserts that it is suffering from use of the system and the basis upon which you assert that damages would not be an adequate remedy if there was in fact any breach of your clients IP (which is denied).

205 Additionally, that correspondence made it clear that only upon receipt of the requested information would Mills Oakley Lawyers seek instructions from their clients. The solicitors exchanged further correspondence, but no agreement was reached that Biggin & Scott would cease to use the Toolbox system. Independently, Biggin & Scott began to use a new system in approximately April 2018, called Real Estate Digital HQ (**REDHQ**), and thereafter in June 2018, RETB ceased use of the Toolbox system completely.

# THE FINDINGS OF THE PRIMARY JUDGE

206 In broad summary, the primary judge accepted the appellant’s factual case and dismissed the various challenges made by each of the respondents to identification, subsistence, and ownership of the relevant rights: PJ [193]–[254], [314]. His Honour upheld “in most respects” the appellant’s copyright and confidential information claims as against Mr Semmens but rejected those claims against the represented respondents: PJ [4], [279]–[290], [314]. The central findings that his Honour made upon the case brought against Mr Semmens are set out as follows:

280. Mr Semmens was the “main developer” of the Toolbox system. The first commit to the Toolbox repository was made by him on 26 August 2016 and I conclude he was the sole developer of the Toolbox system up to that time. I accept that he reproduced a substantial part of the Source Code Works as a whole and of the three PHP files. I reach this conclusion principally on the basis of the evidence of Mr Taylor which established that identical source code to that in DreamDesk was found in Toolbox. It is also an inference which arises from the circumstances in which Toolbox was developed, set out in detail above.

281. Assessing the evidence as a whole, I conclude that Mr Semmens copied the whole or substantial parts of the DreamDesk source code (and system) and then proceeded to modify it or have developers (Mr Gallagher and Mr Zhang) modify it under his supervision…

282. On balance, I conclude that a reproduction of a substantial part of the DreamDesk source code as a whole occurred at least in early August 2016 when Mr Semmens first began developing Toolbox. Reproductions also occurred when the Toolbox system then being developed was first committed by Mr Semmens to the Git repository on 26 August 2016. Reproductions occurred when the system was used, loaded, edited or modified by Mr Semmens during the process of development. The use of the system caused the source code to be copied into memory and run. The source code was also copied when a developer downloads source code from, or commits source code to, the Git repository.

…

284. Nevertheless, I conclude from the evidence as a whole that Mr Semmens reproduced a substantial part of each of the Database Work and the Table Works. I reach that conclusion on the basis of the similarities between the Database Work and the Table Works in each of the DreamDesk system and the Toolbox system. The substantial similarities are not explained as mere coincidence or because of the fact that the database and tables contained fields for matters one would expect to see in a database and tables created for the intended functionality, even having regard to the fact that many of the fields were logical and necessary for compatibility with other real estate related applications. I conclude that Mr Semmens reproduced, for the purposes of the Toolbox system, a substantial part of the structure of the DreamDesk Database Work and Table Works before migrating the relevant data from DreamDesk to Toolbox.

285. In relation to the PDF Works, I am satisfied that Mr Semmens reproduced the PDF Works which, containing templates, was reproduction of more than mere data. I accept that, in reproducing the PDF Works as a whole, Mr Semmens infringed copyright.

207 I now turn to consider the reasons of the primary judge, which found his conclusion that the proceeding against the represented respondents be dismissed.

208 The primary judge considered the principles relating to infringement: PJ [267]–[271]. His Honour identified that infringement of copyright under s 36(1) of the *Copyright Act 1968* (Cth) (***Copyright Act***) occurs when a person who is not relevantly the owner does “an act comprised in the copyright” (as set out at s 13 of the *Copyright Act*) without the owner’s licence. Infringement may be direct (primary) or by authorisation (secondary): PJ [267]–[268]. As to authorisation, his Honour set out the terms of s 36(1A); observed that “authorise” has its ordinary meaning of “sanction, approve or countenance” by reference to *University of New South Wales* *v Moorhouse* (1975) 133 CLR 1; [1975] HCA 26 (***Moorhouse***) and *Roadshow Films Pty Ltd v iiNet Limited* (2012) 248 CLR 42; [2012] HCA 16 (***iiNet HCA***); and correctly reasoned “whether a person has authorised an infringing act depends upon the proper inference to be drawn from all the facts of the case”: PJ [271]. Importantly, his Honour interpreted authorisation under ss 36(1)–(1A) of the *Copyright Act* to mean authorisation “to infringe intellectual property rights” (PJ [297(4)], [305(2)–(3), (5)]) and as requiring a mental element of actual or constructive knowledge: PJ [300], [305(4), (6)].

209 Detailed factual findings were made about the development of the Toolbox system. In accordance with the extracts that I have set out above, Mr Semmens engaged in primary and secondary infringement of copyright in the identified works. The claims of primary infringement against Biggin & Scott and RETB were each rejected for the reason that Mr Semmens did not act as the agent of Biggin & Scott or RETB: PJ [294]–[295]. There is no appeal against that finding.

210 On the authorisation case, the primary judge considered the appellant’s submission that Biggin & Scott, RETB, Mr Stoner, and Ms Bartels “authorised the infringements of the developers and users”: PJ [296]. Relevantly, his Honour found as follows:

(1) Mr Stoner sought an assurance from Mr Semmens that “he would not infringe the intellectual property rights of others”: PJ [43], [297(1)]. Mr Stoner trusted Mr Semmens not to do so, and Mr Stoner and Ms Bartels “did not want Mr Semmens to misuse intellectual property belonging to others in developing the new system”: PJ [297(1)].

(2) Mr Stoner and Ms Bartels “considered Mr Semmens to be a person who had the relevant expertise in building a software system with the relevant functionality. They considered he could build the system in sufficient time given his expertise…[and they] wanted him to do so without infringing the intellectual property rights of others”: PJ [297(1)].

(3) It was not unusual to leave the development to Mr Semmens and the decision to use him was “not surprising”. Each knew that Mr Semmens “had the relevant expertise and familiarity with the kind of product they wanted” and he was a “logical choice for developing the software in the required timeframe, at least provided they were satisfied he would develop the system without infringing the intellectual property rights of others”: PJ [297(2)].

(4) The instructions given in the contractual relationship with Mr Semmens were “to build a computer system with functionality equivalent to DreamDesk and to do so without infringing any person’s intellectual property rights”: PJ [297(3)].

(5) The fact that no independent audit or verification was conducted reflected how the instruction had been given. Moreover, Mr Semmens was trusted that “there would be no infringement” and while “in all likelihood, neither turned their mind to whether an independent audit should be carried out”, there was “a lack of ready means to carry out an independent audit in the time frame which would have been required”: PJ [297(4)].

211 Furthermore, the primary judge rejected the case that RETB communicated or authorised the communication of the Source Code Works: PJ [298]. His Honour held that Mr Semmens was the person responsible for determining the content of the communication under s 22(6) of the *Copyright Act* and that RETB “…did not relevantly communicate a substantial part of the source code or ‘authorise’ such a communication”: PJ [298].

212 The appellant’s contention concerning the authorisation of reproduction of the works was rejected noting that RETB, Biggin & Scott, Mr Stoner, and Ms Bartels “…did not relevantly authorise reproduction of any of the works in issue”: PJ [299]. By reference to *Moorhouse*,his Honour reasoned that“…authorisation connotes a ‘mental element’and it might be difficult to infer authorisation where the relevant person ‘neither knew nor had reason to suspect that the act might be done’”: PJ [300]. On that premise, his Honour found at PJ [300] that it was not established that RETB, Biggin & Scott, Mr Stoner, or Ms Bartels:

…knew (or that they should reasonably have known) that any of the works had been reproduced in the Toolbox system or that they knew that use by users or the loading, editing or modification of the Toolbox system by developers or others might involve reproduction of a substantial part of the DreamDesk system...

213 His Honour held that the case against DDPL and Mr Meissner was narrower and did not include the Source Code Works: PJ [301]. An un-pleaded case of primary infringement was rejected. The following findings were made:

(1) By providing staff and resources used to develop the system, DDPL and Mr Meissner had participated in the development of Toolbox through DDPL and JGM Advertising: PJ [305(1)]. Mr Meissner “…made it plain in his evidence that he was shocked to discover that Mr Semmens had used Process 55 in the development of DreamDesk”: PJ [305(1)]. The primary judge did not accept that “…having been surprised in that way, and having been effectively forced to sell the intellectual property rights in DreamDesk, he then participated in developing a new system, in competition with the purchaser of DreamDesk, in a way which infringed the intellectual property rights just transferred”: PJ [305(1)].

(2) The manner in which Mr Meissner left others to turn the system off did not indicate authorisation to infringe: PJ [305(2)]. His Honour did not regard the payment for certain invoices relating to hosting services as establishing authorisation, either alone or cumulatively: PJ [305(3)].

(3) While DDPL and Mr Meissner had power to prevent infringements “…by not paying for that work and by not paying for the AWS Invoices”, the primary judge did not accept that “Mr Meissner believed that infringements were occurring or that there was anything to prevent”: PJ [305(4)].

(4) The primary judge did not accept that “…instructions were issued to Mr Semmens in terms, express or implied, which requested or required him to infringe any person’s intellectual property rights.” His Honour concluded that “…it was understood by Mr Semmens that Mr Meissner wanted no such thing to occur given the events which had unfolded before the development of the Toolbox system”: PJ [305(5)].

(5) His Honour accepted that DDPL and Mr Meissner took no steps to prevent or avoid the infringements but concluded that Mr Meissner “….did not know of any events which called for his (or DDPL’s) intervention.” Mr Semmens had the relevant expertise and “Mr Meissner did not”. Mr Meissner knew of Mr Semmens’ admitted earlier improper use of intellectual property in developing DreamDesk but, “[i]n the circumstances, it was reasonable for Mr Meissner to take the view that Mr Semmens would not engage in such conduct again [and, thus the] circumstances known to Mr Meissner did not call for some active audit or investigation on his own part during the process of development of Toolbox”: PJ [305(6)].

214 In short, the primary judge found that the represented respondents lacked actual or constructive knowledge and for that reason, found they did not authorise the infringing acts within the meaning of the *Copyright Act*, ss 36(1)–(1A).

215 The misuse of confidential information claims were made out in that his Honour found that “Mr Semmens knew that the intellectual property associated with DreamDesk…was owned by DDPL and had been sold by DDPL to Campaigntrack” [and that] “…it was clear to Mr Semmens (and would have been clear to a reasonable person in his position) that he was not free to deal with the information as his own”: PJ [314].

216 It is unnecessary to consider why the primary judge rejected these claims against the represented respondents in consequence of the abandonment of grounds 8 and 9 of the appeal.

217 Dealing next with the breach of contract claims, the appellant contended that various contractual terms were breached by DDPL and Mr Meissner, described as the (1)“transfer term and “assistance term”, (2) “assignment term” and “transfer warranty”, (3) “password term”, (4) “non-modification term”, (5) “non-access term”, (6) “non-transfer term”, (7) “licencing warranty” and (8) “compliance term”.

218 As to the *first*, it was held that DDPL did not fail to provide assistance of the kind cl 1.6 of the DreamDesk sale agreement required: PJ [321(1)]. Further, breach of the assistance term was not established by reason of Mr Meissner having aligned with the other respondents or by his involvement in the new system, REDHQ PJ [321(1)]. As to breach of the transfer term, the primary judge held that the fact that Mr Semmens continued to hold copies of the DreamDesk system did not establish a breach: PJ [321(2)].

219 As to the *second*, the primary judge concluded that the claims did not arise in that DDPL was, at the time of the sale, the owner of the copyright in the relevant intellectual property: PJ [322].

220 As to the *third*, the appellant contended that the password term was breached because the passwords were not provided “on payment of the purchase price”: PJ [324]. That claim failed in that the primary judge interpreted the contract as requiring “reasonable assistance, on and after payment of the purchase price” (PJ [327]) and that assistance of that type was provided by DDPL.

221 As to the *fourth*, while the primary judge was satisfied that modifications were made by Mr Semmens to “intellectual property associated with the operation of the DreamDesk business” after 18 July 2016, his Honour held that these were not modifications “engaged in” or “authorised by” DDPL or Mr Meissner: PJ [334].

222 As to the *fifth*, the primary judge was not satisfied that DDPL or Mr Meissner accessed or authorised access to the DreamDesk system after the DreamDesk sale agreement: PJ [339]. His Honour did not accept that Mr Semmens was acting as DDPL’s agent with respect to his access and highlighted that it was not directly put to Mr Meissner in cross-examination that he accessed or authorised access to the DreamDesk system after the DreamDesk sale agreement: PJ [339].

223 As to the *sixth*, it was held that because cl 2.3.8 operated as a condition of a licence granted under cl 2.3, the appellant’s case was misconceived in that no licence was granted: PJ [343]. In any case, his Honour did not accept that DDPL transferred or authorised the transfer of the DreamDesk Database, Tables, or PDF files: PJ [344].

224 As to the *seventh*, it was held that DDPL did not breach the licencing warranty, which turned on the meaning of cl 2.6 of the DreamDesk sale agreement: PJ [345], [347]. It did not part “with possession or any right associated with” the intellectual property by having earlier entered into an agreement with Biggin & Scott dated 20 May 2015: PJ [347]. The primary judge was also not satisfied that by reason of the agreement of 20 May 2015, DDPL breached the assignment term or the transfer warranty, or that Mr Meissner breached the transfer warranty or the licencing warranty: PJ [347].

225 Finally, and as to the *eighth* contract claim, the primary judge noted that cl 1.3 reflected the general rule in contracts that each party to a contract agrees by implication to do all things necessary to secure performance of the contract, but concluded it did not materially add to any of the other breach of contract claims: PJ [349].

# CONSIDERATION

226 I now consider the various grounds of appeal to this Court.

## Copyright authorisation infringement grounds

227 The appellant advanced four primary contentions of error:

(1) authorisation does not mean “authorisation to infringe” (grounds 1 to 7);

(2) authorisation does not require a mental element (grounds 1, 4 and 5);

(3) authorisation should have been found (grounds 1, 4 and 5); and

(4) if a mental element is required, it was met and authorisation should have been found (grounds 2 to 4, 6 to 7).

228 I deal with these grounds seriatim.

229 As to the *first*, the appellant contends that the primary judge applied the wrong test by interpreting authorisation at ss 36(1)–(1A) of the *Copyright Act* to require it to prove that the represented respondents authorised the primary actor (Mr Semmens and other Toolbox developers and users) to “infringe intellectual property rights”. That error is said to be found in various sentences within PJ [297(7)], [305(2)], [305(3)], and [305(5)]. The error asserted is that ss 36(1)–36(1A) require proof that the defendant “authorised the doing…of, any act comprised in the copyright in a work”. That is, the appellant is not required to establish that the defendant authorised infringement of intellectual property rights.

230 As correctly observed by the represented respondents, this contention is not a ground of appeal. In any event, it is of no merit. What is clear is that the primary judge, in various paragraphs of the reasons, adopted a convenient shorthand for the statutory requirement. This contention rests on a selective reading of isolated sentences and fails to have regard to the reasons as a whole. At PJ [169], his Honour set out s 36(1) of the *Copyright Act*. At PJ [170] his Honour also summarised the effect of s 13 of the *Copyright Act* that an act comprised in the copyright in a literary work includes: (a) any act that the owner of the copyright has the exclusive right to do; and (b) the exclusive right to authorise a person to do that act. At PJ [267], his Honour said further:

…by reason of s 36(1) of the *Copyright Act*, copyright in a work is infringed by a person who is not the owner of the copyright who does any act “comprised in the copyright” without the licence of the owner of the copyright. Section 13 provides that an act comprised in the copyright in a literary work includes any act that the owner of the copyright has the exclusive right to do in the exclusive right to authorise a person to do that act.

231 The shorthand phrase employed by the primary judge was also used by counsel for the appellant in his written closing submission at the trial: for example, paragraph [529] of the submission dated 21 August 2020.

232 For these reasons, the primary judge plainly did not misunderstand or misstate the statutory requirements.

233 *Secondly*, the appellant argues that the phrase employed by the primary judge, “authorisation to infringe”, is contrary to binding authority. In its submission, all that is required is authorisation of the act which comprises the infringement, rather than the authorisation of the infringement itself. That is so: *Moorhouse* at 11 and 17 (Gibbs J), and at 21 and 23 (Jacobs J), McTiernan ACJ in agreement; *iiNet HCA* (French CJ, Crennan and Kiefel JJ at [5], [50]; Gummow and Hayne JJ at [142]. However, the primary judge did not commit the error that is asserted. Once again, the appellant focuses on individual phrases and fails to read the whole of the reasons in context. It is certainly the case that in some sub paragraphs at PJ [305] the primary judge employed the phrase “authorisation to infringe intellectual property rights”. For the same reasons that I have set out above, it is clear that by using this shorthand phrase, the primary judge did not overlook that authorisation is concerned with the act done, rather than its legal consequence. He did not misunderstand or misapply s 36 when read with s 13 of the *Copyright Act*.

234 *Thirdly*, the appellant contends that the primary judge wrongly imported a mental element into the legal characterisation of the primary act, which is not essential to establish authorisation. This argument focuses upon the various phrases employed by the primary judge: “authorised him to infringe”, “an authorisation to infringe intellectual property rights” and “requested or required him to infringe any person’s intellectual property rights” each in the context of the conduct of Mr Semmens: PJ [297(7)], [305(2)] and [305(5)]. I reject this submission for the reason that, once again, it selectively focuses upon individual phrases used by the primary judge and fails to have regard to the entirety of the reasons when read in context.

235 The primary judge did not conclude that authorisation requires knowledge about the legal quality of the infringing act. So much is clear from: (a) his Honour’s summary of the appellant’s case at PJ [296] that the represented respondents “knew that there was a real risk that, in developing the system, Mr Semmens might infringe the intellectual property rights of DDPL”; and (b) his Honour’s summary of the legal principles to be applied at PJ [268] where, referencing *iiNet HCA* at [93], he correctly distinguished between primary and secondary infringement, describing the latter as “…namely the authorisation of the doing of the act or acts comprised in the copyright constituting the primary infringement”.

236 The appellant relied on a more substantial argument that the primary judge erroneously imported a mental element as necessary to establish authorisation of the doing of any act comprised in the copyright pursuant to s 36(1) of the *Copyright Act*. Although not a clearly articulated appeal ground, the appellant submitted that it is encompassed within grounds 1, 4, and 5. In rejecting the authorisation case against Biggin & Scott, RETB, Mr Stoner, and Ms Bartels, the primary judge said at PJ [300]:

As noted in the passage from *Moorhouse*, extracted at [270] above, authorisation connotes a “mental element” and it might be difficult to infer authorisation where the relevant person “neither knew nor had reason to suspect that the act might be done”. It has not been established that RETB, Biggin & Scott, Mr Stoner or Ms Bartels knew (or that they should reasonably have known) that any of the works had been reproduced in the Toolbox system or that they knew that use by users or the loading, editing or modification of the Toolbox system by developers or others might involve reproduction of a substantial part of the DreamDesk system. This is not a case where the act of using the Toolbox system was known necessarily to involve an act of reproduction, such as might be the case in providing a photocopier for the purpose of copying library books. I am not satisfied that Biggin & Scott, RETB, Mr Stoner or Ms Bartels relevantly authorised any infringement, whether of Mr Semmens or of other developers or users.

237 At PJ [304]–[305], the primary judge reasoned similarly in rejecting the case against DDPL and Mr Meissner.

238 The starting point is s 36 of the *Copyright Act* which provides:

**36 Infringement by doing acts comprised in the copyright**

(1) Subject to this Act, the copyright in a literary, dramatic, musical or artistic work is infringed by a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Australia, or authorizes the doing in Australia of, any act comprised in the copyright.

(1A) In determining, for the purposes of subsection (1), whether or not a person has authorised the doing in Australia of any act comprised in the copyright in a work, without the licence of the owner of the copyright, the matters that must be taken into account include the following:

(a) the extent (if any) of the person’s power to prevent the doing of the act concerned;

(b) the nature of any relationship existing between the person and the person who did the act concerned;

(c) whether the person took any reasonable steps to prevent or avoid the doing of the act, including whether the person complied with any relevant industry codes of practice.

(2) The next three succeeding sections do not affect the generality of this section.

239 The phrase in s 36(1) “any act comprised in the copyright” subsisting in the relevant work derives its content from the exclusive right to do all or any of the acts described in s 31(1)(a) to (d) of the *Copyright Act*. Section 35 determines, or provides for determining, who, for the purposes of the *Copyright Act*, is the owner of the copyright subsisting in the work and s 13(1) provides that a reference to “an act comprised in the copyright” in a work (or other subject-matter) is a reference to any act the owner of the copyright has the exclusive right to do under the Act. The “exclusive right” to do an act in relation to a work includes the exclusive right “to authorise a person to do that act in relation to that work”: s 13(2). Thus, infringement of copyright is framed by s 36(1) as conduct of a person (not being the owner and without the owner’s licence) who *does* any act comprised in the copyright or who *authorises* the *doing* (one of the exclusive rights of the copyright owner), of any act comprised in the copyright

240 As observed by Gummow J in *WEA v Hanimex* (1987) 17 FCR 274 at 284 “… the circumstance that the concept of ‘authorisation’ in the legislation had its own independent operation from what one might call primary infringement, did not exclude the general law principles dealing with joint tortfeasors from operation upon primary infringement”. See also *Australasian Performing Right Association Limited v Jain* (1990) 26 FCR 53 (at 57 per Sheppard, Foster & Hill JJ).

241 The *Copyright Amendment (Digital Agenda) Act 2000* (Cth) (***Digital Agenda Act***) introduced three mandatory considerations into the *Copyright Act*: ss 36(1A)(a) to (c) and 101(1A)(a) to (c). These represented a partial codification of common law developments in relation to authorisation: *iiNet* *HCA* (at [22], [24] per French CJ, Crennan & Kiefel JJ). After the *Digital Agenda Act*, mandatory and primary consideration must now be given to the statutory factors, although other matters may continue to be considered: *iiNet* *HCA* (at [63], [68] per French CJ, Crennan & Kiefel JJ; at [135] per Gummow and Hayne JJ); *JR Consulting & Drafting Pty Ltd v Cummings* (2016) 116 IPR 440; [2016] FCAFC 20 (at [322]–[332] per Bennett, Greenwood & Besanko JJ).

242 Accordingly, the statutory factors are “intended to inform the drawing of an inference of authorisation”: *iiNet* *HCA* (at [68] per French CJ, Crennan & Kiefel JJ); *Cooper v Universal Music Australia Pty Ltd* (2006) 156 FCR 380 (at [20] per Branson J, French J agreeing).

243 Although the exclusive right of the copyright owner to do an act in relation to a work includes the exclusive right to authorize a person to do that act (s 13(2)), the appellant did not assert a case against the represented respondents that they purported to grant to Mr Semmens the right to do the act complained of, and the primary judge rejected the case that Mr Semmens acted as the agent of the represented respondents. From that finding there is no appeal. The appellant’s case rests on an inference of implied authorisation from all of the facts: *iiNet* HCA at [47], [61] and [125]. The appellant relies upon the reasoning of Jacobs J (with whom McTiernan ACJ agreed) in *Moorhouse* at 20–21 who, when dealing with the phrase “sanction, approve, countenance”, said:

…But authorization is wider than authority. It has, in relation to a similar use in previous copyright legislation, been given the meaning, taken from the Oxford Dictionary, of “sanction, approve, countenance”. See *Falcon v. Famous Players Film Co.* (1926) 2 KB 474 which was approved in *Adelaide Corporation v. Australasian Performing Right Association Limited.* (1928) 40 CLR 481. I have no doubt that the word is used in the same sense in s. 36 (1). It is a wide meaning which in cases of permission or invitation is apt to apply both where an express permission or invitation is extended to do the act comprised in the copyright and where such a permission or invitation may be implied. Where a general permission or invitation may be implied it is clearly unnecessary that the authorizing party have knowledge that a particular act comprised in the copyright will be done.

(citations added.)

244 That passage should not be read out of context. It will be recalled that in *Moorhouse*, the University authorities provided library books and photocopying machines, charged students for the making of copies, controlled the use of the machines, had reasonable grounds to suspect that infringements might occur and failed to take adequate steps to prevent unauthorised copying. Thus, the issue was whether a general permission or invitation to make such use of the copying facilities as the users thought fit should be inferred. Conduct of that character does not require actual knowledge of particular infringing acts, as the circumstances may support the inference of implied authorisation. That passage must also be read with his Honour’s later observation at 22:

In the circumstances it was of little importance whether or not the University authorities knew in fact that users of the machines were doing acts comprised in the authors’ copyrights. This knowledge or lack of it would not change the terms of the invitation extended by the supplier of the books and machines. Knowledge could become important if the invitation were qualified in such a way as to make it clear that the invitation did not extend to the doing of acts comprised in the copyright and if nevertheless it were known that the qualification to the invitation was being ignored and yet the University allowed that state of things to continue. Then it might be found as a fact that the University authorised the continued state of things, the continued use of its machines to do acts comprised in the authors’ copyrights, and thus to infringe those copyrights.

245 I do not interpret the reasoning of Jacobs J as denying the necessity for there to be either “express knowledge” of the doing of the relevant act comprised in the copyright in the work, or “constructive knowledge” of the doing of that act as a matter of inference or implication drawn from conduct amounting to a “general permission or invitation” (in which event, actual knowledge “in fact” that a particular act will be done is of “little importance” or “unnecessary”) or “wilful blindness” to the doing of an act comprised in the copyright (in which event, the conduct is of the character of a general permission or invitation by omission, by wilful indifference or wilful inactivity to the doing of the primary act comprised in the copyright). I deal later in these reasons with the elements of wilful blindness.. The implication of “a general permission or invitation” turns upon whether the authorising party has reasonable grounds to suspect that an act comprised in the copyright has or is likely to be done which is assessed upon all of the circumstances and is consistent with his Honour’s reference in a later paragraph (*Moorhouse* at 21) where he cited with approval the judgment of Banks LJ in *Performing Right Society Ltd v Ciryl Theatrical Syndicate Ltd* [1924] 1 KB 1 at 9 who reasoned that:

...The Court may infer an authorization or permission from acts which fall short of being direct and positive; …indifference, exhibited by acts of commission or omission, may reach a degree from which authorization or permission may be inferred. It is a question of fact in each case what is the true inference to be drawn from the conduct of the person who is said to have authorized…

246 In contrast, Gibbs J reasoned in *Moorhouse* at 12–13, after observing that the word authorize has its dictionary meaning of “sanction, approve, countenance”, that:

…It can also mean “permit”, and in *Adelaide Corporation v. Australasian Performing Right Association Ltd.* (1928) 40 CLR 481 “authorize” and “permit” appear to have been treated as synonymous. A person cannot be said to authorize an infringement of copyright unless he has some power to prevent it: *Adelaide Corporation v. Australasian Performing Right Association Ltd.* (1928) 40 CLR, [at 497–498, 503]. Express or formal permission or sanction, or active conduct indicating approval, is not essential to constitute an authorization; “Inactivity or ‘indifference, exhibited by acts of commission or omission, may reach a degree from which an authorization or permission may be inferred’”: *Adelaide Corporation v. Australasian Performing Right Association Ltd*. (1928) 40 CLR, [at 504]. However, the word “authorize” connotes a mental element and it could not be inferred that a person had, by mere inactivity, authorized something to be done if he neither knew nor had reason to suspect that the act might be done.

(citations added.)

247 Knowledge or reason to suspect without control is not sufficient: *Australian Tape Manufacturers Association Ltd the Commonwealth* (1993) 176 CLR 480; [1993] HCA 10 at 497 - 498per Mason CJ, Brennan, Deane and Gaudron JJ. In *iiNet HCA* at [50], French CJ, Crennan and Kiefel JJ understood Jacobs J in Moorehouse (at 21) to have found that “an implied invitation to infringe could constitute authorization despite the absence of knowledge of any act of infringement”, recognising of course that in 1975 Jacobs J was writing before the introduction into the Copyright Act of the mandatory factors at ss 36(1A)(a) – (c) and ss 101(1A)(a) – (c). As further explained by Gummow and Hayne JJ in *iiNet HCA* at [128]:

In *Moorhouse*, Jacobs J adopted a passage in the judgment of Bankes LJ in *Performing Right Society Ltd v Ciryl Theatrical Syndicate Ltd* [1924] 1 KB 1. This was to the effect that indifference, exhibited by acts of commission or omission, “may reach a degree” from which there may be inferred authorisation. It is upon this notion of indifference to the requisite degree on the part of iiNet that the appellants rely for the proposition that iiNet sanctioned, in the sense of countenanced, the Scheduled Infringements. The contrast between the notion of indifference, and the requirement by the United States Supreme Court in *Metro-Goldwyn-Mayer Studios Inc v Grokster Ltd* 545 US 913 (2005)of intentional inducement or encouragement of “contributory infringement”, will be apparent.

(Citations added.)

248 What should not be overlooked is the further point made by French CJ, Crennan and Kiefel JJ in *iiNet HCA* at [52], when dealing with the relevantly indistinguishable text of s 101(1A) of the *Copyright Act* introduced into that Act by the *Digital Agenda Act*, that the statute at paragraphs (a) and (c) is derived from the reasons of Gibbs J in *Moorhouse*. It is that text which must be taken into account which primarily informs the drawing of an inference of authorisation from the facts of this case. Knowledge is relevant to consideration of the extent of the person’s power to prevent the doing of the act comprised in the copyright.

249 In *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285; [2011] FCAFC 23 (**iiNet FC**), the Full Court dismissed the appeal from the decision of this Court with Emmett and Nicholas JJ in the majority (albeit with separate reasons) and Jagot J dissenting. Each judgment comprehensively reviewed what is required to establish authorisation in circumstances where copyright owners of cinematic and television works contended that iiNet, as an ISP, had received various notices from and on behalf of owners to the effect that some of its customers had used the service to infringe the rights of the copyright owners and where iiNet had power to terminate the customer accounts. By majority, this Court concluded that iiNet had not authorised the claimed acts of infringement by failing to exercise that power.

250 As the reasons of this Court demonstrate, knowledge of acts comprised in the copyright is a relevant matter although inactivity, indifference, or wilful blindness may be of such character and degree as to infer knowledge and conclude authorisation. Nicholas J from [757] analysed in detail when something less than actual knowledge of infringement may be sufficient to found the inference of authorisation in the context of the requirements of s 101(1A) of the *Copyright Act*. IiNet had received written notice from the Australian Federation Against Copyright Theft (**the Federation**) which provided that it was acting as an association whose members comprised various copyright owners and in that capacity was “currently investigating infringements of copyright in movies and television shows” by customers of iiNet through the use of the BitTorrent peer to peer protocol. The notice further provided that information gathered by the Federation indicated “numerous infringements of copyright in motion pictures and television shows” controlled by its members by customers of iiNet. The notice attached a spreadsheet that contained information relevant to the alleged infringing activities, which in some detail specified: the date of each infringement, the IP address used by an identified customer of iiNet and the motion pictures and television shows in which copyright was said to have been infringed.

251 Nicholas J reasoned that the notices were insufficient to fix iiNet “with knowledge that its network was being utilized by users of particular accounts to infringe the appelants’ copyright in the identified films”: [763]. His Honour continued:

I accept that they must have given the respondent reason to suspect that such infringements had occurred. However, knowing that specific acts of copyright infringement have occurred and merely suspecting they have occurred are quite different things. In the circumstances of the present case, the difference is of considerable importance.

252 The contrast with the facts of this case is self-evident. As explained below, commencing on 29 September 2016, the represented respondents were put on specific notice by the appellant that it suspected that copyright in DreamDesk had been infringed in the development of Toolbox. That factual difference is important to understand why Nicholas J drew the distinction that I have set out and explained in further detail at [764]:

It is important to recall, as the primary judge found, that the respondent has hundreds of thousands of customers and that each day it receives hundreds of notices issued by or on behalf of copyright owners. I do not think the respondent could reasonably be expected to issue warnings, or to terminate or suspend particular accounts, in reliance upon any such notice in circumstances where it has been told nothing at all about the methods used to obtain the information which lead to the issue of the notice. Nor should it be up to the respondent to seek out this information from a copyright owner who chooses not to provide it in the first place.

253 On the question of wilful blindness, Nicholas J said at [766]:

The appellants also submitted that the respondent was “wilfully blind” to the matters disclosed in the AFACT notices which I take to mean that the respondent deliberately abstained from inquiring into those matters for fear of what the inquiry might reveal: *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* [1968] HCA 50; (1968) 122 CLR 25 at 33 per Windeyer J. In determining whether a person should be taken to know of facts on the ground that he or she was “wilfully blind” to them, it is necessary to look to the motivation behind the failure to make inquiry. In *R v Crabbe* [1985] HCA 22; (1985) 156 CLR 464 at 470-471 the High Court approved the following statement by Professor Glanville Williams in *Criminal Law: The General Part*, 2nd ed. (1961) at 159:

A court can properly find wilful blindness only where it can almost be said that the defendant actually knew. He suspected the fact; he realised its probability; but he refrained from obtaining the final confirmation because he wanted in the event to be able to deny knowledge. This, and this alone, is wilful blindness. It requires in effect a finding that the defendant intended to cheat the administration of justice.

254 From [776], Nicholas J turned to that which he described as “the critical question”, that is whether iiNet sanctioned, approved, or countenanced any primary act of infringement which had been found to have occurred. Neither sanction nor approval were made out on the unchallenged findings of fact of the primary judge: [777]. Turning to countenance, his Honour referenced the decision of this Court in *Australasian Performing Right Association Ltd v Jain* (1990) 26 FCR 53 at 61 where Sheppard, Foster, and Hill JJ observed:

The judgment of the members of the High Court in the *Moorhouse* case establishes that one of the meanings of the word “authorise” in the context in which it is here used is “countenance”. It may be that not every act which amounts to the countenancing of something is an authorisation. Every case will depend upon its own facts. Matters of degree are involved. But the evidence in the present case reveals, in our opinion, a studied and deliberate course of action in which Mr Jain decided to ignore the appellant's rights and to allow a situation to develop and to continue in which he must have known that it was likely that the appellant's music would be played without any licence from it. It was within his power to control what was occurring be [sic] he did nothing at all. In those circumstances we have reached the conclusion that the appellant established that Mr Jain authorised the infringement of copyright in question …

and relevantly continued:

779 As the primary judge pointed out, “countenance” is sometimes defined to mean to sanction or favour, or to patronise or encourage. As I have said, I do not think the respondent’s conduct fits those descriptions. It is likely, however, that the Full Court in *Jain* had in mind some of the broader definitions of that word which can include “to tolerate” or “to permit”. These words are useful synonyms so long as it is recognised that the word “authorise” itself connotes a mental element involving the giving of a consent or permission of some kind or a carelessness from which such consent or permission may be inferred.

780 In *Jain*, it was the respondent’s decision to ignore the copyright owner’s rights that was central to the Full Court’s finding of authorisation. I do not think it is correct to say that the respondent in the present case ignored the appellants’ rights. The respondent was of the view that it was not required to act on the AFACT notices because they were based upon allegations that required further investigation which the respondent did not believe it was required to undertake. I do not infer from this that it was in the respondent’s mind to consent to or to permit copyright infringement by iiNet users using the respondent’s facilities.

781 I accept that a refusal by an ISP to act on infringement allegations made by or on behalf of a copyright owner may be evidence from which authorisation might be inferred. But that will only be so if the refusal is unreasonable. Whether or not a refusal is unreasonable must depend upon the circumstances in which it occurs including the nature and quality of the information upon which the ISP is requested to act by the copyright owner.

255 Emmett J approached the question of knowledge by focussing on the facts, primarily the numerous notices in writing from the Federation to iiNet which particularised the alleged infringements: [89]–110]. He recorded at [109] that iiNet “accepted that it had general knowledge of copyright infringement committed by its customers or that infringement was likely to occur on its facilities.” In his Honour’s view the question was “whether, given that knowledge, there were reasonable steps available to iiNet, once it received that knowledge, that would have prevented infringements occurring in the future”: [110].

256 Jagot J, in dissent, differed from the majority only on the question of whether it was reasonable to expect iiNet, in response to the notices from the Federation, to take steps to warn its customers or to suspend or terminate accounts which turned upon her Honour’s detailed analysis of the facts and application of s 101(1A): [389]–[449]. Her Honour concluded that “iiNet had evidence of widespread and repeat copyright infringements by its customers or persons its customers were allowing to use iiNet’s internet service”: [450].

257 What is clear is that each member of this Court in *iiNet* *FC* accepted that in order to establish that a person has authorised the doing of an act comprised in the copyright in the work and has thus *infringed* the copyright by exercising an exclusive right of the copyright owner in relation to that act, it is necessary to prove on the balance of probabilities that the person either had *actual* knowledge of the doing of the act or *constructive* knowledge of the act because the person had reasonable grounds to suspect the doing of the act or, the person exhibited *wilful blindness* to the doing of the act. I describe in these reasons these three possible states of knowledge as the “mental element”. It is equally clear that it is not necessary to prove as an element of any one of the three states of knowledge constituting the mental element of the person, actual knowledge that the act constituted an “infringing act” or that the person had constructive knowledge of, or was wilfully blind to, the act being an “infringing act”. The *relevant fact* comprehended by the mental element (as described) is the “doing of an act comprised in the copyright” taking into account the s 36(1A)(a) to (c) factors, not the legal character of the act.

258 Counsel for the appellant relied upon several decisions for the proposition that a mental element is not a precondition to inferring authorisation. The first is the reasoning of Jacobs J in *Moorhouse* at 21. As I have explained, that passage is concerned with drawing an inference of permission or invitation from all of the circumstances and must be read together with his Honour’s later reasoning at 22 which speaks to the “unqualified” supply of library books and photocopiers as amounting to “an invitation to users of the library” to use the copiers “as they saw fit”.

259 In *Australasian Performing Right Association Ltd v Metro on George Pty Ltd* (2004) 210 ALR 244; [2004] FCA 1123(***Metro on George***) at [16], Bennett J in her Honour’s summary of the legal principles referenced the decision of Jacobs J in *Moorhouse* that knowledge is unnecessary. However, that statement cannot be read divorced from the facts (the music venue operator relied on a contract with promoters to the effect that it did not authorise individual performances) and her Honour’s later finding at [44] that the respondent did not take steps to prevent or avoid infringing acts of performance.

260 Contrary to the appellant’s submissions, Conti J in *Microsoft Corporation v PC Club Australia Pty Ltd* (2005) 148 FCR 310; [2005] FCA 1522 at [146]–[147] did not reason that knowledge is unnecessary. His Honour referenced the reasons of Gibbs and Jacobs JJ in *Moorhouse* and then in an orthodox way at [147] moved to a consideration of the particular facts by approaching the content of authorisation “…and its application to particular circumstances in a broad or comprehensive way”.

261 Tamberlin J in *Universal Music Australia Pty Ltd v Cooper* (2005) 150 FCR 1; [2005] FCA 972 at [78]–[79] referenced each judgment in *Moorhouse* and observed that the majority stated: “…knowledge was not relevant where a general permission or invitation existed to perform the acts of infringement…” This is consistent with my analysis.

262 In *Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd* (2014) 110 IPR 82; [2014] FCA 1366, Beach J analysed what is meant by authorisation from [389]. At [394] and after referencing *Moorhouse* and *iiNet*, his Honour stated that “For ‘authorise’, no intention to infringe or knowledge that the relevant acts would or would be likely to infringe is necessary.” That sentence should not be understood divorced from the particular facts – whether officers of a corporation had, distinctly from the corporation, authorised the acts of infringement – and the immediately preceding paragraph where his Honour observed that an officer of a corporation “…merely by his position alone cannot be said to authorise”, and “[e]ngaging or personally participating in relevant acts of infringement coupled with the power to prevent may be sufficient to demonstrate such sanctioning, approval or countenance.”

263 The final authority relied upon by the appellant is *Universal Music Australia Pty Ltd v Sharman Licence Holdings Ltd* (2005) 222 FCR 465; [2005] FCA 1242 at [370] per Wilcox J. After referencing each of Gibbs and Jacobs JJ in *Moorhouse* from [367], his Honour said:

Knowledge, or lack of knowledge, is an important factor in determining whether a person has authorised an infringement. However, it is not a conclusive factor. Just as there may be authorisation without knowledge, mere knowledge is not enough. In*Nationwide News Pty Ltd v Copyright Agency Limited* (1996) 65 FCR 399 at 422, Sackville J (with whom Jenkinson and Burchett JJ agreed) said:

Nonetheless, a person does not authorise an infringement merely because he or she knows that another person might infringe the copyright and takes no step to prevent the infringement.

264 I do not interpret that paragraph as inconsistent with my reasons. His Honour at [369] cited the passage of Jacobs J in *Moorhouse* at 21: where a general permission or invitation to do an act comprised in the copyright may be implied.

265 As each of the cases to which I have referred demonstrate, close attention must be paid to the facts of this case and the way in which the appellant framed its case at trial. It was not the appellant’s case that the represented respondents knew that the instruction contained in the letter of 3 August 2016 had not or would not be complied with. Nor was it the appellant’s case that it should be inferred that the represented respondents granted a general permission or invitation to Mr Semmens to do acts comprised in the appellant’s copyright. The case was that despite the instruction to Mr Semmens “…to build a web to print delivery system that does not breach any other companies IP or ownership, in particular DreamDesk or Campaign Track” and “[a]ll products used should be off the shelf products…”, the represented respondents authorised the infringements for each of the reasons summarised by the primary judge at PJ [296]. The appellant’s case focussed attention on knowledge “…that there was a real risk that, in developing the system, Mr Semmens might infringe intellectual property rights…” and that “…Mr Stoner had a heightened and constant awareness of the risk of infringement”.

266 Moreover, in the written outline of opening submissions before the primary judge dated 7 July 2020, the appellant expressed its case against Biggin & Scott, RETB, Mr Stoner, and Ms Bartels in the alternative as follows:

They either deliberately procured, authorised or caused Mr Semmens to copy the DreamDesk system in developing the Toolbox system. Alternatively, in all the circumstances, they knew or had reason to suspect Mr Semmens would copy the DreamDesk system in doing so, and they took no or insufficient steps to prevent that from happening. They continued to exploit or enjoy the benefits of the Toolbox system after the allegations in this proceeding were made.

267 What is apparent from the reasons of the primary judge at [304]–[305] is that a case of the same type was asserted against DDPL and Mr Meissner.

268 Having framed each case in that way, it is hardly surprising that the primary judge reasoned that “…it might be difficult to infer authorisation where the relevant person ‘neither knew nor had reason to suspect that the act might be done’”: PJ [300].

269 When the issue of authorisation is examined through the lens of s 36(1A) of the *Copyright Act*, knowledge is plainly relevant in this case as to the extent of the power of each of the represented respondents that was open to be exercised, but was not, to prevent the infringing conduct of Mr Semmens pursuant to subparagraphs (a) and (c). Those persons cannot be expected to have taken reasonable steps “to prevent or avoid the doing of the act” by Mr Semmens unless each had knowledge of the particular acts, or a reasonable person with knowledge of the circumstances at the time would have had such knowledge.

270 For these reasons, I conclude that the primary judge did not err in the way in which his Honour framed the principle applicable to the circumstances of the case before him at PJ [300] or [304]–[305].

271 I next address the arguments on the third and fourth copyright authorisation contentions together as there is considerable overlap and the third, although it proceeds on the assumption that the primary judge erred in accordance with the first and second contentions, is not satisfactorily answered by my conclusion that the primary judge did not apply a wrong test. The core argument on these grounds is that the primary judge failed to draw the correct inference from all of the primary facts that he found. To understand that argument it is necessary to examine those facts in some detail, which I take from uncontested findings of the primary judge.

272 Mr Semmens reproduced the whole or a substantial part of the Source Code Works in developing Toolbox. Other developers of Toolbox (Mr Gallagher and Mr Zhang) reproduced a substantial part of the Source Code Works. Users of Toolbox (including Biggin & Scott) reproduced a substantial part of the Source Code Works in using Toolbox. Mr Semmens communicated a substantial part of the Source Code Works in developing Toolbox.

273 The Toolbox venture provided Biggin & Scott and its partners with a controlling interest, and Mr Semmens and his partners a minority interest. Biggin & Scott subsequently invested in the venture and instructed Mr Semmens in relation to the development of Toolbox. The directors of Biggin & Scott communicated with Mr Semmens and DDPL/JGM Advertising staff in the development of Toolbox, including in relation to features and testing. The Toolbox venture operated by way of a trust and RETB was the trustee. Mr Stoner participated in the venture as the CEO/director of Biggin & Scott and the sole director of RETB. Ms Bartels participated as a director of Biggin & Scott and the sole company secretary of RETB. Mr Stoner paid Mr Semmens’ invoices in relation to development of Toolbox and Ms Bartels paid the Toolbox hosting invoice. DDPL and Mr Meissner participated in the development of Toolbox through DDPL and JGM Advertising, including by providing staff and resources used to develop the Toolbox system. DDPL and Mr Meissner had power to prevent the infringements, including by not engaging the DDPL and JGM Advertising staff to develop the Toolbox system, by not paying for that work and by not paying for the AWS invoices.

274 The represented respondents had relevant “relationships” with the primary actors. Biggin & Scott and Mr Semmens were in a contractual relationship and Biggin & Scott could instruct Mr Semmens. Mr Semmens was contracted to DDPL, and DDPL and Mr Meissner could issue instructions to Mr Semmens. The other Toolbox developers, Mr Gallagher and Mr Zhang, were contracted to or employed by DDPL or JGM Advertising, another company controlled by Mr Meissner and worked under Mr Semmens’ supervision. Biggin & Scott and RETB had relationships with the users of Toolbox. Users included Biggin & Scott franchisees. Mr Stoner, Ms Bartels, and Biggin & Scott caused Biggin & Scott to move to Toolbox. Mr Stoner and Ms Bartels were available to persuade other customers to move to Toolbox.

275 On the question of whether the represented respondents took “steps to prevent or avoid” the primary acts, Biggin & Scott, RETB, Mr Stoner, and Ms Bartels did not conduct any independent audit or verification that Toolbox did not infringe another company’s intellectual property rights, and DDPL and Mr Meissner took no steps to prevent or avoid the primary acts in the development of Toolbox or the moving of data away from DreamDesk.

276 Despite these findings, the primary judge was not satisfied that the appellant had made out its authorisation case for the reasons that he set out at PJ [297] (Biggin & Scott, Mr Stoner, RETB, and Ms Bartels) and PJ [305] (DDPL and Mr Meissner). Central to that reasoning is the finding that each trusted Mr Semmens not to infringe intellectual property rights; expressly relied upon him to not misuse intellectual property belonging to others; did not know or reasonably ought to have known that copyright works had been used in the Toolbox system; and Mr Meissner was “shocked” to discover that Mr Semmens had used Process 55 in the development of DreamDesk. The multiple findings of trust are significant upon this appeal as each quintessentially turns upon the assessment that the primary judge made of the evidence when given by the witnesses. The appellant does not challenge these findings. They are based on the following evidence.

277 After extracting a portion of the cross-examination of Mr Stoner at PJ [41], and in particular the following questions and answers,

You knew there was a problem with Process 55 and the use of Process 55 by DreamDesk, did you not? – At that stage, yes. On 3 August.

…

You appreciated that there was real risk that Mr Semmens might infringe another company'ss IP?---No. I would have to say, “No”. I trust David

the primary judge found at PJ [43]:

In the context of the events which had occurred, including the fact that – to Mr Stoner’s knowledge – Mr Semmens had admitted to using Process 55 in developing DreamDesk, it was hardly surprising that Mr Stoner would seek an assurance from Mr Semmens that he would not infringe the intellectual property rights of others in building a web to print delivery system. I am satisfied that Mr Stoner trusted Mr Semmens not to infringe the intellectual property rights of DDPL or Campaigntrack in developing the new system. I conclude that Mr Stoner did not want Mr Semmens to misuse intellectual property belonging to others in developing the new system.

278 Similarly, for Ms Bartels at PJ [45] the primary judge concluded that: “Ms Bartels did not want Mr Semmens to misuse intellectual property belonging to others in developing the new system.”

279 At PJ [297(1)], his Honour reiterated his factual finding, in relation to the letter of 3 August 2016, that:

… it was hardly surprising that Mr Stoner would seek an assurance from Mr Semmens that he would not infringe the intellectual property rights of others in building a new web to print delivery system. I am satisfied that Mr Stoner trusted Mr Semmens not to infringe the intellectual property rights of DDPL or Campaigntrack in developing the new system. I conclude that Mr Stoner did not want Mr Semmens to misuse intellectual property belonging to others in developing the new system. I reach the same conclusion with respect to Ms Bartels.

280 Dealing next with Mr Meissner, at PJ [305(1)] he found, in accordance with the oral evidence, that he:

…was shocked to discover that Mr Semmens had used Process 55 in the development of DreamDesk. I do not accept that, having been surprised in that way, and having been effectively forced to sell the intellectual property rights in DreamDesk, he then participated in developing a new system, in competition with the purchaser of DreamDesk, in a way which infringed the intellectual property rights just transferred.

281 The appellant submits, despite these findings, that the primary judge wrongly ignored the preponderance of the contextual evidence and, if he had not, should have inferred that the represented respondents “had reason to suspect that Mr Semmens might copy DreamDesk or knew there was a real risk he might do so.”

282 There are two difficulties with that submission. The first is that it fails to identify error by the primary judge. What is clear is that his Honour addressed all of the arguments put to him by the appellant seriatim at [296]–[297] and [304]–[305]. No relevant ground of appeal contends that he made a wrong finding of primary fact in any of those paragraphs. Rather, each turns upon a contention that the primary judge “should have concluded” or “ought to have concluded” differently. As is well understood, the appellate jurisdiction of this Court, conferred by s 24 of the *Federal Court of Australia Act 1976* (Cth) (***FCA Act***), is only exercisable where error is demonstrated: *Allesch v Maunz* (2000) 203 CLR 172; [2000] HCA 40 at [23] (Gaudron, McHugh, Gummow and Hayne JJ); and *Bahonko v Sterjov* (2008) 166 FCR 415; [2008] FCAFC 30 at [3] (Gyles, Stone and Buchannan JJ). Although this Court is in as good a position as the primary judge to draw inferences from the primary facts that were found (*Lee v Lee* (2019) 266 CLR 129; [2019] HCA 28 (**Lee**) at [55] (Bell, Gageler, Nettle and Edelman JJ); and *Jadwan Pty Ltd v Rae & Partners and Others* (2020) 278 FCR 1; [2020] FCAFC 62 at [413]–[414] (Bromwich, O’Callaghan and Wheelahan JJ)), that does not relieve the appellant of the obligation to establish error. The trust findings cannot be reconciled with an inference of actual knowledge or reasonable grounds to suspect that the infringing acts of Mr Semmens might be done at least until the appellant made specific complaint. I deal with this below where I conclude that the primary judge with respect did err in overlooking evidence relevant from 29 September 2016.

283 The second is that difficulty is compound when one has regard to the way in which the case was pleaded and the way that the trial was conducted. The appellant pleaded its case in the form of the Further Amended Statement of Claim filed on 20 December 2018 (**FASOC**). That pleading adopted a consistent form on the question of authorisation. By way of example, when pleading infringement through the use of Toolbox at [53] it was said that Toolbox reproduced a substantial part of the DreamDesk database, including the source code. Paragraph [56] contended that the unlawful reproduction was authorised by Mr Semmens, Biggin & Scott and/or RETB by inferring that each “authorised one or more persons to use” Toolbox. For this contention, the pleading cross-referenced various introductory paragraphs to the effect that Mr Semmens was engaged as a contractor by or on behalf of Biggin & Scott, that he began development of Toolbox and that Biggin & Scott induced, procured, sanctioned, approved or countenanced the development of Toolbox. To that pleading, it was said that further particulars would be provided in the course of the proceeding.

284 Those particulars were in the form of the appellant’s further and better particulars provided on 25 February 2019 and 17 July 2020. The first particularised, in some detail, the content of each database relied upon by the appellant as comprising its copyright works. The second provided particulars in letter form and was carefully cross-referenced to various paragraphs in the FASOC. But it did not further particularise the allegations at paragraph [53]. This allegation was simply denied by the represented respondents.

285 Mr Stoner was cross-examined on 28 July 2020. After giving the evidence that I have set out above, to the effect that he trusted Mr Semmens, which was not immediately challenged, he gave evidence as follows (from T532) and in relation to the letter of 3 August 2016:

And you didn’t – at no time did you seek Mr Semmens’ assurance after the letter of August 3, 2016 that he hadn’t copied? – Well, my understanding is the Toolbox dashboard was a different product.

Mr Stoner, please answer my question. At no time did you ask Mr Semmens for any assurance that he had complied with your directive issued on 3 August 2016? – I probably asked him every two days.

Well, you – I put it to you, you did – you trusted him and you left it to him and you did not ask him for that assurance? – I asked him constantly.

Did you conduct an independent audit or verification that the two systems were different? – I’ve never seen the DreamDesk system. I’ve never seen their code.

286 Cross-examining counsel did not take up with Mr Stoner what questions were asked of Mr Semmens, when and what answers were provided. There was no re-examination of the witness. That is surprising when one turns to the way in which the appellant put its case in closing submissions to the primary judge. In the appellant’s Note on Authorisation of Copyright Infringement of 20 May 2021, and in response to a question from the primary judge whether the letter of 3 August 2016 weighed against a finding of authorisation, the appellant submitted:

4.

…

(a) The “do not copy” instruction…[in the] 3 August 2016 letter…does not prevent a finding of authorisation because later circumstances established by the evidence after that date constitute a “studied and deliberate course of action in which [the respondents] decided to ignore the applicant’s rights”

…

7. Here, *each of* the represented respondents: had the ability to control (in the relevant sense) Mr Semmens and the other developers Mr Gallagher and Mr Zhang in relation to developing the Toolbox system (and Mr Semmens controlled the other developers); the power to prevent infringement; relationships with Mr Semmens and the other developers; and took no steps to prevent infringement.

8. Rather than so doing, the represented respondents deliberately and clandestinely participated in that development and, as the timeline demonstrated, obfuscated their true intent in seeking to extend their ability to use the applicant’s copyright works until their purpose was complete.

This contention was relied upon before us as founding the inference of authorisation for the entire period between 3 August 2016 and until the Toolbox system was shut down in June 2018.

287 That case was not pleaded. It was not fairly (or at all) put to any of the relevant witnesses for the represented respondents in cross-examination. In oral argument before us, counsel for the appellant further reframed the case as one of wilful blindness, which he accepted had not been pleaded but had been raised in closing submissions so that, as he expressed it, “our learned friend had an opportunity to respond to it, did not object to the way that was put, there was nothing then on the transcript to call his Honour’s attention to the fact that this was a departure from the case as made.”

288 What that case and those submissions overlook is that it is not open for this Court to draw the general inference, from unchallenged findings of primary fact, of serious and concealed misconduct where:

(1) it was not put to any witness that the letter of 3 August 2016 was a ruse to hide the true intent of the primary actors;

(2) the primary judge made the unchallenged findings that Mr Stoner trusted Mr Semmens not to breach intellectual property rights in developing the Toolbox system;

(3) Mr Meissner was shocked to learn that Mr Semmens had used Process 55 in developing DreamDesk; and

(4) the evidence of Mr Stoner that he sought constant assurances from Mr Semmens, was not challenged.

289 However, it does not follow that the appellant’s authorisation case fails when a more discrete time period is examined. For the reasons set out above, on the facts of this case liability may attach to the represented respondents if it is open to infer that from an identifiable point in time they knew, or they should reasonably have known, that an infringing act was or was likely to be done by Mr Semmens, or the other developers, and then if they failed to take reasonable steps to avoid the doing of the act. Viewed in this way, the correspondence from 29 September 2016 becomes important.

290 The letter from Ms McLean to Mr Meissner of 29 September 2016 unambiguously expressed the appellant’s concern that there had been “improper access and duplication of code which is intellectual property now owned by our clients” and that willingness to extend the DreamDesk licence was conditional upon the provision of undertakings by all parties that duplicated intellectual property would not be used and would be destroyed immediately. Curiously, the primary judge makes no reference to this correspondence. Biggin & Scott became aware of the letter and, on 3 October 2016, Mills Oakley Lawyers requested an extension to the DreamDesk licence period and confirmed that: “If your client is willing to grant the Extension, [Biggin & Scott] in good faith confirms that it will provide to your client the undertakings as set out in the attached document.” Although the undertakings were not ultimately provided in that precise form, what is clear is that each of those parties were clearly on notice that the appellant was sufficiently concerned to protect its intellectual property that it was not prepared to grant a licence extension unless comprehensive undertakings were provided to it.

291 On 5 October 2016, Ms McLean provided the form of undertaking to Mr Meissner, which I have set out above, together with his response. Further, on that day she sent the same form of undertaking to Mills Oakley Lawyers and it was signed by the relevant parties but was not signed by Mr Semmens. That fact was notified by Ms McLean in an email of 7 October 2016 to Mills Oakley Lawyers and, later that day, she advised the firm that the licence would not be extended beyond 10 October 2016. The first reason given was that: “our client has not received an undertaking executed by David Semmins [sic]”. The second was that the appellant had not received payment of the licence fee.

292 That correspondence was answered by Mills Oakley Lawyers on 9 October 2016 in an email purportedly marked “without prejudice” but about which no objection as to its admissibility was taken at the trial. That email was sent on the instruction of Mr Meissner. It stated that Mr Meissner was willing and able to advance payment for the licence fee upon confirmation as to the amount owing and was “comfortable for Dream Desk to continue to operate to 17 October 2016”, and it sought urgent advice as to the position of the appellant and stated that in “all respects, Mr Meissner and Biggin & Scott Corporate Pty Ltd reserve their rights”.

293 Approximately one hour later, Ms McLean responded to Mills Oakley Lawyers. She stated that she would convey the correspondence to her client and would take instructions about payment of the licence fee. She continued:

In any event, what your email does not address, and nor has Mr Meissner in any satisfactory fashion, is the request for an undertaking to be provided by Mr Semmens. Our client is already aware of activity that has given rise to the necessity to seek the undertakings that have been requested. If no questionable activity is anticipated, then we would have expected that there would have been absolutely no resistance to what was sought. That is not the case and accordingly, our client has made a decision based on the response received.

294 On 10 October 2016 at 5.45pm, Ms McLean sent an email to Mills Oakley Lawyers. She attached an email sent earlier on that day to Mr Meissner to the effect that the appellant required payment of the of the monthly licence fee “immediately”, pressed for an executed copy of the undertaking signed by Mr Semmens and advised that her client will “suspend the Dream Desk licence until such time as they are both provided.” She stated that her correspondence to Mr Meissner reflected her instructions and was self-explanatory.

295 Mr Meissner in an email to Ms McLean of 10 October 2016 sent at 3.55pm, advised that he was “more than happy to pay the fee [t]oday” and further stated:

As I have no control over David Semmins [sic] he has to get legal advice re his position. He is a contractor to DreamDesk and as such has not been a party to any Agreements at all.

296 What is apparent from this correspondence is that access to the DreamDesk system was denied by the appellant on the afternoon of 10 October 2016. Ms McLean unambiguously conveyed the appellant’s position in her email sent at 5.45pm on 10 October 2016, to Mills Oakley Lawyers that access to the DreamDesk system would not be reinstated absent receipt of payment for the licence fee and delivery of the signed undertaking sought from Mr Semmens.

297 Following the termination of access to the DreamDesk system for Biggin & Scott, the firm immediately began to use the Toolbox system. Ms Bartels in an email sent at 6.59pm on 10 October 2016, advised all Biggin & Scott franchisees that access to the DreamDesk system “has been shut down without notice tonight” and that the Toolbox system would be used in place of it. Amongst other things, she stated: “things very quickly got legal with all kinds of threats and requests that we simply cannot agree to”.

298 As I have noted, the independent expert Mr Geri authored his preliminary report on 19 January 2017 and it was provided to Mills Oakley Lawyers on that day. In quite direct terms he stated his opinion by reference to a “high probability” that the intellectual property of the appellant had been used in development of the Toolbox system. Despite that opinion, and despite the terms of the undertakings given by the represented parties, Biggin & Scott continued to use the Toolbox system and RETB continued to provide access to it. The only evidence as to the taking of any steps to ascertain if Mr Semmens had committed infringing acts was the general and unexplored evidence of Mr Stoner in cross-examination to the effect that he sought assurances from Mr Semmens.

299 Unsurprisingly, Ms McLean in her email to Mills Oakley Lawyers of 19 January 2017, requested “that your clients immediately shut down and cease use of the Real Estate Toolbox system. We ask that you provide us with confirmation that the Real Estate Toolbox system has been shut down and will not be used within 24 hours of the receipt of this email.” Failing that, a threat was made that the client’s instructions would be sought upon an application for injunctive relief. Confirmation was not provided. Instead, Mills Oakley Lawyers, by email of 20 January 2017, sought clarification of the intellectual property asserted to be owned by the appellant together with proof of ownership and evidence as to why damages might not be an adequate remedy in the event that breach was established.

300 On 2 February 2017, Mills Oakley Lawyers observed that the requested information had not been provided and that “due to your client’s failure to provide the requested information, we infer that your client does not have any evidence to support the serious allegations made against our client.” In the concluding paragraph it was said:

Accordingly, our client’s position remains as set out in previous correspondence, that is, our client denies that your client has the intellectual property rights that it has asserted and also denies that it has breached your client’s rights.

301 Why it was appropriate to make that assertion, in the light of the fact that the undertakings had previously been provided, was not explained by the represented respondents. On 3 February 2017, Ms McLean responded, and in some detail. She recited the history between the parties including the prior agreements entered into in the form of the DreamDesk sale agreement. She made the obviously correct observation that it was “curious” that the represented respondents required proof of the intellectual property owned by the appellant:

…in circumstances where your client has, at all times been aware of and acknowledged our client’s rights as an owner of the intellectual property relating to the Dream Desk system and that has been confirmed to your client by the director of Dream Desk Pty Ltd, Mr Meissner, we do not consider it to be necessary to provide you with a copy of any of the agreements which relate to be intellectual property which it now owns.

Her correspondence continued:

We have now provided you a response to all of the queries that you have raised. Our client continues to assert that your client has flagrantly infringed our client’s copyright. Our client refers to and relies upon the terms of the undertaking provided. Our client also considers your clients to be in breach of the undertakings provided.

302 A further demand was made to immediately cease the use of and shut down access to the Toolbox system with advice as to the taking of those steps by no later than 3.00pm on 6 February 2017. Use did not cease and that confirmation was not provided. Rather, in a short email sent at 2.07am on 3 February 2017, Mills Oakley Lawyers advised that instructions were being sought and that a response would be provided “as soon as possible”. By 7 February 2017, no response had been provided and Ms McLean sent further email correspondence to Mills Oakley Lawyers and advised that she would take instructions in relation to the commencement of a proceeding.

303 On 9 February 2017, Mills Oakley Lawyers provided a detailed response. In short, Biggin & Scott denied the request that Mr Geri be provided with additional access to the Toolbox system for the purposes of his independent investigation, asserted that no proof of ownership had been provided for the intellectual property in the DreamDesk system, noted the absence of registered trademarks, patents or design rights in that system and positively asserted that Toolbox “does not use the source code that is used in the Dream Desk system.” In general terms the claims of the appellant were denied with the usual threat that “our client will defend any proceedings or complaints made against it vigorously… And will rely on this and previous correspondence on the question of costs…”

304 The appellant commenced this proceeding on 18 May 2017. In June 2018, RETB ceased to trade and use the Toolbox system.

305 With respect to the otherwise comprehensive analysis of the primary judge, his Honour did not analyse all of this evidence on the authorisation case. That is largely because counsel did not focus sufficient attention on the importance of this evidence. That omission was the subject of questions from this Court upon the hearing of this appeal. An obvious concern is whether the appellant seeks to make out a case on appeal which it had not fairly put at the trial. It is of course elementary that a party is bound by the conduct of its case at trial and, save in exceptional circumstances, is not permitted to raise a new argument on appeal which could possibly have been met by evidence below: *Coulton v Holcombe* (1986) 162 CLR 1; [1986] HCA 33.

306 I have comprehensively considered all of the material to which our attention has been drawn on these matters and for the following reasons I am satisfied that the appellant’s authorisation case against the represented respondents case included the assertion that from 29 September 2016 those parties either knew, or had reason to suspect, that Mr Semmens either had or would likely copy aspects of the DreamDesk data or source code and they took no or insufficient steps to prevent that conduct.

307 I commence with the pleadings. The appellant in the FASOC referenced, though often obliquely, the undertakings of 6 October 2016 as evidence of authorisation by the represented respondents and in support of the contention that their conduct was flagrantly in breach of the appellant’s copyright. At [69] the appellant pleaded that “unless restrained”, RETB, Biggin & Scott, Mr Semmens, Mr Stoner, and Ms Bartels “will continue [to] infringe” the appellant’s copyright and, by way of particulars, referenced the appellant’s requests to cease infringement (which can only be a reference to the several emails from Ms McLean to Mills Oakley Lawyers) and the fact that “previous undertakings” had not been complied with.

308 On the separate misuse of confidential information claims, the appellant pleaded at paragraph [112] that since at least 13 October 2016, RETB, Biggin & Scott, Mr Stoner, and/or Ms Bartels “knew or ought to have known that the source code for the DreamDesk website was used in the development of and/or continues to be used” in Toolbox. The particulars to that pleading asserted that such knowledge arose “at least by reason of”, the correspondence of Ms McLean dated 13 October 2016, 3 and 19 January 2017, and the preliminary report of Mr Geri. The same allegation was made against those parties in relation to the database tables. A less specific allegation was pleaded against Mr Meissner and DDPL to the effect that each “knew or ought to have known” that aspects of the DreamDesk database had been reproduced by Mr Semmens.

309 In their respective defences, the represented respondents simply denied these allegations.

310 Mr Stoner made an affidavit on 12 December 2019. At [50] he gave evidence about a meeting on 8 August 2016 with Mr Semmens. His evidence included this:

I said to David words to the effect that he ‘must develop a system that did not use anything owned by CT or Dream Desk or anyone else’…David told me that the system he had been working on did not use anything that CT could possibly own. While I had my reservations, I decided to explore this option based on the assurance that David had given to me.

At [62] Mr Stoner mentioned the fact that he gave the undertaking of 6 October 2016, but did not give any evidence as to what (if any) inquiries he made of Mr Semmens (or anyone else) before he signed it. At [73] he stated his understanding that Toolbox “did not use or incorporate any information or data owned by CT or Dream Desk or anyone else.” His affidavit did not mention any of the correspondence exchanged between the solicitors commencing on 29 September 2016, the preliminary report of Mr Geri or what (if any) steps he took in consequence of that exchange of correspondence or that report to determine for himself whether the claimed breach of copyright was true.

311 Ms Bartels also made an affidavit on 12 December 2019. She gave evidence that she did not provide any instruction to Mr Semmens but trusted him “not to make a mistake”. She explained that when she signed the undertaking her state of mind was that “we were doing nothing wrong”. She asserted that she did not authorise or give approval to Mr Semmens to copy any information or data. Like Mr Stoner, her affidavit did not deal with any of the solicitor’s correspondence commencing on 29 September 2016, the preliminary report of Mr Geri and she did not give evidence as to the taking of any steps by her in consequence of the content of that correspondence or report.

312 Mr Meissner made an affidavit on 20 December 2019. Apart from the general statement that “I have never used, nor authorised the use of, nor been aware of the use of by anyone other than the purchasers of the DreamDesk platform from the moment that it was finalised and handed over in early October”, he did not address at all the circumstances which caused him to give the undertakings, the subsequent correspondence between the solicitors or the preliminary report of Mr Geri. Like each of the other witnesses, he did not say that he took any steps to investigate the allegations that were made about breach of the appellant’s copyright from 29 September 2016.

313 As I have observed, the appellant filed an outline of opening submissions on 7 July 2020 which at paragraph [22] (repeated at [95]), stated that its case against Biggin & Scott, RETB, Mr Stoner and Ms Bartels was put on two alternative bases: one deliberate, in the sense of intentional and express authorisation and the other that in all of the circumstances they knew or had reason to suspect that Mr Semmens would commit infringing acts and they took no or insufficient steps to prevent his conduct.

314 In an exchange with counsel during opening submissions, the primary judge expressed his Honour’s understanding of the alternative submission to be that the respondents were “wilfully blind”. That case was not pleaded.

315 The Court’s attention was drawn to extracts of the cross-examination of the witnesses (T457–532) in response to our concern that the alternative case, whether expressed as indifference or wilful blindness, might not have been fairly put at the trial. Having reviewed that evidence the most that can be said is that counsel for the appellant drew to the attention of Mr Stoner the letter of 29 September 2016, asked questions about whether he had any discussions with Mr Semmens about giving the undertakings but did not directly put that he was on notice of the appellant’s claims of copying, from defined points in time, and that in consequence he failed to make inquiries to determine the true position, save for the proposition that: “At no time did you ask Mr Semmens for any assurance that he had complied with your directive issued on 3 August 2016?” to which Mr Stoner responded, “I probably asked him every two days”. In response to the next question that Mr Stoner trusted Mr Semmens and “left it to him”, Mr Stoner answered “I asked him constantly”. As I have observed, that answer was not pursued further by counsel.

316 The attention of Mr Stoner was also drawn to the preliminary report of Mr Geri but the questions focused on a separate issue, namely whether Mr Stoner had truthfully stated that the report “had found no issues” relating to the Toolbox system. Once again it was not put to Mr Stoner that he must have been alert at least to the risk that Mr Semmens had copied and had not been truthful in providing the unspecified assurances to Mr Stoner. Nor were questions put to expose what, if any, steps were open to be taken by Mr Stoner to investigate the applicant’s claims and why, apparently, little or nothing was done between 19 January 2017 and June 2018.

317 Mr Stoner was not cross-examined to the effect that he was wilfully blind to the true facts. There was no relevant cross-examination on these issues of Ms Bartels or Mr Meissner.

318 Apart from the somewhat oblique reference by the primary judge to the un-pleaded case of wilful blindness, there is no reference to that case in any of the various extracts of written or oral opening and closing submissions of the appellant, in the supplementary material filed as an addition to Part C of the appeal book and in response to our request for provision of material to that effect.

319 Moreover, in closing oral submissions, counsel for the appellant clearly articulated that “if there was any doubt” the appellant’s case was that “at least by no later than 29 September, in the case of DDPL and Mr Meissner, and no later than 3 October 2016” the authorisation case was made out despite the instruction contained in the letter of 3 August 2016. As counsel expressed it, that correspondence: “isn’t sufficient to remove any liability from what then happened later and then became known.” For that proposition counsel referenced *Metro on George*. In that case the respondent operated a live music venue. A Mr Doughty was a director of the respondent corporation. At a point in time the corporation had a licence from the applicant. Disputes arose and the licence was subsequently terminated. The applicant commenced proceedings for a declaration that the respondent had infringed copyright in certain musical works by permitting live performances at its venue. A defence relied upon was that the respondent had entered into contracts with promoters which contained a term that it did not authorise the performances and the promoters warranted that all performances would comply with the *Copyright Act*. Despite those terms, her Honour concluded that the respondents had authorised the infringements in that they failed to take reasonable steps to prevent or avoid the public performance of works without a licence from the copyright owner. Counsel for the appellant specifically relied upon the reasoning of her Honour at [75]–[76] where she concluded that:

Mr Doughty knew at the relevant times that the bands which performed at Metro were likely to perform songs in their own repertoire and that APRA asserted that it owned the performing rights in practically all such works…

I am satisfied that Mr Doughty was aware that infringements of APRA’s copyright would take place if the promoters did not obtain an APRA licence. He was also aware that Metro had no system in place to ensure that promoters did obtain such a licence.

320 Her Honour also found that Mr Doughty “was indifferent to the risk of infringement” upon which counsel for the appellant at trial placed reliance in support of the submission that Biggin & Scott, RETB, Mr Stoner, and Ms Bartels were each indifferent to the likely risk of infringement by reason of the content of the correspondence sent by Ms McLean on 29 September 2016, but failed to take any reasonable steps to investigate the claims or to put an end to the conduct of Mr Semmens. Once again, this material does not reference any case of wilful blindness by any of the represented respondents. For these reasons I conclude that it is not open to the appellant to rely upon a case of wilful blindness in this appeal. However, the same cannot be said of the appellant’s authorisation by indifference arguments despite the further submission of counsel for the represented respondents that we should not entertain these arguments for two reasons. One, the point is new and there are contested questions of fact that arise. I do not accept that submission. It is clear from my analysis that the argument is not a new one which has been raised for the first time upon appeal. All of the evidence was before the primary judge, the indifference argument was adequately formulated in submissions and whether the point was fairly or adequately put to the witnesses is in my view, in the context of this case, relevant only to the question whether it is open to to draw an inference in favour of the appellants authorisation case, and despite the findings of the primary judge that the represented parties trusted Mr Semmens and some of them were assured by him that he had not copied material the subject of copyright claims by the appellant.

321 The other is that the notice of appeal did not contend error by the primary judge in overlooking this evidence which then caused him to wrongly dismiss the authorisation claim. That is incorrect. The notice of appeal asserts error by the primary judge in failing to infer authorisation by indifference to infringement of the appellant’s copyright rights by reference to the correspondence from 29 September 2016 and the failure of the represented respondents to take  any meaningful steps to ascertain the true position; in particular grounds 1(b) (xi) and (xii), 2 (b)(i) and (ii), 3 (b)(i), 3 (c) (i) (4) and (ii) and 7 (b) and (c). Further, the authorisation by indifference case was fully explored in argument before us. The fact is that the primary judge not only did not mention the correspondence of 29 September 2016, but also did not mention the preliminary report of Mr Geri or all of the correspondence between Ms McLean, Mr Meissner and Mills Oakley Lawyers. In my respectful opinion, hat was an error.

322 I have carefully considered the draft reasons of Cheeseman J in which her Honour concludes that the appellant has not established reviewable error by the primary judge on the implied authorisation case. I respectfully disagree. For the detailed reasons that follow, I am satisfied that the evidence on this case was “important or critical to the proper determination of the matter and [was] not referred to by the trial judge”: *Beale v Government Insurance Office of NSW* (1997) 48 NSWLR 430 at 443, per Meagher JA. Consequently, the primary judge with respect did not draw the correct inference that was open, despite his Honour’s credit findings: *TechnologyOne Ltd v Roohizadegan* [2021] 309 IR 262; [2021] FCAFC 137 at [107]-[113] Rangiah, White and O’Callaghan JJ.

323 In this case, the primary judge did not proceed by weighing his general findings of credit with the uncontested evidence which ought to have caused a reasonable person to suspect that Mr Semmens had infringed copyright in the DreamDesk system. He did not then address what a reasonable person would have done by way of steps to prevent the acts of infringement. The appellant’s case was that the represented respondents either knew or had reason to suspect that Mr Semmens had or would copy from the DreamDesk system. What the represented respondents believed based on what they were told by Mr Semmens is relevant but not dispositive if, in all of the circumstances, a reasonable person would have had reason to suspect that infringements had occurred. That case judged by the entirety of the evidence should have been analysed by the primary judge together with his credit findings in order to draw the correct inference. Viewed in this way, the credit findings of the primary judge do not prevent this Court from performance of its review function: *Lee* at [55]-[56], Bell, Gageler, Nettle and Edelman JJ.

324 Having identified error by the primary judge, I deal next with what inference is open to be drawn from all of the evidence that was before the primary judge. The finding by the primary judge that Mr Stoner and Ms Bartels trusted Mr Semmens not to infringe the intellectual property rights of DDPL, or the appellant in developing the new system, is quintessentially a finding of fact that turns upon the advantage enjoyed by him in observing each witness and in considering the entirety of the material placed before him upon the trial. Likewise, the finding that Mr Meissner was shocked to discover that Mr Semmens had used Process 55 in the development of DreamDesk is in my view not one that is open to challenge upon this appeal. Those findings are not “glaringly improbable”, “ contrary to incontrovertible facts or uncontested testimony” or “contrary to compelling inferences”: *Lee* at [55]; *Minister for Immigration and Border Protection v SZVFW* (2018) 264 CLR 541; [2018] HCA 30 at [33], Gageler J; *ABT17 v Minister for Immigration and Border Protection* (2020) 269 CLR 439; [2020] HCA 34 at [62], Nettle J.

325 In my view those findings by the primary judge stand firmly against the drawing of an inference that the represented respondents (or any one or more of them) either knew, or that they should reasonably have known, that any of the works that had been reproduced in the Toolbox system or that they knew, or should reasonably have known, that use by users of that system might involve a reproduction of a substantial part of the DreamDesk system, to use the language of the primary judge at PJ [300]. The correspondence of 3 August 2016 expressly directed Mr Semmens not to infringe intellectual property rights and to only use “off the shelf products” in developing the new system. Although Biggin & Scott, and necessarily Mr Stoner and Ms Bartels, had the power to prevent Mr Semmens from infringing the copyright of the appellant, such as by terminating the joint venture and his engagement as the developer, those persons had no reason to consider the exercise of that power between 3 August 2016 and 29 September 2016 because of that express direction and the trust they placed in Mr Semmens to abide by it. Additionally, one must accept the unchallenged evidence of Mr Stoner that he repeatedly sought assurances from Mr Semmens (even though the date of each assurance was not explored nor the content of what was said) and in combination with the instruction of 3 August 2016, it is clear that he did not have actual knowledge and I am not satisfied that he should reasonably have suspected that Mr Semmens had failed to comply with his express direction.

326 Nor am I satisfied that the nature of the relationship between Biggin & Scott, Printco, ABC, and Mr Semmens as joint venturers on and from 9 September 2016 required Biggin & Scott to take any further step to ensure that Mr Semmens had not and was not breaching the intellectual property rights of the appellant until 29 September 2016. Ordinarily, the parties to a joint venture are fiduciaries (See: *United Dominions Corporation Ltd v Brian Pty Ltd* (1985) 157 CLR 1; [1985] HCA 49), with mutual trust and honesty at its core, which in this case strengthens the conclusion of the primary judge that Biggin & Scott and Mr Stoner were entitled to place trust in the assurances that had been given by Mr Semmens.

327 It follows from these conclusions that Biggin & Scott, RETB, Mr Stoner, and Ms Bartels did not know and were not obliged to take reasonable steps to avoid infringement of copyright by Mr Semmens prior to 29 September 2016 for the reason that objectively there was no reason to doubt that Mr Semmens had not (or would not) comply with the direction of 3 August 2016 and nor was there any reason to doubt the truthfulness of the assurances that he gave to Mr Stoner.

328 As for Mr Meissner and DDPL, I do not consider that the finding of the primary judge at PJ [305(1)] that Mr Meissner was “shocked to discover that Mr Semmens had used Process 55 in the development of DreamDesk” as either contrary to compelling inferences or glaringly improbable. On the evidence, Mr Meissner learnt that fact on or around 28 May 2016. For essentially the same reasons that I have set out in relation to the other respondents, I am not satisfied that Mr Meissner either knew, or ought reasonably to have known, that Mr Semmens had infringed the copyright of the appellant in developing the Toolbox system until 29 September 2016. The primary judge found that Mr Semmens was not an employee of DDPL or Mr Meissner and that finding is not challenged on this appeal. Mr Semmens was a contractor to DDPL. The primary judge did not accept that “…instructions were issued to Mr Semmens in terms, express or implied, which requested or required him to infringe any person’s intellectual property rights.” His Honour also found: “I conclude that it was understood by Mr Semmens that Mr Meissner wanted no such thing to occur given the events which had unfolded before the development of the Toolbox system”: PJ [305(5)]. Those findings of fact were clearly open to the primary judge. Further, his Honour found that DDPL and Mr Meissner did not take steps to prevent or avoid infringements by Mr Semmens for the reason that Mr Meissner “…did not know of any events which called for his (or DDPL’s) intervention”: PJ [305(6)]. In my view that finding was also open to his Honour.

329 On those findings, although DDPL had power to terminate the consultancy of Mr Semmens, it was not reasonable in my view for that power to be exercised because Mr Meissner did not know (and reasonably ought not to have known) of the happening of any event which called for its exercise at least until the question of the undertakings was raised in September 2016.

330 However, I have reached a different conclusion to that of the primary judge on the authorisation case within the period 29 September 2016 to June 2018 and I am satisfied that the appellant has established error by the primary judge in failing to make findings of fact upon the evidence within this period.. The correspondence from Ms McLean to Mr Meissner and DDPL of 29 September 2016 put those parties on notice (and shortly thereafter the other parties) that the appellant asserted breach of its intellectual property in the DreamDesk system. That claim when read with the requirement to provide certain undertakings, in order to extend the licence period for one week from 3 October 2016, reasonably should have caused each to make specific inquiries of Mr Semmens in order to be satisfied that he had not copied, and was not intending to copy, any of the intellectual property of the appellant in development of the DreamDesk system. But Mr Meissner made no inquiry to that effect at that time. Further, a reasonable person in the position of Mr Meissner when asked to give an undertaking that intellectual property owned by the appellant “will not be used for any purpose” and that any intellectual property “already obtained or duplicated would be destroyed immediately” would not in my view have agreed to each of those requirements absent detailed inquiry as to whether it was appropriate to undertake to the appellant in the terms requested.

331 Mr Meissner, in his response of 30 September 2016, agreed “in principal” [sic] without making any disclosed inquiry of Mr Semmens and, quite disingenuously in my view, claimed: “I do not understand your reference to another company, and your involvement statement.” A reasonable person in the position of Mr Meissner who lacked that knowledge ought to have at least sought further details from Ms McLean in order to be satisfied that the requested undertakings could appropriately be given.

332 As to Biggin & Scott, RETB, Mr Stoner and Ms Bartels, apart from the evidence of Mr Stoner that he sought unspecified assurances from Mr Semmens and trusted him not to copy the intellectual property of the appellant, no specific inquiries were made before Mills Oakley Lawyers advised that their clients would provide the undertakings. For the same reasons that I have given in relation to Mr Meissner, acting reasonably at the time Biggin & Scott, RETB, Mr Stoner, and Ms Bartels were clearly on notice of a claim of copyright infringement on or shortly after 29 September 2016 and correspondingly ought to have more carefully and fully investigated that claim at that time before agreeing to give undertakings on 6 October 2016.

333 Ms McLean, in her correspondence of 9 October 2016 to Mills Oakley Lawyers, noted the failure of Mr Semmens to give the requested undertakings, restated her client’s assertion that it was aware “of activity that has given rise to the necessity to seek the undertakings” and that “if no questionable activity is anticipated then we would have expected there would have been absolutely no resistance to what was sought.” The course of the correspondence between 29 September and 10 October 2016 plainly fixed the represented respondents with knowledge that the appellant had grounds to assert that its intellectual property rights had been infringed. Acting reasonably and having been put on notice to that effect, the represented respondents should have been proactive. A reasonable person in the position of each of the represented respondents (they all had the same solicitor from 6 October 2016) knowing that Mr Semmens had failed, for whatever reason to give the requested undertakings, in my view ought to have made genuine and specific inquiry from Mr Semmens as to why he had not given the undertakings and if it was because the copying allegations were true. It is no answer to these propositions to point to the fact that the represented respondents gave the requested undertakings on 6 October 2016. To the contrary, in my view a reasonable person in the position of the represented respondents would not have given the comprehensive undertakings in relation to the intellectual property of the appellant in the DreamDesk system, with the consequential exposure to potential liability, without making specific inquiries in order to be satisfied that it was safe to give the undertakings. For that reason, and to the extent to which counsel for the represented respondents submitted that giving the undertakings was a reasonable step, it was insufficient in the circumstances of this case.

334 It was also put to us by counsel for the represented respondents that each of those parties acted reasonably and appropriately in agreeing to the appointment of the independent forensic IT expert in November 2016. I accept that step was appropriate, but in my view it was taken at too late a point in time. It will be recalled that Ms McLean repeatedly stressed in her correspondence the importance of receiving the undertaking signed by Mr Semmens, asserted that his failure to give it was unsatisfactory and that it was evidence of “questionable activity”. Mills Oakley Lawyers did not ever directly address those matters. It is also the case that the Toolbox system was used, clearly for commercial purposes, at all times on and from 10 October 2016 and where notice had clearly been given to the represented respondents that it likely contained source code (and other intellectual property) owned by the appellant. The inference that I draw is that the represented respondents were content to be, at best indifferent, to the rights of the appellant, which they subjugated to the economic interests of Biggin & Scott, RETB and DDPL. A reasonable person in the position of the represented respondents would reasonably have suspected that Mr Semmens had engaged in, and likely was intending to engage in, acts which infringed the appellant’s copyright.

335 Moreover, and more compellingly, the represented respondents were on actual notice of the “high probability” that intellectual property of the appellant in Campaigntrack had been unlawfully copied and used in the development of Toolbox from the time of receipt of the preliminary report of Mr Geri on 19 January 2017. In serving that report, Ms McLean very politely requested that “your clients” (which at that point were each of the represented respondents of Mills Oakley Lawyers) should “immediately shut down and cease use of” the Toolbox system. That did not occur. Instead, Mills Oakley Lawyers engaged in a series of correspondence, commencing on 20 January 2017, which was obstructive and objectively must have been intended to delay the appellant in the prosecution of its claims.

336 With respect to the primary judge, his Honour failed to interrogate the authorisation claims of the appellant through the lens of the correspondence and the conduct of the represented respondents from 29 September 2016. With respect to the primary judge, in my view that was an error. Accepting, as I am bound to, each of the findings of the primary judge to the effect that Mr Stoner trusted Mr Semmens and Mr Meissner was, ultimately, shocked to learn that Process 55 had been used in the development of Toolbox, does not preclude the drawing of the necessary inferences by me upon the appellant’s authorisation case and by reference to all of the evidence that was before the primary judge. The trust that Mr Stoner placed in Mr Semmens and the state of mind of Mr Meissner do not answer the implied authorisation case that was put to the primary judge and which his Honour correctly understood in the expression of his Honour’s reasons at PJ [300] that the represented respondents had reason to suspect, within the time frame that I have identified, that Mr Semmens had, without the licence of the appellant, infringed its intellectual property rights in the DreamDesk system by copying components of it in the development of Toolbox.

337 Addressing specifically the factors that must be taken into account as required by s 36(1A) of the *Copyright Act*, the primary judge found, and I accept, that DDPL and Mr Meissner “had power to prevent the infringements, including by not engaging the DDPL and JGM Advertising staff to develop the Toolbox system, by not paying for that work and by not paying for the AWS invoices”: PJ [305(4)]. As for Biggin & Scott, there was a contractual relationship with Mr Semmens as found by the primary judge at [297(3)], but in addition Biggin & Scott and Mr Semmens proposed to be and became joint venturers, and in that case there was clearly power that was open to be exercised by Biggin & Scott by putting an end to the joint venture. Although the exercise of either of those powers might not have prevented Mr Semmens from continuing on his own account to copy and use the intellectual property of the appellant, termination of the contractual and joint venture arrangement would at the very least have significantly disrupted the primary infringements of Mr Semmens in his continued development of the Toolbox system for ultimate commercial use. Indirect power of that character is relevant, although clearly not dispositive: *iiNet HCA* at [69]–[70], [139].

338 I have comprehensively set out the nature of the relationship between Mr Semmens and the represented respondents. As contracting parties and, in the case of Biggin & Scott, joint venturers, the represented respondents stood to gain financially from the development of the Toolbox system. As the letter of 3 August 2016 demonstrates it was open to Biggin & Scott to give directions to Mr Semmens. He was accountable to his contracting counterparties, Biggin & Scott and DDPL. The primary judge found, and I agree, that DDPL and Mr Meissner could also issue instructions to Mr Semmens: PJ [305(5)]. Overall, the relationship between Mr Semmens and the represented respondents was such that how Mr Semmens went about his task of constructing the Toolbox system was capable of being directly influenced by the represented respondents. After those parties were put on specific notice of potential infringement, and the fact that Mr Semmens had failed to give the undertaking, steps ought to have been taken within the context of that relationship to “get to the bottom of the allegations” and, if found to be substantiated, to end the contractual and commercial relationship with Mr Semmens.

339 The final statutory factor is whether the represented respondents took any (and if so what) reasonable steps to prevent or avoid the doing of the infringing acts by Mr Semmens. For the detailed reasons that I have set out, they did not after 29 September 2016.

340 Whether a person has authorised the doing of any act comprised in the copyright of a copyright owner is, necessarily, a fact sensitive and fact intensive inquiry. Authorisation takes many and varied forms and is insusceptible of clear definition in abstract which point was made by Herring CJ in *Winstone v Wurlitzer Automatic Phonograph Company of Australia Pty ltd* [1946] VLR 338 at 345:

It is, of course, a question of fact in each case what is the true inference to be drawn from the conduct of the person said to have authorised the act complained of. And as the acts that may be complained of as infringements of copyright are multifarious, so, too, the conduct that may justify an inference of authorisation may take on an infinite variety of differing forms. In these circumstances any attempt to prescribe beforehand ready-made tests for determining on which side of the line a particular case will fall, would seem doomed to failure. So, too, will it be impossible to determine any particular case by reference merely to the relationship that may exist between the person said to have authorised the act complained of and the actual infringer, though no doubt in the case of principal and agent an authorisation may be more readily inferred then in a case of vendor and purchaser. In the end the matter must in each case depend on a careful examination of all the relevant facts.

341 That reasoning was endorsed in *iiNet HCA* at [125], Gummow and Hayne JJ. It should also be understood that I have considered the statutory factors at s 36(1A) of the *Copyright Act* as interrelated questions. My conclusion, in consequence of all of the matters that I have considered, is that the primary judge erred in not concluding that the appellant’s authorisation case was made out against each of the represented respondents and within the period 29 September 2016 to June 2018. Accordingly, I uphold these grounds to that extent.

342 A consequential matter that I must address is the appellant’s claim for additional damages pursuant to s 115(4) of the *Copyright Act* and for that which it pleaded was flagrant misconduct by each of the represented respondents. By way of example, and as against Biggin & Scott, the appellant pleaded that it ought reasonably to have known that it was the owner of copyright in the DreamDesk system, that it knew that the acts of Mr Semmens would infringe those rights or acted with reckless disregard of those rights, established a competing product with substantial benefit to it and gave the undertakings and breached them. Apart from the contention that Biggin & Scott had actual knowledge that the acts of Mr Semmens were infringing acts, those contentions are made out. In my view, it is not however appropriate for this Court to determine the question of additional damages; that will be a matter for the primary judge upon remittal when considering the assessment of damages against each of the respondents and in accordance with the orders that he made on 31 August 2021.

## Contract claims grounds

343 The appellant makes multiple complaints that the primary judge erred in respect of certain alternative contract claims described as the “transfer term”, the “password term”, the “non-modification term”, and the “compliance term”.

344 To understand these grounds, it is convenient to reproduce a number of paragraphs from the primary decision:

317. The DreamDesk sale agreement included the following terms addressing, respectively, transfer and assistance:

1.5. Dream Desk will provide to the Purchasers any document or equipment required by it to effect a transfer of the Intellectual Property on payment of the Purchase Price by the Purchasers.

1.6. On payment of the Purchase Price Dream Desk will provide all reasonable assistance that the Purchasers require so as to properly and effectively use, exploit and understand the Intellectual Property, including the imparting of knowledge and the provision of the following information:

1.6.1. Amazon Webservices Password

1.6.2. Administrator Password to Dream Desk Platform

1.6.3. Management Password for Dream Desk

1.6.4. Any client logins as requested

1.6.5. Any other passwords and access details required for the day-to[-]day operation of Dream Desk

1.6.6. Any other passwords and access details required for the management and configuration of Dream Desk

1.6.7. Technical and programming assistance as required

318. These provisions must be read in light of the agreement as a whole. They are intended to facilitate cll 1.1 and 1.4 which provided:

1.1. Dream Desk agrees that it will sell to Campaigntrack and New Litho (the “Purchasers”) the DreamDesk Platform and all intellectual property associated with the operation of the DreamDesk Business, including copyright (including any rights to source code), design, patents and trademarks and all rights to the business name of the DreamDesk Business and all domain names registered by Dream Desk, including dreamdesk.com.au (the [“]Intellectual Property”).

...

1.4. All rights, entitlement and interest in and title to the Intellectual Property will pass to the Purchasers on payment of the Purchase Price.

319. Campaigntrack alleged that, by certain letters, it requested:

(1) assistance from DDPL “to properly and effectively exploit the DreamDesk Copyright Works in this proceeding”; and

(2) the execution of a written assignment of copyright to the extent that DDPL’s ownership was equitable: FASOC [76].

320. Campaigntrack alleged that these terms were breached by DDPL failing to provide assistance as requested: FASOC [77]-[78].

345 These claims are confined to DDPL and Mr Meissner. The appellant pleaded the transfer term claim in the FASOC by contending that DDPL breached cl 1.5 of the Dream Desk sale agreement. It is to be observed that this clause imposed the obligation that DDPL “will provide” any document or equipment “required by” the appellant to effect a transfer of the intellectual property the subject of the agreement. The specific breach pleaded by the appellant was that on various dates in 2017 and 2018 it requested, “to the extent that DDPL’s ownership of copyright was equitable, the execution of a written assignment of copyright”.

346 The notice of appeal does not elide with that contention. Rather, the appellant asserts that the primary judge wrongly failed to conclude that DDPL breached the transfer term in that the intellectual property pursuant to the agreement included the domain name DreamDesk.com.au, that Mr Semmens continued to control the DNS records for that domain name (as late as July 2020), and that therefore DDPL failed to effect a transfer of the intellectual property as required by cl 1.5. That claim of breach was nowhere pleaded in the FASOC.

347 In an attempt to avoid that difficulty, the appellant relied upon a portion of its written closing submission of 21 August 2020 that was before the primary judge at paragraph [559(b)]. A considerable amount of documentation, which should have been included in Part C of the appeal book as required by r 36.54(c) of the *Federal Court Rules 2011* (Cth) but was not, was “handed up” to us during the course of the argument by counsel for each party. At the direction of the Court, supplementary electronic versions of Part C were filed. Paragraph [559(b)] has not been provided to us, which is unsatisfactory to say the least. The clear purpose of r 36.54(c) is to provide the Court with all of the documents that are relevant to each appeal ground and which are, or are intended to be referred, to in the submissions of each party in order that the appeal may be conducted consistently with the overarching purpose to it according to law and as quickly, inexpensively and efficiently as possible: *FCA Act*, ss. 37M and 37N. That obligation is essentially relevant to our core function which is to conduct a real review of all of the relevant material that was before the primary judge.

348 Those criticisms aside, the more fundamental problem that the appellant faces is that referencing a particular aspect of the evidence in closing submissions is no substitute for the articulation of each cause of action, by identification of the material facts relied upon, in a pleading. No application was made by the appellant to further amend its pleading, even as late as the date on which closing submissions were made to the primary judge. Proceeding in that way deprived DDPL of the opportunity to raise any question of prejudice. And it was contrary to “the basic requirement of procedural fairness that a party should have the opportunity of meeting the case against him or her” framed in accordance with the pleadings with the consequence that “in general, relief is confined to that available on the pleadings”: *Banque Commerciale SA (En Liqn) v Akhil Holdings Ltd* (1990) 169 CLR 279; [1990] HCA 11 at 286, per Mason CJ and Gaudron J. For these reasons, the trial judge did not err in failing to address a claim that was not pleaded.

349 The password term ground turns upon cl 1.6 of the DreamDesk sale agreement and three facts as found by the primary judge: the purchase price was paid on 6 or 7 September 2016, a request was made for provision of the passwords on 7 September 2016 and those passwords were not provided until between 20 and 28 September 2016.

350 Clause 1.6 operates “on payment” of the purchase price. From that point in time, DDPL became obliged to provide “all reasonable assistance” so that the purchaser might “properly and effectively use, exploit and understand” the intellectual property. Correctly, the primary judge at PJ [318] observed that these requirements must be read with the entirety of the agreement. He concluded that these obligations facilitate clauses 1.1 and 1.4 which provide:

1.1. Dream Desk agrees that it will sell to Campaigntrack and New Litho (the “Purchasers”) the DreamDesk Platform and all intellectual property associated with the operation of the DreamDesk Business, including copyright (including any rights to source code), design, patents and trademarks and all rights to the business name of the DreamDesk Business and all domain names registered by Dream Desk, including dreamdesk.com.au (the [“]Intellectual Property”).

...

1.4. All rights, entitlement and interest in and title to the Intellectual Property will pass to the Purchasers on payment of the Purchase Price.

351 The uncomplicated pleaded contention of the appellant was that various passwords were not provided “on payment of the purchase price” by reason of the delay between 7 and 28 September 2016. The primary judge reasoned at PJ [327] that; “breach is not established merely because the passwords were not provided on payment of the purchase price. DDPL provided reasonable assistance by providing the passwords reasonably promptly after they were requested.” His Honour had regard to what reasonable assistance would be understood by commercial business people. There is no error in that approach: *Electricity Generation Corporation t/as Verve Energy v Woodside Energy Ltd* (2014) 251 CLR 640; [2014] HCA 7 at 656. He continued by reference to the uncontroversial fact that the appellant purchased the intellectual property in order to shut down DreamDesk. That step could not be taken immediately because of the licence that appellant granted to DDPL. Thus there was no evident need to transfer the passwords immediately – in my view, DDPL provided reasonable assistance within the time period complained of.

352 The appellant also submits that his Honour erred by failing to consider his earlier finding at PJ [9] that, until the passwords were provided, it did not have any access to DreamDesk. That submission mischaracterises the finding that his Honour made in that paragraph. It is a finding that clients (users of the system) did not have access to the underlying source code, which was stored on a remote server and protected by a password or a key. Further, the primary judge at PJ [83] set out the correspondence of 7 September 2016 that is the request for access to the passwords. The author did not state that an urgent response was required and nor was an immediate demand made. Clearly the DreamDesk system was capable of being (and was in fact) used by DDPL without the appellant having access to the passwords. DDPL did not in my view breach the reasonable assistance term: if the objective intent of the parties was that the passwords were required to be provided urgently, then it would have been a simple matter to specify a time frame in the agreement. The primary judge did not err as contended.

353 The non-modification term rests upon an implied term of the DreamDesk agreement that the appellant pleaded at paragraph [93] of the FASOC to the effect that DDPL and Mr Meissner would effect a transfer of the intellectual property without modification. That pleading was admitted. The primary judge identified the area of dispute at the trial (PJ [332]) as:

…principally directed to a complaint that modifications were made after 18 July 2016 to “intellectual property associated with the operation of the DreamDesk business”, namely the running of the migration scripts and the deleting of development history and certain audit logs…

354 The primary judge was satisfied that Mr Semmens made relevant modifications to these components of the intellectual property after 18 July 2016, but that such modifications were neither “engaged in” or “authorised by” DDPL or Mr Meissner. The appellant correctly observes that the primary judge did not expose his reasoning for that conclusion. From that premise the appellant submits that the evidence of Mr Semmens that the primary judge set out at PJ [58] leads to the conclusion that Mr Meissner authorised Mr Semmens to make those modifications. I do not accept that proposition. What the primary judge said at PJ [58] was:

Mr Semmens accepted that he ran the migration scripts. In cross-examination, Mr Semmens stated that Mr Meissner had instructed him to “export the client’s data out” or give the client their data, but later clarified:

Was it Mr Meissner?---He would have just said give the client their data, I’m not sure. I don’t think he would have said synchronise their data.

355 This must also be read with PJ [61]:

It is important to appreciate, as Mr Semmens emphasised in submissions, that the running of migration scripts only transferred a client’s data from one database to another. The data so transferred was not the intellectual property of Campaigntrack.

356 That evidence when read with acceptance of that explanation does not support a conclusion that Mr Meissner authorised the modifications. The appellant does not say that the primary judge erred in making a wrong finding of fact at PJ [58]. Further, as the represented respondents submit (and which the appellant did not dispute before us) Mr Meissner was not cross-examined about modifications to the migration scripts (and his asserted authorisation of that conduct) with the consequence that it would be fundamentally unfair to accede to the appellant’s submission: *Browne v Dunn* (1894) 6 R 67; *MWJ v The Queen* (2005) 80 ALJR 329; [2005] HCA 74 at [38]; and *Seymour v Australian Broadcasting Commission* (1977) 19 NSWLR 219, at 225.

357 The final contract claim concerns the compliance term, which the primary judge dealt with from [348]. This claim rests upon a heads of agreement entered into on or about 16 July 2016 between the appellant, New Litho, DDPL and Mr Meissner. That document at cl 1.3 provided that Mr Meissner would do all things reasonably necessary to ensure that DDPL complied with the DreamDesk sale agreement. As the appellant correctly conceded, it cannot succeed on this ground unless one or more of its contract claim grounds are made out. Thus the ground fails.

358 For these reasons I dismiss each of grounds 10, 11, 12 and 13 of the appeal.

# CONCLUSION

359 It follows that I would in part allow the appeal and make certain of the orders sought by the appellant as follows:

In these orders:

**DreamDesk Source Code Works** means the literary works in the source code of the DreamDesk system and includes the three PHP files named “src\Functions\edms.php”, “views.adhoc-edit.php” and “views\adhoc-edit2.php”;

**DreamDesk Database and Table Works** means the literary works in the DreamDesk database and 18 tables within the database;

**PDF Works** means the literary or artistic works in the PDF templates in the “client\_data” folder in the DreamDesk system;

**Toolbox system** means the “Real Estate Tool Box” software system.

THE COURT ORDERS THAT:

1. The appeal be allowed.

2. Set aside orders 6 and 8 made on 31 August 2021 in proceeding NSD 772 of 2017.

3. In lieu thereof:

(a) Declare that the first, second, sixth and seventh respondents have between 29 September 2016 and June 2018 infringed:

(i) the copyright in the DreamDesk Source Code Works, by:

A. authorising the third respondent to reproduce the whole or a substantial part of the DreamDesk Source Code Works in material form in developing the Toolbox system;

B. authorising other developers of the Toolbox system to reproduce a substantial part of the DreamDesk Source Code Works in material form in developing the Toolbox system;

C. authorising users of the Toolbox system to reproduce a substantial part of the DreamDesk Source Code Works in material form in using the Toolbox system; and

(ii) the copyright in the DreamDesk Database and Table Works, by:

A. authorising the third respondent to reproduce a substantial part of the DreamDesk Database and Table Works;

B. authorising users of the Toolbox system to reproduce a substantial part of the DreamDesk Database and Table Works.

(b) Declare that the first respondent has infringed the copyright in the DreamDesk Source Code Works, by authorising between 29 September 2016 and June 2018 the third respondent to communicate a substantial part of the DreamDesk Source Code Works to the public, in developing the Toolbox system.

(c) Declare that the fourth and fifth respondents have infringed between 29 September 2016 and June 2018:

(i) the copyright in the DreamDesk Database and Table Works, by authorising the third respondent to reproduce a substantial part of the DreamDesk Database and Table Works;

(ii) the copyright in the PDF Works, by authorising the third respondent to reproduce the whole of the PDF Works in material form.

(d) The first, second, sixth and seventh respondents be permanently restrained from reproducing or authorising the reproduction of the whole or a substantial part of:

(i) the DreamDesk Source Code Works;

(ii) the DreamDesk Database and Table Works,

in material form, without the licence of the copyright owner.

(e) The first respondent be permanently restrained from communicating or authorising the communication of the whole or a substantial part of the DreamDesk Source Code Works to the public, without the licence of the copyright owner.

(f) The fourth and fifth respondents be permanently restrained from reproducing or authorising the reproduction of the whole or a substantial part of:

(i) the DreamDesk Database and Table Works;

(ii) the PDF Works

in material form, without the licence of the copyright owner.

(g) Within 28 days of the date of these orders, each of the first, second, fourth, fifth, sixth and seventh respondents permanently destroy or erase, on oath or affirmation, all reproductions of the DreamDesk Source Code Works, the DreamDesk Database and Table Works and the PDF Works in their possession, custody, power or control, such verification to set out steps undertaken to give effect to the destruction or erasure.

(h) The matter be remitted to the primary judge for an inquiry as to damages or profits in respect of copyright infringement.

4. The Parties file and exchange any submissions as to costs or other consequential orders not to exceed 3 pages within 7 days.

5. The question of costs, and any consequential orders, be determined on the papers.

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| I certify that the preceding one hundred and ninety-eight (198) numbered paragraphs are a true copy of the Reasons for Judgment of the Honourable Justice McElwaine. |

Associate:

Dated: 6 July 2022

SCHEDULE OF PARTIES

|  |  |
| --- | --- |
|  | NSD 1015 of 2021 |
| Respondents |  |
| Fourth Respondent: | DREAMDESK PTY LTD ACN 604 719 735 |
| Fifth Respondent: | JONATHAN MICHAEL MEISSNER |
| Sixth Respondent: | PAUL GEOFFREY STONER |
| Seventh Respondent: | MICHELLE BARTELS |