

**INTERLOCUTORY INJUNCTIONS  
IN INTELLECTUAL PROPERTY CASES:  
PRINCIPLES & PRACTICE \***  
**Graeme S Clarke SC**

**A. PRINCIPLES**

1. There are no principles concerning interlocutory injunctions which are unique to intellectual property cases. General equitable principles apply. The basic issue can be shortly stated. The court asks: Has the plaintiff shown a serious question to be tried and does the balance of convenience favour the grant of an interlocutory injunction? Resort can be had to the current edition of *Meagher, Gummow & Lehane*<sup>i</sup> for further elucidation, as may be required.
2. However, it is necessary to re-visit the general principles after the decision of the High Court in *Australian Broadcasting Corporation v O'Neill*<sup>ii</sup> and the decision of a two member Court of Appeal in *Bradto Pty Ltd v State of Victoria*<sup>iii</sup>. Neither were intellectual property cases<sup>iv</sup>. Both authoritatively re-stated, explained and arguably modified the general principles which apply in all interlocutory injunction applications, whatever be the plaintiff's cause of action. The nature of the rights asserted in intellectual property cases give rise to particular considerations which call for comment.
3. In *O'Neill*, the Tasmanian Supreme Court at first instance<sup>v</sup> restrained the ABC from publishing an allegedly defamatory television program pending trial. The decision of a majority of the High Court<sup>vi</sup> in discharging of the injunction is of particular importance in elucidating what a serious question to be tried is.
4. In *Bradto*, VCAT restrained lessees from refusing access to the landlord to the subject properties for the purpose of conducting inspections. The decision of Maxwell P and Charles JA on the leave to appeal application, in effect upholding the first instance decision, is of particular importance concerning the distinction between prohibitory and mandatory interlocutory injunctions.

***Australian Broadcasting Corporation v O'Neill***

5. In *O'Neill* Gleeson CJ and Crennan J<sup>vii</sup> cited with approval a statement of Doyle CJ, in another defamation case<sup>viii</sup>, that in all applications for an interlocutory injunction the court will ask whether a plaintiff has shown:
- #1 that there is a serious question to be tried as to the plaintiff's entitlement to relief;
  - #2 that the plaintiff is likely to suffer injury for which damages will not be an adequate remedy; and
  - #3 that the balance of convenience favours the granting of an injunction.
7. Gleeson CJ and Crennan J describe these three matters<sup>ix</sup> as:
- the organising principles,
  - to be applied having regard to the nature and circumstances of the case, and
  - under which issues of justice and convenience are addressed.
8. The three principles stated by Doyle CJ and approved by Gleeson CJ and Crennan J, appear to have originated in a like statement by Mason ACJ in *Castlemaine Tooheys Ltd v South Australia*<sup>x</sup> which Doyle CJ cited. A number of points should be noticed about these organising principles.
9. First, Mason ACJ in *Castlemaine Tooheys* had referred to the plaintiff showing a serious question to be tried *or* a prima facie case in the sense that if the evidence remained as it was there was a probability at trial that the plaintiff would be entitled to relief. It will be recalled that the latter derives from the decision of the High Court in *Beecham Group Ltd v Bristol Laboratories Pty Ltd*<sup>xi</sup>. Doyle CJ and, in turn, Gleeson CJ and Crennan J, dropped the reference to prima facie case. This is unsurprising given the common judicial usage of serious question to be tried, rather than prima facie case. Further, the reference only to serious question to be tried is consistent with the explanation of *Beecham* by Gummow and Hayne JJ in *O'Neill*, which

Gleeson CJ and Crennan J agreed with, and which substantially equates serious question with prima facie when the latter is properly understood.

10. Secondly, inadequacy of damages as a remedy is treated separately from balance of convenience. In many judgments inadequacy of damages as a remedy is treated as a balance of convenience issue, rather than separately. Gleeson CJ and Crennan J re-iterate that that issue must be addressed by the court. However they are not to be understood as holding that a failure by the court to *separately* consider whether damages would be an inadequate remedy would be an error of principle, or an appellable error. In *Beecham* inadequacy of damages is not stated to be a requirement for the plaintiff to demonstrate separately from balance of convenience issues. Particularly as Gleeson CJ and Crennan J describe the three matters as "organising principles", consideration by the court of the second under the umbrella of the third is not relevant "disorganisation". Nevertheless, prudence suggests that submissions to the court should follow the three-fold statement of the organising principles approved by Gleeson CJ and Crennan J.
11. Thirdly, the language used by Gleeson CJ and Crennan J concerning inadequacy of damages as a remedy should be noticed. The issue for them is whether the plaintiff is "likely to suffer injury" for which damages would not be an adequate remedy. Although Doyle CJ is recorded as having made that statement, in fact Doyle CJ referred to "irreparable injury" for which damages would not be an adequate remedy, repeating the words of Mason ACJ in *Castlemaine Tooheys*. Is there any significance in Gleeson CJ and Crennan J failing to describe the relevant injury as being "irreparable", as Doyle CJ and Mason ACJ had done? I suggest not. It is generally considered that injury for which a later award of damages would be an inadequate remedy if the court did not intervene to grant an interlocutory injunction, *is* "irreparable" in nature.
12. In *O'Neill* Gleeson CJ and Crennan J<sup>xii</sup>, Gummow and Hayne JJ<sup>xiii</sup> decided that the doctrine or principles established in *Beecham* in 1968, as explained by Gummow and Hayne JJ, are to be followed and applied in Australia in all interlocutory injunction applications.

13. In *Beecham*, the plaintiff successfully appealed to the Full Court against McTiernan J's refusal to grant an interlocutory injunction in a patent infringement proceeding. The Court (Kitto, Taylor, Menzies and Owen JJ) said <sup>xiv</sup> that on such applications, the court addresses two main inquiries:

- first, whether the plaintiff has made out a prima facie case in the sense that if the evidence remains as it is there is a probability that at the trial of the action the plaintiff will be held entitled to relief; and
- second, whether the inconvenience or injury which the plaintiff would be likely to suffer if an injunction were refused outweighs or is outweighed by the injury which the defendant would suffer if an injunction were granted.

It will be immediately observed that there is no reference here to serious question to be tried and recalled that that expression derives from the later speech of Lord Diplock in 1975 in *American Cyanamid Co v Ethicon Ltd* <sup>xv</sup>.

14. *O'Neill* is authority for the proposition that the correct first principle to be applied is for the court to ask whether the plaintiff has shown that there is a serious question to be tried as to the plaintiff's entitlement to relief, again provided that the principle is understood in the manner explained by Gummow and Hayne JJ.

15. It is well known that there has been considerable judicial and academic debate over many years as to whether the decisions in *American Cyanamid* and *Beecham* are reconcilable, if not what are the differences and which decision is correct in principle. *American Cyanamid* also concerned the issue whether an interlocutory injunction ought be granted in a patent infringement case. *O'Neill* ends the debate by deciding that as to part *American Cyanamid* is reconcilable with *Beecham*, and as to other parts the two are not reconcilable and *American Cyanamid* must be rejected. These issues are not merely of academic interest. The explanation and clarification of *Beecham* by Gummow and Hayne JJ, agreed to by Gleeson CJ and Crennan J, constitutes an authoritative statement of the principles to be applied in all interlocutory injunction applications.

16. As to the reconciliation, Gummow and Hayne JJ conclude <sup>xvi</sup> that there is, "no objection to the use of the phrase 'serious question' if it is understood as conveying the notion that the seriousness of the question, like the strength of the probability referred to in *Beecham*, depends upon the considerations emphasised in *Beecham*". Gummow and Hayne JJ make three points in particular by way of explanation of, and emphasis upon, *Beecham*. The first two points derive from comments made by Kitto J during argument in *Beecham* <sup>xvii</sup>, and the third from the decision of the Full Court <sup>xviii</sup>.
17. First, by the use of the phrase "prima facie case" in *Beecham*, the Court did *not* mean that the plaintiff must show that it is more probable than not at trial that the plaintiff will succeed.
18. Secondly, it is sufficient that the plaintiff shows a *sufficient* likelihood of success to justify in the circumstances the preservation of the status quo pending trial.
19. Thirdly, *how strong* the probability needs to be depends upon the nature of the rights asserted by the plaintiff and the practical consequences likely to flow from the order sought.
20. Gummow and Hayne JJ have clearly re-iterated that there is no verbal formula which can or should be used or applied, to describe or define the *seriousness* of the question. It all depends on the circumstances of the case. Matters of degree are involved which require the principled exercise of discretion by the court. A flexible approach is called for. However, further guidance as to what is a serious question to be tried is, is provided by Gummow and Hayne JJ in their rejection of two statements made by Lord Diplock in *American Cyanamid*. Gummow and Hayne JJ decided that two statements do not accord with the doctrine established by *Beecham* and should not be followed.
21. The first rejected statement is that <sup>xix</sup>:

"[t]he court no doubt must be satisfied that the claim is *not* frivolous or vexatious; in other words, that there *is* a serious question to be tried." (emphases supplied)
22. The second rejected statement, described by Gummow and Hayne JJ as (wrongly) reversing the onus of proof is the following <sup>xx</sup>:

"So *unless* the material available to the court at the hearing of the application for an interlocutory injunction *fails to disclose* that the plaintiff has any real prospect of succeeding in his claim for a permanent injunction at trial, the court should go on to consider whether the balance of convenience lies in favour of granting or refusing the interlocutory relief that is sought." (Emphases added by Gummow and Hayne JJ.)

23. Gummow and Hayne JJ explain that such statements obscure "the governing consideration" that the *requisite* strength of the probability of ultimate success depends upon the nature of the rights asserted and the practical consequences likely to flow from the interlocutory order sought.
24. I suggest that the re-iteration and explanation of *Beecham* by the majority in *O'Neill*, and their rejection of these aspects of *American Cyanamid*, have a number of consequences.
25. First, the court in deciding an interlocutory injunction application should *not* decide whether the plaintiff's claim, on the evidence before the court, is *not* frivolous and vexatious, and if so, then go on to decide where the balance of convenience lies. A serious question is not merely a claim which is not frivolous and vexatious. That sets the bar too low. Perhaps more importantly, such a definition of serious question is wrong in principle because it suggests a rigid formula to be applied in all cases. *O'Neill* decides that the plaintiff must establish a *sufficiently* strong case in all the circumstances, and that to apply a fixed criterion to serious question is the wrong approach. The Court in *O'Neill* does not state positively what minimum standard the plaintiff must make out to establish a serious question. I suggest that this is explained by the Court's concern to emphasise the variability of the content of the principle, as applied in the circumstances of each case.
26. However, there is a practical need to use words which capture the concept of a minimum, albeit variable, degree of strength which the plaintiff's case must have. Especially is this so for the judge who rejects the application on the ground that the plaintiff has not demonstrated a serious question. I suggest that it is consistent with *O'Neill* to say that the plaintiff must demonstrate that it is at least arguable that it will succeed at trial. The plaintiff should be in a position to submit that its case is *strongly* arguable. The defendant may submit

that the plaintiff's case is weak. The language used here is not important, provided that the plaintiff does *not* submit that it has demonstrated a serious question because its case is *not* frivolous and vexatious.

27. Secondly, for the plaintiff to make out a serious question to be tried is not to satisfy a "low threshold". On the other hand, the plaintiff need not demonstrate that it is likely to succeed at trial. The court should not attempt to decide whether such success is "possible", or a "strong possibility", for to do so would be to re-introduce another formula, which again would be inconsistent with the necessary flexibility of approach. Each such approach (too low, too high, inflexible in the middle) misunderstands the task for the court in deciding interlocutory injunction applications. The court does not conduct any form of preliminary trial. Its task is not to seek to second-guess the result of a later trial based upon incomplete and untested materials. Rather the court's function is to decide what the application of the organising principles in all the circumstances indicates is the correct balance of justice between the parties, pending trial.
28. Thirdly, the nature of the rights which the plaintiff asserts and the practical consequences for the parties which would flow from the interlocutory order sought if granted, govern the requisite strength or seriousness of the plaintiff's case for such an order being made. While resort to any formula beyond the principles explained in *O'Neill* is to be avoided, it can be said that the more drastic the consequences are for the defendant of an interlocutory injunction being granted, the stronger the plaintiff's case must be demonstrated to be. A relatively weak case may be sufficient to justify the granting of an interlocutory injunction if the inconvenience to the defendant of the court doing so would be small and an award of damages at trial would be an inadequate remedy for the plaintiff.
29. Fourthly, the Court in *O'Neill* has re-iterated the importance of the nature of the rights being asserted. In *O'Neill*, special or particular considerations were held to apply where the interlocutory injunction sought is to restrain an alleged defamation. The value of free speech is to be given particular weight in the context of the defendant seeking to establish a valid defence. I suggest that in intellectual property cases, there are two special considerations which the

court should generally have regard to and which ought incline the court to grant, rather than refuse, an interlocutory injunction.

30. First, intellectual property rights by their nature are rights which the owner is entitled to enjoy to the exclusion of others. Any use by others of the plaintiff's registered right (patent, design, trade mark), or unregistered right (copyright, common law trade mark, get up, confidential information), can only lawfully occur with the licence or authority of the owner. It is of the essence of an intellectual property right that the owner is entitled to restrain others from unauthorised use or appropriation of that right. Intellectual property rights are a form of exception to free market competition between traders. The owner enjoys a legally sanctioned monopoly in the commercial use and exploitation of ideas, or the product of ideas. That monopoly right is diminished if the law does not enable the owner to prevent unauthorised use by others.
31. Hence where the plaintiff proves its entitlement to the intellectual property right asserted and there is no challenge to the validity of the right (or any challenge is not powerful and persuasive), the court should incline towards, or in favour of, the granting of an interlocutory injunction against the alleged infringer. Despite there being no tort of unfair competition per se, it can nevertheless be said that the infringer's conduct is a form of unfair competition. The infringer wrongly seeks to take a free ride on the owner's industry in creating and developing the idea in question, contrary to the policy of the law of rewarding such persons by conferring upon them a monopoly right to exploit the idea. Subject to balance of convenience considerations, the defendant ought generally be restrained by interlocutory injunction. I suggest that this is what judges in practice typically do in deciding interlocutory injunction applications in intellectual property cases.
32. The second point concerning the nature of intellectual property rights is that the plaintiff will often enjoy a valuable business reputation derived from the public exploitation and use of the idea which constitutes or underlies the right. The nature and quality of the plaintiff's business, products or services will usually be a basis of repeat custom and a means by which the plaintiff and its business is identified in the marketplace. Even in a confidential information case where the information concerned is not in the public domain, the use of



that information in the plaintiff's business, products or services will typically be a basis of the goodwill which the plaintiff's business enjoys.

33. Hence the particular relevance in intellectual property cases of the notorious difficulty in assessing the value of a plaintiff's business goodwill and reputation, and of assessing an appropriate award of damages at trial if the defendant's conduct which harms that reputation is not restrained in the meantime. Such considerations are often balance of convenience issues, but may go directly to the serious question to be tried issue in cases where proof of reputation or goodwill is an essential element in the plaintiff's cause of action (eg passing off, or a passing off-type misleading or deceptive conduct claim).
34. The *O'Neill* principles should be followed in all interlocutory injunction applications in intellectual property cases.

***Bradto Pty Ltd v State of Victoria***

35. The decision of Maxwell P and Charles JA in *Bradto* five months earlier in April 2006 can now be understood within the framework of the *O'Neill* principles. Apart from such a reading, *Bradto* has the potential to be misread and misapplied.
36. Judge Bowman in VCAT had granted an interlocutory injunction restraining the defendant lessees from denying access to the plaintiff/landlord to the demised premises for the purpose of examining the condition of the premises<sup>xxi</sup>. On the application for leave to appeal, an issue arose as to whether the order was prohibitory or mandatory in nature. The Court considered:
  - whether the order below was mandatory, and if so what is the applicable test; and
  - in any event, whether there is a relevant distinction between mandatory and prohibitory interlocutory injunctions so far as the application of principle is concerned.

37. A mandatory injunction orders the defendant directly to do something, as opposed to a prohibitory injunction which restrains the defendant from doing something but is silent as to the positive steps or actions which the defendant might have to take in order to comply with the order <sup>xxii</sup>.
38. The Court of Appeal in *Bradto* decided that the interlocutory injunction which had been granted was in form, and in substance, prohibitory in nature. The only positive action required of the lessees by the orders was for them to open the doors to the premises, when requested to do so, to permit the landlord access within the stated hours of operation of the orders. Accordingly, it was unnecessary for the Court to make any decision concerning mandatory interlocutory injunctions <sup>xxiii</sup>. Maxwell P and Charles JA nevertheless decided in relation to such interlocutory injunctions that the so-called "high degree of assurance" test <sup>xxiv</sup> concerning the strength of the plaintiff's case, should be rejected. That test had been considered as requiring more than that there be a serious question to be tried. Such a test was rightly rejected. It is inconsistent with the *O'Neill* principles.
39. The Court went on to hold that there is no relevant distinction between prohibitory and mandatory interlocutory injunctions and that an *alternative* principle to the high degree of assurance test, which had hitherto been confined to mandatory injunctions, *also* applied to prohibitory interlocutory injunctions. Maxwell P and Charles JA decided <sup>xxv</sup> that in the case of in both prohibitory and mandatory interlocutory injunctions, the court should take whichever course appeared to carry the lower risk of injustice if it should turn out to have been "wrong", in the sense of granting an injunction to a party which failed to establish its right at the trial, or in failing to grant an injunction to a party who succeeded at trial. The Court in so deciding adopted the Federal Court approach applied in Australia by Gummow J in 1988 in *Businessworld Computers Pty Ltd v Australian Telecommunications Commission* <sup>xxvi</sup>, but in relation to mandatory interlocutory injunctions only.
40. Importantly, Maxwell P and Charles JA also stated <sup>xxvii</sup> that the flexibility and adaptability of the remedy of an interlocutory injunction as an instrument of justice is best served by the adoption of the lower risk of injustice approach.

They approved Judge Bowman's application of serious question/balance of convenience<sup>xxviii</sup>.

41. The decision in *Bradto* adopting the lower risk of injustice approach in all interlocutory injunction cases is consistent with the *O'Neill* principles, provided that its place within them is understood. The lower risk of injustice approach is not an alternative to, nor a substitute for, the *O'Neill* principles. Where the lower risk of injustice approach fits in with those principles is in relation to the interaction between serious question to be tried and balance of convenience. The requisite degree of strength of the plaintiff's case depends in part on the practical effect of the operation of the order, if granted. The balance of convenience between the parties depends in part on the strength of the plaintiff's case. Maxwell P and Charles JA stated<sup>xxix</sup>:

"Obviously enough, a consideration of the plaintiff's prospects of success must be part of the analysis of where the least risk of injustice lies."

42. Subsequently Warren CJ, in *Bayley Walk Pty Ltd v Bayley Views Pty Ltd*, a Mareva injunction application, stated that<sup>xxx</sup>:

"*Bradto* ... clarified that the question as to what course carries the lower risk of injustice is informed by, amongst other things, the well-established and interrelated considerations of: (1) whether there is a serious question to be tried at trial and the likelihood of the plaintiff succeeding at trial and (2) where the balance of convenience lies as between the parties."

43. A potential misunderstanding of *Bradto* were the lower risk of injustice test to be read in isolation from the *O'Neill* principles is that, so read, that test would provide undue emphasis upon the court considering the position of the parties after a decision on trial. The court on an interlocutory injunction application forms no concluded view as to the merits of the plaintiff's case on the evidence, nor as to any contested matter of law, hence the court must consider the consequences for the parties of the opposite view prevailing at trial. It may be particularly relevant for the defendant whether the plaintiff's undertaking as to damages would provide an effective remedy for it were it to succeed at trial notwithstanding that an interlocutory injunction had been granted. However

those important considerations are not determinative, as a reading of the lower risk of injustice test apart from the *O'Neill* principles might suggest.

44. It is often stated that the principal purpose of an interlocutory injunction is to preserve the status quo between the parties pending trial and it will be recalled that Gummow and Hayne JJ in *O'Neill* make reference to the preservation of the status quo. It is well established that this is not inevitably so<sup>xxxii</sup> and, in any event, depends on what one takes to be the "status quo". The status quo is generally considered to be the position of the parties at the time of the commencement of the proceeding. At that time, the defendant will either have started to engage in the wrongful conduct complained of by the plaintiff, or not. Often, but by no means inevitably, the defendant's allegedly wrongful conduct will have commenced by the time the proceeding is issued. *Quia timet* interlocutory injunction applications are the exception, rather than the rule. It is doubtful after *O'Neill* whether any different principles apply in circumstances where the plaintiff is in court before the defendant's threatened conduct has started. However, it may be more difficult for the plaintiff to prove that an apprehended injury will occur than to prove that an existing injury will continue<sup>xxxii</sup>.
45. For the plaintiff then, in the ordinary case it will seek to cause the defendant to change its position by the interlocutory injunction – to cause the wrongful conduct to cease pending trial. The plaintiff seeks to maintain the status quo pending trial only in the sense that it wants the position to remain as it was *before* the defendant commenced to engage in the conduct complained of. In other words the plaintiff seeks *a return* to the status quo, not to *maintain* the status quo if that includes the defendant continuing to violate the plaintiff's rights.
46. In this context, a differential application of principle dependent upon whether the interlocutory injunction is prohibitory or mandatory may be considered to be anomalous. A mandatory interlocutory injunction is not inherently more onerous for a defendant to comply with than a prohibitory interlocutory injunction. Compliance with a prohibitory injunction generally requires the defendant to take positive steps. As to the practical operation of the court

order, it may make little difference for the defendant whether or not those positive steps are specified in the order.

47. In *Protiviti Inc v Probiti Pty Ltd*<sup>xxxiii</sup>, a trade mark infringement case, the Court ordered on an interlocutory basis that the respondent be restrained from continuing to use the word "probiti". The order did not specify any positive steps which the respondent was required to take. Accordingly the order was prohibitory in nature, both as to form and as to substance. However, compliance with the order in practice required the respondent to take positive steps by changing the URL of its website, its company name and advertising. The order, of course, did not state what the respondent's new name for its business should be. However the fact that the respondent had carte blanche to choose whatever new name it liked, and that the order did not circumscribe the respondent's choice in that regard, would have been of no comfort to it.
48. Perhaps the most common example of mandatory interlocutory injunctions being granted in intellectual property cases is where an order for delivery up is made against the defendant, requiring it to return particular copyright material or confidential information belonging to the plaintiff which the defendant had earlier taken<sup>xxxiv</sup>. The court is likely to be in a good position, even on an interlocutory application, to come to a clear view as to the plaintiff's entitlement to the return of the materials. The defendant will typically have no seriously arguable basis for retaining the materials and the court will make the delivery up order sought.
49. The Court in *Bradto* should not be taken to have decided that if the interlocutory order sought is mandatory, rather than prohibitory in nature, that that is of no consequence. Interlocutory injunctions which are mandatory in form can give rise to issues whether the order is sufficiently precise in its terms or requires the court to inappropriately supervise the defendant's conduct, which may not apply to prohibitory injunctions. The form of the interlocutory injunction order sought is fundamental to the exercise of the court's discretion. However the court is not in any sense bound by the form of the injunction propounded by the plaintiff, which will often be varied by the court in order to do justice between the parties.

## **B. PRACTICE**

### **The plaintiff's position**

50. For a plaintiff, after an inadequate response by the defendant to the letter of demand, commercially there is often no sensible course for it to take other than to commence proceedings and make application for an interlocutory injunction. This is especially so if the plaintiff has had early notice of the defendant's threatened and/or actual wrongful conduct. For the plaintiff it is generally better to stop the wrongful conduct occurring, rather than to allow it to continue to occur by inaction and then sue the defendant for damages later.
51. However it is always a serious step to commence a proceeding and apply for an interlocutory injunction. A non-exhaustive list of considerations relevant to the plaintiff's decision whether or not to do so is as follows:
  - (a) What are the plaintiff's prospects of obtaining the injunction? The elements of the plaintiff's causes of action will usually be clear. There may be difficulty in marshalling the necessary evidence, especially if the commercial situation is such that if the plaintiff applies, it must do so very quickly. It may be unclear as to what the defendant's evidence and/or arguments might be. The discretionary nature of the court's decision and the flexibility of approach required to be applied, can add an element of uncertainty which is not present in a trial situation. On the other hand, the plaintiff's witnesses will generally not be cross-examined on the injunction application. The identity of the judge to hear the application, were it to be made, might not be able to be ascertained. Nevertheless, the plaintiff's legal advisers should be able to give suitable advice after having taken proper instructions.
  - (b) Is the plaintiff in a financial position to provide an undertaking as to damages, and is it prepared to do so having regard to the risk of the undertaking ultimately being called upon by the defendant?
  - (c) Is the plaintiff prepared to sufficiently fund its legal advisers to put the application to best advantage? This is important. The success or otherwise of the application will depend primarily on the adequacy of

the plaintiff's evidence and of the arguments put to the court. If the plaintiff's application fails, the plaintiff will generally be ordered to pay the defendant's costs. If it succeeds, the parties' costs will most likely be reserved.

(d) Are there alternative remedies open to the plaintiff which are preferable? These may include:

#1 Commence proceedings, but not apply for an interlocutory injunction. The commencement of proceedings may be sufficient to force a negotiated settlement with the defendant. The case may be suitable for an early trial (if that can be achieved) and the certainty of result which a trial provides could be preferable, especially where it is known that the defendant has substantial arguments on the merits and is likely to defend the proceeding.

#2 Apply for summary judgment<sup>xxxv</sup>. This option is only suitable when the defendant appears to have no arguable defence. Summary judgment applications in the Federal Court may have become more attractive since the alteration of the summary judgment test made by s 31A of the *Federal Court Act* 1976 effective 1 December 2005. Section 31 A(1) provides that the applicable test is that the defendant has no reasonable prospect of success in defending the proceeding. However s 31 A(3) provides that the defence need not be hopeless, or bound to fail, for the no reasonable prospect of success test to be made out by the plaintiff. The effect of that appears to be to require the defendant to show a stronger and more plausible defence to avoid summary judgment than under the *General Steel*<sup>xxxvi</sup> test. However, the precise operation and effect of s 31 A is perhaps a matter of debate<sup>xxxvii</sup>.

#3 Take no legal proceedings at all and allow the plaintiff to seek to achieve its commercial objectives by competition with the defendant in the marketplace. This is a risky option for the

plaintiff. A prospective defendant sometimes does better in the marketplace than the prospective plaintiff expects. Reluctant clients may only seek legal advice, or decide to commence proceedings, when the defendant, surprisingly, becomes established in business and a real commercial threat. Generally speaking, plaintiffs should be vigilant to enforce their intellectual property rights. In particular, potential dilution of reputation should be a serious matter for the owner, even if the defendant operates at a different level in the market. Cheap copyists beget other cheap copyists and exclusivity of brand reputation can be quickly diminished if such persons are allowed to persist.

### **The plaintiff must win**

52. If the plaintiff applies for an interlocutory injunction, having done so, the plaintiff really must win. The plaintiff should put forward the strongest case it can. This is obvious enough, but there are particular reasons for that which ought be considered.
- (a) For the court to find that there is no serious question to be tried would be somewhat disastrous for the plaintiff. An adverse costs order would add insult to injury. The plaintiff should be able, without overstatement, to submit that its case is (at least) strongly arguable. The court should be placed in the position that it need not be unduly troubled about the application of the serious question to be tried principle in the plaintiff's favour.
  - (b) A strong case on serious question can carry the day on balance of convenience, if the balance otherwise does not clearly favour the plaintiff.
  - (c) Perhaps the greatest emphasis in the evidence should be given to balance of convenience issues. The court must be given very good reasons why it should order an injunction pending trial, notwithstanding that the evidence before it is untested and probably incomplete.



- (d) A strong case on serious question puts the plaintiff in a good position to settle the proceeding to advantage after the interlocutory injunction application is granted.
- (e) If there is a subsequent trial the better prepared the plaintiff's evidence is at the earlier stage, the less work should be required later to prepare the evidence for trial. Ideally, the plaintiff's earlier evidence should only need to be supplemented rather than prepared again from scratch.

### **The defendant's position**

53. For the defendant served with an interlocutory injunction application, relevant considerations include the following:

- (a) What are the prospects of defeating the application? For the defendant, the issues here are:
  - #1 Does the plaintiff's evidence prove its cause/s of action? There can be gaps or weaknesses in the plaintiff's proofs which enable the defendant to submit persuasively that the plaintiff has not demonstrated that there is a serious question to be tried.
  - #2 Does the plaintiff's application if unanswered by any evidence, seem likely to succeed?
  - #3 Can the defendant put on evidence and/or present legal argument which give it a real prospect of defeating the plaintiff's application?
- (b) Is the defendant prepared to adequately fund the defence of the application? Many interlocutory injunction applications which do not appear strong for the plaintiff succeed nevertheless because the defendant's materials are inadequate or poorly prepared. The defendant will usually be under extreme time pressure, which can explain weak affidavit evidence. However the court must determine the application based on the materials before it, not upon evidence which the defendant might have been able to produce had more time been given to it. The defendant can always apply for a short adjournment if more

time to present evidence is necessary. The defendant has the incentive that if the application can be successfully defended, it will generally be awarded its costs against the plaintiff.

- (c) Do tactical considerations favour the defendant contesting the application? Once served, the defendant has no option but to deal with the application. The defendant can always seek to resolve the application with the plaintiff, or indeed the whole proceeding. However immediately after service, the defendant's negotiating position will be poor. The plaintiff will have had no response to the letter of demand, or an inadequate response from its viewpoint. The plaintiff will have incurred substantial legal costs. In any negotiations at this time, the plaintiff will generally want more than it is entitled to in the sense of requiring the defendant to undertake more onerous obligations than the court would order. The plaintiff will want its costs. The defendant at this stage will generally find the plaintiff intransigent. This is not surprising given the significance for the plaintiff, from its perspective, of having decided to proceed with the application.

### **Capitulate or fight?**

54. It is commonplace for defendants to capitulate to a lesser or greater extent after service of the application, but before it is called on. This is especially so if the defendant has limited arguments on the merits, the expenditure of substantial legal costs is not an option and the conduct complained of is recent and has not earned the defendant much by way of profit.
55. However for other defendants tactical considerations may well suggest that the application be fought, even if the ultimate result is that an interlocutory injunction *is* ordered. Where the plaintiff's materials have important gaps or weaknesses and/or if the defendant has substantial arguments on the merits (contesting the validity of the plaintiff's rights, or providing a defence to the infringement allegation), the best course for the defendant will often be to fight. In such circumstances, it is generally poor tactics to concede serious question before the court. After *O'Neill*, defendants have a greater incentive to contest serious question. Even if the plaintiff, on balance, appears to have

established a serious question to be tried, it may be open to the defendant to persuasively argue that the plaintiff's case is insufficiently demonstrated to justify the order sought. This is not new. However the High Court's emphasis on flexibility of approach suggests that the defendant should work particularly hard here, if it can.

56. The court often grants the injunction in a form narrower than the plaintiff has sought and that can make a very important practical difference for the defendant. The plaintiff must provide an undertaking as to damages as a price for the grant of the injunction.
57. The entire proceeding may settle after the plaintiff obtains an interlocutory injunction, often because the defendant thereafter has little commercial incentive to continue to fight. However, the terms of any settlement are always negotiable. The stronger the defendant has unsuccessfully fought, provided it has plausible defences on the merits, the better the defendant's negotiating position at this time. The plaintiff, too, may tire of the litigation and funding it to final judgment despite having succeeded in obtaining the injunction (but without a costs order in its favour), particularly if the defendant makes it clear that it can and will defend the case. It should not be assumed that the plaintiff will inevitably succeed at trial because it has shown a serious question to be tried and the court has granted an interlocutory injunction. A striking recent example of a plaintiff succeeding in obtaining an interlocutory injunction and then eight months later losing the case at trial, is provided by the *MaXClean* case<sup>xxxviii</sup>. Tamberlin J on an interlocutory injunction application was sufficiently satisfied that "MaXClean" infringed Beecham's "Macleans" registered trade mark in relation to toothpaste and restrained its continued use by Colgate-Palmolive. However at trial, Emmett J held that there was no infringement and dismissed the proceeding.

### **Damages an inadequate remedy**

58. For a plaintiff, sometimes the most difficult part of its case is to establish that an award of damages would be an inadequate remedy if the injunction sought is not granted but the plaintiff later succeeded on liability at trial. The defendant will likely contend that any loss or damage suffered by the plaintiff

in the interim would be limited to a diversion of sales from the plaintiff to the defendant, and accordingly that the plaintiff's position can be adequately protected by the defendant undertaking to keep proper accounts in relation to its sales. Such a submission by the defendant implicitly involves an unstated assumption that all of the defendant's sales which in any way involve the use of the plaintiff's intellectual property rights are attributable to the infringement complained of. However, such an assumption is unlikely to be conceded by a defendant on a damages hearing.

59. The plaintiff should anticipate having to meet the submission that an adequate accounting by the defendant will suffice in lieu of an injunction. This may be done by the leading of evidence which shows the likelihood of loss or damage of a different kind being suffered by the plaintiff unless the defendant is restrained until trial – usually loss of reputation. It is important that the plaintiff's evidence deals directly with how the defendant's conduct will damage the plaintiff's reputation, or otherwise give rise to loss or damage which is unlikely to be able to be proven, or adequately quantified, at trial and therefore is non-compensable. For example:
- (a) The defendant's sales may not be mirrored in a corresponding drop in the plaintiff's sales. There will be a wide variety of factors which determine the level of the plaintiff's sales. Indeed the plaintiff's sales may increase before trial, and the plaintiff as a result may be forced to present the unattractive argument that apart from the defendant's sales, its sales would have been higher still.
  - (b) Prospective purchasers of the plaintiff's products or services upon wrongly associating the defendant's products or services with the plaintiff, may go elsewhere and purchase neither. This may be particularly so if the defendant's products are inferior.
  - (c) Prospective customers who purchase the defendant's products or services and are dissatisfied may not purchase from the plaintiff in the future as a result, and encourage colleagues or friends to do likewise.
  - (d) The defendant's conduct may turn customers off the plaintiff's brand generally.

60. Experienced management and/or sales personnel of the plaintiff should give evidence of this kind, where appropriate. The plaintiff's personnel will usually know precisely how the plaintiff is likely to be harmed by the defendant's conduct, and why. The plaintiff's legal advisers should press their client particularly hard concerning these matters. Evidence of this kind is typically received by the court on an interlocutory injunction application, notwithstanding that it is necessarily speculative in nature. Much better for the plaintiff to lead such evidence, rather than merely rely upon counsel's submission from the bar table that unless restrained, the defendant's conduct self-evidently will cause the plaintiff non-compensable loss and damage.
61. A powerful argument for the defendant can be that if the injunction sought is granted but the plaintiff fails at trial, the defendant may have real difficulty in quantifying its damages claim when calling on the plaintiff's undertaking as to damages. This is especially so if the defendant has only recently entered the market. If the injunction is not granted and the plaintiff has been in the market for a substantial period of time, it should be in a better position than the defendant to quantify its damages claim. In the balance, the force of such an argument by the defendant will be affected by the extent to which the defendant has spent time and money in preparing to enter the market (the greater the expenditure, the greater the prejudice), and whether the plaintiff has acted without delay in taking issue with the defendant's conduct (the more quickly the plaintiff has acted, the lesser the prejudice).

### **Delay**

62. Delay by the plaintiff in making an interlocutory injunction application can be a decisive issue in the court denying relief on the balance of convenience. However, much depends on the reason for any "delay". On the application, the plaintiff's evidence should disclose with particularity when and in what circumstances the plaintiff became aware of the defendant's allegedly wrongful conduct. The plaintiff's evidence must explain the gap in time between those circumstances and the application being issued. Relevant matters may include the time taken to make investigations, to seek legal advice and to consider the ramifications of that advice. Relevant too may be the time taken to conduct negotiations with the defendant after the letter of

demand. Obviously from the plaintiff's viewpoint, the sooner it has acted to bring the application the better. For the defendant the longer it has engaged in the conduct of which the plaintiff complains, the more onerous compliance with an interlocutory injunction is likely to be.

### **Early Trial**

63. The prospect of an early or speedy trial can be relevant in a number of ways. The defendant may argue that such a prospect is a reason for not ordering an interlocutory injunction because the plaintiff would not be prejudiced for long by the continuance of the defendant's conduct if it succeeded at trial. The plaintiff may argue the opposite and contend that the adverse effect on the defendant of an interlocutory injunction being granted would be minimised by an early trial. However the court may be less inclined to expedite the trial if an interlocutory injunction is granted, rather than refused.
64. Where the defendant has substantial arguments on the merits, balance of convenience issues are finely balanced and the case seems destined to proceed to final judgment, the court may decline to order an injunction and insist upon an early trial<sup>xxxix</sup>, where that is practicable. On the other hand, if the plaintiff's case is strong on both issues the court may grant the injunction even if an early trial is possible<sup>xl</sup>.

### **The defendant's intention**

65. Where the plaintiff's claim is for trade mark infringement, passing off or passing off-type misleading or deceptive conduct, it is necessary for the plaintiff to demonstrate deception or confusion in the minds of relevant customers in the marketplace. Particularly at the interlocutory injunction stage, the plaintiff may have no actual evidence of confusion by, or from, customers. Although such evidence is not essential because the impact of the defendant's conduct is a matter for the court to decide, the next best evidence may be for the plaintiff to show, if it can, that the defendant's conduct involved a deliberate and intentional taking or use of the plaintiff's name or get up. The relevance of such evidence is not to directly establish the plaintiff's cause/s of action as the defendant's conduct need not be intentional, but to demonstrate relevant deception or confusion. This is explained in the judgment of Dixon

and McTiernan JJ in a well-known passage in *Australian Woollen Mills Ltd v FS Walton & Co Ltd*<sup>xli</sup>:

"The rule that if a mark or get-up for goods is adopted for the purpose of appropriating part of the trade or reputation of a rival, it should be presumed to be fitted for the purpose and therefore likely to deceive or confuse, no doubt, is as just in principle as it is wholesome in tendency. In a question how possible or prospective buyers will be impressed by a given picture, word or appearance, the instinct and judgment of traders is not to be lightly rejected, and when a dishonest trader fashions an implement or weapon for the purpose of misleading potential customers he at least provides a reliable and expert opinion on the question whether what he has done is in fact likely to deceive."

66. Implausible denials by the defendant of deliberate copying or appropriation can be very useful evidence for the plaintiff. From the defendant's viewpoint, it is much better if it admits that there was reference to the plaintiff's mark or get up, but says that new or added material was intended to (and does) make all the difference. Imitation of one product by another does not necessarily bespeak an intention to deceive<sup>xlii</sup>.

## Patents

67. In *Beecham*, the Full Court referred to special considerations generally arising in patent cases where there is a substantial issue raised by the defendant as to the validity of the patent. There the plaintiff's prima facie case as to validity was said to be required to be so strong that the general practice had been to refuse an interlocutory injunction unless either the patent has already been judicially held to be valid, or it had stood unchallenged for a long period<sup>xliii</sup>. In *Beecham* the defendant put validity in issue, but its argument was considered to be unimpressive<sup>xliv</sup>.
68. There now is no general disinclination by the courts to grant interlocutory injunctions in patent infringement cases where validity is put in issue<sup>xlv</sup>. The *O'Neill* principles apply without any qualification of the kind referred to in *Beecham*. The defendant alleging invalidity bears the onus of establishing that there is a serious question to be tried on that issue. However, the plaintiff/patentee bears the onus overall to establish that there is a serious question to be tried that the patent is valid and infringed.

69. In granting the interlocutory injunction in *Beecham*, the Full Court took into account that the defendant entered the Australian market in the face of the plaintiff's patent, and "with its eyes open" <sup>xlvi</sup>. The rationale is that if the defendant knows that it will face an interlocutory injunction application, it is difficult for the defendant to contend that losses caused to it as a consequence of the injunction being granted should mean that the injunction ought not be granted <sup>xlvii</sup>.

70. The Court in *Beecham* concluded that <sup>xlviii</sup>:

" ... the interests of justice will be best served by adhering to the general pattern of granting the patentee an injunction to keep the invader of its existing market at bay until a decision has been reached as to whether the invasion is lawful or not."

These statements have been applied in like interlocutory injunction cases where the plaintiff/patentee has succeeded <sup>xlix</sup>.

71. Some care must be taken as to the significance of the defendant's conduct being "intentional" in patent (and design) infringement cases, which will almost inevitably be the case. In an unsuccessful application for an interlocutory injunction in a design infringement case, *Permanent Promotions Pty Ltd v Independent Distillers (Aust) Pty Ltd*, Heerey J stated as follows <sup>l</sup>:

"It was submitted that the respondent has deliberately and with "eyes wide open" chosen to enter the Australian market and run the risk of an infringement action, and that this should weigh heavily against it. I do not accept this. Where a firm has a genuine belief on reasonable grounds that a rival's intellectual property is invalid or that a rival's product may be contested with a non-infringing product, there is no reason why that firm should not enter the rival's market. Especially is that so when, as in the present case, the firm takes prompt legal action to challenge the validity of the rival's intellectual property. Of course, the firm may be met with a successful injunction application and/or may fail at trial, but the bare fact of knowledge of the rival's product is not to the point."

### **Confidential information**

72. In confidential information cases, it is fundamental that the information the subject of claim is adequately particularised <sup>li</sup>. On an interlocutory injunction application, this has importance for two reasons. First, to demonstrate that the



plaintiff has a viable cause of action. Second, so that the form of order sought can be fashioned with sufficient specificity that it is enforceable. The form or media of the confidential information sought to be protected should be indicated, for example in documents or computer disks. These can be difficult matters for the plaintiff to adequately address if it is not fully aware what information the defendant has taken.

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<sup>i</sup> *Meagher, Heydon & Leeming*, 4th ed 2002 at paragraphs [21-340]-[21-490]; see also *Mobileworld Operating Pty Ltd v Telstra Corp Ltd* [2005] FCA 1365 at paragraphs [18]-[26]. Anton Pillar orders and Mareva injunctions are not discussed in this paper.

<sup>ii</sup> (2006) 229 ALR 457; [2006] HCA 46 (28 September 2006).

<sup>iii</sup> (2006) V ConvR 54-722; [2006] VSCA 89 (21 April 2006).

<sup>iv</sup> The *O'Neill* principles have already been applied in a number of intellectual property cases eg *Midamarine Pty Ltd v International Sports Clothing Pty Ltd* [2006] FCA 1591 (Spender J; a design infringement case) see also [2006] FCA 1458 (Greenwood J); *Australian Administration Services Pty Ltd v Korchinski* [2007] FCA 12 (Stone J; confidential information).

<sup>v</sup> Crawford J.

<sup>vi</sup> Gleeson CJ & Crennan J; Gummow and Hayne JJ; Kirby and Heydon JJ dissenting. Kirby and Heydon JJ make no reference to the principles referred to by the majority and which are discussed in this paper.

<sup>vii</sup> [2006] HCA 46 at paragraph [19].

<sup>viii</sup> *Jakudo Pty Ltd v South Australian Telecasters Ltd (No 2)* (1997) 69 SASR 440 at 442-443.

<sup>ix</sup> [2006] HCA 46 at paragraph [19].

<sup>x</sup> (1986) 161 CLR 148 at 153.

<sup>xi</sup> (1967-1968) 118 CLR 618.

<sup>xii</sup> [2006] HCA 46 at paragraph [19].

<sup>xiii</sup> [2006] HCA 46 at paragraphs [65]-[72].

<sup>xiv</sup> (1968) 118 CLR 618 at 622-623.

<sup>xv</sup> [1975] AC 396 at 406.

<sup>xvi</sup> [2006] HCA 46 at paragraph [70].

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- xvii (1968) 118 CLR 618 at 620.
- xviii (1968) 118 CLR 618 at 622.
- xix [1975] AC 396 at 407.
- xx [1975] AC 396 at 408.
- xxi [2006] VSCA 89 at paragraph [17].
- xxii [2006] VSCA 89 at paragraph [21].
- xxiii [2006] VSCA 89 at paragraphs [22]-[24].
- xxiv [2006] VSCA 89 at paragraphs [25], [29], [30].
- xxv [2006] VSCA 89 at paragraphs [33], [35].
- xxvi (1988) 82 ALR 499 at 502-504.
- xxvii [2006] VSCA 89 at paragraph [35].
- xxviii [2006] VSCA 89 at paragraphs [4], [42]-[44], [80]-[84].
- xxix [2006] VSCA 89 at paragraph [41].
- xxx [2006] VSC 213 at paragraph [29].
- xxxi *Australian Broadcasting Commission v Lenah Game Meats Pty Ltd* (2001) 208 CLR 199 at 216; [2001] HCA 63 at paragraph [10] per Gleeson CJ.
- xxxii See *CSL Ltd v GlaxoSmithKline Australia Pty Ltd* (2006) 70 IPR 128 at 143-144; [2006] FCA 1301 at paragraphs [92]-[95] (Weinberg J).
- xxxiii [2005] FCA 1114 (Heerey J); see too *Intellectual Property Pty Ltd v Mygroups Pty Ltd* (2006) AIPC 92-184; [2006] FCA 15 (Goldberg J), where although the form of order was prohibitory, compliance with the order required the respondent to re-paint its premises in a colour, or colours, other than the offending colours.
- xxxiv *City West Water Pty Ltd v Simon Engineering (Aust) Pty Ltd* [2005] VSC 248 (Cummins J).
- xxxv see for example *General Motors Corporation & Holden Ld v Ur-Rehman* [2005] VSC 253; *Diesel SpA v Ur-Rehman* [2005] VSC 254 (Harper J).
- xxxvi *General Steel Industries Inc v Commissioner for Railways (NSW)* (1964) 112 CLR 125 at 129-130.
- xxxvii *Boston Commercial Services Pty Ltd v GE Capital Finance Australasia* (2006) 70 IPR 146 at 152-158; [2006] FCA 1352 at paragraphs [26] – [48] (Rares J).

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<sup>xxxviii</sup> *Beecham Group Plc v Colgate-Palmolive Pty Ltd* (2004) 64 IPR 45, [2004] FCA 1335 (Tamberlin J); (2005) 66 IPR 254, [2005] FCA 838 (Emmett J).

<sup>xxxix</sup> *Hexal Australia Pty Ltd v Roche Therapeutics Inc* (2005) 66 IPR 325 at 340, [2005] FCA 1218 at paragraphs [77] – [78] (Stone J); *CSL Ltd v GlaxoSmithKline Australia Pty Ltd* (2006) 70 IPR 128 at 144-145, [2006] FCA 1301 at paragraphs [96] – [106] (Weinberg J); *Lone Star Steakhouse & Saloon Inc v Zurcas* (2000) 48 IPR 325, [2000] FCA 29 (Lindgren J).

<sup>xl</sup> *Protiviti Inc v Probiti Pty Ltd* [2005] FCA 1114 at paragraph [34] (Heerey J).

<sup>xli</sup> (1937) 58 CLR 641 at 657.

<sup>xlii</sup> *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 202 CLR 45, [2000] HCA 12 at paragraph [33]; *Conagra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302 at 345; both cited with approval in *Knight v Beyond Properties Pty Ltd* [2007] FCA 70 at paragraphs [190] – [197] (Buchanan J).

<sup>xliii</sup> (1968) 118 CLR 618 at 623-624.

<sup>xliv</sup> (1968) 118 CLR 618 at 625.

<sup>xlv</sup> *Martin Engineering Co v Trison Holdings Pty Ltd* (1988) 11 IPR 611 (Gummow J); *Tidy Tea Ltd v Unilever Australia Ltd* (1995) 32 IPR 405 (Burchett J); *AB Hässle v Pharmacia (Australia) Pty Ltd* (1995) 33 IPR 63 (Ashley J); *AB Hässle v Biochemie Australia Pty Ltd* (2003) 57 IPR 1, [2003] FCA 496 (Sackville J); *Hexal Australia Pty Ltd v Roche Therapeutics Inc* (2005) 66 IPR 325, [2005] FCA 1218 (Stone J); *Pharmacia Italia SpA v Interpharma Pty Ltd* (2005) 67 IPR 397, [2005] FCA 1675 (Sundberg J); *Air-Cell Innovations Pty Ltd v Tanwing International Pty Ltd* (2006) 69 IPR 516, [2006] FCA 1117 (Collier J); *Merck & Co Inc v Genrx Pty Ltd* (2006) 70 IPR 286, [2006] FCA 1407 (Moore J).

<sup>xlvi</sup> (1968) 118 CLR 618 at 626.

<sup>xlvii</sup> *George Laurens (WA) Pty Ltd v Laurens & Co Australia Pty Ltd* (1994) ATPR 41-329 at 42-361-362.

<sup>xlviii</sup> (1968) 118 CLR 618 at 627.

<sup>xlix</sup> see for example *Pharmacia Italia SpA v Interpharma Pty Ltd* (2000) 67 IPR 397 at 408; [2005] FCA 1675 at paragraph [52] (Sundberg J).

<sup>l</sup> (2004) 62 IPR 538 at 542; [2004] FCA 794 at paragraph [28].

<sup>li</sup> *Meridian Vat Reclaim Aust Pty Ltd v Agius* [2006] VSC 503 (Harper J).