

INTELLECTUAL PROPERTY

INFRINGEMENT OF COPYRIGHT – THE VEXED QUESTION – WHEN TO SEEK AN INJUNCTION WHEN YOUR CLIENT LACKS A DEEP POCKET

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INTRODUCTION

As with most of the papers I write for legal seminars designed primarily for solicitor legal practitioners this paper is not being written as a legal treatise but as a practical working tool for use by solicitors in the relevant field of law being covered.

There is no special law of injunctions applicable to copyright cases. Such applications, usually brought in the Supreme Court because of its inherent jurisdiction as well as statutory jurisdiction, are amenable to the same practical issues and general principles as apply to any other application for an interim or interlocutory injunction. As there is a plethora of excellent papers in existence, obtainable from different legal seminar companies² and accessible at the Law Society library and the Bar Library it is not my intent or purpose to cover the same ground except to the extent necessary to achieve my objectives in preparing this paper.

The aim of this paper is to focus on the process involved in taking instructions regarding an alleged infringement or imminent infringement of your client's claimed copyright, which will require you, as part of that process, to consider whether or not to seek some form of injunctive relief. I suggest that it is axiomatic that if you have a clearly defined process to take the essential instructions you will need and to competently evaluate them your chances of falling into error or confusion will be diminished.

In some instances, the window of opportunity for seeking an injunction may be quite small. If the window is missed the infringement or continuation of an infringement may result in financial harm to your client and/or to your client's business interests. This will complicate matters, as your client will then need to consider whether or not to pursue an action for damages against the offender irrespective of whether or not injunctive relief is granted.

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² State Legal Conference, College of Law, LLAMS and Legalwise.

On the other hand, proper instruction taking may reveal the prospects of obtaining an interlocutory injunction are not good and too remote to justify the possible expenditure in fees and disbursements to get one.³ Your client may thank you for showing him that he would be wasting his time and would be better advised to hold on to his money and consider better alternatives to address the infringement and obtain appropriate legal redress.

Your client would also not thank you if you were to obtain an interlocutory injunction that subsequently is unable to be converted into a permanent/final injunction because your client fails either to prove his copyright, an unlawful infringement of it or the probability of damage being sustained due to the infringement. To obtain the interlocutory injunction he will be required by the judge to give an undertaking as to damages. If he later fails to sustain the granting of that injunction and the undertaking is relied upon by the defendant, or even by third parties who suffered damage due to the injunction, your client could suffer enormous financial detriment.

The key point being illustrated here is that GETTING IT RIGHT with respect to going after an interlocutory injunction or not may have enormous consequences for your client and for your own future relationship with your client.

The topic of this paper is directed to the special problems encountered by lawyers when it is clear that their client does not have deep pockets. This makes it even more essential that you give them the right advice. They may not be able to financially weather the storm if you get it wrong. The financial stakes will be extremely high for them.

In most litigation the plaintiff has to confront the implications of the 'loser pays' rule that applies in most of our courts. But a client who is considering how to protect his copyright from infringement and who is contemplating seeking injunctive relief to stop the alleged infringing activity has to confront two additional threats –

- i. The possible implications of s.202 of the *Copyright Act 1968*;
- ii. The implications of giving an undertaking as to damages.

The aggrieved client, seeking your urgent advice, faces the triple bar of s.202, providing an undertaking as to damages and an adverse costs order if he or she fails to win at the final hearing.

S. 202 of the *Copyright Act* has the heading of "Groundless threats of legal proceedings." It permits a defendant who feels aggrieved by your client's allegation of infringement and threat of legal action to take pre-emptive action if it believes that the claims are either frivolous or

³ The total costs can often exceed \$10,000 and may go as high as \$20,000 or more in some instances.

unjustifiable. The section permits such a person or entity to initiate its own action against your client seeking both declaratory and injunctive relief. It can also sue your client for damages if such can be proved to have resulted from any action taken by your client “by circulars, advertisements *or otherwise*” threatening legal proceedings for infringement which a court later finds to have been groundless.

S.202 can become a weapon in the hand of a belligerent person or company who takes umbrage at any suggestion that it is infringing someone’s copyright, and an unscrupulous and unethical person or company may use it or threaten to use it simply to silence a complainant it knows to be financially weak and vulnerable.

This highlights even further the need to take careful and thorough instructions from your client before even a letter is dispatched threatening legal action against an alleged infringer.

CREATING A CHECKLIST FOR INSTRUCTIONS

Checklists are invaluable as they reduce the risk of error. What should a checklist include? I would suggest the following items –

1. Identify the copyright alleged to be infringed or about to be infringed.
2. Can the claimed copyright be sufficiently proved?
3. Who is entitled to sue for any infringement of that copyright and is your client one of them?
4. Identify the correct tortfeasor (person or entity) to be sued or restrained with respect to any alleged infringement.⁴
5. Identify and obtain copies of all historical correspondence or communications between your client and the alleged infringer.
6. Are your client’s own hands totally clean?
7. What evidence is there to prove infringement or imminent infringement?
8. What is your client’s current exposure to damage or prejudice by the alleged infringement or imminent infringement?
9. When did your client first become aware of the infringement or threatened infringement and what steps or action the client has taken since that time? Has there been any undue or unexplained delay in seeking an injunction?
10. What are the likely economic or financial impacts on the prospective defendant (alleged infringer) if an interlocutory injunction were to be granted? Would the hardships that an injunction would inflict on the defendant outstrip or outweigh the likely benefit to your client if the injunction were granted?
11. The financial strength of the prospective defendant.
12. What is the client’s current financial strength? Will the client be able to provide the required undertaking as to damages to obtain an interlocutory injunction?

13. Is it premature to seek an interlocutory injunction?
14. Would a suit for damages provide an adequate remedy to your client?
15. Are there viable better alternatives open to the client than seeking an interlocutory injunction?
16. If not, what kind of injunctive relief is needed? Prohibitive or Mandatory or both?
17. Get your client's instructions in writing.
18. Prepare a written undertaking as to damages and have the client read it and sign it.
19. Obtain money for filing fees if an urgent application has to be made.

REVIEWING THE MERITS OF AN INTERLOCUTORY INJUNCTION APPLICATION

Your checklist for instruction - taking will enable you to quickly determine whether an application for injunctive relief has reasonable prospects of success or not. Your checklist is in effect your 'safety check' to ensure that you do not waste your time and your client's money on fruitless applications.

There is no safe substitute for having an effective checklist. The process of going through the checklist with your client will ensure that you start to flush out the strengths and weaknesses of a possible interlocutory injunction application. This will enable you to give appropriate and balanced advice to your client.

So lets briefly address each item in the checklist –

1. Identify the relevant copyright

There is no point in doing anything further until you are absolutely sure that your client is the owner of a copyright and the exclusive rights attaching to it. You need to be satisfied that the work or other subject matter is amenable to a copyright claim and that your client has not divested himself or itself of legal rights with respect to protection of that copyright – for example by sale or licence. All the requirements of the Copyright Act to bring a copyright into existence must be satisfied. If your client is claiming infringement of rights vested in him or it by a sale or licence or assignment then you will need to satisfy yourself that the basis of the claimed legal ownership is valid and sustainable.

2. Evidence capable of proving ownership of the copyright

⁴ There may be more than one person or entity that can be sued.

You will need to run through a separate mini-checklist on this. It is vital that you know that your client has the necessary evidence to prove ownership of or contractual rights to the claimed copyright such as to permit him or it to sue for interlocutory relief

3. Who is entitled to sue for infringement and is your client one of them?

Keep in mind that the categories of persons who can sue include not just the legal owner of a the copyright but also –

- an owner by assignment;
- a partial assignee⁵;
- an exclusive licensee⁶;
- an equitable owner⁷.

4. Who should be sued or made a defendant to any application?

This might include persons in any of the following categories –

- a person who is identified as committing the act of infringement and any joint-tortfeasors you are able to identify;
- a person or entity who can be proved to have authorized the infringement;
- a person who procures the commission of an infringing act;
- if the primary infringer is a corporation – a director or officer of that company may be personally liable according to the principles of company law which impose personal liability on directors for the torts of a corporation⁸, although the law is not entirely clear on when this will be permitted.

5. Obtain historical correspondence between client and alleged infringer

This will include instructions covering any relevant phone calls or personal correspondence. It will also include any historical communications involving prior lawyers acting on behalf of your client. It is vital that you have this so that you can bring yourself thoroughly up to date before you “carry the ball” any further. Sometimes clients, particularly when they are feeling emotional and agitated, will overlook telling you about relevant events or actions that have already taken place before they came to see you.

⁵ Such an assignee will only have rights in respect of the specific rights assigned. You will need to identify what these are and be able to produce the evidence to substantiate such partial assignment.

⁶ An exclusive licensee has concurrent rights and remedies with the owner in an action for infringement under s.115 of the Act.

⁷ However an equitable owner will not be able to obtain any final relief without joining the legal owner unless he is able to obtain an assignment.

⁸ For more detail regarding in what circumstances a director can be sued – see generally Butterworths Intellectual Property Service at p.36,542 –36,543.

6. Are your client's hands completely clean?

This is vitally important to find out before you seek interim or interlocutory injunctive relief. Attending carefully to point 5 will help you satisfy yourself that your client has acted appropriately under the law before coming to see you. In the spirit of commercial competitiveness and zeal in a particular market some clients may have overstepped the mark in the manner in which they have dealt with the competitor who they are now claiming has infringed or is about to infringe their copyright.

7. What evidence can be marshaled to prove the alleged infringement or imminent infringement?

Obtaining such evidence will be vitally important to your client's prospects of obtaining an interim/temporary and/or interlocutory injunction. At the earliest possible time it will need to be set forth in a supporting affidavit to support the grant of injunctive relief. It must appear to be reliable and credible.

8. What is your client's current exposure to financial prejudice or other damage if injunctive relief is not granted?

To have any chance of obtaining a temporary or interlocutory injunction the evidence must be capable of proving the likelihood of serious damage being suffered by your client. If the threatened harm appears small or inconsequential then the court will not interfere and will leave it to your client to decide whether or not to pursue a claim for final relief (injunction and/or damages) pursuant to a standard court timetable. This is all the more so if the defendant will be able to show that it will suffer serious financial prejudice were interlocutory injunctive relief to be granted.

9. Is the Application timely?

You must satisfy yourself that there will no defence of laches available to the proposed defendant. It is usually a pre-requisite for interlocutory relief that your client's application be a timely one once the act of infringement or threatened infringement becomes known. If there has been delay it must be satisfactorily explained.

10. What financial impact will any interlocutory injunction be likely to have on the defendant?

This is important to consider from the outset. Assuming your client can prove the copyright and a prima facie infringement causing or threatening serious damage to your client the court will turn its attention to the balance of convenience arguments. If the potential damage to the defendant is considerable and possibly irreparable then you will need to consider how a court might address the balance of convenience test, which it will be required to apply. How does your client's potential damage and losses (if no injunctive relief is granted) stack up against the defendant's likely damage if an interlocutory injunction is given? If the potential damage

to the defendant clearly outweighs that threatened or being caused to your client then the balance of convenience test may require the court to be convinced that your client's undertaking as to damages is strongly backed up by credible evidence that your client can discharge that undertaking if it fails to substantiate its claims at a final hearing and if it is not so convinced it may require your client to put up some form of guarantee for performance of the undertaking. You will need to address these issues in conference with your client and be satisfied that your client will be able to give the required undertaking and back it up if so required.

11. Assessing the financial strength of the prospective defendant

It is important to gauge the financial strength of any prospective defendant and also to ascertain if you can its general disposition to claims of copyright infringement. This is particularly relevant if there is any known weakness in your client's claim – either as to entitlement to sue or as to the act of infringement. A strong defendant who may be quick to perceive weak links in your client's claim may be more likely to take an aggressive stance and possibly even be prepared to go on the offensive using s.202 of the *Copyright Act* as a weapon against your client. You should be alert to this possibility and take it into account when planning the correct strategy for your client.

12. Assessing your client's own financial capacity.

This has been canvassed above. It is relevant to planning the right strategy and also in considering the need to provide an undertaking as to damages.

13. Is it too early to seek injunctive relief?

This needs to be considered immediately you take instructions. It may still be possible to negotiate a good outcome for your client by direct discussions with the defendant's own lawyers. Offensive tactics that seek to restrain or compel a prospective defendant via an injunction should be the preferred tactic only if negotiation attempts have been exhausted or if time is of the essence to avoid significant or irreparable harm. Early heavy-handedness with a defendant may not reap the best possible outcome for your client. The prospective defendant may not be a knowing infringer and it may have a totally different perspective to that of your client. Finding out what this perspective is may be of great importance before taking the offensive.

14. Would a suit for damages coupled with a permanent injunction meet the needs of your client?

The need for urgent injunctive relief needs to be carefully analysed. Even if an alleged infringer is declining to give your client the undertakings or responses sought to avoid court action a proper analysis may reveal that there are no immediate serious implications for your

client. The damage or harm feared may turn out to be more imaginary or speculative than real and present. Sometimes clients have a misconception about the commercial benefits of their own copyright. Sometimes the threat to sue for damages sustained by a continuation of the infringing conduct and for an account of profits will suffice to deter a continuation of infringing conduct. The pros and cons of suing for urgent injunctive relief versus other strategies should be carefully weighed up before a final strategy is settled upon.

15. Are there better alternatives to an interlocutory injunction?

This is covered under point 14. If your client's claim of copyright and infringement of it are unassailable and the client stands to sustain serious damage if an urgent injunction is not sought then there is really no room to consider alternatives. The need for immediate injunctive relief is clear and warranted. Providing your client can give the required undertaking as to damages an interlocutory injunction should be pursued.

On the other hand, if the prospects of getting urgent or interlocutory relief is problematic or if serious damage is not imminent or seriously likely then alternative strategies should be considered. Skilful negotiation might be enough to bring the matter under control. There may be time to take the matter to mediation. A threat to sue for damages may see the infringing conduct end.

16. If injunctive relief is necessary – what range of relief should be sought?

Injunctions can be prohibitive or mandatory or both. You need to assess your client's specific situation and consider what injunctive relief to apply for. It may be that a mandatory injunction requiring a defendant to remove certain merchandise from its shelves, or to remove it from a particular internet website or bulletin board forthwith may be the priority rather than a prohibitive interlocutory injunction to stop that defendant from further infringing the copyright. In some cases an Anton Pillar order may be required to quarantine some particular evidence of infringement before it can be dismantled, destroyed or secreted.

17. Get your instructions in writing.

After ensuring that you obtain comprehensive instructions from your client, review all the relevant evidence and give balanced advice it is important that you adequately protect your own position by obtaining your client's instructions with respect to pursuing an interlocutory injunction in writing. The document signed by your client should fully outline your client's instructions and any advice you have given to your client based on the instructions and the available evidence.

18. Preparing the Undertaking as to damages

This should be done before you approach the court for any injunction. Whilst the undertaking can be given verbally in court by counsel it is probably wiser to draw up a written undertaking and have your client read it and sign it personally before you go to court. This avoids any possibility of misunderstanding or having a disappointed client later deny that he understood the nature and effect of giving the undertaking via his counsel in court. Play it safe and sleep soundly.

19. Obtain the filing fee before heading to court

This is easily overlooked and you do not want to be caught out empty handed or having to put it on your own credit card. Be prepared.

CONCLUSION

Know the territory well and your chances of error will be greatly reduced. The use of a checklist will assist you to evaluate whether interlocutory relief is the preferred remedy and if it is whether your client's prospects of success in obtaining injunctive relief are excellent, average or poor.