

*Interstate Parcel Express Co Pty Ltd v Time-Life International (Nederlands)
BV [1977] HCA 52*

HIGH COURT OF AUSTRALIA

BARWICK CJ, GIBBS, STEPHEN, JACOBS & MURPHY JJ

BARWICK CJ:

In this appeal I have had the advantage of reading the reasons for judgment prepared by my brother Stephen. I agree entirely with his conclusion and the reasons he expresses for it and do not desire to add anything on my own behalf.

I agree the appeal should be dismissed.

GIBBS J:

This is an appeal from a judgment of the Supreme Court of New South Wales (Bowen C.J. in Eq.) making certain declarations and orders in favour of the first respondent, Time-Life International (Nederlands) B.V. ("Time-Life"), against the appellant, Interstate Parcel Express Co. Pty. Ltd. (carrying on business as Angus & Robertson Bookshops) in proceedings for infringement of copyright¹. Time-Life is a company incorporated in the Netherlands and the second respondent, Time Incorporated, is incorporated in the State of New York. The appellant carries on business as a bookseller in Sydney. The proceedings were instituted by Time Incorporated and Time-Life as plaintiffs, but Time Incorporated decided not to proceed with the suit because it feared that to do so might possibly be construed as an infringement of the anti-trust legislation of the United States of America. The proceedings have since been continued by Time-Life as sole plaintiff, and Time Incorporated has been added as a defendant.

Time Incorporated owns the copyright in a number of literary works which deal with the art of cooking and which comprise a series entitled "Foods of the World". It caused these works to be printed and published in the United States of America, and to be distributed to the book trade there by Little, Brown & Company, of Boston. The evidence does not reveal the nature

¹ (1976) 12 A.L.R. 1.

of the arrangements between Time Incorporated and Little, Brown & Company, but it is immaterial whether Little, Brown & Company bought the books from Time Incorporated, or acted as the agent of that corporation to sell the books. It may be surmised, from the terms of the agreement to which I shall shortly refer, that it was not intended that the copies printed and published in the United States should be distributed and sold in the British Commonwealth (except in Canada), but there is no evidence that any condition to that effect was imposed when the books were first distributed. Indeed it appears that it would have been contrary to the *Sherman Act of the United States* for Time Incorporated or Little, Brown & Company to have endeavoured to reserve control over the destiny of the books after they had parted with dominion over them, and in particular to have sold the books subject to territorial restrictions upon resale: *United States v. Arnold, Schwinn and Co.*². However there is no evidence that either Time Incorporated or Little, Brown & Company imposed any restriction on the resale of the books, either within the United States or elsewhere.

By an agreement in writing dated 9th February 1961 Time Incorporated granted to Time-Life an exclusive licence in respect of (a) certain published books in which it held the copyright, (b) certain uncompleted books in which, when completed, it would hold the copyright, and (c) any other books which Time Incorporated might elect to have included in the licence by giving written notice to Time-Life of its election. The agreement was amended in 1973, but the amendments are not material. It is not disputed that at all material times the agreement was in force and extended to all the works in question in the present case. Clause 3 of this agreement provided, inter alia, as follows:

3. (a) Subject to and upon the terms and conditions herein set forth, Licensor hereby grants and assigns to Licensee the exclusive right and License, throughout the world, excluding the United States, its territories and possessions, and Canada, for the full term of all copyrights in the respective Works and any and all extensions and renewals thereof,

(1) to publish, republish, or cause to be published or republished, each of the Works in volume form, in the English language and in translations, including, without limitation, editions, adaptations, book club editions, digests, abridgements and condensations thereof;

(2) to publish, republish, or cause to be published or republished, each of the Works in the English language and in translations, in newspapers, magazines

² (1967) 388 U.S. 365, at p. 379 [18 Law. Ed. 2d 1249, at p. 1260].

and periodicals, in instalments or otherwise; and

(3) to sublicense others, subject to the provisions hereof, to exercise any of the rights herein granted; subject, however, to certain rights of others under previously existing arrangements, as set forth in Schedules A and B attached hereto or as may be set forth in any notices given pursuant to sub-paragraphs 2 (c) and 2 (d) hereof.

By cl. 4 (a) of the agreement it was provided that notwithstanding the foregoing Time Incorporated and its licensees "may distribute and sell, throughout the world, but not in the British Commonwealth (as presently constituted) except Canada, copies of any edition in the English language of any of the Works published by "Time Incorporated" or its licensees in the United States of America". It appears, although it is not very material, that pursuant to this exclusive licence Time-Life caused the works in question to be printed elsewhere than in the United States, and to be distributed in *Australia* through Hodder and Stoughton (Australia) Pty. Ltd.

On 2nd February 1976 the appellant placed an order for 8,400 copies of the books with Raymar Incorporated, a wholesaler of books carrying on business in California. A further order for 8,400 copies of the books was placed by the appellant with Raymar Incorporated on 31st July 1976. When the appellant placed the latter order it had full knowledge that the respondents contended that the importation of the books for the purpose of resale would be an infringement of copyright. Both orders were met by Raymar Incorporated out of stocks which it had bought from Little, Brown & Company, and the books were delivered to the appellant in Sydney. The sales by Little, Brown & Company to Raymar Incorporated, and by Raymar Incorporated to the appellant, were made in the ordinary course of trade. The books were bought by the appellant for the purpose of resale in *Australia* and some of them were in fact sold.

The case for Time-Life is that in these circumstances there has been an infringement of the copyright owned by Time Incorporated for which Time-Life, as exclusive licensee, is entitled to sue. The acts of infringement relied on are those created by ss. 37 and 38 of the *Copyright Act 1968 Cth*, as amended, ("the Act") which provide as follows:

26. The copyright in a literary, dramatic, musical or artistic work is infringed by a person who, without the licence of the owner of the copyright, imports an article into Australia for the purpose of—

(a) selling, letting for hire, or by way of trade offering or exposing for sale or hire, the article;

(b) distributing the article—

(i) for the purpose of trade; or

(ii) for any other purpose to an extent that will affect prejudicially the owner of the copyright; or

(c) by way of trade exhibiting the article in public,

where, to his knowledge, the making of the article would, if the article had been made in *Australia* by the importer, have constituted an infringement of the copyright.

27. (1) The copyright in a literary, dramatic, musical or artistic work is infringed by a person who, in *Australia*, and without the licence of the owner of the copyright—

(a) sells, lets for hire, or by way of trade offers or exposes for sale or hire, an article; or

(b) by way of trade exhibits an article in public,

where, to his knowledge, the making of the article constituted an infringement of the copyright or, in the case of an imported article, would, if the article had been made in *Australia* by the importer, have constituted such an infringement.

(2) For the purposes of the last preceding sub-section, the distribution of any articles—

(a) for the purpose of trade; or

(b) for any other purpose to an extent that affects prejudicially the owner of the copyright concerned,

shall be taken to be the sale of those articles.

It was very properly conceded by Mr. Handley on behalf of the appellant that the only issue that arises under these sections in the present case is whether the appellant, when it imported the books into Australia for the purpose of selling them, or sold them in *Australia*, as the case may be, did so "without the licence of the owner of the copyright". The word "licence" in ss. 37 and 38, as in the more general provisions relating to infringement that are contained in s. 35 of the Act, appears to mean no more than "consent", and a licence for the purpose of those sections need not result from a formal grant, but may be given orally or be implied by conduct: see Copinger and Skone James on Copyright, 11th ed. (1971), par. 404. There is no suggestion that the appellant had been formally granted a licence by either of the respondents, or had received from either of them any express consent, oral or written, to import the books into Australia or to sell them in *Australia*. The appellant's submission was that Time Incorporated had impliedly consented to the appellant doing those things. It was further submitted that the fact that this consent had been given would have constituted a defence to the action if it had been brought by Time Incorporated, and was therefore available to the appellant in the action brought by Time-Life, by virtue of s. 121 of the Act.

The implied consent or licence was said to have been given by Time Incorporated when that corporation, by itself or by Little, Brown & Company if that company was its agent, first sold the books in the ordinary course of trade, without imposing any restriction upon their resale anywhere in the world. It was said that this sale impliedly gave to the buyer of the books, and to any person claiming title through him, the consent of Time Incorporated to use the books however and wherever he pleased, and therefore to import them into Australia and sell them there.

In support of the argument advanced on behalf of the appellant in favour of the view that the sale of books by or on behalf of the owner of the copyright imports a licence to sell them anywhere in the world, particular reliance was placed upon a line of cases decided in relation to patents. The effect of those cases is stated in Blanco White: Patents for Inventions, 4th ed. (1974), par. 3-219, as follows:

A sale of a patented article made by a patentee gives to the purchaser, in the absence of notice to the contrary, licence under the patent to exercise in relation to that article all the normal rights of an owner, including the right to re-sell.

Again at par. 10-104, the same learned author says:

In the absence of any express term to the contrary, when a patented article is sold by or with the consent of a patentee (or the proprietor of a registered design) the purchaser will take it together with a full licence to deal with it as if it were not patented. Further, any person into whose hands it may later come is entitled to assume that such a full licence has been given with it; it makes no difference that he may later discover that this was not so, if he was ignorant of it at the time of purchase.

It was submitted on behalf of the appellant that a similar principle is applicable to the case of copyright.

This principle of patent law finds its origin in *Betts v. Willmott*³ where it was held that if the owner of a patent manufactures and sells the patented article in France, the sale imports a licence to use the article in England. Lord Hatherley L.C. said⁴:

³ (1871) L.R. 6 Ch. App. 239.

⁴ (1871) L.R. 6 Ch. App., at p. 245.

When a man has purchased an article he expects to have the control of it, and there must be some clear and explicit agreement to the contrary to justify the vendor in saying that he has not given the purchaser his license to sell the article, or to use it wherever he pleases as against himself. He cannot use it against a previous assignee of the patent, but he can use it against the person who himself is proprietor of the patent, and has the power of conferring a complete right on him by the sale of the article.

The principle enunciated by Lord Hatherley L.C. is well established in patent law. However it is not always stated by saying that the sale of the patented article confers a licence to use it. In *Société Anonyme des Manufactures de Glaces v. Tilghman's Patent Sand Blast Co.*⁵ Cotton L.J. said:

When an article is sold without any restriction on the buyer, whether it is manufactured under one or the other patent, that, in my opinion, as against the vendor gives the purchaser an absolute right to deal with that which he so buys in any way he thinks fit, and of course that includes selling in any country where there is a patent in the possession of and owned by the vendor.

In *National Phonograph Co. of Australia Ltd. v. Menck*⁶, Lord Shaw of Dunfermline, delivering the judgment of the Judicial Committee, said:

In their Lordships' opinion, it is thus demonstrated by a clear course of authority, first, that it is open to a licensee, by virtue of his statutory monopoly, to make a sale *sub modo*, or accompanied by restrictive conditions which would not apply in the case of ordinary chattels; secondly, that the imposition of these conditions in the case of a sale is not presumed, but, on the contrary, a sale having occurred, the presumption is that the full right of ownership was meant to be vested in the purchaser

These statements seem to accord more with general principles than to say that a sale of an article imports a licence to use it. The sale of an article confers on the buyer all the rights of ownership including the right to use the article, but it seems a misuse of words to say that a person who sells an article consents to its being used in any way that the buyer wishes. However the statement that a patentee who sells a patented article gives the buyer his licence to use it has often been repeated by distinguished judges. In *Badische Anilin und Soda Fabrik v. Isler*⁷ Buckley J. said:

If a patentee sells the patented article to a purchaser and the purchaser uses it, he, of course, does not infringe. But why? By reason of the fact that the law implies from the sale a licence given by the patentee to the purchaser to use that which he has bought. In the absence of condition this implied licence is a licence to use or sell or deal with the goods as the purchaser pleases

⁵ (1883) 25 Ch. D. 1, at p. 9.

⁶ (1911) 12 C.L.R. 15, at p. 28; [1911] A.C. 336, at p. 353.

⁷ [1906] 1 Ch. 605, at p. 610.

And although in *National Phonograph Co. of Australia Ltd. v. Menck*, Lord Shaw of Dunfermline expressed his conclusion in the words I have quoted, other passages in his judgment suggest that he accepted that the consent or licence of the patentee to use the article might be implied from the sale⁸. The words of Buckley J. in *Badische Anilin und Soda Fabrik v. Isler* must be regarded as a correct statement of the patent law. The question is, does the same principle extend to the sale of a book the subject of copyright?

One obvious difference in form between the *Patents Act 1952 Cth*, as amended, and the *Copyright Act* is that the former Act does not contain any provisions similar to those of ss. 37 and 38 of the latter. Mr. Handley submitted that this is not a valid point of distinction, because it is nevertheless an infringement of a patent to import and sell a patented article (*Pfizer Corporation v. Ministry of Health*⁹). However there is another important difference between the law of patent and the law of copyright. By the grant of a patent in traditional form, a patentee is granted exclusive power to "make, use, exercise and vend" the invention. The sale of a patented article, by the patentee, would be quite futile, from the point of view of the buyer, if the buyer was not entitled either to use or to resell the article which he had bought. It therefore seems necessary, in order to give business efficacy to such a sale, to imply a term that the patentee consents to the use of the patented article by the buyer and those claiming under him. The law accordingly does ordinarily imply the consent of the patentee "to an undisturbed and unrestricted use" of the patented article (*National Phonograph Co. of Australia Ltd. v. Menck*¹⁰). To make such an implication, for the purpose only of avoiding the restrictions upon the use of the article that would otherwise be imposed by the patent, seems to be perfectly consistent with the ordinary rules governing the implication of terms in contracts. However no similar necessity exists to imply a term of this kind upon the sale of a book the subject of copyright. The owner of copyright has not the exclusive right to use or sell the work in which copyright subsists: see s. 31 of the Act, and Copinger and Skone James, op. cit., par. 1027. The buyer of a book in which copyright subsists does not need the consent of the owner of the copyright to read, or speaking generally to resell, the book. The necessity to imply a term in the contract which exists when a patented article is sold does not arise on the sale of a book the

⁸ (1911) 12 C.L.R., at pp. 24-25; [1911] A.C., at pp. 349-350.

⁹ [1965] A.C. 512, at pp. 557-558, 571.

¹⁰ (1911) 12 C.L.R., at p. 24; [1911] A.C., at p. 349.

subject of copyright. It was not, and could not be, suggested that the sale of a copy of a book is a licence to do the acts comprised in the copyright and set out in s. 31 of the Act.

An owner of copyright who sells a book in which copyright subsists passes to the buyer all the rights of ownership. He does not however consent to any particular use of the book—generally speaking his consent is irrelevant. For the reasons given, the cases on patent law are distinguishable. In some circumstances when the owner of copyright sells a book his consent to a particular use may be implied. For example if the owner of copyright sold in America a commercial quantity of books for delivery to a buyer in *Australia*, whom he knew to be a bookseller, his consent to the importation of those books into Australia and their sale there might well be implied. In the present case it might be possible to imply the consent of Raymar Incorporated to the importation of the books into Australia and their resale, if the consent of Raymar Incorporated were necessary before such importation and sale could lawfully be effected. However the consent of Raymar Incorporated would not be material for the purposes of ss. 37 and 38 of the Act. It was rightly conceded by Mr. Handley that the transaction between Raymar Incorporated and the appellant is irrelevant to the question whether any licence had been given by Time Incorporated, because Raymar Incorporated was not acting as the agent of Time Incorporated. There is no evidence that when the books were sold by Time Incorporated to Little, Brown & Company (if such a sale took place), or when they were sold by Little, Brown & Company to Raymar Incorporated, there was anything to indicate that the books might subsequently be imported into Australia. It is not possible to imply in the contract between Time Incorporated and Little, Brown & Company, or in that between Little, Brown & Company and Raymar Incorporated, the term that Time Incorporated consented to the importation of the books into Australia and their sale in *Australia*.

I have so far discussed the question with reference to the copyright law of Australia. There was no expert evidence as to the copyright law of the United States, except as to the effect of the Sherman Act. However we were referred to ss. 1 and 27 of Title 17 (Copyrights) of the United States Code, which are set out in Copinger and Skone James, *op. cit.*, pp. 839, 848. Although under s. 1 a person entitled to copyright has the exclusive right "to print, reprint, publish, copy, and vend the copyrighted work", it is provided by s. 27 that "nothing in this title shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained". It has been held that "Under this provision, once there is lawful ownership transferred to a first purchaser, the copyright holder's power of control in the

sale of the copy ceases": *Independent News Co. v. Williams*¹¹. It would therefore appear that in the United States, as in *Australia*, it is not necessary, in order to give business efficacy to the sale of a book in which copyright subsists, to imply a term that the vendor consents to the purchaser reselling it.

The appellant submitted an alternative argument, that on the sale of the books there was an implied warranty that the buyer should have and enjoy quiet possession of them, and that this warranty would be broken if the appellant were prevented, by the owner of the copyright, from importing the books into Australia and selling them there. I need not consider how such a warranty, if given by Time Incorporated to Little, Brown & Company, or by Little, Brown & Company to Raymar Incorporated, could be relied upon by the appellant. Nor need I consider how such a warranty, if given by Raymar Incorporated to the appellant could be set up by the appellant in an action brought by Time-Life. On any view, such a warranty would be irrelevant for the purposes of the provisions of ss. 37 and 38. To warrant that the buyer shall have quiet possession of what he buys is not to warrant that the owner of the copyright consents to the importation of the purchased books into Australia and their sale there after importation, or to warrant that the buyer may import the books into Australia and resell them without the consent which those sections require.

If the arguments of the appellant were correct, ss. 37 and 38 would apply only to the importation and sale of (1) articles which already infringed copyright (piratical copies), and (2) articles sold subject to an express restriction on subsequent importation and sale. To construe the sections in this way would limit their provisions in a manner which appears to be quite unwarranted by the words of the provisions themselves. The "licence of the owner of the copyright", of which the sections speak, means the consent of the owner to the importation of the articles into Australia for the purpose of selling them, or to their sale after importation, and such a licence cannot in my opinion be inferred from the mere fact that the owner of the copyright has sold the goods without any express restriction on their subsequent disposal. The provisions of s. 135 of the Act, which empowers the owner of the copyright to give notice in writing to the Comptroller-General of Customs, with the consequence that the importation of copies of the

¹¹ (1961) 293 Fed. 2d 510, at p. 517.

work in respect of which the notice was given, for the purpose of selling them, is prohibited, and with the further consequence that such copies may be seized as forfeited to the Commonwealth, also appear quite inconsistent with the view that the sale of a book by itself implies a licence to import it into Australia for the purpose of resale.

For these reasons I conclude that the appellant did not have the licence of Time Incorporated to import the books in question or to resell them after importation. Infringements of the kind described in ss. 37 and 38 were accordingly committed. It becomes unnecessary to consider the submission made by Mr. Bannon, for the first respondent, that Time Incorporated could not validly have given a "licence" within ss. 37 and 38 once it had given the exclusive licence to Time-Life, and that in these circumstances s. 121 would not assist the appellant, or his further submission that it would be inequitable to allow the appellant to succeed, at least in relation to the second consignment of books, having regard to the knowledge with which it acted.

It seems apparent that ss. 37 and 38 of the Act contemplate that the owner of copyright in a book may make regional arrangements for the distribution of copies, so as to prevent the importation into Australia for sale of books which have been sold elsewhere in the world. The appellant did not base any submission upon the provisions of the *Trade Practices Act 1974 Cth*, as amended, and no argument was addressed to us as to the possible effect of that Act on such arrangements. I accordingly express no view, one way or the other, upon that question.

The conclusion reached by Bowen C.J. in *Eq.* was in my opinion correct.

I would dismiss the appeal.

STEPHEN J:

Time Incorporated is the owner of the copyright in the United States and in *Australia* in a series of books on regional cooking which it prints and publishes in the United States. It has granted to its affiliate, the respondent Time-Life International (Nederlands) B.V. ("Time-Life"), an exclusive licence, subject to certain qualifications, to publish the books throughout the world other than in North America.

The appellant carries on business in Sydney as a retail bookseller under the business name of Angus & Robertson Bookshops. In February 1976 it purchased from a Californian book wholesaler, Raymar Incorporated, 8,400 volumes from this range of cookery books; these were delivered to the appellant in *Australia* in June 1976 and almost all of them have subsequently been sold by it to the Australian public. In July 1976 it ordered a further 8,400 copies of books from this series, again from Raymar Incorporated, having in the meanwhile been warned by the legal advisers of Time-Life that its importation and sale of books in this series was in breach of copyright. The appellant received this further shipment in November 1976, by which time proceedings had been instituted against it in the New South Wales Supreme Court by Time Incorporated and by Time-Life seeking declarations, injunctions and other relief appropriate to a breach of copyright suit. In November 1976 it was sought by interlocutory injunction to restrain the appellant from selling any of this second consignment of books and the hearing of that application was, by consent, treated as the trial of the suit. For reasons not presently relevant Time Incorporated had filed notice of discontinuance and had then been joined as a defendant; it took no further part in the proceedings or in this appeal.

This series of cookery books, printed in the United States by Time Incorporated, are distributed in the United States by Little, Brown & Company of Boston, the general distributors of books published in the United States by Time Incorporated. It was from Little, Brown & Company that Raymar Incorporated purchased those books which it later sold to the appellant. That sale by Raymar Incorporated was not the subject of any term restrictive of their resale by the appellant nor did the appellant seek from anyone any consent to its importation of the books into Australia.

Time-Life, as exclusive licensee of Time Incorporated markets these cookery books in *Australia* through Hodder & Stoughton (Australia) Pty. Ltd. at a recommended retail price of \$A16.95. The appellant could have purchased them by wholesale from Hodder & Stoughton (Australia) Pty. Ltd. for \$A10.17 but by buying them wholesale from Raymar Incorporated in the United States, it was able to sell them by retail in *Australia* for only \$A8.95 each.

On the hearing before Bowen C.J. in Eq. declarations were made that Time Incorporated was the copyright owner, that Time-Life was its exclusive licensee within *Australia* of the copyright and that the appellant had infringed that copyright by importing the books and by

selling some and threatening to sell the balance. An injunction was granted together with other appropriate relief¹². It is from these orders that this appeal is brought.

The case made out against the appellant turned upon ss. 37 and 38 of the *Copyright Act 1968*.

Relevant parts of these sections are as follows:

26. The copyright in a literary, dramatic, musical or artistic work is infringed by a person who, without the licence of the owner of the copyright, imports an article into Australia for the purpose of:

(a) selling, letting for hire, or by way of trade offering or exposing for sale or hire, the article;

(b)

(c)

where, to his knowledge, the making of the article would, if the article had been made in Australia by the importer, have constituted an infringement of the copyright.

27. (1) The copyright in a literary, dramatic, musical or artistic work is infringed by a person who in *Australia*, and without the licence of the owner of the copyright:

(a) sells, lets for hire, or by way of trade offers or exposes for sale or hire, an article; or

(b) by way of trade exhibits an article in public,

where, to his knowledge, the making of the article constituted an infringement of the copyright or, in the case of an imported article, would, if the article had been made in *Australia* by the importer, have constituted such an infringement.

(2)

Both at first instance and upon this appeal the appellant's case has been that the importation of these books into Australia and their subsequent sale in this country involved no infringement of copyright within the meaning of these sections because each depends for its operation upon there being no "licence of the owner of the copyright" and here there was such a licence. The appellant claims to have had an implied licence from Time Incorporated to deal with the books as it wished, selling them in whatever country it might choose. It is upon this short point, whether or not there existed such a licence as will satisfy these two sections, that this appeal turns.

¹² (1976) 12 A.L.R. 1.

The appellant seeks to make out the necessary licence from the circumstances which are assumed to have governed the original sale in the United States of the books by Time Incorporated to its United States distributor, Little, Brown & Company. Because, so it is said, that sale contained no term restrictive of the use to which the buyer might put the books, including their subsequent resale anywhere in the world, it involved the grant of a licence by the copyright owner, Time Incorporated, to its distributor to deal with the books as it saw fit without restriction as to locality of resale. Those claiming through that distributor, as does the appellant, are in a like position and thus have the consent of Time Incorporated, the owner of the copyright, to import the books into and sell them in *Australia*, "licence" in the sections meaning no more than "consent", which was the word used in a like context in the *Copyright Act, 1911 U.K.*

This implied licence or consent cannot be made out by the appellant as arising, as a matter of necessary implication, from any particular circumstances of the sale by Time Incorporated. No question of supplying business efficacy to that contract of sale would justify it, no officious bystander's question could be expected to have evoked the response by the parties that of course Little, Brown & Company was free to sell the books wherever it chose: the existence since 1961 of an exclusive licence granted by Time Incorporated to its affiliate, Time-Life, in respect of publication in the British Commonwealth other than Canada refutes it, as does the evidence that books intended for sale in the United States employ American units of weight and of measure and adopt American usage in the spelling of certain words while those intended for sale overseas by Time-Life do not. The appellant did not ultimately contend to the contrary.

It is rather by recourse to the different concept of a term implied by law as inherent in the nature of the contract that the appellant must seek to establish the necessary licence. For citation of authorities as to these two distinct sources of implied terms I refer to what I have said in *L. J. Hooker Ltd. v. W. J. Adams Estates Pty. Ltd.*¹³ and in particular to the reference there to the words of Lord Reid in *Sterling Engineering Co. Ltd. v. Patchett*¹⁴.

¹³ (1977) 138 C.L.R. 52.

¹⁴ [1955] A.C. 534, at p. 547.

Thus the appellant relies upon the doctrine to be found in patent cases such as *Betts v. Willmott*¹⁵; *Société Anonyme des Manufactures de Glaces v. Tilghman's Patent Sand Blast Co.*¹⁶ and *National Phonograph Co. of Australia Ltd. v. Menck*¹⁷. In my view the appellant's reliance upon these authorities is misconceived.

In *Betts v. Willmott*¹⁸ Lord Hatherley L.C. disposed of the case upon the inadequacy of the plaintiff patentee's evidence that the allegedly infringing goods were not in fact of his manufacture. However in doing so his Lordship said, obiter, that the doctrine of leave and licence would apply where a patentee, entitled to patent monopoly in two countries, sold its product in one of them without imposing any express restriction upon the buyer's use of the patented product. In such circumstances the consequence of the doctrine was that by selling the patented product the patentee, having the right of vending the goods in both countries, "transfers with the goods necessarily the license to use them wherever the purchaser pleases"¹⁹. A purchaser, his Lordship said, might, on buying an article, in the absence of any restriction, thereafter sell where he chose; he would have his vendor's licence to sell wherever he pleased as against the vendor, although not as against a previous assignee of the patent. In *Tilghman's Case* Cotton L.J., expressed a similar view. He referred to *Betts v. Willmott*, and said²⁰:

When an article is sold without any restriction on the buyer, whether it is manufactured under one or the other patent, that, in my opinion, as against the vendor gives the purchaser an absolute right to deal with that which he so buys in any way he thinks fit, and of course that includes selling in any country where there is a patent in the possession of and owned by the vendor..

The significance of these authorities and their irrelevance in the present case is made clear by a reading of their Lordships' advice in the *National Phonograph Case*²¹. Before going to that case I state my own reasons for regarding these authorities as irrelevant. They should, I think, be seen as confined to the quite special case of the sale by a patentee of patented goods and as

¹⁵ (1871) L.R. 6 Ch. App. 239.

¹⁶ (1883) 25 Ch. D. 1, at pp. 8-9.

¹⁷ (1908) 7 C.L.R. 481 (H.C.); (1911) 12 C.L.R. 15; [1911] A.C. 336 (P.C.).

¹⁸ (1871) L.R. 6 Ch. App. 239.

¹⁹ (1871) L.R. 6 Ch. App., at p. 245.

²⁰ (1993) 25 Ch. D., at p. 9.

²¹ (1911) 12 C.L.R. 15; [1911] A.C. 336.

turning upon the unique ability which the law confers upon patentees of imposing restrictions upon what use may after sale be made of those goods. If the patentee, having this ability, chooses not to exercise it and sells without imposing any such restrictions, the purchaser and any successors in title may then do as they will with the goods, for they are then in no different position from any purchaser of unpatented goods. But, to ensure that consequence despite the existence, albeit in the instance unexercised, of this power on the patentee's part, the law treats the sale without express restriction as involving the grant of a licence from the patentee authorizing such future use of the goods as the owner for the time being sees fit. The law does this because, without such a licence, any use or dealing with the goods would constitute an infringement of the patentee's monopoly in respect of the use, exercise and vending of the patent. A sale of goods manufactured under patent is thus a transaction of a unique kind because of the special nature of the monopoly accorded to a patentee; the licence, whether absolute or qualified, which arises upon such a sale is attributable to the existence and character of that monopoly. Absent that monopoly, peculiar to patents, there is no occasion for any licence. The buyer of monopoly-free goods, goods not the subject of patent rights, obtains by his purchase title to and possession of the goods and with it, of course, goes the ability, subject to the relevant laws of the jurisdiction in question, to use and deal with the goods as he sees fit. But this is only the consequence of chattel ownership and nothing in the nature of a licence is involved. The buyer of a book in which copyright exists is just such a buyer; the book, once bought by him, is not thereafter subject to any monopoly rights of the copyright owner but may be dealt with by the buyer entirely as he chooses. The copyright in the literary work of course remains with the copyright owner; the buyer has bought no part of it and remains as he was before his purchase, unable lawfully to enjoy any of those exclusive rights, reproduction, adaption or the like, which ownership of the copyright preserves exclusively for the copyright owner.

Because a copyright owner, unlike a patentee, has no monopoly in the use of or dealing in a book which he sells, there exists no general prohibition of such use or dealing calling for modification, as in the case of patented articles, by any implied grant of a licence. Instead the buyer of such a book obtains just such rights, no more and no less, as does the buyer of any other chattel and those rights, which flow from his acquisition of ownership and possession, do not involve any licence.

To make good what I have said I turn to the advice of Lord Shaw of Dunfermline in the National Phonograph Case. Their Lordships were there concerned, on appeal from this Court, with the

ability of a patentee to impose and enforce restrictions upon the use of and dealing in patented articles after their sale by the patentee. Lord Shaw²², first described the position of the buyer of ordinary, as distinct from patented, goods as involving the general principle that a purchaser might use and dispose of what he bought as he thought fit; if he contracted with the vendor as to any restrictions he would be bound in contract but no restrictive condition would run with the goods. To reconcile this general principle with a patentee's monopoly "to make, use, exercise, and vend the invention in such manner as to him seems meet" involved, their Lordships thought, no collision of principle and had been achieved over "a long period of years in England by decisions which are consistent and sound"²³. Their Lordships' judgment goes on to state the result of that reconciliation²⁴:

the general doctrine of absolute freedom of disposal of chattels of an ordinary kind is, in the case of patented chattels, subject to the restriction that the person purchasing them, and in the knowledge of the conditions attached by the patentee, which knowledge is clearly brought home to himself at the time of sale, shall be bound by that knowledge and accept the situation of ownership subject to the limitations. These limitations are merely the respect paid and the effect given to those conditions of transfer of the patented article which the law, laid down by statute, gave the original patentee a power to impose.

Their Lordships then go on to state that where there is a sale of patented goods without evidence of the imposition of conditions by the patentee restrictive of future use there will then arise an implied licence for the undisturbed and unrestricted use of the goods; the fact of such a sale negatives the existence of any restrictive conditions, brought home to the person for the time being the owner of the goods.

Their Lordships then turn to the authorities. Of *Betts v. Willmott*²⁵ they say²⁶ that Lord Hatherley there dealt with each of the two opposing situations calling for reconciliation, that of the ordinary sale of goods and of the sale of patented goods sold with notice of restrictions. The decision, they say, makes clear the point as to the effect of an ordinary sale, "with the presumption of the sale carrying everything, unless in the case of licensed goods there be clear

²² (1911) 12 C.L.R., at p. 22; [1911] A.C., at p. 347.

²³ (1911) 12 C.L.R., at p. 23; [1911] A.C., at p. 348.

²⁴ (1911) 12 C.L.R., at p. 24; [1911] A.C., at p. 349.

²⁵ (1871) L.R. 6 Ch. App. 239.

²⁶ (1911) 12 C.L.R., at p. 25; [1911] A.C., at p. 350.

agreement to the contrary"²⁷. Following passing reference to *Tilghman's Case*²⁸ and to another of somewhat later date, the case of *Incandescent Gas Light Co. v. Cantelo*²⁹, a "leading authority in the law of England", is discussed and a passage from the opinion of Wills J. is cited where his Lordship explained the exceptional case of the sale of patented goods as arising from the patentee's possession of "the sole right of using and selling the articles", so that "he may prevent anybody from dealing with them at all". Having that power he may exercise the lesser power of attaching conditions as to use and dealing so long as they are brought to the buyer's notice at the time of sale³⁰.

Their Lordships then pass to the case of *British Mutoscope and Biograph Co. v. Homer*³¹ and cite a passage from the judgment of Farwell J. in which his Lordship referred to the peculiar right of a patentee, in relation to any person in whose hands he finds an article which infringes his patent, to restrain that person from infringing such patent unless good title to use, direct or derivative from the patentee, be shown and in which his Lordship went on to refer to conditions which a patentee might impose upon use, which conditions he described as not contractual but as "incident to and a limitation of the grant of the licence to use"³². Their Lordships finally refer to *McGruther v. Pitcher*³³ and to the judgment of Cozens-Hardy L.J. which explains the distinction between the sale of unpatented and of patented goods, a distinction which turns upon the patentee's monopoly, from which he may absolve subsequent owners of the goods either absolutely or conditionally by licence express or implied granted at the time when the patentee parts with the patented goods.

Their Lordships conclude with the following summary³⁴:

In their Lordships' opinion, it is thus demonstrated by a clear course of authority, first, that it is open to a licensee, by virtue of his statutory monopoly, to make a sale sub modo, or accompanied by restrictive conditions which would not apply in the case of ordinary chattels; secondly, that the imposition of these conditions in the case of a sale is not presumed, but, on the contrary, a sale having occurred, the presumption is that

²⁷ (1911) 12 C.L.R., at p. 25; [1911] A.C., at p. 350.

²⁸ (1883) 25 Ch. D. 1.

²⁹ (1895) 12 R.P.C. 262.

³⁰ (1911) 12 C.L.R., at p. 26; [1911] A.C. 351.

³¹ [1901] 1 Ch. 671.

³² (1911) 12 C.L.R., at p. 27; [1911] A.C., at p. 352.

³³ [1904] 2 Ch. 306.

³⁴ (1911) 12 C.L.R., at p. 28; [1911] A.C., at p. 353.

the full right of ownership was meant to be vested in the purchaser; while thirdly, the owner's rights in a patented chattel will be limited if there is brought home to him the knowledge of conditions imposed, by the patentee or those representing the patentee, upon him at the time of sale.

The origin of and reason for the existence of the concept of the grant of an implied licence to use patented goods, arising upon a sale of those goods unaccompanied by any express restriction as to their future use, lies in the patentee's monopoly which otherwise would extend to the use to which the patented goods are put after he has disposed of them by sale. Without such a licence, implied or express, a purchaser might not lawfully put those goods to use; hence the need for a licence and, on a sale by the patentee without express restriction, for the law's implication of a licence. In the case of literary work which is subject to copyright no such need arises, the concept is entirely foreign to it. The sale of a copy of the work involves no retention by the copyright owner of any power over that copy regarding the use to which it is put or any dealings in it; his copyright he retains and, in consequence, the congeries of exclusive rights specified in s. 31(1)(a) of the Act, but no right whatever in relation to the subsequent use of the particular copy of the work which he has sold. As is said in the authoritative United States case of *Harrison v. Maynard, Merrill & Co.*³⁵:

the right to restrain the sale of a particular copy of the book by virtue of the copyright statutes has gone when the owner of the copyright and of that copy has parted with all his title to it, and has conferred an absolute title to the copy upon a purchaser, although with an agreement for a restricted use. The exclusive right to vend the particular copy no longer remains in the owner of the copyright by the copyright statutes. The new purchaser cannot reprint the copy. He cannot print or publish a new edition of the book; but, the copy having been absolutely sold to him, the ordinary incidents of ownership in personal property, among which is the right of alienation, attach to it. If he has agreed that he will not sell it for certain purposes or to certain persons, and violates his agreement, and sells to an innocent purchaser, he can be punished for a violation of his agreement; but neither is guilty, under the copyright statutes, of an infringement.

The case is the clearer when as in the present case, the original sale by the copyright owner, Time Incorporated, is free of all restriction imposed by contract. From the moment of the sale the purchaser acquires all the usual incidents of ownership free of all power of control by the copyright owner (*Independent News Co. v. Williams*³⁶).

³⁵ (1894) 61 Fed. 689, at p. 691.

³⁶ (1961) 293 Fed. 2d 510, esp. at p. 516.

It is for this reason that I regard as misconceived the appellant's reliance upon cases in the unique field of patent law for the proposition that a relevant licence was granted by Time Incorporated to Little, Brown & Company on the sale of the books of which the appellant subsequently became the owner.

As an alternative source for the licence which the appellant must show, it relies upon the implied warranty of quiet possession said to have arisen on the sale of the books in the United States by Time Incorporated to Little, Brown & Company; no warranty arising only on the sale by Raymar Incorporated can here assist the appellant since the necessary licence must come from the copyright owner, Time Incorporated. For present purposes I assume, as did the learned primary judge, that on the sale to Little, Brown & Company the applicable law would have implied a warranty of quiet possession. Even so, it can found no licence of which the appellant can take advantage and which answers the description called for by ss. 37 and 38 of the Act. The examination of the scope of this warranty which was undertaken in *Niblett Ltd. v. Confectioners' Materials Co. Ltd.*³⁷, in *Mason v. Burningham*³⁸, in *Microbeads A.G. v. Vinhurst Road Markings Ltd.*³⁹ and by this Court in *Healing (Sales) Pty. Ltd. v. Inglis Electrix Pty. Ltd.*⁴⁰ does, I think, provide little encouragement for the view that from the existence of such a warranty there can be extracted any such a positive licence as the sections envisage; no authorities were cited which took from this warranty, one which, in the absence of contrary intent, is as matter of course to be implied into every contract for the sale of goods, what the appellant would seek to draw from it, that is, the implied grant of a licence to the purchaser to import the goods sold into any country of his choosing. But, quite apart from this, I have difficulty in appreciating how any licence arising from the implied warranty of quiet possession forming part of the contract between Time Incorporated and Little, Brown & Company can avail the appellant. It is the appellant's act of importation that must be shown to have been licensed and any implied licence in favour of Little, Brown & Company would be contractual in character, unlike those licences arising on the sale of patented articles which I have earlier discussed. The benefit of such a contractual licence would not enure to the appellant; its only

³⁷ [1921] 3 K.B. 387.

³⁸ [1949] 2 K.B. 545.

³⁹ [1975] 1 W.L.R. 218; [1975] 1 All E.R. 529; [1975] 1 Lloyd's Rep. 375.

⁴⁰ (1968) 121 C.L.R. 584.

connexion with the contract of which the warranty formed a part is its situation as a purchaser once removed from Little, Brown & Company and this can give it no rights under any licence said to arise out of that warranty.

The appellant has, in my view failed to establish the existence of any implied licence by the owner of the copyright such as might be thought to satisfy ss. 37 and 38 of the Act. This being the only matter now in issue on this appeal it follows that I would regard the appellant as having correctly been held to have infringed copyright in this series of cookery books.

This conclusion means that what the appellant saw as a means, in appropriate circumstances, of selling in *Australia* books published abroad at much lower prices than are presently available through overseas publishers' Australian distributors is foreclosed to it. The high cost in *Australia* of imported books relative to prices in their country of publication and the reasons for it are discussed by Sir Richard Eggleston in *Re Books*⁴¹. It is neither a novel nor a local phenomenon (see *Re Associated Booksellers of New Zealand*⁴² and for the Canadian position see Lahore and Griffiths, *Copyright and the Arts in Australia* (1974), p. 57) and is directly related to the operation of ss. 37 and 38 of the *Copyright Act* and its overseas equivalents, found not only in the copyright legislation of the United Kingdom but also in that of New Zealand, Canada and South Africa. In New Zealand and Canada these provisions have given rise to litigation not dissimilar to the present. Of particular interest are the judgments in *Clarke Irwin & Co. v. C. Cole & Co. Ltd.*⁴³ and in *Godfrey, MacSkimming & Bacque Ltd. v. Coles Book Stores Ltd.*⁴⁴, although in neither was the defence of licence by the copyright owner in issue, the *Canadian Act*, s. 17 (4), containing no reference to such licence. A European instance of the protection of rights analogous to copyright against infringement by the re-importation and sale of the "copyright" owner's own gramophone records purchased abroad is provided by *Deutsche Grammophon Gmb H. v. Metro-S.B.-Grossmarkte Gmb H. & Co. K.G.*⁴⁵. There a West German Court granted an interim injunction in protection of the "copyright" owner's

⁴¹ (1970) 20 F.L.R. 256.

⁴² [1962] N.Z.L.R. 1057.

⁴³ (1960) 22 D.L.R. (2d) 183.

⁴⁴ (1973) 40 D.L.R. (3d) 346.

⁴⁵ [1971] C.M.L.R. 631.

rights. It was only as a result of a subsequent reference to the European Court of Justice, where overriding effect was given to certain articles of the Treaty of Rome designed to ensure free movement of goods within the integrated European Common Market, that the rights of the "copyright" owner under national law were subordinated to the principles of Community law.

There is, then, no novelty in the view that indirect infringement of copyright may result from the importation of material which until imported infringed no copyright (and see *Albert v. S. Hoffnung & Co. Ltd.*⁴⁶) and may indeed have originated with the plaintiff copyright owner. Any undesirable economic or cultural effects which some may discern as flowing from this aspect of copyright protection are a matter for the legislature.

I would dismiss this appeal.

JACOBS J:

In my opinion the conclusion of Bowen C.J. in *Eq.* (as he then was) was correct and this appeal should be dismissed. The distinction between the case of a patented article and that of a copyrighted article has been explained by Stephen J. and I agree with what he has said thereon. I only add that, similar though the cases may be, it would be wrong to translate a principle of the law relating to patents, which was developed in order to meet the need of satisfying the commercial expectation of a purchaser on the unrestricted sale of a patented article, into an associated field where there cannot be said to be the same commercial expectation. The so-called "logic" of such a translation of a rule or principle from one area of the law to another can seldom be satisfactory, even where earlier decisions have not explained the reasons which prompted the enunciation of the rule or principle. It is the easier in the present case to distinguish the decisions on patents because the reasons for developing the principle in order to meet commercial expectations are expressly stated in those decisions. I do not need to refer to them because they have been fully analysed by Stephen J. Those reasons do not apply to the importation and sale in commercial quantities of books or other articles the subject of copyright. To imply a licence to import for sale in commercial quantities would not be to meet commercial expectations. The possible analogy to the patent situation is the import for purposes

⁴⁶ (1921) 22 S.R. (N.S.W.) 75.

of sale of individual works of art. There it might be proper to imply a licence from the mere act of sale without restriction but that case does not here arise.

It is also significant that there is in the *Patents Act 1952 Cth* no equivalent of s. 37 of the *Copyright Act 1968 Cth*. Section 37 can take effect according to its terms in those cases where it is not shown that the copyright owner positively intended to grant a licence to import into Australia in commercial quantities. It is true that the sale of books by an owner gives the purchaser the ordinary rights of an absolute owner, one of which is the right or liberty to resell the books as physical chattels. However, such a right or liberty as an incident of ownership of a chattel cannot be regarded as a licence under s. 37 if the circumstances of the sale do not lead to the implication of a licence. The purpose of s. 37 is to make it clear that a positive licence is required. If an unrestricted sale abroad were to confer a licence under s. 37, the section would in effect only be applicable where the overseas seller positively imposed a restriction. But the section does not say that importation for sale is allowed unless a restriction to that effect has been imposed. Importation is forbidden unless a licence has been given. If s. 37 were construed as the appellant contends, it would be unnecessary. If on a sale outside Australia an express positive restriction were imposed on import into Australia for purposes of sale, there would be no liberty to sell in Australia quite apart from s. 37. The purpose of the section is to deal with the case where no positive licence has been given and its purpose would be defeated if mere absence of restriction were held to import a licence.

A positive licence to import for purposes of sale is not necessarily an express licence. A positive licence may in certain circumstances be implied, as for example where a copyright owner overseas sells copyright articles in commercial quantities to a purchaser in *Australia*. But that is very different from implying a licence to import into Australia for purposes of sale from the mere fact that the copyright owner made sales in his own country in commercial quantities to a purchaser in that country without expressly imposing a restriction on importation into Australia. It cannot be maintained that in such circumstances the copyright owner positively licenses the importation into Australia of the articles which he had sold on his own domestic market.

The only evidence is that the owner of the copyright sold a quantity of the subject books to Little, Brown & Company without imposing any positive restrictions on resale in any particular country. There was no evidence of an express grant of a positive licence to resell

in *Australia* and there was no evidence of circumstances from which the grant of a licence can be implied. It may well be that on the sale to the appellant by Raymar Incorporated there could be implied from the circumstances a positive licence to resell in *Australia*; but that does not avail the appellant. Raymar Incorporated was not the owner of the copyright. There was no licence to import into Australia for purposes of sale on the first sale by the owner of the copyright, the sale by Time Incorporated to Little, Brown & Company.

MURPHY J:

Time-Life International (the first respondent) claimed that Angus & Robertson Bookshops (the appellant) infringed its copyright by importing books into Australia for the purpose of selling them (see s. 37 of the *Copyright Act 1968*) and by selling them (see s. 38).

Section 37 states:

The copyright in a literary, dramatic, musical or artistic work is infringed by a person who, without the licence of the owner of the copyright, imports an article into Australia for the purpose of:

- (a) selling, letting for hire, or by way of trade offering or exposing for sale or hire, the article;

where, to his knowledge, the making of the article would, if the article had been made in *Australia* by the importer, have constituted an infringement of the copyright.

Section 38 states:

(1) The copyright in a literary, dramatic, musical or artistic work is infringed by a person who, in *Australia*, and without the licence of the owner of the copyright:

- (a) sells, lets for hire, or by way of trade offers or exposes for sale or hire, an article; or
- (b) by way of trade exhibits an article in public,

where, to his knowledge, the making of the article constituted an infringement of the copyright or, in the case of an imported article, would, if the article had been made in *Australia* by the importer, have constituted such an infringement.

(2)

The Supreme Court of New South Wales (Bowen C.J. in Eq.) granted equitable relief to Time-Life in the form of declarations, injunction and damages, and an order for delivery up of all infringing copies of the books unless they were exported within three months.

Angus & Robertson Bookshops has appealed against this judgment, contending that the second respondent, Time Incorporated (its co-defendant in the Supreme Court), impliedly consented to the importation and sale and that ss. 37 and 38 only apply to importation and sale of copies made without the copyright owner's authority (that is, infringing copies made in a place where copyright exists, or any copies made in a place where no copyright exists) or subject to an express limitation on importation into and sale in *Australia*. There is no such gloss on these sections and the seizure provisions in s. 135 tell against it (see *Textile House Pty. Ltd. v. Carmody*⁴⁷ which deals with seizure provisions under the *Trade Marks Act 1955*). In my opinion, the facts do not show any implied licence by Time Incorporated. The appellant relied on a number of patent and trade mark cases to support the implication of a licence but these are not in point as none of the legislation on which they were decided contained a provision comparable to ss. 37 or 38 of the Act. No doubt there are circumstances in which a licence will be implied, but they do not exist in this case. Time-Life has shown infringement based on ss. 37 and 38. However, the relief sought is discretionary (see s. 115 of the Act).

The evidence disclosed that Time Incorporated was the owner of the relevant copyrights in the United States and Australia and sold the books in the United States without any express restrictions on resale there or elsewhere. The books were readily available at a retail price of \$U.S.8.95 (the United States dollar was worth less than the Australian dollar). Angus & Robertson Bookshops purchased the books from Raymar Incorporated to whom they had been sold by Time Incorporated's United States distributor, Little, Brown & Company. Time Incorporated had granted an exclusive licence of the Australian copyright to its subsidiary, Time-Life, which imports some of the books from the United States and sells them in *Australia* through Hodder & Stoughton (Aust.) Pty. Ltd. at a recommended retail price of \$A16.95. None of the books are printed in *Australia*. Angus & Robertson Bookshops could have purchased the imported books wholesale from Hodder & Stoughton at \$A10.17 per book, but the evidence shows that it had difficulty in obtaining them; it was able to purchase them in the United States and sell them in *Australia* at a recommended retail price of \$A8.95. One of the titles it advertised and sold was not available from Time-Life or Hodder & Stoughton.

⁴⁷ (1976) 50 A.L.J.R. 497.

To avoid the possibility of conflict with the anti-trust laws of the United States, Time Incorporated obtained leave to discontinue its role as a co-plaintiff with its subsidiary, and the proceedings were amended to make it a defendant. It would be unrealistic to regard Time-Life as being independent of Time Incorporated.

If Time-Life succeeds in preventing Angus & Robertson Bookshops from importing the books from the United States, this will deter others and result in Time Incorporated (with its subsidiary) monopolizing part of the commerce between the United States and Australia. The evidence suggests that Time-Life's enforcement of its copyright may breach the *Trade Practices Act 1974 Cth*.

Part IV of the *Trade Practices Act* (ss. 45 to 51) deals with Restrictive Trade Practices. Section 46 (1) provides:

A corporation that is in a position substantially to control a market for goods or services shall not take advantage of the power in relation to that market that it has by virtue of being in that position—

- (a) to eliminate or substantially to damage a competitor in that market or in another market;
- (b) to prevent the entry of a person into that market or into another market; or
- (c) to deter or prevent a person from engaging in competitive behaviour in that market or in another market.

Section 48 provides:

A corporation or other person shall not engage in the practice of resale price maintenance.

(See also Pt VIII, ss. 96 to 100, Resale Price Maintenance). Sub-sections 51 (1) and (3) show that breaches of ss. 46 and 48 may involve copyright.

Neither Angus & Robertson Bookshops nor the respondents chose to expose the full facts. The evidence is scanty, but suggests that the Australian public will suffer if the respondents succeed, that the copyright is being used to manipulate the Australian market, and that the respondents will control the outlets and the price to the public will be almost doubled, and the Australian public will have delayed access to publications freely available in the United States.

Once the facts of a case disclose the reasonable possibility of a serious breach of the *Trade Practices Act* or injury to the public interest by a party, the court can and should require the party to negate this before exercising discretion in its favour. This is because there are public equities as well as private equities. The concept of public equities has been associated with the old doctrine of clean hands. The equitable maxim of clean hands:

is far more than a mere banality. It is a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequity or bad faith relative to the matter in which he seeks relief, however improper may have been the behaviour of the defendant. That doctrine is rooted in the historical concept of a court of equity as a vehicle for affirmatively enforcing the requirements of conscience and good faith. where a suit in equity concerns the public interest as well as the private interests of the litigants this doctrine assumes even wider and more significant proportions. For if an equity court properly uses the maxim to withhold its assistance in such a case it not only prevents a wrongdoer from enjoying the fruits of his transgression but averts an injury to the public. The determination of when the maxim should be applied to bar this type of suit thus becomes of vital significance. (*Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*⁴⁸).

The case concerned patents, a form of intellectual property similar to copyright. The Supreme Court went on to say⁴⁹:

The possession and assertion of patent rights are "issues of great moment to the public" [citations omitted]. A patent by its very nature is affected with a public interest a patent is an exception to the general rule against monopolies and to the right to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope. The facts of this case must accordingly be measured by both public and private standards of equity.

(See also *Blonder-Tongue Laboratories Inc. v. University of Illinois Foundation*⁵⁰; *S. & E. Contractors Inc. v. United States*⁵¹.) Although there were circumstances of fraud in the Precision Case, the doctrine is not confined to such circumstances.

A suit to enforce copyright involves the public interest as well as the interests of the adverse parties (see Gummow Abuse of Monopoly: Industrial Property and Trade Practices Control, Sydney Law Review, vol. 7 (1976), p. 339). The parties have not raised the issue of breach of the *Trade Practices Act* or injury to the public interest, but if such matters emerge, the court is

⁴⁸ (1945) 324 U.S. 806, at pp. 814, 817 [89 Law. Ed. 1381, at pp. 1386-1387].

⁴⁹ (1945) 324 U.S., at pp. 815-816 [89 Law. Ed., at p. 1387].

⁵⁰ (1971) 402 U.S. 313, at pp. 343-344 [28 Law. Ed. 2d 788, at pp. 807-808].

⁵¹ (1972) 406 U.S. 1 [31 Law. Ed. 2d 658].

not bound by the issues between the parties or the way in which they present the case (*Gramophone Co. Ltd. v. Magazine Holder Co.*⁵²). As Lord Loreburn L.C. said in that case:

It is the duty of a Court to decide cases according to the truth and fact, not according to any assumed or artificial state of facts which the parties may find it convenient to present. No doubt *Courts of Law* allow and indeed encourage parties to simplify litigation by making admissions and to a certain extent by waiving their rights, because, when there is a real controversy depending upon real facts, everyone ought to facilitate its authoritative settlement. But that is a very different thing from allowing people to obtain an adjudication upon the footing that something exists or has happened which in truth does not exist or has never happened. A Court of Justice can never be bound to accept as true any fact, merely because it is admitted between the parties.

A similar approach may be taken where the parties choose to ignore something which affects the public interest.

In my opinion, the trial judge should have raised the issue and insisted, as a condition of relief, that the plaintiff demonstrate that the *Trade Practices Act* was not being breached, that the public interest was not being injured and that the enforcement of copyright by the relief sought would not be used to breach the Act or injure the public interest. Section 115(2) of the *Copyright Act* provides for imposition of such terms, if any, as the court thinks fit. I have, of course, not reached any opinion on these matters and am conscious of the role of an appellate court and of the difficulties of dealing with these questions at this stage.

I have considered whether, notwithstanding the appellant's failure to rely on these discretionary matters, the appeal should be allowed, and (if the respondent Time-Life were to request it) a new trial ordered, and if not, judgment for the appellant. However, in all the circumstances, my conclusion is that the appeal should be dismissed.

⁵² (1911) 28 R.P.C. 221, at p. 225.