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AUSTRALIAN LAW REPORTS

MILPURRURRU and OTHERS v **INDOFURN** PTY LTD and OTHERS

FEDERAL COURT OF AUSTRALIA -- GENERAL DIVISION

130 A.L.R. 659

25-29 July, 22 November-1 December 1994 -- Darwin, Perth 13 December 1994 -- Adelaide

13 December 1994 -- Adelaide

CATCHWORDS:

Intellectual property - Copyright - Aboriginal artwork - Reproduction of artwork on woollen carpets imported into Australia for sale - Reproduction of a substantial part - Copyright ownership - Whether respondents knew or ought reasonably to have known at time of importation of infringement - Directors' personal liability for infringements by company - Misleading and deceptive conduct - Order for delivery up - Assessment of conversion damages - Compensatory damages for depreciation of value of copyright - Relevance of Aboriginal law and custom in assessment of damages - Additional damages for Aboriginal cultural based harm - (CTH) Copyright Act 1968 ss 10, 14, 36, 37, 115, 116, 127 - (CTH) Trade Practices Act 1974 ss 52, 53, 55.

HEADNOTES:

The first three applicants were Aboriginal artists and the fourth applicant represented the estates of five deceased Aboriginal artists. The applicants asserted that the first respondent manufactured, imported into Australia, offered for sale and sold woollen carpets which reproduced artwork, or substantial parts thereof of each of the applicant artist's artwork without the licence of the owners of the copyright. Furthermore, it was asserted that the second, third and fourth respondents, as the first respondent's directors, were personally liable for the first respondent's actions, despite the fact that the third and fourth respondents were not actively involved in the first respondent's operations.

On the question of damages, it was argued by the applicants that the inappropriate use and unauthorised reproduction of the artwork caused the artists, who under Aboriginal law were responsible for the breach despite having no control or knowledge of it, and their respective communities significant cultural harm. In accordance with Aboriginal law and custom, the applicants sought to be each treated equally so that the damages awarded under the action could be shared equally between them.

Held, allowing the application:

(i) The respondents knew or ought to have known, at the time when the carpets were imported, that the making of the carpets in Australia by the first respondent, would have constituted an infringement of copyright.

Apple Computer Inc v Computer Edge Pty Ltd (1984) 53 ALR 225;; Star Micronics Pty Ltd v Five Star Computers Pty Ltd (1990) 18 IPR 225;; Beach Petroleum NL v Johnson (1993) 115 ALR 411, CONSIDERED.

(ii) Applying the principles as set out in *Ravenscroft v Herbert and New English Library Ltd* as to whether copying had been substantial, there was no doubt that the carpet designs that did not reproduce artwork exactly, did so substantially. The most important consideration concerned the

existence of an "animus furandi" on the part of the designers of the carpets.

Ravenscroft v Herbert and New English Library Ltd [1980] RPC 193;; Harman Pictures NV v Osborne [1967] 1 WLR 723, APPLIED.

International Writing Institute Inc v Rimila Pty Ltd (1993) AIPC 91-035, CONSIDERED.

(iii) The second respondent's personal involvement in authorising, procuring and directing the conduct of the first respondent rendered him personally liable for the infringement under s 37 of the Copyright Act.

Wah Tat Bank Ltd v Chan Cheng Kum [1975] AC 507;; C Evans & Sons Ltd v Spritebrand Ltd [1985] 1 WLR 317, CONSIDERED.

(iv) Given that the third and fourth respondents were put on notice by the service of the proceedings that, if nothing were done to alter the conduct of the first respondent, infringements of copyright were likely to occur, the indifference exhibited by their inaction was such that authorisation or permission by them for the course of conduct by the first respondent which followed was inferred.

Adelaide City Corporation v Australasian Performing Right Association Ltd (1928) 40 CLR 481;; University of New South Wales v Moorhouse (1975) 133 CLR 1;6 ALR 193;; Performing Right Society Ltd v CiryI Theatrical Syndicate Ltd [1924] 1 KB 1, CONSIDERED.

(v) Damages reflecting cultural based harm were awarded as additional damages under s 115(4) of the Copyright Act. This award subsumed the particular losses of the artists who were alive at the time of the infringement which might otherwise have been assessed under s 115(2). This approach more easily rationalised the equal apportionment of the damages between the owners of the copyright.

INTRODUCTION:

Application This was an application for remedies under the Copyright Act 1968 (Cth) for copyright infringement and under the Trade Practices Act 1974 (Cth) for alleged contraventions of ss 52, 53(c) and (d) and 55.

COUNSEL:

C Golvan for the applicants. G Clayton for the respondents.

JUDGES: VON DOUSSA J

JUDGMENTS: von Doussa J

This is a claim for remedies under the Copyright Act 1968 (Cth) for copyright infringement and under the Trade Practices Act 1974 (Cth) for alleged contraventions of ss 52, 53(c) and (d) and 55.

The first three applicants are Aboriginal artists. The fourth applicant, the Public Trustee, represents the estates of five deceased Aboriginal artists. The skill of each of the artists is recognised nationally and internationally as exceptional; their works are represented in national, State and other major collections of Australian artworks. The pleadings allege that since about October 1992 the respondents have manufactured, imported into Australia, offered for sale and sold woollen carpets which reproduce artwork, or substantial parts thereof, of each of the artist's artwork, or substantial parts thereof, of each of the artists without the licence of the owners of the copyright.

In accordance with Aboriginal custom, and out of respect for the deceased artists, their names have not been spoken in the course of the trial. They have been referred to throughout by their appropriate skin names. It is, however, necessary to adequately identify the artworks in question to refer once in the judgment to these artists by name, but having done so the skin names will be used thereafter. Particulars of the art works and the artists are as follows:

Artist	Skin name	Artwork
1. George Milpurrruru	Goose Egg Hunt	
2. George Garrawun (died August 1993)	Ngaritj	Freshwater Fish
3. Paddy Dhatangu (died 23 March 1993)	Gamarang	Wititj (olive python)
4. Fred Nanganaralil (died 28 August 1993)	Wamut	Crow and Praying mantis
5. Banduk Marika	Djanda and the Sacred Water Hole	
6. Tim Leura Tjapaltjarri (died 18 June 1984)	Tjapaltjarri	The Seven Sisters
7. Uta Uta Tjangala (died 8 December 1990)	Jangala	Emu Dreaming
8. Tim Payunka Tjapangati	Kangaroo and ShieldPeople Dreaming	

The first four artists are from Central Arnhem Land. The artworks in question are bark paintings. The first three paintings are presently owned by the Australian National Gallery (the ANG). In 1993 in recognition of the International Year for the World's Indigenous People the ANG held the first solo exhibition of the works of an Aboriginal artist. The exhibition was a retrospective look at the works of Mr **Milpurrruru**, and included the Goose Egg Hunt which is also featured in the publication "The Art of George **Milpurrruru**" which was published by the ANG at the same time. As part of the program for the 1993 International Year for the World's Indigenous People, Goose Egg Hunt was adopted as the design for the 85 cent Australian stamp issued on 4 February 1993. A large number of these stamps were put into circulation, perhaps as many as two to three million.

Freshwater Fish is recognised as one of the major works of Ngaritj, and was one of two paintings hung in the foyer of the ANG when it was opened by Her Majesty the Queen.

The first three paintings, together with the work of Ms Marika, were included in a portfolio of 12 Aboriginal artworks which was published by the ANG in 1988 under the auspices of the ANG's education staff. One of the purposes of the portfolio was to provide a resource item for teachers and students. The portfolio was intended to be representative of the best Aboriginal artworks in the ANG collection. The artwork of Wamut is in the National Museum of Australia collection, and was reproduced in a portfolio of Aboriginal art published for the Australian Information Service (AIS) by the Australian Government Printer. It was also reproduced in a calendar for the month of June 1982 similarly published for the AIS.

Ms Marika's work is a six colour lino cut, ink on paper, that was created by her on a special commission for the Australian National University for the Bicentenary. Her father is recognised as a great bark painter whose work is also in the ANG. She was the first Aboriginal person appointed to the board of the ANG. More recently she has been appointed to the board of the Northern Territory Museum and Art Gallery. She is and was at the time of the events the subject of these proceedings heavily involved in community groups mainly as a consultant for arts related cross-cultural exchange, and as an educator in Aboriginal culture.

The remaining three artists are from the western desert areas of Central Australia. The artworks are "Papunya" style paintings in acrylic paint on canvas. Each work is recognised as one of the major works of a very important artist. The works have been exhibited nationally and internationally and have also been reproduced in a portfolio of Aboriginal Art by the AIS, and in a calendar produced by that body for the months of January, March and November of 1986.

In both the ANG portfolio, and the AIS publications the reproduction of the artworks were published over the name of the artist. Amongst the carpets the subject of this action seven of the eight artworks were reproduced in virtually identical form and colour. It is common ground that the source of the artwork reproduced was these publications.

The reproduction of the artworks in the ANG and AIS portfolios, and on the postage stamp, followed formal approval and royalty agreements with the artists or their representatives. The evidence is to the effect that reproductions of this kind are permitted by Aboriginal artists, including those involved in this case, and by traditional owners, where the reproduction is in a prestigious publication for the purposes of educating members of the white community about Aboriginal culture. In each of the ANG and AIS publications the artworks were accompanied by brief descriptions of the subject matter of the artist's work. With one qualification, the descriptions made it plain that the subject matter concerned creation stories of spiritual and sacred significance to the artist. The one qualification is in respect to the Seven Sisters Dreaming where the description at the foot of the AIS reproduction does not spell that out expressly. However, the introduction page to the 1986 calendar makes the following clear statement about the significance of the works in that publication:

The paintings have been acclaimed as "statements of great value to the people who made them". They express concepts that are intensely personal. These are very often private expressions concerned with ownership, ownership of land, ownership of stories, stories of the Dreamtime, that indefinable period of past time which to the Aboriginals is the source of all knowledge and of all living things.

Sacred ceremonies, generally restricted to the initiated members of the tribe or those undergoing initiation, and their related celebrations in dance, song and design, form the basis of what may seem nothing more than complex abstract patterns in the paintings. The patterns in fact represent explicit visual descriptions, stylised maps of identifiable locations and myths, though the full meaning of each painting may not be clear to non-Aboriginal viewers.

Nevertheless, the paintings are eloquent witnesses to the rich and enduring nature of Aboriginal culture.

The evidence led at trial, including the evidence of an Aboriginal artist, Mr Bruce Wangurra, called by the respondents, explained the importance of the creation stories and dreamings in the cultures of the clans to which they relate. Those stories are represented in ceremonies of deep significance, and are often secret or sacred, known only to a few senior members of the clan chosen according to age, descent, sex, initiation, experience in the learning of the dreamings and ceremonies, and the attainment of skills which permit the faithful reproduction of the stories in accordance with Aboriginal law and custom. Painting techniques, and the use of totemic and other images and symbols are in many instances, and almost invariably in the case of important creation stories, strictly controlled by Aboriginal law and custom. Artworks are an important means of recording these stories, and for teaching future generations. Accuracy in the portrayal of the story is of great importance. Inaccuracy, or error in the faithful reproduction of an artwork can cause deep offence to those familiar with the dreaming.

The right to create paintings and other artworks depicting creation and dreaming stories, and to use pre-existing designs and well recognised totems of the clan, resides in the traditional owners (or custodians) of the stories or images. Usually that right will not be with only one person, but with a group of people who together have the authority to determine whether the story and images may be used in an artwork, by whom the artwork may be created, to whom it may be published, and the terms, if any, on which the artwork may be reproduced. The evidence in this case about these aspects of traditional collective ownership was similar to the account recently published in "Unauthorised Reproductions of Traditional Aboriginal Art", Dean A Ellinson (1994) 17 *UNSW Law Journal* 327.

If unauthorised reproduction of a story or imagery occurs, under Aboriginal law it is the responsibility of the traditional owners to take action to preserve the dreaming, and to punish those considered

responsible for the breach. Notions of responsibility under Aboriginal law differ from those of the English common law. If permission has been given by the traditional owners to a particular artist to create a picture of the dreaming, and that artwork is later inappropriately used or reproduced by a third party the artist is held responsible for the breach which has occurred, even if the artist had no control over or knowledge of what occurred. The evidence of Ms Marika, which I accept without hesitation, illustrates the severe consequences which may occur even in a case where plainly the misuse of the artwork was without permission, and contrary to Australian statute law. In times past the "offender" could be put to death. Now other forms of punishment are more likely such as preclusion from the right to participate in ceremonies, removal of the right to reproduce paintings of that or any other story of the clan, being outcast from the community, or being required to make a payment of money; but the possibility of spearing was mentioned by Mr Wangurra as a continuing sanction in serious cases.

Ms Marika has endeavoured to conceal the unauthorised reproduction on carpets of Djanda and the Sacred Waterhole from her community as she will be held responsible. Her artwork expresses pictorially the creation when her ancestral creator Djang'Kawu and his two sisters, the Wagilag sisters, at the end of their journey from Burralku, landed at Yelangbara, south of Port Bradshaw, the site of their first journey. The image which she utilised in the artwork is associated with this place. Her rights to use the image arise by virtue of her membership of the land owner group in that area, and is an incident arising out of land ownership. She explained in an affidavit:

As an artist whilst I may own the copyright in a particular artwork under western law, under Aboriginal law I must not use an image or story in such a way as to undermine the rights of all the other Yolngu [her clan] who have an interest whether direct or indirect in it. In this way I hold the image on trust for all the other Yolngu with an interest in the story.

Her creation of the artwork contemplated that it would be displayed with appropriate sensitivity in art galleries and for education purposes to help bring about a greater awareness of Aboriginal culture. The reproduction of the artwork in circumstances where the dreaming would be walked on is totally opposed to the cultural use of the imagery employed in her artwork.

This misuse of her artwork has caused her great upset. If it had become widely known in her community at the time she believes that her family could have ordered her to stop producing any works of art; they might have stopped her participating in ceremonies; they might have outcast her, and they may have sought recompense from her -- nowadays in money terms. So far these possibilities have not eventuated -- and now that she has taken action to prevent further misuse and to seek a public recognition of the past misuse through the courts, she is hopeful that the community reaction, when it learns what has happened, will be more forgiving. I note in passing the observation in the paper "Aboriginal Designs and Copyright", Stephen Gray, *Copyright Reporter* vol 9 No 4, p 8 at 11 that punishment of the Aboriginal law breaker may to a large extent be determined by the success or failure of action in the Anglo-Australian courts.

It is a feature of the style of the artworks in question that the artist will encode into the artwork secret parts of the dreaming that will be recognised and understood only by those who are initiated into the relevant ceremonies, or at least have a close knowledge of the cultural significance of the story. This adds to the sensitivity and risk of offending the traditional owners involved in the reproduction of Aboriginal artwork, unless the reproduction is accurate in every respect and done with full and proper permission.

The extent to which Aboriginal law and culture imposes limitations on the reproduction of Aboriginal artwork will vary according to the clans concerned and the significance of the imagery and dreaming which is reflected in the particular artwork. Where the artwork concerns a public story or ceremony there may be few restrictions on reproduction. This is plain from the quantity and variety of artwork presently produced by Aboriginals for the commercial market. Again, depending on the subject of the artwork there may be no restriction on an artist creating a work for use under appropriate copyright licence in the mass productions of items such as clothing and wall-hangings. The licence agreement which the respondents have with Mr Wangurra and other artists provide examples. Evidence in this

case indicates that there is continuing uncertainty in some sections of the Aboriginal community as to the appropriateness of the use of traditional images on products which utilise non-traditional mediums, and on carpets designed to be walked upon.

The reproduction of paintings which depict dreaming stories and designs of cultural significance has been a matter of great concern to the Aboriginal community. Pirating of Aboriginal designs and paintings for commercial use without the consent of the artist or the traditional owners was common for a long time. The recognition of the sacred and religious significance of these paintings, and the restrictions which Aboriginal law and culture imposes on their reproduction is only now being understood by the white community. Descriptions of this emerging recognition (including early resorts to litigation), and of the frustration which Aboriginal artists have encountered along the way, may be found in the *Report of the Working Party in the Protection of Aboriginal Folklore*: Department of Home Affairs and Environment, Australian Government Publishing Service, Canberra, December 1981; *Protection of Folklore: The Australian Experience*, Robin A I Bell (1985) Copyright Bulletin 19(2), p 4; *The Aboriginal Arts and Crafts Industry Report of the Review Committee*, AGPS, Canberra, July 1989; "Aboriginal Art and Copyright: The case for Johnny Bulun Bulun", Colin Golvan [1989] 10 *European Intellectual Property Review* 346; and *Unauthorised Reproduction of Traditional Aboriginal Art*, supra; see also *Foster v Mountford and Rigby Ltd* (1976) 14 ALR 71;29 FLR 233 and ; *Yumulul v Reserve Bank of Australia* (1991) 21 IPR 481.

These papers also discuss a problem perceived to exist at one time in relation to the application of the Copyright Act to Aboriginal artworks based on pre-existing tradition and images. That problem was whether works incorporating them satisfied the requirement of originality so to attract copyright protection. In the present case that issue has not arisen, and by the end of the trial the copyright ownership of the artists in each of the eight works was admitted. Although the artworks follow traditional Aboriginal form and are based on dreaming themes, each artwork is one of intricate detail and complexity reflecting great skill and originality.

It is against this background that the conduct of the respondents in question in the present case falls to be considered.

The first respondent has changed its name since the commencement of these proceedings. When the relevant events occurred it was Beechrow Pty Ltd. I shall refer to it as "Beechrow" as many of the documentary exhibits use that name. The other three respondents have at all material times been the directors of Beechrow. The second respondent, Mr Bethune described Beechrow as a one person company, that person being himself. The company has two issued shares, one held by Mr Bethune and the other held by the fourth respondent Mr Rylands. Mr Bethune asserted in evidence that the roles of the respondents, Mr King and Mr Rylands, were nominal. He said the company has never held directors' meetings. He alone runs the company, makes the decisions, and keeps the financial statements. Although Mr Bethune described himself as an accountant, the records of Beechrow produced to the court, and in particular the sparse records kept pertaining to the carpets, has left a lot to be desired. The length and complexity of the trial has been contributed to by this shortcoming.

Beechrow was acquired by Mr Bethune in October 1991 as a vehicle through which he could conduct a business as a negotiator and consultant for the sale of water purification plants in Vietnam. Mr Bethune lives in Perth. In so far as Beechrow conducts business in Australia, it does so from Perth. Mr Bethune has visited Vietnam many times since acquiring Beechrow, and Beechrow has a number of employees in Vietnam. The company has pursued several ventures, including the importing into Australia of fish products and timber, and is now concentrating on the manufacture in Vietnam of garden furniture for export to Europe. The company's involvement with carpets has at all stages, so Mr Bethune says, been merely a side line, or "hobby".

Carpet weaving is an age-old Vietnamese skill. Carpets are made in a cottage industry environment. They are made by outworkers one at a time in their homes. The "carpet factory" with which Mr Bethune has dealt in Hanoi acts as a clearing house through which orders are distributed to individual carpet markets, and later collected and packed for shipment to Australia.

The carpet venture started in July 1991 -- before Mr Bethune acquired Beechrow. To ingratiate himself with a Vietnamese family, a member of which was a potential customer for water purification plants, Mr Bethune acquired a number of hand knotted pure wool carpets from a carpet factory which was managed by another member of the family. These were traditional Oriental carpets which were later used by Mr King in his home. A few similar carpets were brought to Australia to test whether there could be a market for them here.

The reaction to these carpets was that they were too expensive and the design was not appealing. There appeared to be no local market for them. Mr Bethune says that on another visit to the carpet factory on 2 September 1991 he saw a carpet which had reproduced on it Kangaroo and Shield People Dreaming. This carpet was 1.7m x 2.4m in size and an exact reproduction of the complete artwork. He thought it was excellent. He obtained permission to bring it to Australia to see if it invoked interest. He says there was a lot of interest but the complex pattern and design work was too "complicated and busy".

At a further visit to the carpet factory on about 17 October 1991 Mr Bethune says he was shown the ANG and AIS portfolios and calendars. These he says were part of the "material" which the factory already held. He looked through these reproductions and ordered several carpets which would reproduce certain of the prints in full. He indicated others that he told the factory manager were too complicated, and asked that they make something along the same lines, utilising the same colours, but which were "less busy". The orders placed at this time were packed and shipped on 21 December 1991 and 11 January 1992. These two shipments Mr Bethune has described as "samples" and included 18 carpets of Aboriginal design including reproductions of the complete artwork in the Goose Egg Hunt (one carpet), Freshwater Fish (two carpets), Crow and Praying mantis (three carpets), Djanda and the Sacred Waterhole (three carpets) and Emu Dreaming (one carpet). The order also included three other designs which it is contended by the applicants are reproductions of a substantial part of the artworks: Wititj, Emu Dreaming, and Kangaroo and Shield People Dreaming within the meaning of s 14(1) of the Copyright Act. I shall refer to these carpets respectively as the snake carpet, the waterholes carpet, and the green centre carpet, descriptions at times used in the respondents' documents. There are features about these three carpet designs which clearly indicate that the designer made reference to the Wititj, the Emu Dreaming and the Kangaroo and Shield People Dreaming artworks. There can be no real doubt that these carpet designs were the result of the instruction to produce carpets in designs that were less busy than the original artworks.

The shipments also included two other Aboriginal designs referred to in the evidence as "firesticks" and "stars". The latter work has been identified as work by a Groote Eylandt artist that was also included in the AIS portfolio. That artist is not a party to these proceedings.

Mr Bethune acknowledges that he knew from the time of his visit to the factory in Hanoi that the carpet designs utilised ANG or AIS "posters".

The samples arrived in Australia on 20 March 1992. They were favourably received by those to whom they were shown, and Mr Bethune decided to place larger orders. He did so in about early April 1992. The carpets were shipped under cover of packing slips dated 30 April 1992, 12 May and 1 June 1992 indicating that the carpets had been woven in the meantime. These orders were for a further 70 carpets, each the subject of these proceedings. When the orders were placed it was anticipated that the carpets would arrive in Australia in about September or October 1992.

Mr Bethune says that when he returned to Australia after placing these orders he found that there were "lots and lots of National Gallery posters for sale everywhere" and it was no trouble to obtain copies of those which had been copied into the carpet designs. A number of his friends told him he should be careful reproducing Aboriginal art because of copyright. He says that he and his wife decided it would be prudent to investigate the copyright implications. Through his local doctor he was introduced to Mr Ian Horrocks, who had considerable experience with Aboriginal affairs. Mr Horrocks was at the time the office manager of the Aboriginal Legal Service of Western Australia Inc. He was not a lawyer. By arrangement Mr and Mrs Bethune visited Mr Horrocks at his home one evening in June 1992. Mr Bethune discussed his proposal to import carpets. Different versions of this and later

discussions between them have been given by Mr Bethune on the one hand and Mr Horrocks on the other. Where their evidence differs I prefer the evidence of Mr Horrocks. It is common ground that Mr Horrocks confirmed that there was a copyright issue to be addressed. He expressed his view that the importation of carpets into Australia which reproduced the artwork constituted a breach of copyright. He suggested that the appropriate body through which to seek copyright permission would be the Aboriginal Arts Management Association (AAMA), a body which had recently been set up under the auspices of the Aboriginal Arts Unit of the Australia Council with funding from that body to provide advice to Aboriginals on copyright matters and to seek remedies where infringements were detected. Mr Horrocks knew that this body had been established following the "Aboriginal Arts and Crafts Industry Report of the Review Committee", in 1989.

Mr Horrocks was asked to make a very general inquiry with AAMA regarding copyright permission from the artists, but not to mention that some carpets had already been imported.

Mr Horrocks telephoned Mr McGuigan, the then director of AAMA, and made that inquiry. Mr McGuigan has no recollection of it, indicating, I think, the general nature of the inquiry. The importation of the carpets was not mentioned. Mr McGuigan suggested that a written request be made for copyright approval and asked that the artists and their particular works be identified. I accept Mr Horrocks' evidence that Mr McGuigan referred to "the T-shirt case" (the case of Johnny Bulun Bulun) which had resulted in a settlement under which an infringer of copyright of Aboriginal artworks reproduced on T-shirts paid approximately \$ 150,000. I accept Mr Horrocks' evidence that he mentioned this case to Mr Bethune when they next communicated.

Mr Horrocks reported back to Mr Bethune and requested details of the artworks concerned so that he could prepare a letter to AAMA.

On 29 July 1992 Mr Bethune on behalf of Beechrow faxed Mr Horrocks photographs of six carpets and identified six Aboriginal artists (five of those presently involved). The waterholes carpet was wrongly attributed to Tim Payunka Tjapantgati, a mistake which later led to a good deal of confusion in pre-trial affidavits.

Mr Horrocks prepared in draft a letter to be sent by him on behalf of Beechrow to AAMA. Mr Bethune made certain amendments, and the letter was despatched to AAMA at 12 Bellevue Street, Surrey Hills, New South Wales, on 14 August 1992. The letter enclosed the faxed copies of six of the carpets earlier supplied by Mr Bethune, and a list of six artists whose works had been used. Copyright permission was sought. As a mark of good faith a cheque for \$ 750 was enclosed on account of royalty fees. This amount had been calculated upon information set out in the letter, that 50 carpets 2m x 1m had been made and landed in Australia at that stage at a landed cost of \$ 180 per carpet. The cheque represented a royalty of approximately 8% of the landed costs. (It is not possible to reconcile this number and size of carpets with the shipments proved in evidence.) Mr Horrocks says he informed Mr Bethune that as it would probably be necessary for AAMA to contact the artists there could be significant delay before a reply was received, and that there was no certainty that copyright approval would be granted. Mr Bethune, on the other hand, says that Mr Horrocks told him that there should be no problem in obtaining the copyright approval and that it was in order for him to go ahead with plans for an exhibition of the carpets to be held in late October 1992.

Unfortunately the letter to AAMA was incorrectly addressed. The organisation's address was 13 Bellevue Street. The letter was never received by AAMA.

In mid 1992 Mr Bethune says he was heavily involved with Beechrow activities in Vietnam, and Mrs Bethune took over the day to day management of the carpet venture. She proceeded with plans to hold an exhibition of the carpets at the Guildford Hotel, Guildford, the opening to occur on 23 October 1992.

The carpets ordered between 30 April and 1 June 1992 entered Australia shortly before the exhibition.

No further communication was made by Mr or Mrs Bethune to Mr Horrocks before the day of the exhibition. On the night of the exhibition at about 8 pm Mr Bethune telephoned Mr Horrocks, and expressed disappointment that he was not at the opening, and suggested that the invitation to Mr Horrocks may have been incorrectly addressed. Mr Horrocks expressed immediate concern that an exhibition was occurring as copyright approval had not been obtained. He told Mr Bethune in unequivocal terms that the exhibition should stop. Mr Bethune said it was too late and suggested that Mr Horrocks come over and see the carpets. Mr Horrocks was angry, but later in the evening attended. He says his anger increased when he observed that the carpets on display reproduced important artworks about which nothing had been said to him, and that the carpet sizes and numbers exceeded those about which he had been told. He left the exhibition without speaking to Mr and Mrs Bethune.

The following day he was contacted by Mr Bethune who angrily accused him of saying to people at the exhibition that the carpets had been made on computer operated mechanical looms. Mr Horrocks denied that he had made any such remark (and I accept his evidence that he had not). Their discussion was acrimonious and Mr Horrocks terminated their relationship.

The exact nature of that relationship remains uncertain. Mr Bethune asserts that it was a commercial one under which Mr Horrocks was appointed Beechrow's agent for a fee upon his undertaking to obtain copyright approval. Mr Horrocks says that the terms of the arrangement were not discussed and it did not have the formality alleged by Mr Bethune. Again I accept Mr Horrocks' version.

On 19 November 1992 Mr Horrocks sent a long letter to Mr Bethune confirming his version of the events which had happened. Mr Bethune did not respond to or deny the assertions made in that letter. Mr Horrocks said he denied having ever expressed a belief that Mr Bethune could hold the exhibition once the cheque of \$ 750 had been sent to AAMA as a sign of good faith. The letter also records threats which he says Mr Bethune made to him to be implemented should Mr Horrocks take any steps to disrupt the exhibition at the Guildford Hotel.

Mr Horrocks also notified AAMA that he was no longer acting for Beechrow. This advice, meaningless on its own, was the first written notification that AAMA had received concerning the matter, and the first advice of the name Beechrow. The significance of the communication became apparent to AAMA when on 23 November 1992 Mrs Bethune contacted the organisation, and sent a copy of the draft text of the letter of 14 August 1992, and copies of the relevant ANG and AIS reproductions together with photographs of some of the carpets that had been generated by reference to those posters. In her covering letter Mrs Bethune stated that some of the carpets were "more an extract of an Aboriginal painting" than an exact copy. She said that Beechrow would like to reach an agreement with the Aboriginal artists as soon as possible so that Beechrow could proceed with the production of the carpets. She said "we would like to produce these carpets in a small commercial way, at the same time promoting the works of Aboriginal people".

On 2 December 1992 Mr Horrocks forwarded to Mr McGuigan a photocopy of the letter of 14 August 1992 together with enclosures, a photocopy of the cheque which had gone astray (and was never received), and a copy of the catalogue of carpets that had been offered at the Guildford exhibition. The price list showed that the carpets were on offer at \$ 250 per square metre, and in various sizes up to 2.7m x 3.5m in the case of a carpet reproducing the Seven Sisters. That was on offer for \$ 2400.

At about the same time AAMA received an inquiry from an Aboriginal art dealer in New South Wales inquiring whether the carpets, some of which were on consignment for sale from Beechrow, were the subject of copyright approval. Mr McGuigan's inquiries indicated that the carpets were on offer at a significantly higher price in Sydney, for example a 2.7m x 3.5m Seven Sisters carried a price tag of \$ 4252.

Mr McGuigan was quickly able to identify a number of the artists as the reproduced artworks were well known. He contacted Ms Marika, and endeavoured to contact other artists. Ms Marika indicated her distress and annoyance at the infringement of her copyright and made it plain that in no

circumstances would she give her permission for her artwork to be used on a carpet.

By 10 December 1992 Mr McGuigan had not received responses to all of his communications, but the response from Ms Marika, and from art centres through whom the Arnhem Land and Central Australian artists dealt indicated that the artists in question would in general be angry and would want the infringement stopped. Accordingly on 10 December 1992 AAMA wrote to Mr and Mrs Bethune on behalf of Beechrow asserting an inexcusable failure to obtain copyright approval, infringement of copyright, and breaches of ss 52 and 53 of the Trade Practices Act. The letter demanded on behalf of the artists an immediate cessation of manufacture, sale and advertising of the carpets, delivery up of the offending carpets, and a statutory declaration as to the number of carpets manufactured, the names and addresses of customers, and a statement of profits of the business. The letter also demanded payment of the total profits within 28 days. If undertakings to comply with these demands were not forthcoming by 24 December 1992 court action was threatened in which conversion damages pursuant to s 116 of the Copyright Act and additional damages under s 115 of the Act, arising from the flagrancy of the infringement would be claimed. The letter was in the plainest of terms.

Mrs Bethune replied by letter dated 16 December 1992 saying that "the carpets which may bear some resemblance to artworks by your clients have been withdrawn from sale and manufacture". However, she advised that the other demands in the letter would not be met in view of the threatened court action. The letter went on to say:

One thing though you should be very clear on is that considerable loss has been incurred to date in the sale and promotion of Aboriginal design carpets. This will be proven in court.

I do trust that you have conveyed to the artists mentioned the *full* facts surrounding this case, but in case you have not I will be taking independent steps to inform them myself even if it means travelling to their respective locations.

This letter was the commencement of a pattern of conduct that was followed by the respondents which expressed or implied the view that AAMA was acting contrary to the best interests of the Aboriginal artists and was being unreasonably obstructive to the implementation of a commercial bargain which could give monetary returns to the artists. This theme was taken up again in a further letter from Mrs Bethune to AAMA on 21 December 1992. Having referred to the production of the carpets in Vietnam and having made an assertion that Mr Horrocks had given advice that the Guildford exhibition could go ahead as he could see no problems, the letter continued:

As the exhibition created a lot of interest and subsequent events showed that formal permission had not been obtained, I approached your department direct. This has resulted in a deluge of negative action. If I was an unscrupulous operator trying to take advantage then fair enough, but I am a long time supporter of Aboriginal rights and aspirations and a recorded donor to the Aboriginal scholarship scheme in WA.

I have been approached by many WA Aboriginal artists to use their work and in view of your association's attitude have begun to sign agreements with them. This is indeed a pity, for the works of the artists in question are very suitable for carpet weaving and could be used to the artists' benefit.

If you think a damages action will produce more return than a continuing commercial relationship with your artists then so be it, but maybe you should read again the story of the goose that laid the golden eggs. I repeat again my advice in the last fax to you, that a substantial loss has been incurred in importing, promoting and selling Aboriginal design rugs.

Notwithstanding the above, I am prepared to pay royalties on carpets sold and, if agreed, future sales but I cannot and will not pay to you the total proceeds of carpets sold as well as absorb the costs of promoting and selling them.

In a further communication on 19 January 1993 with AAMA Mrs Bethune returned to the topic again. She repeated the offer to pay a royalty of 8% of the manufacturing costs with an up front payment in good faith and she concluded by saying:

As I said in my last letter to you, it is indeed a shame you or the artists you represent do not approve or like the medium of woollen rugs to present their work. Apart from royalties, it is a great way to promote Aboriginal art and culture world wide.

There is evidence that some attempts were made by Mrs Bethune early in 1993 to communicate direct with the artists to seek their approval. For example, a copy of a carpet reproducing the Freshwater Fish was sent to Man ngrida Arts and Crafts with a request that they seek permission from Ngaritj for its reproduction. That carpet was later given to the artist by Mr Peter Cook. The artist was extremely angry and upset about the infringement and refused permission for its reproduction by the respondents.

Agreement was not reached with any artist, and these proceedings were commenced on 8 April 1993.

The exhibition held on 23 October 1992 established that there was a viable market for carpets of this kind in Australia and in the two years since the exhibition the respondents have extended the importation and distribution of Vietnamese carpets to many centres in Australia. For the most part it appears that from 10 December 1992 carpets that are exact reproductions of the subject artworks have not been distributed or displayed for sale, although there has been at least one and possibly more isolated sales on inquiry to an agent who held consignment stock, and the importation of two Freshwater Fish. Notwithstanding Mrs Bethune's letter of 16 December 1992 Beechrow continued to market the snake, the green centre and the waterholes carpets. By the time the trial commenced, carpets being sold included a range of designs from two or three Aboriginal artists (including Mr Wangurra) who have given copyright approval for the use of a number of artworks especially created for that purpose.

Discovery by the respondents in this matter has been unsatisfactory. The numbers of carpets imported into Australia and their design were only satisfactorily established when Mr Bethune gave evidence and identified packing slips produced from a variety of sources, including from the Customs agents who had cleared the shipments for Beechrow. A schedule of carpets prepared by the applicants' solicitors from that evidence eventually became common ground and is now Ex A68. According to the schedule there were imported into Australia 115 carpets which for practical purposes were exact reproductions of seven of the artworks totalling 407.37 square metres together with 69 snake carpets alleged to be derived from the eighth artwork (Wititj) totalling 225.28 square metres, 39 green centre carpets from Kangaroo and Shield People Dreaming totalling 158.23 square metres and 23 waterholes from Emu Dreaming totalling 58.56 square metres -- in all 246 carpets totalling 845.44 square metres.

All the orders for carpets, and all the paperwork connected with them apart from the first four Kangaroo and Shield People Dreaming carpets, were in the name of Beechrow. Beechrow for the purposes of Australian law has been the importer. In the early stages of the carpet venture Beechrow was distributing and offering for sale the carpets in Australia. During 1993 (after the institution of these proceedings) Mr Bethune and his wife formed another company, Jamila Holdings Pty Ltd, which since then has marketed carpets in Australia under the name Beela Art Rugs. Beechrow, however, has remained the importer, and the trial has been conducted on the assumption that the transfer of marketing activities to the new company has not altered whatever liability otherwise existed.

As originally instituted these proceedings named each of the artists as applicants, even though two of them had been dead for many years, and one had died shortly before the institution of the action. That the action was commenced in this way through the Northern Australian Aboriginal Legal Aid Service was treated by the respondents as yet another instance of AAMA (whom they correctly assumed were giving instructions to the Legal Aid Service) acting without instructions from and contrary to the best interests of the artists.

The error was realised by the Legal Aid Service by the time of the first directions hearing in July 1993 and the proceedings were amended accordingly to include the Public Trustee. Further amendments were made later in the proceedings to reflect the deaths of two more artists. Pursuant to the Administration and Probate Act 1969 (NT), the Public Trustee is automatically the legal personal representative of the deceased artists: see s 51.

Throughout the directions hearings, and again at the commencement of the trial, the respondents and their advisers aggressively advanced the argument that the proceedings were being run by AAMA not in the best interests of the particular Aboriginal artists but, by implication, in pursuit of some hidden agenda. The highwater mark of this approach was an application made by the respondents immediately before the commencement of the trial to have the action dismissed or stayed on the ground that it had been commenced without the instructions of the applicants. This application had been foreshadowed in the amended defences of each of the respondents in the following plea:

1. The . . . respondent denies that the persons now named as the first three applicants and the persons formerly named as applicants but now said to be represented by the fourth applicant have authorised these proceedings to be brought in their names.

In pre-trial directions hearings the respondents' lawyers had been advised that the pleading was inappropriate in a defence and that if the issue were to be pursued it should be by separate application: see *Inglis v Moore* (No 2) (1979) 25 ALR 453 at 465 and ; *Richmond v Branson & Son* [1914] 1 Ch 968. The application was pressed notwithstanding the fact that the Public Trustee is a statutory office holder with statutory powers and duties to bring an action of this kind, and that the three living artists had filed affidavits clearly asserting their support for the proceedings.

The application proceeded by the respondents' counsel calling the Public Trustee who not unsurprisingly confirmed that he had authorised the proceedings on behalf of the deceased artists. The application was dismissed and the trial proceeded, but information elicited in the course of the application was repeatedly (and erroneously) said by the respondents' counsel to demonstrate that the proceedings were really being run by AAMA otherwise than in the interests of the artists. The length, complexity and cost of this trial shows just how unfortunate and tactically unwise this aggressive approach to the proceedings has been. The evidence demonstrates beyond any doubt that AAMA has at all times been acting strictly in accordance with the wishes of the Aboriginal artists, and that without AAMA's support a very serious copyright infringement of major artistic works could have remained unremedied. The literature on the preservation of Aboriginal folklore in Australia already referred to, had the respondents' camp thought to read it, would have led them to the same conclusion. At one point the respondents' case even sought to attack the bona fides of AAMA and its objects. Again, the background to that organisation and the fact that it is controlled by members of the Aboriginal community was publicly available information.

A further extraordinary tactical stance was taken by the respondents. From the outset they refused to admit the copyright ownership of the artists in their artworks. Only as the evidence unfolded at trial did the unreasonableness of this stance become fully apparent. The evidence revealed that Mr Bethune almost from the outset was in possession of the portfolio of the reproductions of the artworks from which the carpets were manufactured. It was never suggested that the artworks lacked originality. Each of the portfolio reproductions clearly identified the artist: see s 127 of the Copyright Act. Each work is so distinctive that there could never have been a doubt about identification. It was not until late in the second week of trial that copyright ownership of the last of the artworks was conceded. Even though the respondents wished to argue that the snake, the green centre and the waterholes carpets do not reproduce a substantial part of the original artwork, that provided no justification for denying copyright ownership in the artwork itself. The refusal to admit copyright ownership added greatly to the applicants' costs of the trial as much work was involved in obtaining affidavit evidence to prove copyright ownership, particularly in the case of the deceased artists.

Mr Bethune in his evidence said that the stances he adopted were "an emotional thing" as he felt the artists were not being consulted by AAMA.

These tactical stances are now relied on by the applicants as matters highly relevant to the flagrancy of the alleged infringement and the assessment of the additional damages required to compensate the cultural and personal hurt to the artists. It will be necessary to return to that topic.

For completeness one other aspect of the proceedings should be recorded. Beechrow and Mr Bethune by cross-claim sued both Mr Horrocks and the Aboriginal Legal Service of Western Australia Inc. The cross-claim alleged that Mr Horrocks in his own capacity and in his capacity as an officer and employee of the second cross-respondent agreed to negotiate licence or royalty agreements with the copyright owners and that he falsely represented that he had the expertise to do so. Indemnity or contribution towards any damages awarded to the applicants was sought together with damages for breach of contract and misrepresentation. Before trial the cross-claim against the second cross-respondent was dismissed with costs on an application for summary judgment. There was no evidence to support the assertion that Mr Horrocks at any stage was acting as servant or agent of the second cross-respondent, and the contrary was acknowledged in pre-trial correspondence from Mrs Bethune to AAMA. Then at the commencement of the trial the respondents sought leave to discontinue the cross-claim against the first cross-respondent. They informed the court that they did not want to proceed with the cross-claim at that stage but wished to preserve their right to do so later if so advised. In these circumstances the court refused to give leave to discontinue. Mr Horrocks was in Darwin for the trial with counsel brought at considerable expense by him from Perth. After considering their position the respondents agreed to the cross-claim against Mr Horrocks being dismissed by consent. An argument as to costs then followed. Costs were awarded against Beechrow and Mr Bethune on an indemnity basis. The affidavit evidence filed before trial in support of the cross-claim indicated that it never had any prospect of success. Moreover, an allegation amounting to one of fraud had been made against Mr Horrocks, and was persisted in to the last moment, notwithstanding the absence of evidence. These special circumstances in my opinion justified an order for costs on an indemnity basis: see *Fountain Selected Meats (Sales) Pty Ltd v International Produce Merchants Pty Ltd* (1988) 81 ALR 397 and ; *Colgate Palmolive Co v Cussons Pty Ltd* (1993) 118 ALR 248.

Copyright infringement by Beechrow

The infringements pleaded by the applicants included direct infringement contrary to s 36 of the Copyright Act and indirect infringements under ss 37 and 38. In light of the way the trial has been conducted, and concessions made in the course of the respondents' case as to the basis on which conversion damages should be assessed in respect of any infringement found to have occurred, it is appropriate to concentrate on s 37. That section relevantly reads:

. . . 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;

if the importer knew, or ought reasonably to have known, that the making of the article would, if the article had been made in Australia by the importer, have constituted an infringement of the copyright.

There is no doubt as to the purpose of the importation of the carpets by Beechrow. Each of the purposes described in paras (a), (b) and (c) have been established. The additional requirement of the section is that the "importer knew or ought reasonably to have known" that the articles would, if they had been made in Australia by the importer, have constituted an infringement of the copyright. The requirement of knowledge is necessary for an article to be an infringing copy notwithstanding the absence of any express requirement of knowledge in the definition of "infringing copy" in s 10(1): see *Law of Intellectual Property*, S Ricketson (Law Book Co, 1984) at paras 12.16-12.18 and *Infabrics Ltd v Jaytex Ltd* [1982] AC 1 at 25-6.

"Knowledge" for the purposes of s 37 refers to notice of facts such as would suggest to a reasonable person having the ordinary understanding expected of persons in the particular line of business that a breach of copyright was being committed: *Apple Computer Inc v Computer Edge Pty Ltd* (1984) 53 ALR 225 at 238; ; *Kalamazoo (Aust) Pty Ltd v Compact Business Systems Pty Ltd* (1985) 5 IPR 213 at 240 and ; *RCA Corp v Custom Cleared Sales Pty Ltd* (1978) 19 ALR 123. By virtue of the Copyright Amendment Act 1991 s 3, it is no longer necessary to establish actual knowledge. Constructive knowledge is sufficient. Knowledge of the law is not required. It is sufficient that there be actual or constructive knowledge that intellectual property rights would be infringed, without knowing the precise nature of those rights: ; *Star Micronics Pty Ltd v Five Star Computers Pty Ltd* (1990) 18 IPR 225 at 235-6. The knowledge of Mr Bethune is to be imputed to Beechrow: see the authorities discussed in ; *Beach Petroleum NL v Johnson* (1993) 115 ALR 411 at 568ff. I am not left in any doubt by the evidence that Beechrow through Mr Bethune knew or ought to have known at the time when the import of the carpets into Australia occurred that the making of the carpets which are exact reproductions of the artworks, if they had been made in Australia by Beechrow, would have constituted an infringement of copyright. Mr Bethune knew whilst he was at the carpet factory in Vietnam that the artwork came from the portfolios. The source of the artwork should have suggested to him that a breach of copyright would have been committed if the carpets were made in Australia. The artworks were plainly major artworks by identified artists. By the time the carpets ordered following the samples entered Australia, the existence of copyright and the implications of Beechrow's proposed course of conduct had been made plain to Mr Bethune by Mr Horrocks. Even if Mr Horrocks did say that he would be able to obtain copyright approval and that it was in order for arrangements to be made for the exhibition (contrary to my findings), the state of knowledge which Mr Bethune possessed or should have possessed from the time of his visit to the factory in Hanoi in October 1991 would have remained essentially the same. He was at no time told that copyright approval had been given, nor did he inquire as to the position at any time after the letter seeking approval was despatched to AAMA. In the case of carpets which entered Australia following the exhibition and the discussion with Mr Horrocks on 24 October 1992 the state of knowledge of Mr Bethune was then plain.

In the case of the 115 carpets which are exact reproductions of seven of the artworks, infringement plainly occurred under s 37.

Whether the carpets which are not exact reproductions of the artwork infringe the relevant artwork, and the requirements in s 37 as to knowledge in relation to those carpets if they constitute substantial reproductions raise more difficult questions. I shall consider each of the disputed designs separately.

Wititj

According to the information which accompanies the ANG portfolio this artwork is a representation of an olive python and its young. It is the final painting in a series of 15 by the artist which depicted aspects of the story of the Wagilag Sisters (to whom reference has already been made in relation to Ms Marika's artwork). The artist, an old man at the time that the artwork was created, knew both the "inside" and "outside" meanings of the story. Only the "outside" version can be told to women and children. In the painting the artist has used a stylised representation of an olive python to symbolise the mythical rainbow serpent. The artwork is rectangular in shape, and in the particular representation an adult python is curled closely around two baby pythons. The body of the python is shown lying in "square coils", that is the body, commencing with the tail located at one corner of the

bark, follows the border of the bark for one complete circuit, and then makes three more circuits, each inside of, but parallel to, the previous one. In this way the painting depicts four curls of the body before the head reaches the centre portion of the painting. Encompassed within the four coils is a rectangle containing the two baby pythons and the head of the adult. The depiction of the adult python's vent, the cross-hatching or rarrk which infills the body sections, and the shape of the head are distinctive. One of the baby pythons is black, and the other a dark ochre. The painting is predominantly in white, yellow and ochre colours.

The snake carpet reproduces the same basic colours and hues. The predominant feature of the carpet is one snake which follows a course parallel to the edges of the carpet so as to create a broad border image. The major area of the carpet, lying within that border, is a plain ochre colour closely similar to the background of the Wititj artwork. The unusual depiction of the vent of the snake and the particular cross-hatching which infills the body of the python on the Wititj is reproduced in almost identical form on the carpet. The difference in the body of the snake reproduced in the carpet is mainly in the number of curls of its body. The shape of the head of the snake on the carpet bears some similarity to that of the adult Wititj in the artwork, but whereas the artwork shows the python with an ochre head and white neck, the neck and head on the snake on the carpet is black. There are therefore differences. The carpet has only one snake, the body of that snake whilst closely similar in pattern to the adult python on the Wititj, has a different coloured head, and the body travels only once round the border of the carpet. It should be added that both the Wititj and the carpet have a thin white line as an extreme outer border.

On many occasions during the course of the trial this carpet has been referred to by counsel as the alleged adaptation. As a use of the English language no criticism can be levelled at this description. However, the term "adaptation" has a technical meaning in the Copyright Act. It is defined in s 10(1). The defined meanings operate in relation to literary and musical works and in that context the expression is used in s 31(1)(a) which defines the exclusive rights attaching to a literary, dramatic or musical work. However, the relevant prescription of the exclusive rights attaching to an artistic work appears in s 31(1)(b) which provides that:

(1) For the purposes of this Act, unless the contrary intention appears, copyright, in relation to a work, is the exclusive right:

...

(b) in the case of an artistic work, to do all or any of the following acts:

(i) to reproduce the work in a material form;

(ii) to publish the work;

(iii) to include the work in a television broadcast;

(iv) to cause a television programme that includes the work to be transmitted to subscribers to a diffusion service.

It will be noted that the term "adaptation" is not used in s 31(1)(b). The relevant inquiry in this case is not whether the disputed carpets are an adaptation but whether the carpets reproduce a substantial part of one of the artworks: see s 14(1)(a) and 31(1)(b)(i).

In *International Writing Institute Inc v Rimila Pty Ltd* (1993) AIPC 91-035 at 39,746 Lockhart J said:

Reproduction in a material form of a substantial part of a work in which copyright exists is determined by applying the test of substantial use of the features of the applicant's work in which copyright subsists: see *Copinger on Copyright*, 12th ed, para 472 and *Krisarts SA v Briarfine Ltd* (1977) FSR 557.

Though it is permissible to look to the quantity of what the respondent is alleged to have taken from the applicant's work, the test of substantial reproduction is essentially to look to the quality of what has been taken, although, depending on the facts of the case, the two often overlap. A useful statement of the four tests of substantial copying is to be found in *Ravenscroft v Herbert and New English Library Ltd* [1980] RPC 193 at 203, 205 and 207; see also *Copinger*, paras 468-9.

In *Ravenscroft v Herbert and New English Library Ltd* [1980] RPC 193 Brightman J in the passages referred to by Lockhart J observed that the first question is whether there has been copying, and then secondly whether the copying is substantial. In the present there can be no question that parts of the Wititj have been copied on to the snake carpet. The depiction of the tail portion of the snake, the rarrk, the border and the colouring itself are all aspects of that copying.

In determining whether the copying is substantial Brightman J accepted the submissions of counsel for the defendants that there are four principal matters to be taken into account in deciding whether copying is substantial (at 203):

First, the volume of the material taken, bearing in mind that quality is more important than quantity; secondly, how much of such material is the subject matter of copyright and how much is not; thirdly, whether there has been an animus furandi on the part of the defendant; this was treated by Page-Wood VC in *Jarrold v Houlston* (1857) 3 K & J 708 as equivalent to an intention on the part of the defendant to take for the purpose of saving himself labour; fourthly, the extent to which the plaintiff's and the defendant's books are competing works.

Brightman J also cited with approval passages from *Harman Pictures NV v Osborne* [1967] 1 WLR 723, one of which is material to the present case where part of the respondent's case is that the image of the Wititj is common in many Aboriginal artworks and involves no originality. That passage from ; *Harman Pictures NV v Osborne* at 732 reads:

In the case of works not original in the proper sense of the term, but composed of, or compiled or prepared from materials which are open to all, the fact that one man has produced such a work does not take away from anyone else the right to produce another work of the same kind, and in doing so to use all the materials open to him. But as the law has been precisely stated by Hall VC in *Hogg v Scott*, "the true principle in all these cases is that the defendant is not at liberty to use or avail himself of the labour which the plaintiff has been at for the purpose of producing his work, that is, in fact, merely to take away the result of another man's labour or, in other words, his property".

Applying these principles to the snake carpet I am in no doubt that it constitutes a reproduction of a substantial part of the artwork. There are striking similarities on a visual comparison of the artwork with the carpet. Whilst the dreaming of the Wititj is often told in Aboriginal artwork, the particular depiction of the tail and the rarrk used in this artwork is original and distinctive. There is on any view a substantial use of that part of the artwork in the carpet. I reject the arguments of the respondents that the particular depiction of the Wititj on the carpet is common to many Aboriginal artworks and involves no originality. I have looked through the several recognised texts on Aboriginal art which have been tendered by the respondents. In my view the artworks that they have identified to support this argument establishes that the contrary is the case. None of the other artworks show anything which closely resembles the main features of the snake carpet. The most important consideration, however, concerns the existence of an "animus furandi" on the part of the designers of the carpets, that is to say an intention on the part of these people to take from the Wititj artwork for the purpose of saving themselves labour; cf *Ravenscroft v Herbert and New English Library Ltd* at 207. The evidence of Mr Bethune is revealing. The artwork was before him and the factory manager. Mr Bethune said it was too complicated (otherwise, by inference, the artwork without modification would have been copied), so he instructed that it be simplified. This was achieved by an uncomplicated elimination of part of the body of the adult Wititj, the removal of the babies, and a transfer of the striking colour from one of the baby pythons to the head of the adult. The complex parts of the design and artwork in the tail and body colouring was copied exactly to form the predominant feature of the carpet. It is also revealing that the carpet factory then assigned the carpet the code "4A", "4" being the number of the ANG portfolio print, and also coded three of the

exact copies from other prints according to the ANG numbers, viz 5A, 6A and 9A.

It is surprising in light of the evidence that the argument that the snake carpet does not substantially reproduce the artwork has been maintained to the last, and even more surprising that the respondents have maintained that they are not in breach of the assurance they gave to AAMA following its letter of 10 December 1992 that carpets "which may bear some resemblance to artworks by your clients have been withdrawn from sale and manufacture". It is unbelievable that the respondents did not understand that the snake carpet was asserted to be one of the infringing copies by the applicants' case. A photo of the snake carpet had been forwarded to AAMA on 23 November 1992 by Mrs Bethune when she was seeking copyright approval as one of the carpets which was "more an extract of an Aboriginal painting". She could not have been in any real doubt then that reproduction was likely to be one requiring copyright approval. Later when the pleadings alleged a reproduction of the Wititj artwork or substantial parts thereof no request for further particulars of his allegation was made. The allegation could not have referred to anything but the snake carpet. Mr Bethune at one point in his evidence conceded that he knew the snake carpet was part of the case, but then resiled from that concession. The applicants contend that the continued import and sales of the snake carpet is flagrant conduct relevant to the claim for additional damages under s 115(4).

Green centre carpet

Like the snake carpet, this carpet was the product of Mr Bethune's direction to make a more simple design, as Kangaroo and Shield People Dreaming was too complicated.

The original artwork is a very complex painting which incorporates numerous important sites, represented by concentric circles, joined by dreaming or journey tracks in a multi-coloured dot-painting style, characteristic of some of the leading artists of the Pintupi tribe in the 1970-1980s. The very detailed pattern represents, as it were, a topographical map recording many important sites and events which impacted on the life of the artist. A distinctive shade of green is a common feature of some areas of the artwork. The carpet, like the snake carpet, has a plain centre. It adopts a shade of green prominent in the artwork. The carpet has a wide border consisting in essence of two parallel tracks punctuated by concentric circles (plainly representative of sites along a dreaming or journey track) with diagonal tracks criss-crossing between the outer tracks as part of the infill to the border. In a very crude sense at first glance the border has the design of a simple engineering form used in trusses, but on a closer look there is a lack of precision or uniform repetition in the placing of the "cross baces" that renders the analogy a bad one. The irregular form, placement and colours of the design and the sizes of the concentric circles show that the design is not simply a repetition of an elementary or common design pattern. A close comparison of the carpet with the artwork reveals that the unusual border pattern is extracted from one portion of the artwork -- a portion comprising not more than 5-10% of the artwork -- and then repeated with few modifications in sequence around the border of the carpet. The colours, sizes and joining tracks in the border are a very close copy of part of the artwork.

When the pattern is studied it is highly distinctive. Moreover, the evidence of Dr Vivien Johnson in particular, but also Mr McGuigan, is that the pattern is unique. It adopts common western desert symbols as part of the design, but that does not prevent the result having a high degree of originality. Mr Payunka and the experts who gave evidence identified the border as copying parts of the artwork. I am satisfied that the carpet does copy the artwork in part. Mr Payunka's observations about this carpet are as follows:

I can identify the border in the photocopy as coming from a part of my artwork. The part that has been copied comes from the circles and lines which are shown on the left hand side of my painting. The imagery has been straightened. It contains an important part of the story being told in my painting which contains some secret sacred stories concerning what I call "men's stories". I am not permitted to relate the content of these "men's stories" because of their secret sacred nature, but I can say that the stories being told in the painting concern the main creation story of my tribe . . . It is not right for my painting to be copied for commercial purposes onto carpets. It is also not right for

my painting to be copied in a way where part of it has been altered and part of the painting left out. I am happy for people to learn about my culture and heritage, and the accurate reproduction of the painting for the purposes of education and cultural exchange is appropriate . . . I wish the court to know that I am very upset about the copying of my painting on carpets by the respondents in this proceeding.

Again, a perusal of the works on Aboriginal art tendered by the respondents to show the absence of originality in my view demonstrates the contrary, and shows just how distinctive is the pattern (including the colours) taken from the artwork.

Although as a proportion either of the total artwork, or the total carpet, the area of copied material in comparison with the whole is not great, in a qualitative sense the copying is substantial. The pattern taken from the artwork constitutes the striking feature of the carpet. And again a predominant consideration is the animus furandi of those responsible for the design -- Mr Bethune for Beechrow and the manager of the carpet factory. I find that the copying of the artwork is substantial.

Waterholes

The waterholes carpet is also in my view substantial reproduction of Emu Dreaming. The artwork is again a complex, detailed design which, unusually at the time it was created, incorporated vivid blue and purple colours on a background of differing shades of ochre. The original artwork at the top and down the right hand side depicts a dreaming track starting and finishing at a site, with six intermediate sites along the way. On those two edges the painting of the dreaming track presents as a border. Within that border and as the central feature of the artwork is a pattern formed by a central site surrounded by seven other sites. Each of the sites has a blue centre. The seven outer sites are joined one to another by a double ochre journey track, and form the circumference of an oval shape around the central site. Each of the outer sites are joined to the central site by double blue tracks. All the sites and the tracks have outer borders of two parallel white lines. All the circles, tracks and lines are formed by a succession of dots. The infill between the tracks and the sites contains distinctive patterns of dots. On the artwork there is a bold representation of emu tracks leading from the foot of the picture into the central site.

The waterholes carpet has a background of ochre colours. It is bordered on all four sides by a continuous track of double ochre lines, bordered by double white lines and punctuated by sites represented by concentric circles. In visual effect it takes from the artwork the outer border which appears on two sides of it and extends it completely around the design. Then within the border the carpet has a pattern which very closely resembles the central pattern of the artwork, utilising a similar layout, number of tracks and sites and similar colours. The number of concentric circles and the exact proportions of the pattern varies somewhat from carpet to carpet -- a matter of necessity I infer to accommodate the design to the size and shape of the particular carpet. But the visual impression of the colours and design of the carpets is the same, and in my view is strikingly similar to the central feature of the original artwork.

Beechrow did not seem to be in any real doubt that waterholes involved a copy of parts of the artwork when Mrs Bethune wrote to AAMA on 23 November 1992 as she attached a photo of the waterholes carpet to the AIS reproduction of the work. That photo appears to depict a carpet of a shape that accommodated the central feature of the artwork without distorting (by elongating) the design. The photo appears to show a carpet of the proportion of say 1.7m x 2.4m, or 1.3m x 1.1m (carpet sizes that were ordered). Interestingly a comparison of the infill dot pattern in the area where an emu footprint appears close to the central site on the artwork is very similar in the photo -- suggesting the simple expedient by the carpet designer of just removing the image of the footprint without modification of the surrounding infill. In 2m x 1m waterholes carpets produced to the court during the trial the infill in that part of the carpet had been slightly changed, as had the proportions of the pattern to suit a proportionately longer carpet. But the visual appearance of the carpet remains fundamentally the same except on very close examination.

I hold that the waterholes carpet is a copy of a substantial part of the original artwork.

For claims of infringement under s 37 to be made out by the importation of the snake, the green centre and the waterholes carpets it must be established that the importer, Beechrow, knew or ought reasonably to have known that the carpets would, if made in Australia by Beechrow, have constituted an infringement of the copyright. Notwithstanding the protestations by the respondents that they do not think the carpets are substantial copies of the artworks, and did not think this was being alleged until part way through the trial, I think, as a matter of probability, that Beechrow through Mr Bethune realised from the outset that the artworks from which the carpets were derived were the subject of copyright, and that the carpets reproduced those artworks in substantial parts. But it is not necessary to go that far. Actual knowledge is not necessary. I am satisfied that Beechrow and Mr Bethune had constructive knowledge, that is knowledge of facts that would suggest to a reasonable person, particularly one about to engage in the business of distributing carpets in Australia, that a breach of the copyright law would be committed if the carpets were to be made in Australia.

In summary, I am satisfied that the import into Australia of all 246 carpets which the applicants allege to be infringing reproductions of the artworks constituted infringements by Beechrow.

The applicants' claims pleaded against the individual directors include the allegation that each infringed copyright by importing the carpets for sale, "and/or authorising such conduct". Under s 36 of the Act, in the case of a direct infringement, any person not being the owner of copyright who without the licence of the owner of the copyright "authorises the doing in Australia of any act comprised in the copyright" also infringes the copyright. The expression "authorises" has been construed broadly. In *University of New South Wales v Moorhouse* (1975) 133 CLR 1;6 ALR 193 the High Court ascribed to the expression the meaning "sanction, approve, or countenance". In the application of s 36 to conduct by a company which constitutes the doing in Australia of acts comprised in the copyright, directors of a company have been held liable for infringement on the ground that they, as directors or employees of the company, have themselves authorised an infringement: see ; *Kalamazoo (Aust) Pty Ltd v Compact Business Systems Pty Ltd* (1985) 5 IPR 213 at 240 and ; *Australasian Performing Right Association Ltd v Jain* (1990) 26 FCR 53 at 60-1;96 ALR 619;18 IPR 663 at 670. However, in the present case the claim of infringement against the company is made not under s 36 but under s 37. Section 37 by its terms does not impose liability on any person who authorises the relevant importation; the section imposes liability only upon "the importer".

The importer of all the carpets is Beechrow. If a director of Beechrow is to be held liable for an infringement under s 37 it is necessary to look beyond the express terms of that section.

An infringement of copyright statutes is considered tortious, so as to make applicable the common law principles as to liability of tortfeasors: *WEA International Inc v Hanimex Corp Ltd* (1987) 17 FCR 274 at 283;77 ALR 456;10 IPR 349 at 358. Where two or more people are responsible in law for the commission of a tort they are joint tortfeasors, each jointly and severally liable for the loss and damage thereby caused: *Clerk & Lindsell on Torts*, Sweet & Maxwell, 16th ed, para 2-55. Under the general law where two or more people act together in furtherance of a common design to commit a tort they will be responsible as joint tortfeasors: *Morton-Norwich Products Inc v Intercen Ltd* [1978] RPC 501 at 515-16. Where, however, the primary infringer is a corporation questions as to the liability of its directors for the tort also attract the principles of company law which impose personal liability on directors for the torts of the corporation depending on the degree of their involvement: ; *Hanimex* (1987) 17 FCR at 283;10 IPR at 359.

In *Wah Tat Bank Ltd v Chan Cheng Kum* [1975] AC 507, Lord Salmon in the course of delivering the judgment of the Privy Council said, at 514-15:

A tort may be committed through an officer or servant of a company without the chairman or managing director being in any way implicated. There are many such cases reported in the books. If, however, the chairman or managing director procures or directs the commission of the tort he may be personally liable for the tort and the damage flowing from it: *Performing Right Society Ltd v Ciry*

Theatrical Syndicate Ltd [1924] 1 KB 1, 14, 15, per Atkin LJ. Each case depends upon its own particular facts.

In C Evans & Sons Ltd v Spritebrand Ltd [1985] 1 WLR 317 the Court of Appeal rejected the proposition that personal liability in a director arose only where it was proved that the director authorised acts known to be wrongful or where the director was reckless as to the possibility, but left open the degree of authorisation, procurement or direction necessary to attract personal liability. The judgment of the Court of Appeal emphasises that it is necessary to examine with care what part the director played personally in regard to the act or acts complained of: see 329. These decisions have been applied in later cases. Directors have been held personally responsible for authorising and directing the particular conduct which the corporation followed leading to infringement in ; AP Besson Ltd v Fulleon Ltd [1986] FSR 319; ; Kalamazoo (Aust) Pty Ltd v Compact Business Systems Pty Ltd (1985) 5 IPR 213 at 240-1; ; Martin Engineering Co v Nicaro Holdings Pty Ltd (1991) 100 ALR 358.

No difficulty arises in the application of these principles to the role played by Mr Bethune in the importation of the carpets by Beechrow. The roles played by the other two directors, Mr King and Mr Rylands, require further consideration.

The initial contact with the carpet factory in Vietnam was made by Mr Bethune before Beechrow was acquired. Thereafter, from the visit to the factory on 17 October 1991, Mr Bethune was the person directly involved in making all of the decisions, and implementing the administrative action necessary on the company's behalf to put into effect the importation. Moreover, the knowledge of the company requisite for liability under s 37 was imputed to the company by virtue of the knowledge of Mr Bethune. In these circumstances his personal involvement in authorising, procuring and directing the conduct of Beechrow renders him personally liable for the infringement under s 37, and I so hold.

At the close of the applicants' case, the evidence about the involvement of the other two directors in the affairs of Beechrow, and in relation to their involvement in the importation of the carpets, was almost non-existent.

The evidence against them consisted of the statutory returns made to the Australian Securities Commission -- documents which asserted that they had been directors of the company since its inception -- together with certain handwritten notations on financial records of the company. On bank statements emanating from a Vietnamese bank which held an account for Beechrow, there was one notation relating to Mr King and two relating to Mr Rylands. Standing alone those entries are meaningless and do not prove the involvement of either respondent in the importation of the offending carpets into Australia. Mere proof that Mr King and Mr Rylands were directors at the time of importation falls far short of establishing the requisite degree of involvement and knowledge to render them personally liable.

In the presentation of the respondents' case Mr King and Mr Rylands were not called to give evidence, it being asserted by their counsel that there was nothing in the evidence which justified any explanation from them. The respondents' case was presented through Mr Bethune. He asserted that neither Mr King nor Mr Rylands had at any time taken any part in the management of the company. Their role, he said, was entirely formal, Mr King having been made a director because he provided an asset as security for a loan to the company at its inception, and Mr Rylands because he was conducting another business in Vietnam which rendered it convenient for him from time to time to use banking and other commercial facilities available through Beechrow. Mr Bethune was emphatic that neither of the other directors had any knowledge of the importation of carpets. The evidence of Mr Bethune that the importation of carpets by Beechrow was a sideline or "hobby" has already been referred to. Mr Rylands was present at the Guildford Hotel exhibition on 23 October 1992. At that exhibition Mr Bethune says he did not speak with Mr Rylands. How Mr Rylands came to be there, and what his state of knowledge about the carpets may have been is not disclosed by the evidence.

When the proceedings, issued in April 1993, were served upon Mr King and Mr Rylands there was, according to Mr Bethune, much discussion about what had happened. Mr Bethune says that he told

them both that the importation of carpets the subject of the proceedings had ceased in October of the preceding year. The inference to be drawn from the evidence of Mr Bethune is that the other two directors accepted his assurance that the impugned conduct of Beechrow had ceased without any further inquiry on their part and that they took no other action save to join in instructions to solicitors to defend the action.

I have reservations about the reliability of the evidence of Mr Bethune. Those reservations are based in particular on his evidence about an interview which he had with a journalist concerning his involvement in the importation of carpets, his cross-examination regarding assertions made in the swing tags attached to the carpets, and his attitude to the statutory returns of the company. In expressing this evaluation of his evidence I do not intend to imply that I thought he was deliberately trying to mislead the court. Rather I formed the impression that he had emotional and wrong-headed ideas about the issues in the case, and was careless about many assertions that he made. Notwithstanding this assessment, I consider I should accept Mr Bethune's evidence about the involvement of Mr King and Mr Rylands in the affairs of Beechrow. Mr Bethune was put forward to present the case of all the respondents, and neither Mr King nor Mr Rylands have chosen to give evidence to retract or modify the explanation of their respective roles. Absent any evidence from them the court is entitled more readily to draw, and to act on, inferences adverse to their interests arising from that evidence: *Jones v Dunkel* (1959) 101 CLR 298. In particular I consider the court should infer that they took no action when served with the proceedings other than to accept Mr Bethune's explanation and to instruct solicitors, that they made no inquiries, or other efforts to verify that Beechrow had ceased importing or selling carpets bearing designs the subject of the proceedings, and that they took no steps to become informed about the continuing activities of Beechrow in relation to carpets. In short, they continued on as sleeping or passive directors.

Counsel for the applicants concedes that the evidence, including that of Mr Bethune, cannot support a finding that Mr King and Mr Rylands were involved in any way with the importation of the carpets prior to their being served with the proceedings in this action. There is no evidence that before this time they had any knowledge of Beechrow's activities in relation to carpets. It cannot be inferred that Mr Rylands knew that the exhibition at the Guildford Hotel was connected with Beechrow. Presumably he was there on the invitation of Mr or Mrs Bethune and he may have thought the carpet venture was a private one on their part. There is no evidence as to whether invitations sent out for the exhibition disclosed Beechrow's involvement. The exhibition catalogue is in evidence; it does not refer to Beechrow.

Counsel for the applicants, however, contends that from the time the proceedings were served, Mr King and Mr Rylands either knew or should have known what Beechrow had done and what it was still doing in relation to carpets; and that by them simply doing nothing so that the affairs of Beechrow were left in the unchecked control of Mr Bethune, they have become personally liable for infringements subsequently committed by Beechrow. In his submissions counsel drew attention to the duties imposed on directors of companies under s 232(4) of the Corporations Law, to exercise the degree of care and diligence that a reasonable person in a like position in a corporation would exercise in the corporation's circumstances, and to the observation of Ormiston J in *Morley v Statewide Tobacco Services Ltd* [1993] 1 VR 423, especially at 448-9, which led Rogers AJA in ; *Naffai v Haines* (CA(NSW), 26 November 1991, unreported) to say "the days of the sleeping, or passive, director are well and truly over". The Full Court of the Supreme Court of Victoria agreed with this observation when dismissing the appeal from the judgment of Ormiston J: [1993] 1 VR 423 at 465; see also ; *Group Four Industries Pty Ltd v Brosnan* (1992) 59 SASR 22 at 30, 68-70; and the Commercial Law note by Prof R Baxt (1993) 67 ALJ 57. These cases considered the obligations of directors in relation to the financial affairs of companies, but the observation cited has general application to directors' duties: cf *AWA Ltd v Daniels t/a Deloitte Haskins & Sells* (1992) 10 ACLC 933 at 1012-13.

The date when the application was served on Mr Rylands is not established, nor is the date of the occasion on which the directors had their discussion concerning the proceedings about which Mr Bethune gave evidence. He said it was in about April 1993 but I suspect it may have been later. The appearance of Beechrow and Mr Rylands was filed on 4 May 1993, but the statement of claim

was not served on Mr Rylands until 31 May 1993. The application and statement of claim were served on Mr King on 17 May 1993. It is reasonable to infer that the directors' discussions occurred well before 24 June 1992 when the respondents filed defences.

The statement of claim alleged infringement of the artworks by importation and by sale in Australia of carpets that "reproduce and/or adapt each of the artworks or substantial parts thereof", and identified the artworks. Reasonable inquiry by Mr King and Mr Rylands would have disclosed copies of the ANG and AIS reproductions in the records of the company; if not it can be assumed that copies would have been produced by Mr Bethune, or failing that the pleadings said copies of the artworks were available for inspection at the office of the applicants' solicitors. Mr Rylands would have been reminded of the carpets he saw at the Guildford exhibition. The particulars of infringement pleaded included the statement that:

The respondents have also displayed the said carpets for sale to the public at the Guildford Hotel in Perth in or about October 1992, and have thereafter been offering for sale and selling the carpets throughout Australia.

The pleadings made unequivocal allegations that each of the individual respondents, including Mr King and Mr Rylands, were personally liable for authorising the infringements, and for aiding, abetting, counselling, procuring and being directly or indirectly knowingly concerned in contraventions of the Trade Practices Act.

Inquiry would have revealed to Mr King and Mr Rylands the designs which had been reproduced on carpets. There were carpets of each design available for inspection at Beechrow's warehouse at the Guildford Hotel. Inquiry as to the extent of imports and sales would have been less revealing -- at least that is the inference from the documents disclosed by Beechrow in evidence. Inquiry would have revealed to them that the company had no order book for carpets, no stock book recording receipts and despatches of carpets, and no satisfactory financial records of sales or transfers of carpet to Jamila Holdings or to other distributors. The absence of records should have been the cause for more active investigation to locate other records, and even to physically check what carpets the company had on hand, and to ensure that the impugned conduct had ceased. Such inquiries would have revealed that there were infringing carpets in stock and others on consignment to distributors around Australia. Moreover, reasonable inquiry would have revealed the packing slips which seem to have constituted the company's records of the carpets imported. The design codes on the packing slips could have been translated by Mr or Mrs Bethune, or, in many instances at least, identified as probably infringing carpets from corresponding codes on the Guildford Catalogue which it may be assumed would have been available on inquiry.

In the circumstances of this case Mr King and Mr Rylands were not justified in accepting without question or inquiry the assurance of Mr Bethune that Beechrow had ceased the conduct alleged in October 1992. The statement of claim could not have given clearer notice that the assurance might not be correct. Not only did the particulars already referred to allege continuing infringing conduct after the exhibition, para 8 of the statement of claim read:

8. The applicants have requested that the respondents cease engaging in the conduct complained herein by a letter dated 10 December 1992, but the respondents have failed or refused to cease engaging in the unlawful conduct complained of herein.

In June 1993 inspection of the packing slips would have revealed to Mr King and Mr Rylands that imports of carpets bearing the same codes as several of the carpets in the Guildford exhibition had been imported since October 1992 (carpets coded 4A, HA, and BA). Reasonable inquiry would also have revealed that snake, green centre and waterholes carpets were still being imported and actively promoted. Reasonable inquiry would have immediately revealed to them that the snake carpet was one of the carpet designs alleged to be an infringement. That was the only carpet with a snake design in stock. The Wititj was one of the artworks identified in the pleadings and a comparison of the two designs would have left no doubt that the snake carpet was alleged to be an infringement. This revelation should have led to an inquiry as to what if any other carpets that could come within

the allegation that the artworks had been adapted were still being traded. That inquiry, it is reasonable to infer, would have taken Mr King and Mr Rylands to correspondence with AAMA which had referred to the enclosure of photographs of carpets some of which were "more an extract of an Aboriginal painting". Follow up on this letter would have revealed both the green centre and the waterholes designs to be ones that were, or at least might have been, carpets within the allegations in the pleadings. The codes for the designs in the records of the company (DA, DA-1, DA-2 and BA, BA-1) should in themselves have alerted them to this. If they were then in doubt inquiry could have been made of the applicants' solicitors.

In summary, reasonable inquiry by Mr King and Mr Rylands in response to the service of the proceedings would have brought to their notice the fact that Beechrow had in 1992 imported carpets which were exact reproductions of seven of the eight artworks identified in the statement of claim taken from the ANG or AIS portfolios; that the company had also imported snake, green centres and waterholes carpets that were or might have been within the allegations of infringement; and that the company in 1993 was continuing to import and market snake, green centres and waterholes carpets.

These inquiries were not made. Faced with the allegation of blatant, serious and continuing infringement by Beechrow, which the other respondents as its directors were said to have authorised, Mr King and Mr Rylands apparently did nothing save to leave the control of the company exclusively in the hands of Mr Bethune. The company continued to infringe by importing. In these circumstances can it be said that in respect of the infringements after tile proceedings were served on them Mr King and Mr Rylands have authorised, directed or procured the infringements so as to incur personal liability?

In *Performing Right Society Ltd v CiryI Theatrical Syndicate Ltd* [1924] 1 KB 1 at 15 Atkin LJ (whose judgment was cited with approval in ; *Wah Tat Bank Ltd*, supra) said:

. . . I conceive that express direction is not necessary. If the directors themselves directed or procured the commission of the act they would be liable in whatever sense they did so, whether expressly or impliedly.

In *Adelaide City Corporation v Australasian Performing Right Association Ltd* (1928) 40 CLR 481 the question before the court was whether the Corporation had "permitted" its Town Hall to be used for the performance in public of a musical without the consent of the owner of the copyright. The Corporation had been put on notice by the copyright owner in advance of the performance that a copyright infringement might occur, but the Corporation took no action. The members of the court divided on whether on the facts permission should be inferred, but all members of the court were in agreement that indifference or omission could amount to permission. Knox CJ said at 487:

I agree with the learned judges of the Supreme Court in thinking that indifference or omission is "permission" within the plain meaning of that word where the party charged (1) knows or has reason to anticipate or suspect that the particular act is to be or is likely to be done, (2) has the power to prevent it, (3) makes default in some duty of control or interference arising under the circumstances of the case, and (4) thereby fails to prevent it. This statement of the legal position was not challenged in argument before this court.

Isaacs J said at 490-1:

As an illustration, a person "permits" his hall to be used for the public performance of a play or a song, if he knows or has reason to know or believe that the particular play or song (*Performing Right Society v CiryI Theatrical Syndicate* [1924] 1 KB 1) will or may be performed and, having the legal power to prevent it, nevertheless disregards that power and allows his property to be used for the purpose.

Gavan Duffy and Starke JJ at 504-5 said:

Mere inactivity or failure to take some steps to prevent the performance of the work does not

necessarily establish permission. Inactivity or "indifference, exhibited by acts of commission or omission, may reach a degree from which an authorisation or permission may be inferred. It is a question of fact in each case what is the true inference to be drawn from the conduct of the person who is said to have authorised the performance or permitted the use of a place of entertainment for the performance complained of": *Performing Right Society v CiryI Theatrical Syndicate*. The conduct of the Corporation must, therefore, be examined. It was informed by the plaintiff that the song in which it claimed copyright would be sung by Hislop at the Town Hall . . .

(Their Honours then referred to a clause in the letting agreement which authorised the termination of the agreement in the discretion of the Town Clerk, and continued:)

Despite the notice given to the Corporation, it neither exercised this power nor took any step to induce the hirer to prevent the performance. Now, the clause does not give the Corporation any control over J C Williamson Ltd or Hislop or over concerts given by them in the Town Hall: all it authorises is a termination of the contractual relationship constituted by the letting agreement. The failure to prevent that which a man can legally prevent may be evidence of his consent to its coming into, or continuing in, existence; but no inference of consent should be drawn against one who having no such right remains quiescent and declines to alter his legal relations in order to acquire such a right.

That permission may be implied from acts of indifference and omission was also recognised by Jacobs J (with whom McTiernan J agreed) in *University of New South Wales v Moorhouse* at CLR 20;ALR 207ndash;8. His Honour was considering the meaning of "authorises" in s 36 of the Copyright Act, but his observations apply more generally:

It [the word "authorises"] has, in relation to a similar use in previous copyright legislation, been given the meaning, taken from the *Oxford Dictionary*, of "sanction, approve, countenance": see *Falcon v Famous Players Film Co* [1926] 2 KB 474 which was approved in ; *Adelaide Corporation v Australasian Performing Right Association Ltd*. I have no doubt that the word is used in the same sense in s 36(1). It is a wide meaning which in cases of permission or invitation is apt to apply both where an express permission or invitation is extended to do the act comprised in the copyright and where such a permission or invitation may be implied. Where a general permission or invitation may be implied it is clearly unnecessary that the authorising party have knowledge that a particular act comprised in the copyright will be done.

The acts and omissions of the alleged authorising party must be looked at in the circumstances in which the act comprised in the copyright is done. The circumstances will include the likelihood that such an act will be done. ". . .[t]he court may infer an authorisation or permission from acts which fall short of being direct and positive; . . . indifference, exhibited by acts of commission or omission, may reach a degree from which authorisation or permission may be inferred. It is a question of fact in each case what is the true inference to be drawn from the conduct of the person who is said to have authorised . . .": per Bankes LJ in *Performing Right Society Ltd v CiryI Theatrical Syndicate Ltd* [1924] 1 KB 1 at 9.

See also the judgment of Gibbs J in *University of New South Wales v Moorhouse* at CLR 12ndash;13, and the decision of the Full Court of this court in ; *Australasian Performing Right Association Ltd v Jain*.

In the circumstances of the present case Mr King and Mr Rylands were put on notice that if nothing were done to alter the conduct of Beechrow infringements of copyright were likely to occur. That was the express plea in para 8 of the statement of claim. The inference to be drawn against them is that they chose to do nothing even though it was within their power as the majority of directors to control the conduct of the company. The foreseeable result of that choice, which in fact eventuated, was that the company would continue to act as it had done in the past. Plainly, as directors of the company, it was their duty to take such steps as were reasonably available to them to prevent serious breaches of the law of the kind alleged against Beechrow, but they failed to take any steps at all.

In my opinion the degree of indifference exhibited by the inaction of Mr King and Mr Rylands is such that authorisation or permission by them for the course of conduct by Beechrow which followed should be inferred.

The trial was conducted in a way that focused attention mainly upon the infringements under s 37 constituted by the importation of the carpets, rather than upon infringements by sale and other dealings in Australia after the carpets entered Australia. It is convenient to consider the claims against Mr King and Mr Rylands as claims for personal liability for infringements by the company under s 37, and to assess the extent of their liability on that basis. This approach disregards infringements by sales or other dealings involving carpets that were in stock between the time when Mr King and Mr Rylands were put on notice and the next shipment of carpets arrived, a possible further claim which the applicants have not pressed.

On this approach Mr King and Mr Rylands are liable only for importations which occurred after they were put on notice by the service of the proceedings and had time, had they chosen to do so, to react to that notice. There was a shipment of carpets which entered Australia about 11 April 1993. That shipment probably predated notice to them. The next shipment did not arrive until about late July 1993. The bill of lading was signed in Ho Chi Minh City on 4 July 1993. That shipment is after the time when they should have responded to prevent further infringements by Beechrow. Commencing with that shipment, the total importations of infringing carpets from July 1993 until the conclusion of the trial were two Freshwater Fish (6 sq m), 41 snake carpets (140.96 sq m), nine green centre carpets (24.24 sq m), and 15 waterholes carpets (44.40 sq m), in all 215.6 sq m.

Once they received notice of the proceedings Mr King and Mr Rylands knew or ought reasonably to have known that if the carpets were made in Australia by Beechrow they would constitute infringements of the artists' copyright in the artworks. They were on notice that further imports by Beechrow of the carpets which reproduced the artworks or a substantial part thereof would be contrary to the law.

In light of the conclusion that the respondents are liable for infringements under s 37, it is not necessary to consider the more difficult claims pleaded, but not argued in detail, by the applicants under ss 36 and 38. These alternate claims were not developed by the applicants because of an agreement struck with the respondents as to the value of the carpets for conversion damages at the time of importation. The evidence does not provide a basis for assessing damages in respect of post-importation infringements constituted by sales or other dealings.

I turn now to the remedies sought by the applicants.

In the event of an established infringement the Copyright Act relevantly provides remedies to the copyright owner. The statutory remedies do not recognise the infringement of ownership rights of the kind which reside under Aboriginal law in the traditional owners of the dreaming stories and the imagery such as that used in the artworks of the present applicants. That is a matter which has been commented on in the course of the trial, as the evidence discloses the likelihood that the unauthorised reproduction of the artworks has caused anger and offence to those owners, and the potential for them to suffer humiliation and repercussions in their cultural environment. It will be necessary to return to that topic.

Where a number of people join together as applicants in the one action as they have done here, and successfully prosecute for separate remedies for invasions of their separate rights, the order of the court would normally specify separate judgments in favour of each applicant, assessed according to the loss and damage which each suffered.

On express instructions from the applicants, counsel has informed the court that Aboriginal law and custom would treat each of the applicants in a case like the present one equally so that the fruits of the action would be shared equally between the named parties. Some anecdotal evidence of this custom was led through Mr McGuigan who was involved as director of AAMA in the *Johnny Bulun Bulun* case, and see also "Aboriginal Art and the protection of indigenous cultural rights": *Aboriginal*

Law Bulletin, vol 2 No 56, p 5, which comments on that litigation. Counsel for the applicants acknowledged that to treat the invasion of the rights of each artist (or those of his estate) on the basis of equality would not be in accordance with the principles of assessment of damages for infringement under the Copyright Act. Whilst not suggesting that the court should assess the liabilities of each respondent otherwise than according to those principles, counsel invited the court to express its judgment in terms which defined the aggregate liability of each respondent to the applicants as a group, rather than as individual judgements in favour of each applicant. A judgment so expressed would enable the applicants, including the Public Trustee in consultation with those entitled by Aboriginal law and custom to the proceeds of each estate, to agree upon a division of the damages which met with their cultural and other wishes. Under Pt III, Div 4A of the Administration and Probate Act 1969 (NT), the estate of an intestate Aboriginal may, on order of the Supreme Court of the Northern Territory, be distributed in accordance with the traditions of the community or group to which the intestate Aboriginal belonged. Whilst the Copyright Act only recognises the rights of the copyright owner, in a practical way it appears that there may be scope, even in the case of the estates administered by the Public Trustee, for the distribution of the proceeds of the action to those traditional owners who have legitimate entitlements according to Aboriginal law to share compensation paid by someone who has without permission reproduced the artwork of an Aboriginal artist.

So far as the procedural rules and practice of the court permit I consider this court should accommodate the applicants' request. In so doing, the reasons for judgment must indicate the basis of assessment according to the established requirements of copyright law so that the respondents' liability is patently established according to the municipal law of Australia. In what follows, I have had regard both to this need, and to the request of the applicants.

The primary remedy sought by the applicants is pursuant to s 116 of the Copyright Act. The applicants seek conversion damages and the delivering up of the unsold carpets. I shall deal with those claims first. Section 116 relevantly provides:

(1) Subject to this Act, the owner of the copyright in a work or other subject-matter is entitled in respect of any infringing copy . . . to the rights and remedies, by way of an action for conversion or detention, to which he would be entitled if he were the owner of the copy . . . and had been the owner of the copy . . . since the time when it was made.

(2) A plaintiff is not entitled by virtue of this section to any damages or to any other pecuniary remedy, other than costs, if it is established that, at the time of the conversion or detention:

(a) the defendant was not aware, and had no reasonable grounds for suspecting, that copyright subsisted in the work or other subject-matter to which the action relates;

(b) where the articles converted or detained were infringing copies -- the defendant believed, and had reasonable grounds for believing, that they were not infringing copies; or

. . .

The defence of each respondent seeks to rely on s 116(2) but it must follow from the findings which I have already made that Beechrow and Mr Bethune in the case of all the infringing carpets, and Mr King and Mr Rylands in the case of the infringing carpets imported during and after July 1993, had reasonable grounds for suspecting that copyright subsisted in the artworks, and also had reasonable grounds for believing that the carpets were infringing copies.

There is, however, one ground in the particulars contained in the defences of Beechrow and Mr Bethune relating to their knowledge and belief to which reference should be made. That particular alleges that Beechrow had reasonable grounds to believe that the carpet manufacturer had been given copyright in the artwork by the Australian Embassy staff in Vietnam. The evidence of Mr Bethune in support of that plea was a passing suggestion that the factory manager, at the time he first showed Mr Bethune a carpet which reproduced Kangaroo and Shield People Dreaming, told him

that a carpet in that design had been made for an official of the Australian Embassy, and a suggestion that the ANG and AIS portfolios had been obtained by the carpet factory from the Australian Embassy. Even if those suggested facts about the factory were properly proved by admissible evidence (which they are not) they would not establish any basis for a reasonable belief as alleged. The obvious fact that the artworks were being copied from the portfolios provided grounds on which Mr Bethune should have realised, if he did not, that copyright was likely to subsist in the works, and that the importation into Australia and the sale of reproductions of those works would constitute infringements.

There should be an order that the infringing carpets which have not been sold be delivered up. In the case of every carpet the artwork that has been wrongly appropriated is so inextricably mixed with the fabric of the carpet that the two cannot be separated. The order for delivery up must go to the whole of each carpet: *WH Brine Co v Whittton (Trading as Skoolsports Equipment)* (1981) 37 ALR 190;55 FLR 440. The design of the carpet is a major component in the value of the carpet and this is not one of those theoretically possible cases where s 116 relief might not be granted because the infringing material formed only a minuscule proportion of the overall value of the article: ; *Infabrics Ltd v Jaytex Ltd* [1980] 1 Ch 282 at 295-6 per Buckley LJ but see the observations of Lord Scarman in the House of Lords: ; *Infabrics Ltd v Jaytex Ltd* [1982] AC 1 at 26. A list of the carpets to be delivered up and their whereabouts is in evidence, Ex A69. The total area of carpet to be returned (including carpets being delivered direct to Mr Payunka) is 366.59 sq m. If those carpets are returned I do not consider it is appropriate to award damages in addition for the conversion of them which occurred at the time of their entry into Australia. There is no suggestion that the carpets have gone down in value since they entered Australia. Accordingly the delivery up of those carpets will make good the damage flowing from the conversion.

There are no satisfactory records of the sales of carpets. The case has been conducted on the basis that the carpets which are not available to be delivered have been sold. On this basis the area of carpets sold aggregates 478.85 sq m.

It is necessary to apportion the carpets to be returned between Beechrow and Mr Bethune (who are liable for all the infringements) and Mr King and Mr Rylands (who are only liable for the infringements constituted by the importations from July 1993). In the absence of stock records and sale records it is not possible to do this on a precise basis. The two Freshwater Fish carpets imported under a packing slip dated 24 August 1993 have so far been used by Mr Bethune in his home. Two recently imported Kangaroo and Shield People Dreaming carpets were imported for delivery direct to Mr Payunka as a gesture by Mr Bethune. These carpets were not imported as part of the immediate trading stock of Beechrow. As these carpets are to be delivered up Mr King and Mr Rylands should get credit for them. Beyond that, however, I do not think they should receive a credit. By the time the imports for which they are liable occurred Beechrow and Jamila had established a distribution network for their carpets, including the snake, green centre and waterholes carpets. The orders by mid 1993 appear to have been orders to maintain stock. At the date when Mr King and Mr Rylands were put on notice, it seems reasonable to infer that Beechrow would have had on hand about as many carpets as it now has on hand. The area of carpet now to be delivered up would have been about the same then. There is nothing in the evidence to show that subsequent shipments have exceeded sales in the period. In these circumstances, if Mr King and Mr Rylands had acted to stop further importation and sales when they were put on notice Beechrow could have delivered up the same area of carpet as it will now deliver up.

In the course of trial counsel agreed that the conversion damages should be assessed at an average sum of \$ 190 per square metre across the board for all carpets. The conversion damages will therefore be assessed as follows:

Beechrow & Mr Bethune		
Carpets imported before July 1993	629.84sqm	
Less carpets to be delivered up (other than two Freshwater Fish and two Kangaroo and Shield People Dreaming)	354.51	
275.33		
x \$ 190	\$ 52,312.70	
All four respondents		
Carpets imported during and after July 1993	215.60sqm	
Less two Freshwater Fish and two Kangaroo and Shield People Dreaming	12.08	
203.52		
x : \$ 190	38,668.80	
\$ 90,981.50		

It is a matter of straightforward extraction of information from Exs A68 and A69 to determine the ownership of each applicant in the carpets delivered up, and in the aggregate conversion damages, should that become necessary. As the parties have cooperated over the counting of carpets still in stock, and the preparation of Ex A68, it is to be expected that all those carpets will be delivered up. If for any reason there is a shortfall in delivery, the order of the court can be reviewed under a provision giving liberty to apply to increase the conversion damages against Beechrow and Mr Bethune.

The applicants contend that an award of damages under s 115(2) is a remedy in addition to the grant of relief under s 116. This is undoubtedly so: *Caxton Publishing Co Ltd v Sutherland Publishing Co* [1939] AC 178, but care must be taken to avoid any overlap: see *The Law of Intellectual Property*, S Ricketson, Law Book Co, at paras 12.12-12.13 and *International Writing Institute Inc v Rimila Pty Ltd and Tubbs (No 2)* (Fed C of A, Lockhart J, 25 November 1994, unreported), at 7-10. In *; Sutherland Publishing Co Ltd v Caxton Publishing Co Ltd* [1936] 1 Ch 323 at 336 Lord Wright MR related the measure of damages for a breach of copyright to the depreciation of "the value of the copyright as a chose of action" but it is clear that this is but one method of assessment: *; Interfirm Comparison (Australia) Pty Ltd v Law Society of New South Wales* (1975) 6 ALR 445. Such an approach may not provide the appropriate basis for assessing compensation for loss suffered: *; Autodesk Australia Pty Ltd v Cheung* (1990) 94 ALR 472;17 IPR 69where Wilcox J collects and discusses the authorities and, having regard to the facts of that case, concluded that he should adopt the jury approach and treat the damages "at large". That was a case involving the unlawful appropriation of the copyright in a commercial product, and required the assessment of compensatory damages in an ordinary commercial setting far removed from the circumstances of the present case. Moreover, the infringing articles had been supplied into the market which the owner of the copyright would normally service.

In the present case, in so far as the exploitation by the copyright owners of their copyright might be productive of monetary or other commercial return, that exploitation was likely to involve the reproduction of the artworks for educational purposes or portfolios and posters similar to those produced by the ANG and AIS, or through use by some other public authority in connection with the promotion of Aboriginal culture, as in the case of *Goose Egg Hunt* on the Australian postage stamp. The evidence led on behalf of the applicants indicates that the prospect of the artworks being commercially exploited in the carpet or other fabric market was extremely remote. In so far as a loss in commercial potential resulted from the infringement, that loss would most likely be one arising from diminution in the value of the copyright for the purposes identified because the artwork had been degraded by the commercial use to which it had been put by the respondents. Fortunately, the speedy action by AAMA reduced that potential as the exact copies most likely to have that result were for practical purposes withdrawn from the market within approximately six weeks of being introduced.

There is no evidence that any one of the applicants has suffered any actual loss of monetary return from the exploitation of their copyright by the respondents. In so far as the respondents tapped a potential use of the artwork in markets to which the applicants were unlikely to participate I consider they are adequately compensated by the remedies to be awarded under s 116. However, in respect of the possible diminution in the commercial value of the copyright in respect of other uses of the artwork, similar to the permitted uses made in the past, I consider a modest award of damages should be made to the copyright owner of each of the artworks, and I see no reason to distinguish one artist from another. In each case the reproduction of the artworks on commercial carpets, and the publicity given to those carpets by advertisements and promotion, is likely to have had some effect on the reputation of the artwork and its "freshness": see *Prior v Lansdowne Press Pty Ltd* [1977] VR 65 at 70;(1975) 12 ALR 685. Even in the case of the deceased artists, the potential for educational and similar use of the artwork on royalty to their estates remains. In respect of each artwork I consider there should be an award under s 115(2) of \$ 1500 in addition to the orders under s 116.

This award is intended to reflect the damage caused by the complete reproductions in the case of seven of the artworks, and the snake carpet in the case of the Wititj with which it is readily identifiable. The depreciation in the value of the copyright of the original artwork in the case of the green centres and waterholes where the identification of the carpets with the artwork is not so readily apparent may not be great and I do not think it is appropriate to make some further allowance for the fact that the artworks were reproduced in full on some carpets and only in a substantial part on others. Further, as the reproduction and importation of the complete reproductions stopped before July 1993, the awards in respect of those seven artworks should be against Beechrow and Mr Bethune only. In view of the applicants' request to maintain equality between the positions of the applicants so far as possible I do not propose to apportion any small part of the award for the depreciation in the commercial value of the copyright in the Wititj against Mr King and Mr Rylands.

Principles discussed in the authorities on the assessment of damages under s 115(2) concentrate upon aspects of monetary loss likely to flow from the impaired commercial potential of the copyright. That is hardly surprising as infringement actions usually arise in the commercial context of our market economy. In the circumstances of this case the damages sustained, at least by the living artists, extend beyond the commercial potential for monetary return from the copyright. The assessment of damages under s 115(2) may include compensation for personal suffering, for example for insulting behaviour: *Beloff v Pressdram Ltd* [1973] 1 All ER 241 at 268; and for humiliation: ; *Nichols Advanced Vehicle Systems Inc v Rees* [1979] RPC 127 at 140. In the present case the infringements have caused personal distress and, potentially at least, have exposed the artists to embarrassment and contempt within their communities, if not to the risk of diminished earning potential and physical harm. The losses arising from these risks are a reflection of the cultural environment in which the artists reside and conduct their daily affairs. Losses resulting from tortious wrongdoing experienced by Aboriginals in their particular environments are properly to be brought to account: ; *Napaluma v Baker* (1982) 29 SASR 192; ; *Weston v Woodroffe* (1985) 36 NTR 34, and ; *Dixon v Davies* (1982) 17 NTR 31.

The applicants contend that the unauthorised use of the artwork was in effect the pirating of cultural heritage. That is so, but under copyright law damages can be awarded only in so far as the "pirating" causes a loss to the copyright owner resulting from infringement of copyright. Nevertheless, in the cultural environment of the artists the infringement of those rights has, or is likely to have, far reaching effects upon the copyright owner. Anger and distress suffered by those around the copyright owner constitute part of that person's injury and suffering: *Williams v Settle* [1960] 1 WLR 1072 at 1086-7.

If these matters of personal and cultural hurt are to be the subject of compensatory damages assessed under s 115(2), the damages awarded would vary from artist to artist. In the case of the artists who died before the infringement occurred I do not think the copyright owner, the Public Trustee, has suffered any losses beyond the commercial considerations arising from the depreciation in the value of the copyright. (No attempt was made in the proceedings to advance an argument that

beneficiaries of the estates held interests as equitable owners in the copyright sufficient to support claims by them for personal harm suffered in their communities, being claims which the Public Trustee as legal owner could bring on their behalf.) In the case of the artists who were alive when the infringement occurred but died at about the time that the proceedings were commenced or shortly thereafter, the damages would cover the harm actually suffered by them up to the date of death. In the case of the other applicants the damages would be considerably higher, covering harm already suffered and the potential for further harm in the future. Assessments along these lines, artist by artist, would not be in accordance with the principles of equality which the court has been invited by the applicants to follow.

There is in the circumstances of this case another avenue by which damages over and above the depreciation in the commercial value of the copyright can be awarded, namely as additional damages for flagrant infringement under s 115(4). That avenue may not be available in other cases, but I am satisfied that this is an appropriate case to make an order of additional damages having regard to the matters referred to in s 115(4)(b). In *Williams v Settle* the Court of Appeal upheld a substantial award of "vindictive" damages under the English equivalent provision in a case where purely commercial considerations dictated only a minimal level of loss. A commercial photographer had been commissioned to take photographs of the plaintiff's wedding. Two years later when the plaintiff's wife was expecting a child, her father was murdered in circumstances which attracted publicity. The defendant, without authority, sold certain of the wedding photographs to a publisher who subsequently published one prominently in two national newspapers. The trial judge awarded £1000 damages. The Court of Appeal upheld the verdict. *Sellers LJ* at 1082 observed:

It seems that this is not a case where there is any effective relief which could be given. The benefit which can be shown to have accrued to the defendant is meagre, so much so that the judge made some references to the £15 to which exception was taken by the defendant. It is the flagrancy of the infringement which calls for heavy damages, because this was a scandalous matter in the circumstances, which I do not propose to elaborate and about which I do not propose to express a view. It is sufficient to say that it was a flagrant infringement of the right of the plaintiff, and it was scandalous conduct and in total disregard not only of the legal rights of the plaintiff regarding copyright but of his feelings and his sense of family dignity and pride. It was an intrusion into his life, deeper and graver than an intrusion into a man's property.

In *Ravenscroft v Herbert and New English Library Ltd* at 208, *Brightman J* described "flagrancy" as implying "the existence of scandalous conduct, deceit and such like; it includes deliberate and calculated copyright infringements". *Wilcox J* applied this description in *Autodesk Australia Pty Ltd v Cheung* at 94 ALR 478;17 IPR 76. In the present case the copyright infringement was plainly deliberate and calculated by *Beechrow* and *Mr Bethune*. From the outset the source of the imagery on the carpets was known. Even if that were not sufficient in itself to cause *Mr Bethune* to have actual knowledge of the likelihood of infringement, he gained that knowledge upon his return to Australia after ordering the samples when first his friends and later *Mr Horrocks* brought the true situation to this attention. With that knowledge it was a calculated decision on his part to proceed with the manufacture and import of the carpets in the hopeful expectation that copyright permission would be granted. Without any reason to suspect that permission had been granted, the exhibition was held at the *Guildford Hotel*. On the day of the exhibition the seriousness of the infringement was stressed by *Mr Horrocks*. Nevertheless the promotion, distribution and sale of carpets continued for the obvious economic benefit of *Beechrow*. Then, when copyright permission was not immediately forthcoming through *AAMA*, *Beechrow* through *Mr and Mrs Bethune*, instead of complying with the law, and apologising to the copyright owners, sought to question the authority of *AAMA* and to accuse it of acting otherwise than in the interests of the artists. Thereafter they continued importing and distributing the snake, the green centre and the waterholes carpets, even after service of the proceedings. I cannot accept their assertion that they did not realise these carpets were alleged to be infringements. In my opinion they realised the scope of the allegations but chose to rely on the argument that the carpets did not reproduce a substantial part of the artworks.

The degree of flagrancy involved is a matter to be assessed having regard to the circumstances of the case, and it will vary from case to case. *Beechrow* and *Mr Bethune* point out that they did not

seek to hide the activities of Beechrow from AAMA, on the contrary they first instructed Mr Horrocks to seek permission, and then in November 1992 Mrs Bethune forwarded photographs of the carpets and certain of the reproductions of the artwork from which the design had been taken. Moreover, offers to enter into licence agreements were repeated thereafter. Beechrow and Mr Bethune also draw attention to the fact that an apology was offered to Ms Marika through officers of AAMA at a conference with them in September 1993 (some months after the proceedings were issued), and oral apologies were also extended to both Ms Marika and Mr **Milpurrruru** during the trial. (The latter apologies were offered after attention had been drawn by the court to the apparent absence of contrition on the part of the respondents, and had the appearance of being motivated rather by desire to mitigate the assessment of damages than for any other reason.)

These matters are to be taken into account, and the early attempts to obtain permission render the flagrancy of the conduct less serious than it would otherwise have been.

There are, however, other factors to be taken into account. The acquisition of the carpets was, according to Mr Bethune's evidence, initially undertaken to curry favour with a potential customer in Vietnam with complete disregard for the potential copyright issues. Then, when the marketing of the carpets commenced they were promoted as Aboriginal artworks, and that promotion implied endorsement or approval of prominent artists of the carpet venture. That representation became more obvious as the business developed and a swing tag printed with the Beela Art business name was attached to each carpet (see below).

Whilst benefits initially flowed to Beechrow and Mr Bethune, I consider they should now be treated as extinguished by the proposed orders under s 116.

The court is also directed by s 115(4)(b) to have regard to "all other relevant matters". It is upon this consideration that the cultural issues which are so important to the artists and their communities assume great importance.

If an award of additional damages under s 115(4) is made to reflect culturally based harm, the particular losses of the artists who were alive at the time of the infringement which might otherwise be assessed under s 115(2) can be subsumed within the additional damages. Upon an assessment of the cultural aspects of the harm as additional damages a position of equality between the artists can more easily be rationalised. Nevertheless there is a plain distinction between the living artists and those who are deceased. In the case of the latter some died before the infringement and some after, but those that died after the infringement did so only shortly after they became aware of the infringement and probably before their communities did so. In these circumstances I see force in the applicants' submission that all the deceased artists should be treated equally but that there must be some differential between them and the first three applicants.

The court has not been invited to draw any distinction between each of the first three applicants, even though the evidence would suggest that the losses of Ms Marika exceed those of the others. If damages were assessed on the footing that the losses of Ms Marika are not greater than those of Mr **Milpurrruru** and Mr Payunka (between whom I see no reason for distinction), that is a significant concession from the applicants' side in favour of the respondents.

If the damages, apart from the depreciation in the value of the copyright, are assessed under s 115(4) the award must be against Beechrow and Mr Bethune. The infringements by Mr King and Mr Rylands arose because of indifference and neglect of duty, not by reason of a deliberate and calculated action. In these circumstances it would not be appropriate to characterise their conduct as "flagrant". In any event the cultural damage for the most part at least had been caused before the proceedings were served on Mr King and Mr Rylands.

The applicants have contended that there should be an overall assessment of "damages" under s 115 of \$ 100,000. Counsel submitted that this could be justified as an award of \$ 50,000 "general damages" under s 115(2) and a further sum of \$ 50,000 as additional damages under s 115(4). Counsel stressed that there are eight separate artworks involved, that the infringements were very

serious, and made worse by the cultural considerations.

If damages were to be assessed under s 115(2) allowance would have to be made first for the depreciation in the commercial value of the copyright, and then there would be additional amounts in respect of each of the artists who were alive when the infringement occurred, the awards being relatively low in the cases of Ngaritj, Gamarang and Wamut, more substantially in the case of Mr **Milpurrruru**, and Mr Payunka, and higher again in the case of Ms Marika. However, for the reasons given, I propose to award under s 115(2) only the damages attributable to the depreciation in commercial value of the copyright, that is \$ 1500 per artwork, in all \$ 12,000. All other aspects of the harm I propose to incorporate into the award of additional damages.

In my opinion the aggregate assessment of additional damages should be \$ 70,000. The sum would be much higher were it not for the fact that relief has been granted under s 116 which goes well beyond merely removing the profit element from the sales of infringing articles.

In part the additional damages are in the nature of exemplary or punitive damages to mark the seriousness of the infringement. To this extent the damages should in my view be apportioned equally between the owners of the copyright. In part the damages reflect the harm suffered by the first three applicants in their cultural environment. Those damages should be shared equally between them. In my opinion the appropriate apportionment of damages between the applicants would be the sum of \$ 15,000 to each of the first three applicants and \$ 5000 in respect of the estates of each of the other artists.

The applicants have strenuously contended that the additional damages should be inflated by the conduct of the respondents in the course of the litigation, in particular the persistent refusal to recognise that the proceedings had been brought on instructions of the artists, the refusal to acknowledge copyright ownership, and a refusal during the course of trial to consent to an injunction restraining the continued sale of the snake, the green centre and the waterhole carpets. I have already commented that the tactical decisions involved in the first two of these matters are extraordinary, and on several occasions both in pre-trial directions hearings, and during the trial, it was pointed out to the respondents and their advisers that the course they were adopting could be viewed as a matter of aggravation. However, and with some hesitation, I have decided that these matters should not be so treated. Having observed Mr Bethune in the witness box, I am left with the impression that his approach to the predicament in which he and Beechrow found themselves was largely dictated by wrong-headed emotions and at times inappropriate advice. I am not satisfied that the conduct of the litigation was wilfully contemptuous. The tactical decisions are likely to lead to orders for costs compensating the applicants for the additional expense to which they have been put, and in the circumstances I think that is the appropriate way in which the conduct of the proceedings should be reflected.

There are additional claims for relief in respect of breaches of ss 52, 53(c) and (d) and 55 of the Trade Practices Act. Of particular relevance to the alleged contravention of these sections is the Beela Art swing tag attached to the carpets from early 1993. The swing tag contains the following statements:

BEELA

ART RUGS

These unique wall hangings and rugs have been designed by Aboriginal artists from areas throughout Australia. These artists are paid royalties on every carpet sold. Most of the designs used have significant meaning for the artist. Their art expresses the origins of life and the landscape. Aboriginal art has developed over thousands of years and is a very meaningful part of their social and cultural life.

As carpet weaving is not a tradition of the Aboriginal people, the rugs are produced in Vietnam where we can combine the artistic skills of the Aboriginal people with the weaving traditions of the

Vietnamese. The carpet weavers of Vietnam have a reputation equal to the best in the world.

Using high quality carpet wool produced in Australia and New Zealand, we have achieved a blending of the talents of these peoples to produce original artistic creations. Each carpet is a unique piece of art. The rugs are all individually hand loomed creating slight variations in colour and design, making each rug a singular art piece.

Every square metre of carpet has 160,000 knots and takes approximately one month to weave. The carpets are priced according to size.

PROUDLY DESIGNED IN AUSTRALIA BY AUSTRALIAN ABORIGINALS

MADE IN VIETNAM

The text is false in a number of respects, particularly in the case of the snake, the green centre, and the waterholes carpets. With those carpets the applicants are in a dilemma. If the carpets were not substantial reproductions of the artworks, it is false to say that they had been designed by Aboriginal artists. It is false to say that the artists are paid royalties. In the course of evidence it has been disclosed that the swing tags have also been attached to other carpets which have no Aboriginal association whatsoever, and the swing tags make false and misleading statements about those carpets.

In my opinion the contraventions of ss 52, 53(c) and (d) of the Trade Practices Act alleged by Beechrow are made out. No argument was addressed about s 55, and I make no finding under that section. The damages already awarded in respect of the copyright infringements fully compensate for the losses that would otherwise be the subject of damages under the Trade Practices Act. The only additional remedies sought by the applicants are by injunction. I will hear the parties as to the form in which injunctive relief should be granted after delivery of judgment.

There remains the question of interest sought by the applicants. I consider interest should be awarded under s 51A of the Federal Court of Australia Act 1976 (Cth) and not by way of damages. In my opinion this is not a case where interest should be awarded at commercial rates or compounded. Interest should be at bank deposit rates. There should be interest on the monetary award for conversion damages. In the case of the carpets to be delivered up I do not think it would be appropriate to allow interest either on the notional value of the carpets or at all. The carpets which are complete reproductions were withdrawn from sale at the respondents' request in about December 1993, not long after some of them had been imported and the carpets effectively ceased to be trading stock or to have commercial value to the respondents from that date. Interest should be allowed on the award of \$ 12,000 for the depreciation in the commercial value of the copyright. The damages under s 115(4) are in part punitive in nature, and to that extent do not carry interest: s 51A(3)(c). I think it would be appropriate to award interest on \$ 30,000 of the damages awarded under s 115(4). As it is impossible to fix a date prior to the issue of the proceedings when any particular loss occurred, and as the losses probably occurred progressively, I propose to allow interest from the date of the issue of the proceedings. Interest will run from 8 April 1993 to 13 December 1994 (614 days). In the absence of a more precise interest rate figure from the parties I propose to use a rate of 7%.

Beechrow and Mr Bethune:	
Conversion damages	52,312.70
Depreciation in copyright	12,000.00
Additional damages (interest bearing)	30,000.00
(non interest bearing)	40,000.00
Interest on first 3 items	11,105.64
145,418.34	
All four respondents	

Conversion damages	38,668.80
Interest	4,553.38
	43,222.18

In summary the applicants have established entitlements to the following orders:

- (1) Injunctions against all respondents against further infringement of the artworks.
- (2) Injunctions against Beechrow and Mr Bethune against further contraventions of the Trade Practices Act.
- (3) An order against Beechrow for delivery up of the carpets identified in Ex A69.
- (4) Judgment in favour of the applicants jointly against Beechrow and Mr Bethune for \$ 188,640.52.
- (5) Judgment in favour of the applicants jointly against Mr King and Mr Rylands for \$ 43,222.18.
- (6) Liberty to the applicants to apply to have the judgment sums increased in the event that any of the carpets in Ex A69 are not delivered up.
- (7) Liberty to the applicants to apply to have separate judgments entered in favour of each of them in lieu of the judgments proposed in paras 4 and 5 hereof.

The applicants should bring into court minutes of order to reflect this judgment.

It will be necessary to hear the parties as to costs.

ORDER:

- Order (1) The applicant bring into court minutes of order reflecting the reasons for judgment published this day.
- (2) The matter be relisted to consider costs and the minutes of order in Adelaide (with video link to Perth) at 12 noon Central Standard Time on 15 December 1994.

SOLICITORS:

Solicitor for the applicants: North Australian Aboriginal Legal Aid Service Ltd. Solicitors for the respondents: Ward Keller as agents for *Unmack & Unmack*.

Source: [All Sources](#) : [Legal \(excluding U.S.\)](#) : [Australia](#) : [Case Law](#) : **Australian Reported Cases, Combined**

Terms: **milpurruru and indofurn** ([Edit Search](#))

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Date/Time: Wednesday, January 26, 2000 - 3:58 PM EST