

AUTOCAPS (AUST) PTY LTD & ORS v PRO-KIT PTY LTD & ANOR

[1999] FCA 1315

If you reverse engineer don't get too close or you'll get burnt!

In a helpful decision the Federal Court has affirmed the value of design registration and copyright. The case involves motor vehicle spare parts manufactured by a business, which had commenced many decades ago. The applicant ("Autocaps") acquired this business in 1990.

Autocaps manufactures and supplies parts for truck and motor vehicles, and in particular is the largest manufacturer and wholesaler of fuel tank caps and radiator caps. It sells these caps to motor vehicle manufacturers such as General Motors, Ford and Mitsubishi, known as the original equipment market. Autocaps also supplied spare parts to wholesalers such as Repco. This is known as the aftermarket.

The applicant's claim is in two parts.

Autocaps claimed: -

- that copyright in its product catalogue was infringed by the respondent ("Pro-Kit"); and
- as the exclusive licensee of certain design rights that Pro-Kit infringed its monopoly in two registered designs.¹

These proceedings dealt with the liability issue.

Background

The business that Autocaps acquired had been producing catalogues for spare parts every two or three years since 1953. In relation to the fuel tank caps and radiator caps the catalogue took the form of a chart which specified the particular cap that was suitable for use with a specific make or model.

Skill and care was taken to ensure the right cap corresponded with the correct vehicle as errors could have serious results. For example, an incorrect fuel tank cap could lead to an explosion. The catalogues were adjusted to include new vehicles as well as vehicles deleted from the catalogue through insufficient demand.

Every catalogue since 1953 referred to the caps by reference to their part number.

Fuel tank caps were given a 2-digit number and radiator caps a 3-digit number.

Adjustments were made to the numbering system as changes occurred. For example, when locking fuel tank caps were introduced in 1955 the letters "PL" (petrol locking) identified them.

When Autocaps was required to manufacture a cap for the original equipment market, the work took many months. A prototype was manufactured and tested to see that it complied with the manufacturer specifications.

Caps for the aftermarket also went through a similar process. Where Autocaps didn't produce the cap for the original equipment market, it acquired a sample of the cap, reverse engineered it and manufactured it.

Pro-Kit was established in 1984 to import motor vehicle parts and accessories manufactured in Taiwan. By 1990 Pro-Kit were importing fuel tanks caps and radiator caps. To advertise those caps Pro-Kit produced catalogues commencing in 1991.

It was Pro-Kits evidence that they couldn't recall how the Pro-Kit catalogue was compiled but acknowledged significant use was made of the Autocaps catalogues.

Pro-Kit made reference to other comparable catalogues and gave evidence that other spare part suppliers adopted a similar approach of adding their own individual prefix to an Autocaps part number. For example, Brunlyn suppliers used the prefix "BL"; Auto High Tech used the prefix "H".

Pro-Kit argued that the numbering system was an industry standard and that it did not believe that it was infringing copyright.

Did copyright subsist in the catalogue?

The first question to determine was whether copyright actually subsisted in the catalogue. If so, did Pro-Kit infringe that copyright?

Under the Act a "literary work" includes a table, or compilation, expressed in words, figures or symbols."ⁱⁱ No issue was taken that the catalogue was not within the

definition of “literary work”. For copyright to subsist in a compilation, sufficient labor, skill, judgement and ingenuity should be used in the creation. Some skill is required so as to confer on the work the stamp of originality.ⁱⁱⁱ

Finkelstein J said that the skill involved was the selection of the: -

- make and model of vehicle to be included in the catalogue;
- digits that formed part of the number.

His Honour decided that although the task of numerical selection was not difficult it was no less difficult than preparing a pharmacist's stock list.^{iv} Further that the Autocaps catalogue involved much more skill than the pharmacist's stocklist.

Was copyright infringed?

Once His Honour found that copyright subsisted in the catalogue, it was left to determine whether Pro-Kit had infringed the copyright by substantially reproducing the literary work.

Although Finkelstein J noted that there were differences between the catalogues the question was whether such differences were sufficient to take the case out of infringement.

The Copyright Act gives the owner of the copyright the exclusive right amongst other things to “reproduce the work in material form.”^v Generally speaking, copyright is infringed where:

- (a) there has been copying of the plaintiff's work;

(b) there is sufficient degree of objective similarity between the two works.

In respect to copying the work His Honour said that the cases showed that there had to be “some causal connection” between the plaintiff’s work and the infringing work.^{vi}

It is clear that if there is sufficient objective similarity with either the whole or a substantial part of the plaintiff’s work, copyright will be infringed.

This case was argued on the basis that a substantial part of the catalogue (not the whole) was reproduced without permission of the plaintiff.

The catalogue was not a work of art. It was a compilation, which conveyed information. The question was whether the information was substantially the same as the information conveyed by Autocaps.

Copyright Finding

The Court held that the skill and effort, which went into the Autocaps catalogue, could be seen to be reproduced in the Pro-Kit catalogue. Any remedy however was restricted until after April 1997 when Autocaps solicitors wrote a letter of demand seeking to enforce the copyright. Prior to this time there was clear evidence that it was industry standard to use the Autocaps parts numbering system.

His Honour felt that Pro-Kit could be forgiven for thinking that the use of the catalogue would not infringe any copyright.

As a result Autocaps was granted an injunction to restrain further infringement. In the circumstances additional damages were not considered appropriate because of the widespread use of the Autocaps numbering system.

Laches

Pro-Kit raised a special defence, namely laches or delay by Autocaps in seeking to enforce its copyright, which it did not do until 3 April 1997. Further, it was Pro-Kits' evidence that it had a reputation in its catalogues and altering them would cause confusion amongst the customers.

His Honour noted that the orthodox approach was to say that laches could only be deployed against equitable remedies or in the case of copyright where the remedies are statutory.^{vii} However, it was acknowledged that many copyright cases were argued and decided on the basis that laches, acquiescence and delay were available in respect of remedies derived from the common law as well as equity.^{viii}

Finkelstein J held that the defence of delay did not apply where there existed a statute of limitations.^{ix}

Designs

The court then considered whether the respondents had infringed the monopoly in the registered designs of two caps. Under the *Designs Act 1906* a monopoly may be obtained^x in respect of "features of shape, configuration, pattern or ornamentation applicable to an article."^{xi}

Pro-Kit reverse engineered the registered designs. This in itself was not actionable. Design and Patent Law regimes reward innovation with a period of monopoly in exchange for the publication of the integers that configure the novelty. The publication is available for examination to advance the then known level of knowledge. Reverse engineering simply allows the examination of the component parts reduced to their basic elements.

The monopoly is infringed however if a person, without the consent of the owner:

- (a) applies the design or any fraudulent or obvious imitation of it to any article in respect of which the design is registered;^{xii}
- (b) sells or offers any article to which the design has been applied.^{xiii}

The instructions Pro-Kit gave to Taiwan were to “make a cap that will conform with this [Autocaps] cap, that is a cap of the same dimension but not necessarily with the same configuration.”

The respondents’ evidence was that the instructions were to make the cap look different. Understandably as design is concerned with the visual appearance, this instruction went toward avoiding infringement of the registered design.

His Honour compared the caps by determining the important features of each design.

The key features of design 93836 were:

- (a) the slanted grip features of the handle, and its dimensions;
- (b) from the underneath view the ratchet mechanism which appeared like a key lock and was designed for a tight fit on the fuel tank neck;
- (c) from the underneath view, the inner circle where the pressure valve was housed;
- (d) from the underneath view, the ribs, which provide support for the central, valve casing.

The other registered design was the same in all respects except the valve enclosure was different.

His Honour considered the differences between design 93836 and the Pro-Kit cap. He said that:

- (a) Pro-Kit caps have continuing scoring on the upper face of the handle;
- (b) Pro-Kit caps have 3 circular depressions on the surface of the handle where the design has none;
- (c) From the underneath view Pro-Kit caps have supporting ribs;
- (d) Pro-Kit caps have a group of 6 depressions on the edge of the cap.
- (e) On top of the Pro-Kit caps, on either side of the handle in raised letters are the words “unleaded fuel only”;
- (f) The Pro-Kit cap had no hole underneath.

The monopoly conferred to any feature by a registered design does not extend to any feature, which does not determine actual shape or configuration.^{xiv}

As the monopoly is in a physical appearance infringement will depend on a visual comparison between the design and the alleged infringing article. The question, His Honour said, is whether, based on the overall impression of the two articles, there is substantial similarity between them.^{xv}

His Honour said that his immediate impression was that the Pro-Kit caps involved clearly an application of the relevant designs. The differences were the only things that could avoid infringement. Some differences were not obvious and had to be pointed out to the Court.

The only real differences were the scoring in the handle and raised lettering. The Court concluded that the differences resulted from Pro-Kits instructions to Taiwan to make them different and avoid a successful claim for design infringement.

The Court held that the raised letters were not a significant part of the shape or configuration and that the scoring on the handles did not constitute a significant difference.

Design protection is concerned with appearance. Ultimately this was the determinant. The deciding factor was His Honour's impressions from a comparison of the registered design with the Pro-Kit parts. The Court found design infringement and ordered an inquiry into damages or an account of profits.

Conclusion

The decision shows that the greater the differences in appearance the less risk there is of infringement of the monopoly in design. In the case of spare parts however there is a limitation to the degree of variation because a spare part must to some extent be similar to the design part so that it can fit the vehicle.

The decision also gives some guidance as to the skill and effort required in relation to literary works, which are compilations or tables.

There was no appeal against the decision.

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ⁱ Under the *Designs Act* 1906 the owner of the registered design, defined as the person registered as owner, is entitled to bring infringement proceedings against the defendants. The licensee must take action as co-plaintiff with the design owner. This is not the case under the Copyright and Patent regimes, which allow infringement proceedings to be instituted by the exclusive licensee.

ⁱⁱ S.10 of the *Copyright Act* 1968.

ⁱⁱⁱ *Football League Ltd v Littlewoods Pools Ltd* [1959] 1Ch 637 at 651.

^{iv} *Collis v Carter, Stoffell & Fortt Ltd* (1898) 78 LT 613.

^v S.31(1)(a)(i) of the *Copyright Act* 1968.

^{vi} *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273 at p276; *S W Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466 at 472.

^{vii} See s.115 of the *Copyright Act*.

^{viii} *H P Bulmer Ltd & Showerings Ltd v Bollinger SA & Champagne Lanson Pere et Fils* [1978] RPC 79; *Habib Bank Ltd v Habib Bank AG Zurich* [1981] 1 WLR 1265; *Hoover PLC v George Hulme (Stockport) Ltd & Hulme* [1982] FSR 565.

^{ix} S.134 of the *Copyright Act*.; see *In re Pauling's Settlement Trusts* [1962] 1 WLR 86 at 115; affirmed [1964] Ch 303 at 353.

^x S.25 of the *Designs Act*.

^{xi} S.4 of the *Designs Act*.

^{xii} S.30(1)(a) of the *Design Act*.

^{xiii} S.30(1)(c) of the *Design Act*.

^{xiv} *Firmagroup Australia Pty Ltd v Byrne & Davidson Doors (Vic) Pty Ltd* (1987) 180 CLR 483.