***Louis Vuitton Malletier SA v Toea Pty Ltd* [2006] FCA 1443 (Dowsett J, 7 November 2006)**

Introduction

The issue raised by the case, is whether a person (A), who has the exclusive right to occupy premises, is liable as a joint tortfeasor for the tortious conduct of other persons (B), being persons to whom A granted rights of occupation.

The Facts

The first respondent (Toea) was the owner of the land upon which certain markets operated (the Carrara Markets). The second respondent (Mr Rosenlund) was the full time manager, responsible for operating, supervising and controlling the market for Toea.

There were approximately 400 stalls at the Carrara Markets. Toea granted stallholders a license to occupy designated areas pursuant to a written agreement for a fee.

Over a period of about 18 months, the applicant (Louis Vuitton), through its investigators, made trap purchases of illegal items bearing one or more of the Louis Vuitton trademarks or marks which were deceptively similar thereto. Louis Vuitton did not seek relief from the infringing stall holders, but rather from the market operators, to whom the documented results of the illegal activities were given.

The Issue

Toea and Mr Rosenlund did not essentially dispute the infringements by the stallholders, but disputed whether in the circumstances, either or both of them, infringed the trademarks by their conduct.

Louis Vuitton's Methodology

Louis Vuitton manufactured merchandise including handbags, luggage and accessories, utilising its registered trademarks in the design. Its products

were only available through its own retail outlets. Save for the second hand market, it was and is not possible to purchase a new Louis Vuitton item through the usual retail outlets. The products are of extremely high quality and priced at the upper end of the market (the reasons at [4]).

Control of the Markets

The Carrara Markets, the largest on the Queensland Gold Coast, attracted between 18,000 – 23,000 customers each weekend. Stallholders had continuous access to their stalls and were either:

- permanent stallholders, who could erect signage and secure permanent structures; or
- casual stallholders, who had no rights to erect structures nor to require the identical stall to be allocated to them. In practice, the rules were relaxed for long term casual stall members.

Toea provided ATM facilities, issued newsletters and notices to the stallholders, suggesting marketing strategies on how they might operate more profitably. Toea also arranged bus services to attend other retail complexes and pick up patrons, who wanted to shop at the Carrara Markets.

Toea and Mr Rosenlund exercised some control over the type of goods sold and the location of certain stalls. For example, they would consciously separate stalls, which dealt in similar products. In addition, it was a characteristic of the market that some stalls (usually long term), were sold in the same way as businesses are sold outside of the market environment. These sales were conducted through Toea. Mr Rosenlund would interview prospective buyers and upon the sale of a permanent stall, Toea received a 10% commission on the sale price. Sales were recorded for up to $400,000.00.

Conduct complained of

Louis Vuitton led evidence of the trap purchases, identifying certain stallholders who had repeated infringements (the reasons from [19]). In addition, Louis Vuitton relied on acts and omissions by Toea and/or Mr Rosenlund, from which it invited his Honour to draw inferences implicating them in the infringing conduct.

Toea and Mr Rosenlund led evidence as to the steps they took to address the contravening conduct following their notification by Louis Vuitton through their investigators/solicitors.

In late 2002 or early 2003, Mr Rosenlund was informed by Louis Vuitton's investigators, that sales of illegal merchandise bearing Louis Vuitton trademarks or marks that were deceptively similar thereto, had increased. Mr Rosenlund gave evidence that he instructed security guards to inform him if they saw any goods which appeared to be counterfeit and on some occasions these. Mr Rosenlund also gave evidence that on occasions, he confronted stallholders about the sales.

The Law

Dowsett J referred to the case for Louis Vuitton, as submitted by its Senior Counsel:

> Our starting point is very simple, your Honour. When one goes to *The Koursk* ([1924] P 140) which has been adopted as the foundation of the principle of joint tortfeasorship by the High Court in *Thompson's* case, [*Thompson v Australian Capital Television Pty Ltd* (1996) 186 CLR 574] and we've set it out in paragraph 18 of our outline, Scrutton LJ spoke of two persons who agree on a common action in the course of, and to further which one of them commits a tort.
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> And that's the foundation of what are joint tortfeasors. In this case, in our respectful submission, the evidence is clear that Toea, as landlord or land owner, and the stallholders, who are two or more persons, agree on a common action, the common action being the promotion of their joint businesses at the market. (the reasons at [142])

His Honour, after considering this submission, determined that *The Koursk* decision had been misconceived (the reasons at 148). Relevantly, Dowsett J referred to the High Court's view of *The Koursk* in *Thompson v Australian Capital Television Pty Ltd* as the relevant test (the reasons at [164]). His Honour also referred to the distinction between a common design and a similarity of design between independent parties:

> The applicant fastens on the proposition concerning two persons who agree on common action in the course of which one commits a tort, submitting that the present case fits that description. However that observation by Scrutton LJ must be read in the context of his

Lordship's later remarks at 156 where he referred with approval to the statement in *Clerk and Lindsall* (to which Bankes LJ had referred), that:

> 'Persons are said to be joint tortfeasors when their respective shares in the commission of the tort are done in furtherance of a common design' ... 'But mere similarity of design on the part of independent actors, causing independent damage, is not enough; there must be concerted action to a common end.' Still more so when there is not even similarity of design, but independent negligence accidentally resulting in one damage. (the reasons at 150)

The Result

His Honour did not consider that Toea's control of the Carrara Markets, of itself, or with other evidence justified an inference that 'either Toea or Mr Rosenlund shared a common purpose with any of the infringing stallholders'.

It had been a part of Louis Vuitton's case, that an inference should be drawn from the respondents' failure to take reasonable steps to stop the offending behaviour in the circumstances. This included expelling the offending stallholders. Dowsett J responded at [169] to the issue of prevention of the infringements:

> I am satisfied that it would have been virtually impossible for the respondents to control stallholders so as to prevent infringement, save in the case of the most blatant misconduct. In this case, the extent of the demonstrated misconduct by infringing stallholders was not such as to lead the respondents to the conclusion that there would be further infringement. They were entitled to accept assurances given by infringing stallholders that they would not again infringe.