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# A 'Spotlight' on copyright

K&L Gates' Paris Taylor and Simon Casinader report on the risk of using third party overseas manufacturers.

**A** RECENT FEDERAL COURT case regarding bed linen designs provides guidance on when a product manufactured by a third party overseas can give rise to a successful copyright infringement claim under Australian law.

The Dempsey Group Pty Ltd (Dempsey Group), which sells products through its Bed Bath N' Table stores, brought a copyright infringement action against Spotlight Pty Ltd (Spotlight). Dempsey Group sued Spotlight for copyright infringement with respect to three artistic works, comprising the surface designs on quilt covers and pillow sets (Dempsey Products). The infringements concerned three of Spotlight's quilt cover and pillow sets (Spotlight Products).

Whilst the case concerned bed linen prints, the decision has important implications for the fashion industry broadly.

## The key facts

Dempsey Group and Spotlight both had their products manufactured in China by Yantai Pacific Home Fashions (Yantai). Spotlight representatives visited Yantai's showroom in China in April 2016. At the Yantai showroom, Dempsey Group products were displayed under a "Bed Bath N' Table" sign.

Dempsey Group alleged that Spotlight instructed Yantai to copy its designs. Spotlight representatives disputed this claim. Justice Davies accepted the evidence of the Spotlight representatives, and found that the Spotlight representatives were not aware that the samples on which the Spotlight Products were based were Dempsey Group designs.

## What constitutes reproduction?

Copyright will be infringed if a work reproduces a substantial part of the "look and feel" of another product, even if there are notable differences between the two works. The test is a qualitative test and not a quantitative test.

Justice Davies explained that when comparing two products to decide if one reproduces a substantial part of the other, they do not need to bear an overall resemblance to each other, nor is it appropriate to dissect the work and focus on individual differences. Rather, the issue is the qualitative significance of the similarities. Justice Davies found that the prints used to manufacture the Spotlight Products reproduced a substantial part of the prints used to manufacture the Dempsey Products. This was the case despite differences in detail, colouring and design between the relevant prints.

## Use of manufacturers

The case also highlights risks involved in using third party manufacturers, particularly those based overseas. Manufacturers may be unaware of Australian copyright laws, which creates risks for companies using their services.

Justice Davies found that Spotlight did not know that the fabric prints used to manufacture the Spotlight Products were based on Dempsey Group designs. The Court found that it was reasonably open to infer that Yantai copied the Dempsey Group designs in creating the

designs for the Spotlight Products. As a result, until Spotlight received notice of Dempsey Group's copyright infringement claims it did not have actual or constructive knowledge that the manufacture and sale of the relevant Spotlight Products, if they had been made in Australia by Spotlight, would have constituted an infringement of Dempsey Group's copyright.

The Court accepted that Spotlight was put on notice of Dempsey Group's copyright claims on 2 December 2016, at which point Spotlight could no longer successfully claim that it did not have actual or constructive knowledge that the manufacture and sale of the relevant Spotlight Products, if they had been made in Australia by Spotlight, would have constituted an infringement of Dempsey Group's copyright. Therefore, Spotlight was required to pay some damages to Dempsey Group, undertake a product recall and have the Spotlight Products destroyed. Whilst Spotlight was initially unaware that the Spotlight Products used Dempsey Group designs, they still suffered significant legal and financial consequences.

The case is an important reminder for Australian design houses to protect their intellectual property rights when products are being manufactured by third parties, particularly overseas. It is not uncommon for Australian businesses to use the same manufacturers and therefore their designs may be seen and potentially used by competitors. It is important that companies monitor this behaviour, and seek legal assistance as soon as their intellectual property has been misused. ■

*For more information about issues relating to copyright law please contact Simon Casinader, Senior Associate at K&L Gates (simon.casinader@klgates.com). This article is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer.*

