FEDERAL COURT OF AUSTRALIA

Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd (No 2) [2015] FCA 140

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| Citation: | Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd (No 2) [2015] FCA 140 |
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| Parties: | **STREETWORX PTY LTD v ARTCRAFT URBAN GROUP PTY LTD and MURRAY JOHN SAINT** |
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| File number: | VID 853 of 2013 |
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| Judge: | **BEACH J** |
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| Date of judgment: | 2 March 2015 |
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| Catchwords: | **PATENTS** – remedies – infringement of innovation patents – final relief – application for springboard injunction – whether unwarranted advantage procured by infringement – quality of unwarranted advantage – whether infringing integers causally significant to award of contract to respondent – lawful competitive activity of respondent – springboard injunction not warranted – application for orders for delivery up – modification of infringing product by disassembly and reassembly to make non-infringing product – use of non-infringing components of infringing product – delivery up not warranted – applications refused |
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| Legislation: | *Federal Court of Australia Act 1976* (Cth) s 23*Patents Act 1990* (Cth) s 122(1)  |
|  |  |
| Cases cited: | *Aktiengesellschaft für Autogene Aluminium Schweissung v London Aluminium Co Ltd (No 2)* (1920) 37 RPC 153 *Australian Tape Manufacturers Association Ltd v The Commonwealth* (1993) 176 CLR 480*British United Shoe Machinery Co Ltd v Gimson Shoe Machinery Co Ltd* (1928) 45 RPC 85*Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25*Cordell v Second Clanfield Properties Ltd* [1969] 2 Ch 9*Crossley v The Derby Gas Light Co* (1834) 4 LT Ch 25*Dart Industries Inc v Decor Corporation Pty Ltd* (1993) 179 CLR 101*Dyson Appliances Ltd v Hoover Ltd (No 2)* [2001] RPC 27 *Electrical and Musical Industries Ltd and Boonton Research Corporation Ltd v G Kalis (trading as Andy’s Radio Supplies)* (1937) 54 RPC 5 *Generics BV v Smith Kline & French Laboratories Ltd* (Case C-316/95) [1997] RPC 801 *Geodesic Constructions Pty Ltd v Gaston* (1976) 16 SASR 453*Howes and Burley v Webber* (1895) 12 RPC 465 *Kirin-Amgen Inc v Transkaryotic Therapies Inc (No 3)* [2005] FSR 41*Leggatt v Hood’s Original Licensees’ Darts Accessories Ltd and Hood* (1950) 67 RPC 134*Merck Canada Inc v Sigma Pharmaceuticals Plc (No 2)* [2013] RPC 35*Mergenthaler Linotype Co v Intertype Ltd* (1926) 43 RPC 239*Mergenthaler Linotype Co v Intertype Ltd* (1926) 43 RPC 381*Pinefair Pty Ltd v Bedford Industries Rehabilitation Association Inc* (1998) 87 FCR 458*Roussel Uclaf v Pan Laboratories Pty Ltd* (1994) 51 FCR 316*Siddell v Vickers, Sons and Co Ltd* (1888) 5 RPC 81 *Smith & Nephew Plc v Convatec Technologies Inc* [2014] RPC 22*Terrapin Ltd v Builders’ Supply Co (Hayes) Ltd* [1967] RPC 375*Union Bank of London v Munster* (1887) 37 Ch D 51*United Horsenail Co v Stewart & Co* (1886) 3 RPC 139*Vavasseur v Krupp* (1878) 9 Ch D 351*Welcome Real-Time SA v Catuity Inc (No 2)* (2001) AIPC 91-736 |
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| Date of hearing: | 30 January and 12 February 2015 |
|  |  |
| Place: |  |
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| Division: | GENERAL DIVISION |
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| Category: | Catchwords |
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| Number of paragraphs: | 132  |
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| Counsel for the Applicant: | Mr S Burley SC with Mr T Cordiner |
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| Solicitor for the Applicant: | Minter Ellison |
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| Counsel for the Respondents: | Mr M Moshinsky QC with Mr C Smith |
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| Solicitor for the Respondents: | Piper Alderman |

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| IN THE FEDERAL COURT OF AUSTRALIA |  |
| VICTORIA DISTRICT REGISTRY |  |
| GENERAL DIVISION | VID 853 of 2013 |

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| BETWEEN: | STREETWORX PTY LTDApplicant |
| AND: | ARTCRAFT URBAN GROUP PTY LTDFirst RespondentMURRAY JOHN SAINTSecond Respondent |

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| JUDGE: | BEACH J |
| DATE OF ORDER: | 2 March 2015 |
| WHERE MADE: | MELBOURNE |
| **OTHER MATTERS:** | The Court notes that order 2 is made on the basis of the first respondent giving the undertaking referred to in [86] of the Court’s reasons delivered today. |

THE COURT ORDERS THAT:

1. The applicant’s application for orders for delivery up is refused.
2. The applicant’s application for a springboard injunction is refused.
3. Costs reserved.

Note: Entry of orders is dealt with in Rule 39.32 of the *Federal Court Rules 2011*.

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| IN THE FEDERAL COURT OF AUSTRALIA |  |
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| BETWEEN: | STREETWORX PTY LTDApplicant |
| AND: | ARTCRAFT URBAN GROUP PTY LTDFirst RespondentMURRAY JOHN SAINTSecond Respondent |

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| JUDGE: | BEACH J |
| DATE: | 2 March 2015 |
| PLACE: | MELBOURNE |

**REASONS FOR JUDGMENT**

1. In late August and early September 2014, the trial of this proceeding was heard before me. The trial dealt only with issues of liability involving the validity and infringement of innovation patent claims for lighting assemblies known as luminaires.
2. On 18 December 2014, I handed down judgment, finding that the respondents’ invalidity claims failed and that the applicant’s infringement claims were made good as against the first respondent (Artcraft Urban Group Pty Ltd (AUG)); see those reasons for a description of the patents, lighting assemblies and definitions of the relevant terms ([2014] FCA 1366).
3. Given my detailed findings, I made orders giving the parties an opportunity to consider my reasons and to make submissions on the appropriate form of orders including costs. I adjourned the further hearing of the proceeding to 30 January 2015.
4. On 16 January 2015, Streetworx Pty Ltd (Streetworx) filed submissions on costs and a proposed form of orders. Subsequently, it filed an affidavit of Marion Hamilton (a senior executive officer of Streetworx) affirmed on 28 January 2015 and an affidavit of Robert Kelvin Cooper (solicitor for Streetworx) sworn on 28 January 2015.
5. On 21 January 2015, the respondents filed their submissions on final relief and an affidavit of Michele Kramer sworn that day (Kramer affidavit). Ms Kramer deposed that the infringing Modified Artcraft Luminaires could be modified by AUG making them capable of non-infringing use. Ms Kramer said that this could be achieved by applying a “non-light transmitting coating to the inside surface of the section of the visor covering the ‘termination chamber’, forming a solid, opaque film, such that none of the ‘termination chamber’ would be visible through the visor” (at [5]) to create an opaque luminaire. AUG has modified its Modified Artcraft Luminaire in this way to fulfil pre-existing contracts for supply to the Monash City Council and the Moonee Valley City Council (the Council contracts).
6. On 29 January 2015, Streetworx filed further submissions and amended proposed orders. In its proposed orders, Streetworx sought declarations of infringement in respect of the 3 infringing lighting assemblies as well as certification by the Court that the validity of the patents in suit was unsuccessfully challenged in the proceeding. Streetworx also sought that the cross-claim be dismissed and that AUG be permanently restrained from infringing the patents. Such proposed orders were not opposed.
7. Streetworx further sought an injunction permanently restraining AUG from, effectively, fulfilling the Council contracts (the springboard injunction). In addition, Streetworx sought delivery up by AUG of all infringing lighting assemblies and any other relevant articles in its possession or control for destruction by Streetworx. Further delivery up orders were sought for any infringing lighting assemblies and other articles that might come into AUG’s possession. Delivery up of any lighting assemblies which had been modified in the manner described in the Kramer affidavit was also sought. The application for final relief in terms of the springboard injunction and the delivery up orders was contested.
8. Streetworx also sought procedural orders for a hearing on quantum and other relief. Whilst some procedural steps (such as the provision of affidavit material by the respondents regarding revenue received from the sale of the infringing luminaires) were agreed to, the respondents proposed that the making of other procedural orders be made conditional upon leave to appeal not being sought (or granted). Further, questions of costs were agreed to be deferred until the determination of quantum and other relief.
9. At the hearing on 30 January 2015, the issues that remained in contention were:
	1. Streetworx’s entitlement to, and the form and scope of, further injunctive relief in the light of AUG’s proposal to modify the Modified Artcraft Luminaire to fulfil and supply the Council contracts (ie a springboard injunction); and
	2. Streetworx’s entitlement to, and the form and scope of, delivery up orders.
10. Given the complexity of the issues, I indicated that I would make the general injunction sought, but adjourn the further hearing to deal with the springboard injunction and the delivery up orders.
11. On 2 February 2015 I granted an injunction restraining AUG from infringing the patents (see order 5) and made orders concerning other agreed issues, including timetabling orders for an anticipated hearing on relief. Costs were reserved and the matter was adjourned to 12 February 2015. Orders 1 to 5 and 16 to 17 of my orders were as follows:

**THE COURT DECLARES THAT:**

1. The First Respondent (Artcraft Urban Group) has infringed each of claims 1 to 4 of Australian Innovation Patent No. 2009101103 (the 103 Patent) and each of claims 1 to 4 of Australian Innovation Patent No. 2009101104 (the 104 Patent) (collectively, the Patents), by exploiting in Australia, without the licence or authority of the Applicant (Streetworx), the Artcraft luminaire as defined in the Amended Statement of Claim.

2. Artcraft Urban Group has infringed each of claims 1 to 4 of the 103 Patent and each of claims 1, 2 and 4 of the 104 Patent by exploiting in Australia, without the licence or authority of Streetworx, the Windowless Artcraft luminaire as defined in the Amended Statement of Claim.

3. Artcraft Urban Group has infringed each of claims 1 to 4 of the 103 Patent by exploiting in Australia, without the licence or authority of Streetworx, the Modified Artcraft luminaire as defined in the Amended Statement of Claim.

**THE COURT ORDERS THAT:**

4. The cross-claim by the Respondents/Cross-Claimants be dismissed.

5. Artcraft Urban Group, whether by itself, its officers, its servants, employees or agents or otherwise howsoever, during the term of each of the Patents, be permanently restrained from infringing either of the Patents, and in particular from:

(a) making, or causing to be made, importing for sale, selling, supplying or otherwise disposing of, offering to make, sell, supply or otherwise dispose of, using, or keeping for the purpose of doing any of the aforesaid things, a lighting assembly as claimed in any of claims 1 to 4 of either of the Patents; and/or

(b) authorising other persons to do any of the acts referred to in sub-paragraph (a) above,

without the licence or authority of Streetworx.

…

**THE COURT CERTIFIES THAT:**

16. Pursuant to s 19 of the *Patents Act 1990* (Cth), the validity of claims 1 to 4 of the 103 Patent was questioned unsuccessfully in this proceeding.

17. Pursuant to s 19 of the *Patents Act 1990* (Cth), the validity of claims 1 to 4 of the 104 Patent was questioned unsuccessfully in this proceeding.

1. On 3 February 2015, Streetworx filed a further affidavit of Marion Hamilton affirmed on 2 February 2015. On 6 February 2015, AUG filed submissions in opposition to the springboard injunction and the delivery up orders and an affidavit of Murray Saint sworn on that day. On 10 February 2015, Streetworx filed submissions in reply.
2. On 12 February 2015, Streetworx filed a further amended originating application with revisions to the form of the delivery up orders and the addition of the springboard injunction. I granted leave to so amend. The revised claims, which I have taken from the minutes of proposed orders handed to me, were as follows:

5A Artcraft Urban Group, whether by itself, its officers, its servants, employees or agents or otherwise howsoever, during the term of each of the Patents, be permanently restrained from:

(a) selling, supplying or otherwise disposing of, offering to sell, supply or otherwise dispose of, using or keeping for the purpose of doing any of the aforesaid things, a lighting assembly for which approval has been obtained from the Municipal Association of Victoria, Ironbark Sustainability, NATA approved testers or ITACS approved or authorised testers by reference to any product which infringes any of claims 1 to 4 of either of the Patents;

(b) selling, supplying or otherwise disposing of, or keeping for the purpose of doing any of the aforesaid things, a lighting assembly in partial or complete fulfilment of a contract which:

(i) is or was for the supply of a product which infringes any of claims 1 to 4 of either of the Patents; or

(ii) was obtained pursuant to the inclusion on the MAV Standing Hardware Panel of a product which infringes any of claims 1 to 4 of either of the Patents; and

(c) authorising other persons to do any of the acts referred to in sub-paragraphs (a) or (b) above.

without the licence or authority of Streetworx.

…

6 On or before 19 February 2015, Artcraft Urban Group deliver up on oath to Streetworx or its nominated agent for destruction under supervision of Streetworx or its nominated agent:

(a) all lighting assemblies falling within the scope of any of claims 1 to 4 of either of the Patents; and

(b) any other articles the manufacture, importation, use, keeping or offering for sale, disposal or sale or licence of which by Artcraft Urban Group would be an infringement of any of claims 1 to 4 of either of the Patents,

which are in the possession, custody, power or control of Artcraft Urban Group, its officers or its servants, employees or agents without the consent or authority of Streetworx, including the assemblies referred to in paragraph 36.3 of the Affidavit of Murray Saint made on 6 February 2015 (the Saint Affidavit).

6A Within 30 days of Artcraft Urban Group, its officers or its servants, employees or agents coming into possession. power or control of, or taking custody of, without the consent or authority of Streetworx during the term of each of the Patents:

(a) a lighting assembly falling within the scope of claims 1 to 4 of either of the Patents: or

(b) any other articles the manufacture, importation, use, keeping or offering for sale, disposal or sale or licence of which by Artcraft Urban Group would be an infringement of any of claims 1 to 4 of either of the Patents,

Artcraft Urban Group is to deliver up those items on oath to Streetworx or its nominated agent for destruction under supervision of Streetworx or its nominated agent, including the assemblies referred to in paragraph 30.1, 30.2 and 36.4 of the Saint Affidavit, should they come into Artcraft Urban Group's possession, power, control or custody.

6B On or before 19 February 2015, Artcraft Urban Group deliver up on oath to Streetworx or its nominated agent for destruction under supervision of Streetworx or its nominated agent, all lighting assemblies or parts thereof which have been modified in Australia in the manner described in paragraph 20 or 21 of the Saint Affidavit, including the parts of assemblies referred to in paragraph 36.1 and 36.2 of the Saint Affidavit, and which are in the possession, custody, power or control of Artcraft Urban Group. its officers or its servants, employees or agents without the consent or authority of Streetworx.

1. The further trial of the proceeding proceeded on 12 February 2015. In respect of the delivery up orders, Streetworx sought to justify such orders on the basis that the importation of the Modified Artcraft Luminaire and the use of that luminaire “as a starting point” in the process of making allegedly non-infringing products constituted an act of exploitation of the invention the subject of claims 1 to 4 of the 103 Patent and thus amounted to infringing conduct. Contrastingly, AUG submitted that the proposed modification did not infringe the 103 Patent, as it was the casing unit of the Modified Artcraft Luminaire that was imported and modified as a separate component, rather than the luminaire itself. Further, AUG conceded that some but not all of the luminaires that AUG had disassembled and re-assembled to create the opaque luminaires were previously in a fully assembled state as Modified Artcraft Luminaires, but that even in such circumstances delivery up was not justified. Generally, AUG submitted that delivery up orders were not warranted for any of the luminaires, casing units or parts thereof in its possession.
2. Streetworx then complained that the question of the nature and quality of what was imported by AUG had not been in dispute in the proceeding, and that as AUG had admitted in its further amended defence that AUG imported the Modified Artcraft Luminaire (as opposed to only casing units or components of luminaires), AUG was foreclosed from arguing otherwise on the present application; the relevance of that question will become apparent later (see [115]).
3. For present purposes, it is useful to set out [16] of Streetworx’s amended statement of claim which provided:

**Infringement of the 103 Patent- Modified Artcraft Luminaire**

16. From a date presently unknown to the Applicant but since, at the latest, January 2014, the First Respondent has, without the licence or authority of the Applicant:

(a) used;

(b) made or imported;

(c) offered for sale or otherwise disposed of:

(d) sold or otherwise disposed of:

(e) kept for the purpose of selling or otherwise disposing of; and

(f) authorised others to do each of the acts above in respect of

the Modified Artcraft luminaire in Australia.

1. In their further amended defence the respondents pleaded at [16]:

**Alleged infringement of the Innovation Patents- Modified Artcraft Luminaire**

16. As to paragraph 16 they say as follows:

(a) they admit that the First Respondent has imported, manufactured, offered for sale, sold, kept for the purpose of selling and authorised others to sell Modified Artcraft Luminaires in Australia; and

(b) they otherwise deny paragraph 16.

1. Streetworx submitted that AUG should have distinguished at the trial stage between what it imported and what it sold. It further submitted that the imported infringing product could not be disassembled or otherwise modified and then sold. Accordingly, it submitted that delivery up was necessary on the basis of the infringing importation. AUG submitted that its admission to importation was not temporally or numerically specific, and was not an admission that importation of the relevant product was always as complete Modified Artcraft Luminaires, rather than non-infringing components such as casing units.
2. In respect of the springboard injunction, Streetworx submitted that whilst AUG was not intending to supply an infringing product to the Councils per se (ie AUG was proposing to supply the opaque luminaires), nevertheless AUG had obtained the Council contracts through the use of an infringing product (ie the Modified Artcraft Luminaires), and should not be permitted to procure or retain such an advantage from that infringement. Contrastingly, AUG submitted that there was no proper foundation for the grant of a springboard injunction, as the supply of the opaque luminaires did not involve any unwarranted advantage. It further submitted that the principal integral integer of Streetworx’s invention, being the visibility through the visor of the termination chamber, played no role in procuring the Council contracts.
3. It is appropriate to first deal with the application for the springboard injunction.

# I: Springboard injunction

## (a) Factual foundation

1. The process for offering T5 street lights for sale to most Victorian councils was managed by the Municipal Association of Victoria (MAV), the peak body for Victoria's 79 local councils. Part of the MAV's role was to provide procurement services to local government, including in relation to the purchase of energy efficient street lights (such as T5s) for the bulk replacement of existing less energy efficient street lights (such as mercury vapour lamps).
2. In September 2012, the MAV issued a request for tender for the supply of approved energy efficient street lighting hardware, for the purpose of putting in place a standing panel of approved lights and associated hardware (MAV Standing Hardware Panel). Councils could make purchases directly from the MAV Standing Hardware Panel without following a tender process, even if the amount of money to be spent exceeded the relevant legislative threshold and thus otherwise required a formal tender. The panel was set up to leverage the combined purchasing power of all Victorian councils to achieve cost savings for each individual council. The MAV Standing Hardware Panel could be accessed by all 79 Victorian local councils.
3. The MAV Standing Hardware Panel only related to hardware (for example, lights and PE cells), and not installation, project management and other services which might be required in undertaking a street light replacement program. These services were typically the subject of separate contracts with companies specialising in the installation of street lights.
4. In response to the MAV request for tender, Streetworx submitted a tender that was accepted by the MAV. As a result, Streetworx and the MAV entered into a Standing Offer Deed for products and services on 1 May 2013 (Standing Offer Deed), setting out the terms and conditions pursuant to which Streetworx would offer its Enviro T5 street light (luminaire) for supply to Victorian councils, subject to negotiation with each council.
5. Prior to submitting the tender to the MAV, it was a requirement imposed by the MAV for Streetworx to have its Enviro T5 street light approved by the Victorian distribution network service providers (DNSPs). The DNSPs are “asset owners”; they own and manage the electricity distribution network (the power poles, light poles, wires and other equipment, including the street lights and notwithstanding that the initial procurement is undertaken by local councils).
6. Any DNSP's approval would specifically provide that if there was any alteration in the product, the approval would be void.
7. In order to obtain the DNSPs’ approvals, Streetworx was required to obtain a technical report on its T5 street light from Ironbark Sustainability, a specialist consultancy which would prepare a report on whether particular street lights complied with the technical requirements of each DNSP's network.
8. In addition to providing technical reports for DNSP approvals, Ironbark Sustainability had a broader role in the MAV street lighting procurement process. The MAV had engaged Ironbark Sustainability to support local councils by providing technical and practical advice, offering bulk purchasing options and helping to project manage the bulk change process for councils.
9. To access the MAV Standing Hardware Panel, councils received access to an online portal with all the approved lighting prices at bulk discount rates. Councils could then simply contact the supplier directly and purchase the lights.
10. I infer that when a council selected a provider of lights, it was likely to choose from the MAV Standing Hardware Panel.
11. In relation to T5 street lights, there were only three approved suppliers on the MAV Standing Hardware Panel, being Streetworx, AUG and Pierlite Australia Pty Ltd (Pierlite). Further, on 1 May 2013, AUG was approved by the MAV as a preferred T5 supplier for 3 years. Further, on 19 December 2013, AUG was given approval by the MAV to supply the Modified Artcraft Luminaire. I interpolate at this point that there is no evidence that visibility of the termination chamber was a necessary condition of or assisted in the approval process.
12. I infer that each council which had accessed the MAV Standing Hardware Panel to select a supplier of T5 street lights and required supply then entered into a contract with that supplier and ordered its T5 street light requirements. A contract could be a formal contract (which might be required by some councils) or a purchase order (a less formal option chosen by some councils). It no doubt depended on the particular council as to whether a formal contract was required.
13. During 2014, and prior to my reasons for judgment being handed down on 18 December 2014, AUG secured the Council contracts, namely the contracts with the Monash City Council and the Moonee Valley City Council for the supply of T5 street lights.
14. The Monash City Council decided to award its contract to AUG at a council meeting held on 30 September 2014. I also infer that the Moonee Valley City Council made its decision to award its contract to AUG in mid-2014. There is no evidence that visibility of the termination chamber was a necessary condition of or assisted in the selection or approval process. There is no evidence that the Council contracts were awarded by reason of the Modified Artcraft Luminaire falling within the scope of the claims of the 103 Patent as opposed to without.
15. As one of the three approved suppliers of T5 street lights on the MAV Standing Hardware Panel, Streetworx was also eligible to be chosen by the Monash City Council and the Moonee Valley City Council, but was unsuccessful. As is apparent, both Streetworx and AUG were competitors for such supply. The basis of the application for the springboard injunction is Streetworx’s complaint that AUG was successful because of its use of the Modified Artcraft Luminaires, which I have found to be infringing.
16. Prior to my judgment on 18 December 2014, AUG received purchase orders from the Moonee Valley City Council and the Monash City Council for the supply of T5 luminaires.
17. On 31 October 2014, AUG received Purchase Order No PO020515 from the Moonee Valley City Council for 2031 2x14W T5 luminaires and 161 2x24W T5 luminaires. This order specified delivery by 31 November 2014. This date was subject to a schedule to be agreed between AUG and the Moonee Valley City Council, and was a guide for when delivery might start.
18. On 6 November 2014, AUG and the Monash City Council executed a confidential Service Level Agreement as an addendum to the MAV Agreement between AUG and the MAV.
19. On 21 November 2014, AUG received Purchase Order No 131430 from the Monash City Council for 200 2x14W T5 luminaires. On 2 December 2014, AUG received a further Purchase Order No 131699 from the Monash City Council for 7800 2x14W T5 luminaires. The total order of 8000 was subject to change because the Monash City Council could not be precise about how many luminaires it would need. The Council did not want to over-order and it was waiting for confirmation from power authorities. The purchase order did not specify a delivery date.
20. In the week of 24 November 2014, AUG delivered 200 Modified Artcraft Luminaires to the Monash City Council.
21. On 15 December 2014, AUG delivered an additional 45 Modified Artcraft Luminaires to the Monash City Council. At this time, AUG had 645 Modified Artcraft Luminaires assembled and ready for delivery, but Monash City Council only wanted delivery of 45 because its installation contractor was not ready to accept all the luminaires before Christmas.
22. AUG has not supplied any T5 luminaires to the Moonee Valley City Council pursuant to the above purchase order, and it has only supplied the 245 T5 luminaires referred to above to the Monash City Council. AUG has not supplied any T5 luminaires to any Council or other person since judgment was handed down on 18 December 2014.
23. Following my judgment that the Modified Artcraft Luminaire infringed claims of the 103 Patent, AUG sought a licence from Streetworx that would have permitted AUG to supply its Modified Artcraft Luminaire products to the two Councils. But commercial terms could not be agreed. Accordingly, on 9 January 2015 AUG first considered applying an opaque coating instead to the visors to make its products non-infringing.
24. AUG determined that the required opacity could be achieved by applying a non-light transmitting coating to the inside surface of the section of the visor covering the termination chamber, forming a solid, opaque film, such that none of the termination chamber was visible through the visor. The first successful prototype was made on 12 January 2015. AUG's solicitors then wrote to Streetworx's solicitor to inform it that it would instead supply luminaires with an opaque coating to the two Councils.
25. Although the coating process could in the future be undertaken in China, in the interim AUG undertook the following steps in relation to its stock of fully assembled Modified Artcraft Luminaires. In each case, it:
	1. separated the visor from the metal body;
	2. applied an opaque coating to the inner surface of the part of the visor covering the termination chamber;
	3. re-attached the visor, with the opaque coating, to the metal body; and
	4. retested and packaged the luminaires.
26. ln relation to the casing units that AUG had not yet received, AUG intended to:
	1. if a visor was attached to the metal body, separate the two;
	2. apply an opaque coating to the inner surface of the part of the visor covering the termination chamber;
	3. attach, or re-attach, the visor, with the opaque coating, to the metal body;
	4. fit the rest of the components, including electronic control gear/electrical ballast, gear tray, wiring and PE cell; and
	5. test and package the luminaires.
27. The opaque coating has been and is to be achieved by first applying a primer to the inside substrate of the terminal cover section of the visor, and then applying a top-coat in high gloss. Both the primer and top-coat have been and are to be applied using industrial spray equipment. The coating process has been production-engineered, in consultation with the coating supplier. The material used for the coating is commonly used in the automotive industry for masking purposes.
28. Apparently, by applying the opaque coating, one cannot see through the visor to the termination chamber at all. According to AUG's testing, the opaque coating does not have a technical impact on the working function of the luminaire, and does not cause any structural issues.
29. Saint has been responsible for sales of AUG's T5 luminaires, and was involved in their marketing. Saint was also closely involved in the process of seeking all approvals for the T5 luminaires. Saint has deposed that he never promoted those luminaires, including the Modified Artcraft Luminaire, by reference to there being any level of visibility into the termination chamber, and that no customer or other industry representative had ever suggested to Saint that they would want to have a T5 luminaire that has the termination chamber visible through the visor. Further, in the course of obtaining approvals for the T5 luminaire, no representative of the approval authorities ever suggested to Saint that visibility of the termination chamber through the visor was necessary or would assist in obtaining approval. According to Saint, the approval authorities were primarily interested in making sure that products satisfied photometric performance requirements and met technical standards. In his affidavit sworn on 9 May 2014 Saint explained that Ironbark Sustainability recommended adding a “window” to the visor above the PE cell, but this was not raised in relation to visibility, but was instead directed to allowing light to pass to the PE cell (at [232] and [236]).
30. In the course of Saint’s dealings with the Monash and Moonee Valley City Councils in relation to the Council contracts, no representative from those Councils suggested to Saint that they would want to have a T5 luminaire that had the termination chamber visible through the visor. The representatives of the Councils did not raise any concerns with Saint in relation to an opaque coating being applied to that part of the visor covering the termination chamber when Saint raised this with them.
31. On 13 January 2015, Saint met with representatives of the Moonee Valley City Council to discuss the prospect of supplying the opaque luminaire. The Council representatives asked Saint to advise the relevant DNSPs of the change, and that Saint confirm AUG's intended actions in writing. Saint was asked to delay supplying any T5 luminaires until the relevant DNSPs had approved the opaque luminaire. The representatives of the Moonee Valley City Council told Saint that they preferred the appearance of the sample opaque luminaire that Saint showed them, compared with the Modified Artcraft Luminaire.
32. Further, Saint also met with representatives of the Monash City Council to discuss the prospect of supplying the opaque luminaire. The Council representatives also asked Saint to advise the relevant DNSPs of the change, and that Saint confirm AUG's intended actions in writing. Saint was similarly asked to delay supply of any T5 luminaires until AUG received formal DNSP approval for the opaque luminaire. The representatives of the Monash City Council also told Saint that they preferred the appearance of the sample opaque luminaire that Saint showed them, compared with the Modified Artcraft Luminaire.
33. On 14 January 2015, Saint met with representatives of Ironbark Sustainability. During that meeting Ironbark informed Saint that it did not need to further review the proposed modification or conduct any testing because the proposed changes would not impact the luminaire's mechanical or photometric performance. They said that AUG would need to obtain approval from the relevant DNSPs before supplying the luminaires.
34. Further, Saint met with Cameron Spence of the MAV. Mr Spence said that MAV was comfortable with what AUG was planning to do with the opaque luminaire. He asked that Saint keep MAV informed with AUG's progress in having the change approved by the DNSPs. Saint told Mr Spence that AUG was dealing directly with both Councils and keeping them informed.
35. On 15 January 2015, AUG sent letters to the four DNSPs (being Jemena, Powercor, SPAusnet, and United Energy) advising them of AUG's intention to apply opaque coating as an “in-production change”.
36. Jemena is the relevant network distributor for Moonee Valley, and United Energy is the relevant network distributor for Monash.
37. Further, AUG wrote to each Council as they had requested.
38. On 16 January 2015, AUG provided a sample opaque luminaire to Jemena, and on 22 January 2015 AUG provided a sample to United Energy.
39. On 22 January 2015, AUG received an email from Dimitrios Tsirikis of United Energy advising that approval had been given by United Energy to use the opaque T5 luminaire on the United Energy network, subject to the products being consistent with the samples United Energy had been shown. Saint then advised representatives of both Ironbark and Monash City Council that formal approval had been given by United Energy.
40. Further, AUG received an email from Max Demko of Jemena advising that Jemena approved the use of the opaque luminaire on the Jemena network. Saint then advised representatives of the Moonee Valley City Council by email that formal approval had been given by Jemena.
41. Further, Saint received an email from Kim Hanisch of the Monash City Council asking AUG to “hold off at present” on delivery. Saint also received an email from Sandra Mack of the Moonee Valley City Council which said that it would “wait for the outcome of the court proceedings” before accepting deliveries of AUG T5 luminaires. Ms Mack asked that AUG keep the Council informed on any news with regard to the Court proceedings, and asked that AUG not start a delivery program yet.
42. On 3 February 2015, Saint attended a meeting with Cameron Spence of MAV at MAV's offices in Melbourne. At that meeting, Mr Spence said that MAV was happy for the opaque luminaire to be supplied, provided that the Court did not make any order preventing supply following the 12 February 2015 hearing.
43. In summary, the opaque luminaire has all of the required approvals. Further, the two Councils have said that they are willing to take delivery of those luminaires pending the outcome of the Court hearing on 12 February 2015.
44. Finally, it is appropriate to refer to the detriment that Streetworx says that it has suffered or will suffer from AUG’s entry into the Council contracts. By not being awarded the contracts to supply T5 street lights to the Monash City Council and the Moonee Valley City Council, Streetworx asserts that it has suffered loss.
45. It says that it has suffered significant financial damage as a result of the following:
	1. Potential lost sales of approximately 8000 lights to the Monash City Council and approximately 6000 lights to the Moonee Valley City Council, and which Streetworx would have likely made but for the conduct of AUG. Streetworx asserts that it would have had good prospects of making those sales instead of Pierlite, based on:
		1. price; apparently Pierlite's T5 lights are more expensive than Streetworx's T5 lights;
		2. the innovative features of the Enviro T5 protected by Streetworx's patents (compared to Pierlite's products which do not have those features);
		3. quality; apparently at least United Energy and Powercor encountered reported problems with Pierlite T5 luminaires on their network, leading to those lights being removed for investigation by Pierlite.

(b) Potential lost sales of consumables (such as light spill controllers) which Streetworx would otherwise had made in conjunction with these lost sales.

1. Further, it says that it has suffered reputational damage as a result of those Councils partly blaming Streetworx for delays associated with the supply of these products.
2. Further, it says that it has lost the opportunity to secure further contracts with those Councils for further quantities of T5 lights and/or sales of replacement lights, given the bulk-purchase nature of the contracts and necessarily limited opportunities to have further contact with the Councils following the initial purchasing decision.

## (b) Is a springboard injunction justified?

1. A “springboard injunction” is an injunction usually in final form that may be granted to restrain an infringer from engaging in an act, even though that act would otherwise be lawful, in the sense of not infringing the claim(s) of the relevant patent(s).
2. Such an injunction is designed to deprive the respondent of a benefit that may have been produced by a *prior* infringing act. So, if a respondent has “built up a bridgehead or springboard into a market”, by such a *prior* infringing act, such an injunction may be granted and designed to deprive the respondent of that benefit by restraining *future* conduct, even though that future conduct may not be infringing (*Smith & Nephew Plc v Convatec Technologies Inc* [2014] RPC 22 (*Smith*) at [116] to [117] per Birss J).
3. A springboard injunction is usually granted in the context of confidential information cases rather than patent cases (*Terrapin Ltd v Builders’ Supply Co (Hayes) Ltd* [1967] RPC 375 at 391 per Roxburgh J).
4. But I do not doubt that a springboard injunction can be granted in a patent infringement case. Section 122(1) of the *Patents Act 1990* (Cth) provides that “relief which a court may grant for infringement of a patent includes an injunction…”. The word “for” does not confine the circumstance to only enjoining an act of infringement. The concept of “for” can embrace enjoining an act where it is not the infringing act, but has its foundation in an earlier act in the causal chain that was infringing. Moreover, s 23 of the *Federal Court of Australia Act 1976* (Cth) would also provide adequate power; s 122 is not an exhaustive codification for injunctive relief in the present context.
5. Justice Birss, albeit in an analogous but differently expressed statutory setting, held that a Court has the power to grant such an injunction to “deprive an infringer of an unwarranted advantage gained from their act of infringement” and that this power could be used to restrain the supply of a product “which does not and never would have infringed a valid patent” (*Smith* at [116] to [118] and [129] to [130]). Indeed, the statutory setting that he was considering is arguably expressed more narrowly than the Australian setting; he considered article 3 of s 1 and articles 10 to 12 of s 5 of the Directive on the Enforcement of Intellectual Property Rights (2004/48/EC). Justice Birss cited various cases to support his position, including *Crossley v The Derby Gas Light Co* (1834) 4 LT Ch 25; *Dyson Appliances Ltd v Hoover Ltd (No 2)* [2001] RPC 27, *Merck Canada Inc v Sigma Pharmaceuticals Plc (No 2)* [2013] RPC 35 and *Generics BV v Smith Kline & French Laboratories Ltd* (Case C-316/95) [1997] RPC 801. But such cases, indeed *Smith* itself, are not appropriate analogues for my context.
6. In considering whether to grant such an injunction in a final form, the following factors are significant. I have drawn some of these factors from Birss J’s analysis with some modifications and additions.
7. First, the nature and quality of any unwarranted advantage needs to be identified. One needs to identify with precision the relationship between the past unlawful activity and the threatened otherwise lawful conduct but unwarranted advantage. I will elaborate on the question of causation shortly (see [80]).
8. Second, the injunction must be framed in a form and with a duration that is proportionate to and linked with the unwarranted advantage such that the injunction does no more than to enjoin the conduct conferring such an unwarranted advantage.
9. Third, and relatedly, the injunction must not put the applicant in a better position than the applicant would have been in absent the prior unlawful activity. Such an injunction is not to be used as a back door means for the patentee to restrain otherwise lawful competitive activity by a rival.
10. Fourth, such an injunction usually ought not to be granted if there are other available and apposite remedies such as damages or an account of profits. To state such a proposition is unremarkable if one was dealing with an *interlocutory* injunction. But in the case of a *final* injunction where one is considering enjoining otherwise lawful activity, such a stricture should also apply, as distinct from the availability of alternative remedies merely being a matter to consider in the mix, particularly where innocent third parties may be affected. If damages or an account of profits are an adequate remedy, detriment to third parties can be avoided by refusing the injunction and leaving the patentee to such remedies.
11. Fifth and relatedly, the need to exercise considerable restraint is required where the effect of such an injunction would be to adversely affect innocent third parties, such as a party to a contract who would then be precluded from receiving supply of an otherwise lawful product (ie non-infringing product) under the contract from the counter-party.
12. Sixth and generally, great care should be exercised in granting a final injunction restraining otherwise lawful activity.
13. There is one issue of causation that I need to deal with before proceeding further. Let me simplify the facts. Say the infringer of a patent has manufactured an infringing product and then used that infringing product in a contract tendering process as the basis for obtaining the award of that contract for the supply of that product. Then say that the infringer and the other contracting party agree to a modification of the contract such that performance is varied so that a non-infringing product can be supplied. Assume also that when the contract was awarded, the party awarding the contract was insouciant about the presence of the relevant patent claim’s integers in the infringing product that was used to procure the contract (the relevant integers). Alternatively expressed, assume that if the product used to procure the award of the contract had not had the relevant integers, the contract would nevertheless still have been awarded. In such circumstances, has an unwarranted advantage been obtained? Streetworx answers in the affirmative. It says that factual causation is established on a “but for” analysis. Its approach is in part but not wholly supported by Birss J’s approach in *Smith*. AUG answers in the negative. It says that a “but for” analysis is too simplistic and that if the question of whether legal responsibility should be imposed is considered in addition to factual causation, then there is no causation. In such a situation there is no unwarranted advantage as the relevant integers which made the product infringing were not causally significant to the award of the contract. It suggests that its position is supported by analogy with the approach taken concerning an account of profits, where what is ascertained are the profits attributable to the infringement itself, rather than all profits made from the sale of goods containing both infringing and non-infringing components (*Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25 at 42 per Windeyer J). I am not sure that *Colbeam* is an appropriate analogue. Itwas a trademark case where there was property in the mark, which was *distinct* from the goods in relation to which it had been used. But *Colbeam* has been applied in the patent context in *Dart Industries Inc v Decor Corporation Pty Ltd* (1993) 179 CLR 101 at 120 per Mason CJ and Deane, Dawson and Toohey JJ. But in my context, one is not dealing with a situation where “only part of a complex machine is protected by a patent” (*United Horsenail Co v Stewart & Co* (1886) 3 RPC 139 at 143 per Lord Kinnear) for example a patented brake used in the construction of a motor car. In my situation one is looking at how an indivisible infringing product has been used to derive the awarding of a contract. Further, the contract is also not divisible. One is not able to “allocate” the contract between infringing and non-infringing components as one might sales revenue received or the gross operating margin on the relevant product. The use of the *holistic* infringing product produced the unwarranted advantage of the *holistic* contract. But the presence of the relevant integers and their relevance to the decisions or motivations of the councils to award the contracts is not irrelevant.
14. In summary, Streetworx’s position is to be preferred. You cannot divide the infringing product from the relevant integers in such a fashion. But that may not take Streetworx as far as it would like. The *quality* of the unwarranted advantage needs to be considered. In the scenario where the relevant integers had no causal significance (ie absent the relevant integers the contract would have been awarded for the product in any event), the nature and quality of the unwarranted advantage is less egregious than if the presence of the relevant integers in the product played a critical role in the decision to award the contract. So, in that more nuanced fashion, it is relevant to consider the causal significance of the presence of the relevant integers to the decision to award the contract. The more the unwarranted advantage is causally tied to the significance of the presence of the relevant integers, the stronger the basis for the injunction and vice versa. The concept of unwarranted advantage contains within it a normative aspect and has a spectrum quality rather than Streetworx’s simplistic binary characterisation of it either being established or not established. In other words, there are *degrees* of unwarranted advantage which are to be considered and which are not foreclosed from consideration by merely demonstrating “but for” factual causation as Streetworx has demonstrated in the present case.
15. But there is another way that this scenario can be looked at. If the present position is that contractual performance has been modified such that supply of a non-infringing product is all that is now required, then it may be that the injunction should be refused. In one sense, there is no unwarranted advantage going *forward*. The unwarranted advantage was the *original* award of the contract. That is an historic act, not a future act to be restrained. And any remedy for that historic act can sound in damages or perhaps an account of profits (if at all). The performance or supply thereunder through the contract’s outworking provides no *additional* unwarranted advantage.
16. Yet another way to look at the matter may be to say that when the contract was varied by performance being varied, then a *new* contract sprang into existence if the parties by the variation intended to rescind the original contract. In such a situation, the contract (as varied) (and any supply thereunder) is not an unwarranted advantage if it is a new contract; of course, there may be no such intention to rescind by the act of variation, in which case such a perspective would be inapposite.
17. Finally, as I have said, a springboard injunction should not be used as an unjustifiable back door means for the patentee to restrain otherwise lawful competitive activity by a rival. In the scenario I have posited at [80], where the presence of the relevant integers had little causal significance, the motivation of the applicant for such an injunction may be perceived to be approaching seeking a back door means for the patentee to restrain otherwise lawful competitive activity by a rival.
18. In my opinion, a springboard injunction is not warranted in the present case.
19. First, damages or an account of profits would be an adequate remedy. Streetworx has raised the issue of AUG’s capacity to meet any damages award flowing from such future supply. I will require, as part of the price for refusing such an injunction, an undertaking from AUG that it will pay its gross margin in respect of the future supply of T5 luminaires to the Monash and Moonee Valley City Councils under the Council contracts into a trust account to provide security for any award of damages or account of profits in respect of those supplies. Such security only applies in respect of future supplies; Streetworx took the risk, when it brought proceedings, as to the potential financial incapacity of AUG to pay any damages award or account for any profit relating to infringing conduct that pre-dated my judgment. There is another dimension to the undertaking. Because of its form, there will be no forensic problem in Streetworx proving its relevant damage or obtaining a suitable account of profits (absent the grant of an injunction), thereby reinforcing the adequacy of leaving it to such a remedy (cf Birss J’s observations in *Smith* at [161]). Finally, if there is other damage flowing to Streetworx such as a loss of opportunity, such a loss will have *already* flowed at inception from AUG’s entry into the Council contracts. Problems of proof thereof exist whether I grant or refuse an injunction; moreover, even if they would be ameliorated by granting the injunction preventing future supply, that amelioration is matched by the form of the undertaking that will create a record of such future supplies.
20. Second, even though, strictly, there has been an unwarranted advantage taken by AUG, nevertheless I cannot ignore the fact that its qualitative significance is diminished by the fact that the relevant integers appear to have been of little, if any, significance to the Councils. This can be readily inferred from the fact that the Councils are now prepared to take the opaque luminaires. I have no direct evidence of what originally motivated the Councils and the significance, if any, of the relevant integers to their original decision. Evidence as to conversations with council employees was admitted by me, but not for the direct hearsay purpose as to what may have motivated them. But notwithstanding the deficient evidentiary foundation, I am able to infer that whether the visor over the termination chamber was opaque or allowed some visibility was of little concern to the Councils at the time the Council contracts were awarded. I should note that I raised with both parties this defective evidentiary foundation, but they insisted that I finally rule on the matter now with the evidence as it was and in the absence of any cross-examination.
21. Third, the effect of the injunction would be to adversely affect the Councils, who are innocent third parties and not before the Court, although apparently they have notice of these proceedings. The injunction sought would have the effect of restraining the Councils from purchasing the opaque luminaires from AUG in the context where there are only a limited number of competitor T5 luminaires available for the Councils to choose from.
22. In summary, for these reasons the application for the springboard injunction will be refused. I do not need to trouble myself with the drafting deficiencies in Streetworx’s form of order.

# II: Order for delivery up

## (a) Factual foundation

1. Since July 2013, AUG has imported some of the components of its T5 luminaires, and has acquired other components from Australian suppliers.
2. Once all component parts are received, AUG assembles each T5 luminaire at its premises in Australia.
3. Prior to July 2013, there were some instances when AUG imported fully assembled T5 luminaires but it has not done so since. AUG has undertaken assembly of *all* Modified Artcraft Luminaires in Australia.
4. Since July 2013, AUG has imported from China the metal bodies of the casing, with the reflector installed, an unfixed gear tray and the visor (together, a casing unit). Sometimes the Chinese manufacturer has supplied the casing unit with the visor and body joined together using the two metal bolts, and sometimes with the visor detached.
5. The imported casing units have been supplied *without* electronic control gear/electrical ballast, lamps, complete wiring and PE cells. Since July 2013 AUG has sourced those components in Australia. AUG has then assembled each luminaire in Australia by fitting the electronic control gear/electrical ballast, which requires wiring, and fitting the PE cell. Specifically, AUG has sourced:
	1. lamps from Philips Lighting Australia;
	2. electrical ballasts from VS Lighting Solutions (Vossloh-Schwabe Deutschland GmbH branch office in Sydney); and
	3. PE cells from Legend Power Systems.
6. Once AUG has received the casing units and other components, it then assembles each luminaire at its premises in Australia and then conducts final electrical and “light-up” testing, prior to packing the completed luminaires for delivery to customers.
7. AUG has a “wiring line” consisting of several staff which assemble the luminaires, as follows:
	1. The casing units are received from the Chinese manufacturer in cartons containing four casing units each. The casing units are unpacked from the outer carton and inspected for physical damage.
	2. If there is no physical damage and the casing unit is ready for the next stage, the gear tray is taken from the casing (this is loose and not connected to the casing unit). The electronic control gear/electrical ballast is then added and wired, and a wiring connection is made to the terminal block.
	3. A “quick-release” plug is installed between the gear tray and the main supply termination.
	4. The gear tray is then installed.
	5. The lamps and the PE cell are then installed.
	6. Electrical tests are conducted to ensure the luminaire works.
	7. The luminaire is then closed and latched, and then packed into an individual carton.
8. As at 18 December 2014 (the date of my judgment), AUG had issued purchase orders to its Chinese manufacturer for 8800 casing units. As at that date, the Chinese manufacturer had shipped 2400 of those 8800 units to Australia. On 17 November 2014, 800 casing units were received by AUG. On 16 December 2014, a further 1600 casing units were received by AUG.
9. On 6 January 2015, AUG received a further 1600 casing units; as at 18 December 2014, those casing units had already been shipped from China and were “on the water”.
10. There are a further 800 casing units being held by the Chinese manufacturer at Melbourne port. Those casing units have visors fitted to the metal body, but still require installation of electronic control gear/electrical ballast, gear trays, wiring and a PE cell.
11. Further:
	1. An additional 2400 casing units are in transit by sea from China. All of those casing units have visors fitted to the body, and a reflector, but similarly require installation of electronic control gear/electrical ballast, gear trays, wiring and a PE cell; and
	2. 1600 additional casing units are in the warehouse of AUG's Chinese manufacturer awaiting shipment.
12. In relation to the 2400 casing units in transit by sea from China, AUG did not request those shipments to be despatched from China.
13. AUG also has stock-in-hand of various components, including electronic control gear, lamps, wiring and PE cells.
14. At present, AUG has 1880 fully assembled opaque luminaires.
15. Of those 1880 luminaires, 1575 were manufactured by disassembling fully assembled Modified Artcraft Luminaires, coating the visors as described in [45] and [47], and re-attaching the coated visors.
16. The remaining 305 opaque luminaires were manufactured by applying the opaque coating to the casing units before the assembly of the luminaires. The visors for those casing units were coated as described in [46] and [47], and then attached or re-attached to the metal base, and then the further components were installed, including electronic control gear/electrical ballast, gear trays, wiring and a PE cell.
17. ln addition to the 1880 fully assembled opaque luminaires, AUG has the following:
	1. Approximately 1000 disassembled casing units, which have had the visors removed and coated, but the visors not reattached. Those casing units have never had the additional components installed in them, which is yet to occur;
	2. Approximately another 1000 casing units which have had their visors removed to prepare for coating but have not yet been coated or otherwise assembled;
	3. Approximately 1600 casing units which were delivered by the Chinese manufacturer to AUG on 6 January 2015. They have not yet had their visors removed in preparation for coating, followed by reattachment of the visors and installation of components.
	4. 800 casing units which are at Melbourne port awaiting delivery to AUG.
18. In addition, AUG has in stock approximately 1500 visors with a clear window over the PE cell. These do not relate to the Modified Artcraft Luminaire.
19. In summary, there are:
* 800 casing units held by the Chinese manufacturer at Melbourne port;
* 2400 casing units in transit to Australia;
* 1600 casing units at the Chinese manufacturer’s warehouse in China;
* 2000 casing units in the possession of AUG in various stages of AUG’s production line;
* A further 1600 casing units in the possession of AUG (delivered to it on 6 January 2015);
* 1500 visors with a clear window over the PE cell, but not relating to the Modified Artcraft Luminaire;
* 1575 fully assembled opaque luminaires in AUG’s possession, manufactured by in part, *disassembling* fully assembled Modified Artcraft Luminaires, coating the visors and then re-assembling; and
* 305 fully assembled opaque luminaires that were manufactured by applying the opaque coating to the casing units before the assembly of the luminaires (this process did not involve a disassemblyof the type just described).

## (b) Is delivery up justified?

1. Given that I have granted final injunctions against future infringement, the question is whether delivery up orders are additionally required as further protection against future infringement. In my view, delivery up orders are not warranted.
2. The question of whether delivery up orders are made is in my discretion. Moreover, it is relief that is ancillary to the injunction granted. In considering whether delivery up orders should be made, a question is whether the infringer “may be subject to too serious and grave a temptation and may thereby be tempted to commit a breach of the injunction” (*Mergenthaler Linotype Co v Intertype Ltd* (1926) 43 RPC 381 (*Mergenthaler*) at 382 per Russell J). In such a case, delivery up orders may be made. But not to punish the infringer and not in such a form as to go beyond what is necessary to protect the patentee. After all, the property in the infringing articles, notwithstanding the patentee’s privilege, is in the infringer (*Vavasseur v Krupp* (1878) 9 Ch D 351 at 360 per Cotton LJ). As I say, in my view, delivery up orders are not warranted.
3. First, this is not a case relating to counterfeit goods.
4. Second, this is not a case where the goods cannot conceivably be sold otherwise than by engaging in an act of infringement.
5. The opaque luminaires now in the possession of AUG have been constructed in two ways. Some have been assembled from disassembling infringing products and then applying an opaque coating to the inside of the visor over the section covering the termination chamber. But in my view, that does not now preclude their use for supply as non-infringing products as I will explain shortly.
6. Other such opaque luminaires have been constructed not by such a disassembling of an infringing product, but rather from an assembling process of the type described in [96] above. Again, such products are capable of a non-infringing use. Moreover, the process of assembly does not involve the use of infringing products.
7. It is necessary to elaborate on the proposition in [114] in relation to the use of the casing units. Streetworx asserts that the casing units are themselves infringing product as made by the Chinese manufacturer and imported as such before further assembly. So it is said that the assembly referred to in [96] involves the use of an infringing product (and likewise the disassembly and reassembly referred to in [113]). AUG takes issue with that proposition and says that this is not established on the evidence. Streetworx has countered that AUG is bound by its pleadings, has so admitted the same and is now precluded from arguing otherwise. I do not consider that AUG has made such a broad and sweeping admission. First, liability has been split from issues of quantum and other relief. It was always a matter for the second stage trial as to *which* particular units were or were not infringing products. Second, the relevant admission is of a form such that it is uncertain as to particular numbers of units and the particular timeframe (see [17] above). It cannot speak to all the units described at [93]. The admission was made to facilitate a sharper focus on the real issues for the first stage trial. Third, the relevant admission was made in response to Streetworx’s plea which was in the disjunctive form of “made or imported” (see [16(b)] of the amended statement of claim). In other words, there was considerable imprecision as to whether any or indeed all of the Chinese manufactured casing units were themselves infringing products. The disjunctive form of Streetworx’s plea and the vagueness of AUG’s response is reflective thereof. Finally, Streetworx has asserted that “[i]f that admission had not been given, Streetworx would have conducted its case differently”. I do not see why or how. Its case was pleaded and conducted on the basis of the completed units, not units missing electronic gear/electrical ballast, a fixed gear tray, complete wiring and a PE cell. True it is that there was an admission at some stage in the past of an importation of at least one complete Modified Artcraft Luminaire. But even if a correct admission, that does not foreclose the present characterisation of the casing units, let alone justify such an assertion of Streetworx. So much for the pleading point and Streetworx’s arguments in this respect. More importantly, the evidence does not indicate that the casing units are infringing products. Indeed, the evidence at trial demonstrates the opposite conclusion. The casing units were not luminaires. Streetworx asserts that “the wording of claim 1 of the 103 Patent… does not require the presence of a PE cell, ballast or lamps to be infringed”. That rather misses something fundamental. We are dealing here with casing units that are missing electronic gear/electrical ballast, a fixed gear tray, complete wiring and a PE cell (they are also missing lamps but that can be put to one side as inconsequential for the purposes of the present discussion). Claim 1 required a *lighting assembly* having the relevant integers. The complete specification gives the context of “an electrical device used to create artificial illumination”. No case was ever put that a casing unit missing the foregoing was such an electrical device. If Streetworx wanted to assert this, it should have pleaded and run it. It was not for AUG to negate an assertion that had never been pleaded. But in any event, if Streetworx had put the point it would have failed. In any event, the case was not so run. The parties’ focus at trial was whether the *complete* assemblies were infringing products, not just the casing units. This focus was in conformity with the pleadings. The products referred to and defined in the amended statement of claim and with accompanying photos as schedules were all of *complete* assemblies. In summary then, the process described in [96] and [114] does not involve the use in the production process of an infringing product. Streetworx has not demonstrated otherwise on the evidence currently led before me. Moreover, its attempt to assert that AUG is foreclosed from arguing otherwise fails. Let me return to the substantive issues.
8. Third, there is no principle which establishes that an infringing product cannot be modified to make it non-infringing, with the non-infringing product then lawfully used for supply. Such a principle, if it existed, would be counter-intuitive. How is modifying an infringing product by disassembly so that it does not infringe said to be infringing or relevantly a “use” within the meaning of “exploit”? The proposition is self-contradictory. Moreover, the luminaires not constructed from any such disassembly are even further removed from such an ambitious proposition.
9. The parties referred to various extracts from Meagher, Gummow and Lehane’s *Equity: Doctrines and Remedies* (4th Ed) at [27-050] and *Terrell on the Law of Patents* (16th Ed) at [13-59] and [13-60]. Counsel for AUG referred to several passages. For example, in Meagher, Gummow and Lehane it was said that “the defendant will usually not be deprived of the articles in question if by an adjustment or modification they may be rendered non-infringing” and that an order for delivery up “will not be made if the purpose for which it is sought is the punishment of the infringer rather than the protection of the patentee’s rights”. Further, in *Terrell* it was said that an order for delivery up “is modified in suitable cases, as, for instance, where an infringing article can be rendered non-infringing by some alteration or by the removal of some part” (various cases were cited in support of the proposition at footnote 79). Streetworx was less enamoured of these references. Counsel for Streetworx invited me to find that Meagher, Gummow and Lehane’s proposition first referred to above at [27-050] was not directly supported by the cases cited (a submission that is well open) and that the proposition in *Terrell* was not supported by the cases cited in footnote 79 (I accept that none of the cases cited in footnote 79 in *Terrell* support the proposition that they were cited for). I am inclined to put the text book references to one side. This is not just because of the approach to text books selflessly encouraged by Megarry J in *Cordell v Second Clanfield Properties Ltd* [1969] 2 Ch 9 at 16 to 17. And it is not just because of the problems described by Vaughan Williams LJ of judges quoting living authors (including contemporary successors) and Kekewich J’s regrets (*Union Bank of London v Munster* (1887) 37 Ch D 51 at 54). Rather, it is sufficient for present purposes to analyse only the leading cases that the parties have referred to.
10. In my view, none of the cases cited are against the proposition referred to in [116]. But equally, there are few cases cited which are direct support for such a proposition. Some brief elaboration is appropriate.
11. *Mergenthaler* has been cited in support, but it dealt with a different situation than the case before me. The patented product was used in a broader machine. The delivery up order was not made in respect of the broader machine (the typographical composing machine) but the part thereof constituted by the patented product (the adjustable plurality of magazines) used in the broader machine (see (1926) 43 RPC 381 at 383 and the earlier decision (1926) 43 RPC 239 at 246).
12. *Kirin-Amgen Inc v Transkaryotic Therapies Inc (No 3)* [2005] FSR 41 at [38] to [49] is also not the present case. Neuberger J ordered delivery up of TKT cells. TKT cells were produced by transfecting cells naturally containing EPO (erythropoietin) encoding DNA that is “switched off”, with an artificial DNA construct which “switche[d] on” the encoding DNA. The EPO so produced in such TKT cells was known as GA-EPO. Claims of the patent concerned the process of production of EPO-encoding DNA sequences and polypeptide products expressed in cells containing such sequences. Think of it in terms of *Mergenthaler*. The TKT cells were the broader machine and the GA-EPO the patented machine component. But unlike *Mergenthaler,* one could not tailor the delivery up order to the GA-EPO. And so delivery up was ordered of the TKT cells.
13. The scenarios in *Mergenthaler* and *Kirin-Amgen Inc* are far removed from my context. In my case, there is no infringing product that is part of a broader product to be supplied, whether extricable from the broader product (*Mergenthaler*) or inextricable from the broader product (*Kirin-Amgen Inc*). The infringing luminaires have been or are to be disassembled. Further, the casing units are not infringing luminaires (see [115]). Further, the opaque luminaires are not themselves infringing product and nor do they contain infringing product.
14. *Mergenthaler* and *Kirin-Amgen Inc* are not direct support for the proposition in [116], but equally they say nothing against the proposition that an infringing product can be made non-infringing by disassembly, and in that eventuality can avoid being the subject matter of a delivery up order.
15. Further, cases such as *British United Shoe Machinery Co Ltd v Gimson Shoe Machinery Co Ltd* (1928) 45 RPC 85 at 105 per Tomlin J, *Aktiengesellschaft für Autogene Aluminium Schweissung v London Aluminium Co Ltd (No 2)* (1920) 37 RPC 153 at 170 per Sargant J, *Howes and Burley v Webber* (1895) 12 RPC 465 at 470 per Chitty J, *Siddell v Vickers, Sons and Co Ltd* (1888) 5 RPC 81 at 101 per Kekewich J (the wrong citation has been used in *Terrell*) and *Leggatt v Hood’s Original Licensees’ Darts Accessories Ltd and Hood* (1950) 67 RPC 134 at 143 per Lloyd-Jacob J say little; indeed *British United Shoe Machinery* stands for little in the light of the offer made. But at the least, they are not inconsistent with the proposition at [116].
16. There are several other cases that should be mentioned. *Roussel Uclaf v Pan Laboratories Pty Ltd* (1994) 51 FCR 316 at 319 per Einfeld J picked up the proposition in Meagher, Gummow and Lehane referred to earlier, but from the 3rd edition. Justice Einfeld then said that an order for delivery up “will not be granted if the products can be rendered non-infringing”. He referred to, *inter alia*, *Electrical and Musical Industries Ltd and Boonton Research Corporation Ltd v G Kalis (trading as Andy’s Radio Supplies)* (1937) 54 RPC 5 at 35 per Luxmoore J and *Geodesic Constructions Pty Ltd v Gaston* (1976) 16 SASR 453 at 471 to 472 per Mitchell J. In my view, *Electrical and Musical Industries* (albeit a method claim), *Roussel Uclaf* (albeit a quite different context) and *Geodesic* (albeit a registered design case) provide support for the proposition in [116]. So too does *Welcome Real-Time SA v Catuity Inc (No 2)* (2001) AIPC 91-736; [2001] FCA 785 at [14] and [15] per Heerey J (although the support sought to be derived from *Australian Tape Manufacturers Association Ltd v The Commonwealth* (1993) 176 CLR 480 at 498 per Mason CJ, Brennan, Deane and Gaudron JJ is tenuous given its quite different context).
17. Finally, *Pinefair Pty Ltd v Bedford Industries Rehabilitation Association Inc* (1998) 87 FCR 458, the principal case relied upon by Streetworx, provides no support for the proposition that disassembly of an infringing product and then its re-assembly and supply as a non-infringing product is an infringing use and ought to be prevented by a delivery up order.
18. *Pinefair* concerned whether there had been a “making” or “use” of the patented product such as to constitute an infringement. Justices Foster and Mansfield (contra Goldberg J on this aspect) found that the manufacture of the patented product, as an *intermediate* step in a manufacturing process, was still a “making” or “use” of the patented product notwithstanding that the final commercial product did not infringe (at 464 per Foster J and at 466, 468 and 470 per Mansfield J). The issue did not arise of whether the disassembly of an end product so as to make it non-infringing avoided infringement. The production of the infringing product was an important step in creating the commercial end product. Justice Mansfield at 469 endorsed the primary judge’s view that:

[T]he creation of edging material that has all the integers of claim 1 of the Patent as a step in the manufacture of the Pinefair product constitutes a ‘use’ of the invention as the respondents are taking commercial advantage of the invention to advance them in the marketplace, even though at the point of sale the Pinefair product has been altered so that it no longer possesses all the integers of the claim.

1. In the present case, the creation of the Modified Artcraft Luminaire was not a necessary or integral step in creating the opaque luminaire. Indeed, other than in respect of *disassembling* the Modified Artcraft Luminaires that had been assembled prior to judgment, AUG does not intend to make any opaque luminaires via any manufacture of a Modified Artcraft Luminaire. Moreover, to do so would be in breach of the injunction that I have granted. Further, in terms of the use of casing units to make the new assemblies, there is no issue either. The casing units on the evidence led before me are not infringing products; they are not luminaires.
2. Fourth, an order for delivery up is only an adjunct to injunctive relief that is shown to be less than sufficient in the circumstances of the case. That has not been shown here.
3. Fifth, the casing units and other stock are AUG’s property. An order for delivery up and destruction would not only produce unjustifiable economic waste, but it would be more than is necessary to protect Streetworx’s rights. Such an order would operate as a form of gratuitous punishment.
4. Sixth, and relatedly, an order for delivery up would even prevent AUG from deconstructing the products and selling what was left as spare parts or for scrap.

# III: Conclusion

1. The applications for the springboard injunction and the delivery up orders are refused. But the dismissal of the springboard injunction application is subject to AUG giving the undertaking set out in [86].
2. As a result of my conclusions, it is unnecessary to deal with the infelicitous form of some of the proposed orders sought by Streetworx.

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| I certify that the preceding one hundred and thirty-two [132] numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Beach.  |

Associate:

Dated: 2 March 2015