

ODYSSEY update

FNH Investments Pty Ltd v Sullivan [2003] FCAFC 246 (Whitlam, Moore, Kiefel JJ, 7 November 2003)

I commented on the decision of the primary judge Jacobson J in Odyssey 001 in August 2003. This was an appeal against his Honour's judgment in *Sullivan v FNH Investments Pty Ltd (t/as Palm Bay Hideaway)* [2003] FCA 323; (2003) 57 IPR 63.

Facts

The appellant (FNH) contracted with the second respondent (XYZ), for XYZ to provide the professional photographic services of the first respondent, Mr Sullivan (the respondents jointly Sullivan). FNH operated a holiday resort in the Whitsunday Islands (the resort), and contracted with Sullivan to take photographs of the resort for use in a promotional brochure.

The contract provided that FNH could have a licence to use the photographs for a period of 2 years and that the licence was to be dependent upon the full payment of the contract price.

FNH paid a deposit and Sullivan took the photographs and supplied them to FNH in accordance with the contract. Relevantly, Sullivan had supplied 61 photographs to FNH under cover of a letter stating that a usage licence would be granted when the balance of the price was paid and stating (at 57 IPR 63 [32]):

“As you probably already know, any use of the material prior to the issuing of the licence, constitutes a breach of copyright.”

FNH however refused to pay the balance on the grounds that the photographs were of an inferior quality. It was found by the primary judge that after correspondence between the solicitors representing the parties over the issues and the commencement of proceedings in the matter, a brochure was issued by FNH utilizing some of the photographs Sullivan had taken.

Decision of primary judge

Under the heading ‘Copyright Infringement or breach of contract?’ the primary judge addressed the question of whether there had been copyright infringement and concluded there had been because FNH had used the photos without being licensed to do so.

His Honour found that Sullivan was not in breach of the contract but noted that even if Sullivan were in breach of contract because of the alleged poor quality of the photos taken, that did not amount to a defence to a claim for damages for copyright infringement.

FNH had argued that the matter was a contractual matter, with copyright being but one issue in dispute in the contract. It being a matter of contract, FNH submitted that it was established that exemplary damages were not awarded for breach of contract: *Gray v Motor Accident Commission* (1998) 196 CLR 1 at 6; *Addis v Gramophone Co Ltd* [1909] AC 488 at 492.

The primary judge found that Sullivans’ copyright had been infringed and:

- determined that the appropriate measure of damages was the contract fee which remained outstanding, namely \$7,425;
- awarded additional damages against FNH of \$15,000, in part because FNH had flagrantly disregarded the rights of Sullivan;
- ordered costs against FNH on an indemnity basis (estimated at \$40,000).

Issues on appeal

Their Honours considered that the appeal raised a very narrow issue, being that the primary judge did not pay sufficient regard to the common law principles that exemplary damages were, at best, only awarded in rare cases involving a breach of contract: *Harris v Digital Pulse Pty Ltd* (2003) 56 NSWLR 298 at [28] per Spigelman CJ and Heydon JA at [294] cited.

The Full Court of the Federal Court identified the following difficulties:

- the primary judge understood that additional damages were awarded on principles which corresponded to those which governed awards of aggravated and exemplary damages at common law;
- the effect of the submission was to say that additional damages could never be awarded under subs 115(4) if the owner of the copyright and the infringing party were contracting parties. The Full Court said that the Act didn't impose such a limitation nor was it implied.

The additional damages were not awarded for any breach by FNH of its contract.

That contract was for the provision of photographs to FNH which, if complied with (by the payment of the full fee for the provision of those photographs), gave rise to a licence agreement in FNH's favour. The licence never materialised.

The unlawful use of the photographs did not constitute a breach of contract but rather was a violation of the statutory rights of Sullivan.

The appeal was dismissed with costs.