

# Implied IP Licences: Don't Get 'court' - High Court Rules in Favour of Realestate.com.au

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The High Court of Australia has overturned the result in the Full Federal Court regarding the use of third party real estate images by Realestate.com.au Pty Ltd.

Realestate.com.au and RP Data have won their appeal to the High Court of Australia regarding the ongoing use of third party images of real estate properties after those properties were sold. This article summarises the High Court's judgment and its practical implications for those reliant on copyright and other IP licences.

## Background

The photographs and other images in question were taken or made by James Hardingham (**Hardingham**), a professional photographer and the sole director and employee of Real Estate Marketing Australia Pty Ltd (**REMA**). REMA specialises in commercial and residential real estate marketing photography and was licensed by Mr Hardingham to sublicense the use of his images.

Between September 2014 and June 2018 (but following several similar engagements before these dates), several real estate agencies (**Agencies**) engaged Mr Hardingham to take photographs and create floor plans for upcoming sales and lease campaigns. In doing so, Mr Hardingham was engaged by the Agencies and he provided his photographs on a casual over-the-phone basis that was not documented in a formal written agreement.

Realestate.com.au Pty Ltd (**REA**) operated the well-known website, realestate.com.au (**REA Website**), through which the Agencies published their listings under REA's standard-form subscription terms (**REA Terms**). RP Data Pty Ltd (**RP Data**) operated a separate subscription website, corelogic.com.au (**Core Logic Website**), providing current and historical sale and leasing data. RP Data had a licence arrangement with REA, under which it would download material from the REA Website. Under the REA Terms, REA required the Agencies to enter into a written subscription agreement under which it licensed any images they uploaded in broad enough terms to permit the use of the images and to sub-license that use to RP Data without limitation as to time.

In July 2018, Mr Hardingham brought proceedings in the Federal Court against RP Data alleging that its use of his images infringed copyright. The central issue was whether Mr Hardingham or REMA had granted a licence to the Agencies that permitted them to sub-license the use of the photographs to REA and RP Data.

Importantly, the courts found that Mr Hardingham and REMA knew that the Agencies uploaded images to the REA Website, that these images were also uploaded to the Core Logic Website, that it was necessary that the agencies did so, and that Mr Hardingham was aware of the licence terms sought by REA. Mr Hardingham's case was that any licence he granted ended once a sale or lease of the property he had photographed was completed.

## Key Takeaways

- Even long-term informal engagements can be uncertain in scope and quickly sour, requiring the court's intervention. This can affect commercial relationships and how the IP can be used.
- Before using or continuing to use third party content, undertake some due diligence to check whether the terms of use are clear, and if not, consider clarifying the scope of the permitted use upfront in a written agreement.
- Licensors of IP operating under informal arrangements with licensees need to act immediately if they learn a licensee is using their IP in a way that goes beyond what they intended. Otherwise, courts may infer that the use was permitted.

At trial, Thawley J found in favour of RP Data. The decision was then appealed to the Full Federal Court where a majority of Greenwood and Rares JJ (Jackson J dissenting) found in favour of Mr Hardingham because such a broad licence to use the Images could not be '*inferred lightly*' given that '*in practical terms, [it enabled RP Data] to virtually expropriate ownership of the copyright in the [images]*' – there needed to be actual knowledge of the scope of the term for it to be inferred. Their Honours found that such a broad licence could not be implied as it was not '*so obvious it goes without saying*', nor was it necessary for business efficacy of the contract for both parties. Therefore, the subsequent use of the Images by RP Data infringed Hardingham's copyright.

## The High Court decision

On appeal, the High Court was unanimous in reversing the Full Federal Court's decision, finding that RP Data and REA did not infringe copyright in the images. However, there were three separate judgments of Kiefel CJ and Gageler J, Gordon J, and Edelman and Steward JJ. Parts of those reasons concern the approach to be taken and the extent that any distinctions exist in the approaches to be taken to informal versus formal contracts and inferred agreements versus implied terms. However, the judges ultimately reach similar conclusions on the scope of the licence granted by Mr Hardingham.

The joint judgment of Kiefel CJ and Gageler J explained that the first step for the court where the parties have not articulated the terms of their agreement is to ascertain those terms by reference to the parties' words and conduct. This is an objective analysis - '*the ultimate question is what reasonable people with knowledge of the background circumstances then known to both parties would have taken by their words and conduct to have agreed*' (at [15]). Such an agreement can also be inferred from the absence of words (at [30]).

Their Honours found Mr Hardingham's knowledge of the Agencies' use of the REA platform and his silence on that issue was determinative. Their Honours found that:

*'[t]he silence of Mr Hardingham and REMA when they well knew what REA and RP Data did with the images, and for how long they continued to use them, is consistent with an acceptance of what was necessary to achieve the intended marketing. Both Mr Hardingham and REMA and the agencies appreciated that it could only be achieved if the agencies submitted to REA's terms to upload the images to its platform ... In these circumstances it is not possible to conclude that it was intended that the agencies could only license REA on the basis of the limitation contended for' (at [31]).*

Having determined that the parties had not agreed to a time limitation to the use, the question of whether an additional term to that effect needed to be implied did not arise.

Similarly, Gordon J explained that the task of the Court was to identify the scope of the licence and the ability to grant a sub-licence from:

*'the intention of [Mr Hardingham] and each agency, objectively ascertained... identified from what was said and not said, from what was done, and from what they reasonably knew or ought reasonably to have known...' (at [48]).*

While acknowledging that the line between inferring and implying terms in an agreement is not always clear, her Honour emphasised that they arise at different stages – in the first, the Court must ascertain what the terms of the agreement were; in the second, the Court must decide, in circumstances where the terms of the agreement have been identified, whether additional terms need to be implied. They can involve different considerations as terms will only be implied where they meet the test in *BP Refinery*, which amongst other things require that they are necessary to make the contract work. However, Gordon J stated that when engaged in the first task of establishing the terms of an oral contract as a matter of fact, then there is no requirement for necessity (at [75]). Gordon J found that the members of the Full Federal Court approached the question in the wrong way, at times conflating 'inferred' and 'implied' terms. This case involved the former and proper enquiry as the scope of the licence was focused on the objective intention of the parties, not whether the scope of the licence was 'necessary' in the circumstances.

Applying the above, Gordon J also found Mr Hardingham's knowledge of how the images would be used was telling – finding that:

*'in deciding whether to perform the work, [Mr Hardingham] dealt with the agencies with that knowledge and continued to deal with the agencies by accepting their requests to supply photographs and floor plans for valuable consideration' (at [68]).*

Gordon J agreed with the trial judge, that the contract between Hardingham and each Agency included a term granting a licence to use the Images for the campaign, and to sub-license the use of the Images by RP Data after the campaign.

Edelman and Steward JJ emphasised that there is no separate category or test for 'inferred' terms or for informal contracts and gave detailed reasons on 'the proper approach to recognising implied terms'. Nonetheless, the steps ultimately involved in the analysis were consistent with those of the other Judges, namely, to firstly identify

the express terms of the contract, and once that is done, consider whether any terms are to be implied. However, while Edelman and Steward JJ stated that the test for implied terms was the same for formal and informal contracts, they acknowledged that given the nature of informal contracts, the focus will be on these criteria: '(i) reasonableness and equity, and (ii) the necessity for the implied term to make the contract effective' (at [117]).

Edelman and Steward JJ determined that the lack of any words expressed by the parties precluded a finding that there was an express term concerning a licence to use the images. Consequently, in contrast to the other High Court judgments, their Honour's focus then shifted to whether the licence should be implied.

Given that:

- the images were being commissioned to be uploaded to the REA Website;
- similar images remained on the REA Website after a transaction completed, as permitted by the REA Terms;
- the REA Terms permitted REA to sub-license use of the Images to RP Data; and
- the Agencies could not contract out of the REA Terms which enabled the above consequences,

their Honours held at [133] that:

*'a reasonable person in the position of the parties would have known that one of the very purposes of REMA providing the photographs and floor plans to the agencies was so that the agencies could provide them to REA, and that the agencies had no real choice other than to accept a term requiring them to provide a licence to REA to use the photographs and floor plans indefinitely and to provide them to RP Data.'*

In the circumstances, a licence that covered REA's use, unlimited by time, was an implied term of the agreement between Mr Hardingham or REMA and the Agencies.

## Practical tips

While the approaches of the High Court judges discussed above differ, they ultimately agreed that the outcome and practical implications of the judgments are clear.

### What is said and done (or unsaid and undone) may be telling

Mr Hardingham's knowledge of the Agencies' conduct with the images (namely, uploading onto the REA Website, which were kept on the REA Website post completion of a sale or lease and sub-licensed to RP Data) was a telling factor. Mr Hardingham's continued acceptance of commissioned work by the Agencies on the same terms was highly relevant to determining the terms of his engagement.

If, under an informal arrangement, the parties are unsure of, or have concerns about, how copyright works or how other IP is being or can be used – this should be raised and resolved at the first opportunity, and any future engagement should clarify the scope of the licence.

### Put it in writing – it can take a long time to resolve a disagreement on the scope of an engagement

This dispute concerns images commissioned as far back as 2014 and involved three sets of proceedings before the matter was finally determined in the High Court in 2022. This reflects the uncertainty created when parties do not clearly

document the scope of their licences and rely on the Courts to determine what was agreed and the scope of any implied terms. This gives rise to a situation where reasonable minds can differ as to whether a term or the scope of a term was agreed or should be implied.

If you are allowing someone to use your IP, or you are using a third party's IP, ensure both parties agree to the scope of the use upfront, otherwise the parties may proceed on different bases, and it can be costly and time consuming to have a Court determine what the parties intended.

#### **For engagements between creative agencies and businesses**

Ensuring contracts are clearly expressed in writing will avoid many issues encountered in this case.

Even if fulsome or tailored agreements are not practical (e.g. because of time constraints or low contract value), it is helpful to have a template, short-form agreement on hand (e.g. a 'Terms of Trade', 'Purchase Terms' or 'Invoice Terms') that your organisation can provide to the counterparty or publish on your organisation's website. This template should include a default position regarding IP ownership and licensing conditions.

While templates may not be suitable for every transaction or accepted by every customer or supplier, they will provide a baseline for negotiations, and encourage both parties to turn their mind to contractual issues. If one party seeks more favourable terms, this may also be an opportunity to adjust the contract price.

If your organisation proceeds without a written contract, ensure there is a 'paper trail' of the key terms (e.g. emails,

letters or file notes of telephone conversations). This may help if any dispute arises in future and the parties need to provide evidence of what was intended, or seek to rely on the doctrine of estoppel.

#### **For website operators publishing third party content**

This case demonstrates that publishing third party content on a website without expressly agreed terms with the copyright owner can be risky. To mitigate and manage these risks, where possible, an express licence or consent from the copyright owner (often the original creator of the content, or their employer) should be sought.

If this is not a practical option and if third party content is published on the authority of an intermediary (e.g. a website user), steps should be taken to proactively verify that the intermediary has the original creator's permission to do so. This may involve asking additional questions of the intermediary or requesting copies of any consents or upstream contracts with the creator. At the very least, express warranties and indemnities against infringement of any third party IP should be sought. It should also address who will have control over the conduct of the defence or settlement negotiations of any such infringement claims. Absent these provisions, a website operator may face significant financial liability – even though the alleged copyright infringement may have been unintentional and outside of its direct control.

**Read the full decision of *Realestate.com.au Pty Ltd v Hardingham, RP Data Pty Limited v Hardingham* [2022] HCA 39 and MinterEllison's original article on the decision at <https://www.minterellison.com/articles/implied-ip-licences-high-court-rules-in-favour-of-realestate-com-au>**

## **Battle of the Bunnies - Trade Mark Action Taken by Lindt**

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Swiss chocolatier, Lindt, has been embroiled in various courtroom battles over their iconic milk chocolate rabbit. Recently, Lindt was engaged in a dispute with Lidl (German international discount retailer). Lindt claimed that Lidl had infringed its trade mark rights by selling similarly shaped chocolate rabbits. The case highlights that consumer protection will remain at the forefront of the Court's mind when making decisions about certain shape trade marks.

In the initial Court ruling, the Swiss Federal Supreme Court found in favour of Lidl on the basis that the rabbit-shaped chocolate was not distinctive enough and that there were a wide variety of chocolate rabbit-shaped products on the market. On appeal, the Court found that a risk existed where consumers would confuse Lidl's chocolate rabbit product with Lindt's chocolate bunny and granted Lindt a broad scope of protection. In particular, the Court considered consumer surveys which indicated that the majority of respondents recognised that the Lindt bunny was produced by Lindt. The Court concluded that the average consumer was more likely to see Lidl's chocolate rabbits and confuse it with the Lindt product.

The Court found that the word and figurative mark of 'Favorina' on the Lidl product did not eliminate the likelihood of confusion between the two products. The Court considered that customers select products known to them above all on the basis of the shape and the main features, without necessarily consulting the label.

European Union trade mark regulators believe that consumers are less likely to see the shape of a product as an indicator of commercial origin than a brand name or logo. They generally require evidence that the shape has been around for some time, and that it also departs significantly from the norms of the industry.

An Australian Court may have come to a different decision. In Australia, it is difficult to register and enforce shape trade marks if the shape, or depictions of the shape trade mark, are used in combination with other branding elements. Achieving the level of ubiquity required to be granted a trade mark registration for a shape can be difficult.

**Full case:** *Chocoladefabriken Lindt & Sprüngli AG v (First) Lidl Schweiz AG; and (Second) Lidl Schweiz DL AG* 4A\_587/2021