PiperAlderman

Welcome to the latest edition of Piper Alderman's e-Bulletin, which aims to provide accessible and informative summaries of recent significant legal developments.

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Cappucino per favore? High Court to reconsider foreign word trade mark

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Background

The case concerned mineral leases for iron ore granted by the State of Western Australia pursuant to a 1964 agreement the State had entered into with some joint venturers. Some forty years after the agreement was made, the Federal Court determined the Ngarla People held non-exclusive native title rights and interests to land within the area of the two mineral leases, subject to the question of extinguishment. At first instance, the Federal Court had to consider whether the grant of the mineral leases or the State Agreement had extinguished native title.

Based on longstanding High Court authority the Federal Court held that neither the grant of the mineral leases nor the State Agreement conferred exclusive possession which extinguished native title. However, the Federal Court went on to find that the rights granted pursuant to the mineral leases and the State Agreement were inconsistent with the continued existence of any of the determined native title rights and interests in the area where the mines, the town sites and associated infrastructure were constructed. This was consistent with the Full Federal Court's earlier decision in De Rose v South Australia (No 2) (2005) 145 FCR 290 where the Full Court held the grant, in a pastoral lease, of the right to construct improvements on the land (such as a dwelling house or shed), when exercised, was inconsistent with native title rights and interests in the land and therefore the construction of improvements by the holder of a pastoral lease extinguished native title in the land on which the improvements were constructed. In applying De Rose, the Federal Court held the rights exercised by the joint venturers in the developed area of the mineral leases were analogous to rights of exclusive possession.

The Ngarla people subsequently appealed to the Full Court, alleging their native title rights and interests were not extinguished by the grant of the mineral leases, or by any subsequent activities on the land. The Full Court upheld their appeal and it was this decision that was appealed to the High Court.

The test of extinguishment of native title

The High Court noted the determination of whether two or more rights are inconsistent is an objective inquiry and held that what needed to be considered was whether the rights pursuant to the mineral leases were, at the time of their grant, inconsistent with the relevant native title rights and interests. The Court rejected De Rose saying, to the extent to which it countenances a notion of extinguishment contingent on later activities carried out pursuant to an interest, it is wrong and should not be followed. The Court found the decision in De Rose incorrectly held that the permitted construction of an improvement on land held under a "lease" affected the existence of native title rights rather than the manner of their exercise.

In overruling De Rose, the High Court explained that where the mineral lease holders constructed an improvement on the land, as they were permitted to do under the mineral lease, that improvement took (and continued to take) priority over the rights and interests of the native title holders for so long as the lease holders enjoy and exercise their rights to that improvement. Competition between the exercise of the two rights is to be resolved in favour of the rights granted by statute. However, when the joint venturers cease to exercise their rights (or their rights come to an end) native title rights and interests remain unaffected.

Implications of non-extinguishment of native title

The High Court's decision confirms that where the grant of rights to use land for particular purposes (such as mineral or pastoral purposes) is not accompanied by a right to exclude others from the land, those rights are not necessarily inconsistent with, and do not necessarily extinguish, native title rights and interests to the land, even where they permit significant improvements to be constructed on land.

Importantly, the continued existence of native title will not prevent the holder of the relevant interest from carrying out activities or constructing improvements pursuant to their interest. Where an improvement has been erected pursuant to a mineral, pastoral or similar "lease" on land subject to native title, the lease holders' rights and interests will simply have priority over the rights and interests of the native title holders. This means when the improvement is removed or the interest comes to an end, the native title holder's rights and interests continue and can be exercised once again.

While the decision does not affect the rights of interest holders to carry out activities or construct improvements on land pursuant to their current interests, it does mean the native title which continues to exist will need to be taken into account when any new rights and interests are granted. Where the grant of those rights and interests affects the continuing native title, the grant will need to be done consistently with the "future act" regime in the Native Title Act 1993 (Cth). Depending on the nature of the grant concerned, this may trigger the need to negotiate an agreement with the native title holders.

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NSW Supreme Court finds senior employee's wife liable in knowing assistance claim

Partner, Tom Griffith and Associate, Stefano Calabretta discuss a recent case (Andrews Advertising Pty Ltd v David Andrews & Ors [2014] NSWSC 318) in which the NSW Supreme Court found a senior employee's wife liable for knowing assistance in a dishonest breach of fiduciary duty by her husband under the principles laid down in the 19th century case Barnes v Addy.

The case is one of only a handful of recent such cases in which the Courts have been prepared to impose liability on third parties who have participated with knowledge in a dishonest and fraudulent design by a fiduciary.

The case related to an advertising agency, Andrews Advertising Pty Ltd (Company), which had a majority of its shares acquired by Adcorp in mid-2006. Mr David Andrews, who had previously been a controller of the Company, was from that time employed as a senior executive of the Company, as was his son, Mr Dean Andrews. Both men had contracts of employment that contained post-employment restraint clauses in respect of their involvement with other advertising businesses and solicitation of the Company's clients.

The Company's two major clients were Lowes – Manhattan and Sleep City. In July 2010 both David Andrews and Dean Andrews ceased their employment with the Company and at about the same time the Company lost both Lowes Manhattan and Sleep City as clients.

The Company brought proceedings against David Andrews and Dean Andrews in respect of breaches of their employment contracts and breaches of fiduciary and other duties, and against Dean Andrews' wife Danielle Andrews and three companies allegedly involved in the conduct of David or Dean Andrews so as to give rise to accessorial liability. It contended that Dean Andrews breached contractual, statutory (sections 182 and 183 of the Corporations Act 2001) and fiduciary duties which he owed to the Company as an employee by diverting advertising work from Sleep City away from the Company and to Andrews Media and Creative Pty Ltd (AMC), a company owned and controlled by Mrs Andrews and by providing advertising services to Sleep City which generated income which benefitted Mr and Mrs Andrews. The Company sought an account of the profits derived by reason of the breach of duty.

The proceedings were resolved as against David Andrews and one of the companies, and one of the other companies (AMC) went into liquidation. The matter proceeded against Dean Andrews, Danielle Andrews and the company Smart Retail Pty Ltd, of which Mrs Andrews became general manager in October 2010 and the sole director and shareholder in May 2011.

The Court analysed the factual circumstances surrounding Mr Andrews' departure from Andrews Advertising in July 2010, and his subsequent interactions with Sleep City in some detail. One telling finding was that Mr Andrews resigned from the Company on 1 July 2010 and that by 5 July 2010 he was negotiating the terms of a draft heads of agreement with Sleep City on substantially the same terms as the heads of agreement between the Company and Sleep City.

On the breach of fiduciary duty claim the Court noted that since about September 2009 Mr Andrews was aware that some of Sleep City's media placement requirements were being met by AMC rather than by the Company, even though the Company's Heads of Agreement with Sleep City provided for such work to be performed entirely by the Company.

Mr Andrews unsuccessfully argued that Mrs Andrews, and not he, performed the media placement work. In fact the work diverted by Mr Andrews to AMC for the period September 2009 to July 2010 was worth over $795,000.

The Court was satisfied that Mr Andrews' actions, occurring without the knowledge or consent of his employer, were readily describable as a dishonest and fraudulent design on his part.

The Court found that Mrs Andrews was not involved, except in a very minor way, in the media placement work. However it did find that Mrs Andrews knew of her husband's breach of duty and participated in that conduct because Mrs Andrews was the sole director and shareholder of AMC at the time that AMC accepted the diverted work - she accordingly made AMC available as the vehicle which accepted and carried out the diverted work. The Court was also satisfied that Mrs Andrews had the requisite level of knowledge of her husband's wrongdoing.

The Court noted that there was little direct evidence of Mrs Andrews' knowledge. However the factors the Court took into consideration in imposing knowing assistance liability included that:

- Mr and Mrs Andrews were apparently on good terms.
- Mrs Andrews had considerable social contact with personnel from Sleep City.
- It was very likely that Mrs Andrews knew that Sleep City was an important client of the Company, and from her husband's point of view, his main client. The Court placed some weight on the fact that in January 2009 Mrs Andrews received an email regarding negotiations between Sleep City and the Company which provided that Sleep City's advertising requirements were to be exclusively sourced from the Company.

The Court also inferred that Mr Andrews would have informed Mrs Andrews at least in general terms about important events involving Sleep City. It inferred that Mrs Andrews would have appreciated that her husband was obliged to loyally serve the Company and that the provision of services to Sleep City "on the side", via a company associated with his own family would be a serious breach of his employment contract. The Court was confident in making these inferences in circumstances where Mrs Andrews did not give evidence.

The Court found each of Mr and Mrs Andrews liable to account to the Company for the benefits they obtained as a result of fiduciary duties committed by Mr Andrews when he was an employee.

The Court also found that Mr Andrews breached the restraint clause in his employment contract by carrying out work for Sleep City in the six months after his employment with the Company ceased. The Court found that the relevant restraint clause was valid and was not contrary to public policy, as had been submitted by Mr Andrews.

The case is important because it not only shows the circumstances in which individuals can be liable for their spouses' breaches of duty but it has wider implications for individuals and companies that are knowingly involved in breaches of duties, and which stand to benefit by reason of those breaches: they can and will be held to account.

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“Oh my God, they killed Kenny!” - copyright infringement on YouTube settled

US against media giant, Viacom, and Google have finally settled their seven year dispute involving user-posted episodes of “South Park”, “SpongeBob SquarePants” and various other television programs on YouTube. Terms of settlement are undisclosed, but occurred within 12 months of Google’s most recent win in the courts. Associate, Cheryl Nemeth discusses the case.

History of the dispute

In 2007, Viacom launched an action against YouTube, now owned by Google, for copyright infringement. The media giant, Viacom, claimed that YouTube had infringed its copyright by failing to prevent its users from posting infringing copyright content (such as episodes of “South Park” and “Spongebob Squarepants”) on YouTube. The US district court found in favour of YouTube, concluding that YouTube had acted within the ‘safe harbour’ exemptions of the Digital Millennium Copyright Act (DMCA) (*Viacom International, Inc. v. YouTube, Inc. and Anor, No. 07 Civ. 2103, June 23, 2010*).

Viacom appealed the original decision on the grounds that the DMCA exemption did not apply to YouTube as YouTube had knowledge or awareness of the infringing content, or was otherwise wilfully blind to the infringements, and had capacity to control the infringing activity and failed to do so. Although the appeal was permitted by the second circuit court, the matter was remitted back to the district court for determination (*Viacom International, Inc. v. YouTube, Inc. and Anor, No. 10-3270-cv, April 5, 2012*).

In April 2013, the US district court again rejected Viacom’s motion and held that the owner of YouTube, Google, was not liable to Viacom for infringing copyright content posted by users on YouTube by virtue of the ‘safe harbor’ exemptions of the DMCA. (*Viacom International, Inc. v. YouTube, Inc., No. 07 Civ. 2103, April 18, 2013*)

Google’s US victory

While the US court considered Viacom’s argument to be “ingenious”, in relation to whether YouTube had knowledge or awareness of any specific copyright infringement, the US Court held that Viacom’s arguments were based on anachronistic concepts which predated the DMCA.

The US court observed that no service provider dealing with that amount of site traffic (namely, 24 hours of new video posted by users every minute) could be expected to have had knowledge or awareness of each and every video posted. Further, the US court highlighted that the US Congress established the ‘safe harbour’ provisions under the DMCA to provide service providers with protection against copyright liability to specifically deal with situations such as this.

The US court held that Viacom had failed to adequately notify YouTube, in writing, of the infringing copyright works on YouTube and, in such circumstances, it was not reasonable to infer that Google had knowledge or awareness of the infringing content.

The US court acknowledged that the 'safe harbour' protection would not automatically extend to service providers that are wilfully blind of copyright infringements and had the right and ability to control the infringement. However, the US court observed that in this case to "mandate an amorphous obligation to 'take commercially reasonable steps' in response to a generalised awareness of infringement" was not appropriate. Further, the Court observed that:

- Knowledge of the infringing activity, and allowing it, will not of itself forfeit the protection provided by the 'safe harbour' provisions.
- "Something more" was required such as actual influence or participation in the infringement by the service provider.

Viacom argued that "something more" was established in this case by Google's willingness to allow users to upload and view infringing content on YouTube and its "ultimate editorial judgment and control" over content on YouTube. The US court rejected this argument, highlighting that YouTube's search technologies were automated. The US court concluded that the users, in this instance, chose to upload and view infringing content and, therefore, YouTube did not participate in or control the infringing activity.

Viacom also argued that the 'safe harbour' provisions could not apply as Google was acting on its own accord and in its own self-interest and for its own financial benefit. The US court also rejected this argument.

Position in Australia

The US court's decision is broadly consistent with the approach taken in Australia to date, namely, that internet intermediaries will have limited liability for infringing content published through their facilities unless the copyright owner has given adequate and appropriate notice to the intermediary of the infringing content.

This can be seen in the High Court's decision in *Roadshow Films Pty Ltd v iiNet Limited* [2012] HCA 16. In that case, the High Court unanimously held that an internet service provider, iiNet, was not liable to a copyright owner for the provision of internet services that enabled its users to download infringing copyright works. For further information on this case, see the article published in Piper Alderman's May 2012 e-bulletin.

Australian copyright owners should take note that there are some legislative protections afforded under section 116AA of the *Copyright Act 1968* (Cth) to carriage service providers against copyright infringement. These are similar to, but not the same as, the US 'safe harbour' provisions in the DMCA.

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ASX implements new timetables for rights issues

ASX has implemented new timetables which reduce the period for traditional rights issues and new standard timetables for accelerated entitlement offers. The new timetables came into effect on 14 April 2014. Senior Associate, Jen Tan, and Lawyer, Liberty Privopoulos, discuss the changes.

Summary of changes

The timetable for traditional rights issues has been reduced from 26 business days to 19 business days. The new timetable for traditional rights issues encompasses the following changes:

- A reduction in the period from the ex date to and including the record date from 5 business days to 3 business days.
- A reduction in the period from the day after the record date to and including the date that documents are sent to shareholders from a maximum of 4 business days to a maximum of 3 business days.
- A reduction in the period from the day after the documents are sent to shareholders to and including the date that applications for participation in the rights issue close from a minimum of 10 business days to a minimum of 7 business days.
- A reduction in the period from the day after the date that applications for participations in the rights issue close to and including the issue date from 6 business days to 5 business days.

Three new standard timetables have also been introduced to Appendix 7A of the ASX Listing Rules to apply to the following types of non-traditional or accelerated rights issues:

- Accelerated non-renounceable entitlement offers (ANREOs).
- Accelerated renounceable entitlement offers (AREOs) and simultaneous accelerated entitlement offers (SAREOs).
- Accelerated renounceable entitlement offers with retail rights trading (AREORTs).

The new timetables will, in most cases, eliminate the requirement to obtain waivers from ASX for most accelerated rights issues and are consistent with current timetables conducted on the basis of waivers.

Step	New Timetable
Announcement date to ex date	2 business days (day 0 to day 1)
Ex date to and including record date	3 business days (day 2 to day 4)
Trading period for renounced rights (renouncable offer only)	8 business days (day 2 to day 9)
Day after record date to and including date that documents are sent to holders	3 business days (day 5 to day 7)
Day after documents are sent to holders to and including acceptances close date	7 business days (day 8 to day 14)
Day after acceptances close date to and including issue date	5 business days (day 15 to day 19)
TOTAL TIMETABLE	**BUSINESS DAY 0 TO19**

The following table provides an overview of the new timetables in the Listing Rules for accelerated rights issues.

Step	ANREO	AREO and SAREO	AREORT
Announcement date to ex date	4 business days (day 0 to day 3)	4 business days (day 0 to day 3)	4 business days (day 0 to day 3)
Trading period for renounced rights (renouncable offer only)	N/A	N/A	7 business days (day 3 to day 9)
Day after record date to and including date that documents are sent to holders	3 business days (day 4 to day 6)	3 business days (day 4 to day 6)	4 business days (day 4 to day 7)
Day after documents are sent to holders to and including acceptances close date	7 business days (day 7 to day 13)	7 business days (day 7 to day 13)	7 business days (day 8 to day 14)
Day after acceptances close date to and including issue date	5 business days (day 14 to day 18)	8 business days (day 14 to day 21)	8 business days (day 15 to day 22)
TOTAL TIMETABLE	**BUSINESS DAY 0 TO 18**	**BUSINESS DAY 0 TO 21**	**BUSINESS DAY 0 TO 22**

What are some of the implications?

Less waivers required
Accelerated rights issues have previously required a number of waivers from the Listing Rules, such as waivers from the timetables for corporate actions and waivers from Listing Rule 7.1 and Listing Rule 10.11 (where the accelerated rights issue do not constitute a traditional rights issue for the purposes of the respective rights issue exceptions).

The new timetables for accelerated rights issues should eliminate the need for many issuers to obtain waivers of the Listing Rules for most accelerated rights issues, making the process for accelerated rights issues more efficient for listed entities.

The benefit of these changes has been extended to all rights issues and generally to related issues (as defined in the *Corporations Act* and as amended by ASIC class order 08/35).

More efficiency through shortened maximum time period
As the maximum time periods have been shortened in the entitlement offer timetables, issuers are effectively required to find process efficiencies to comply with the shortened time periods where they would have otherwise relied on the longer maximum time periods.

Benefits of the changes
The principal benefits of the recent changes to the Listing Rules are:

- A more timely and efficient process for rights issues, leading to a reduction in the time to market of rights issues and a reduction in market or execution risk for listed companies and investors.
- There will be less ASX waivers required by listed companies before implementing certain accelerated rights issues than previously required.

As these changes took effect on 14 April 2014, all applicable rights issues or corporate actions will now be subject to the new timetables contained in the revised ASX Listing Rules.

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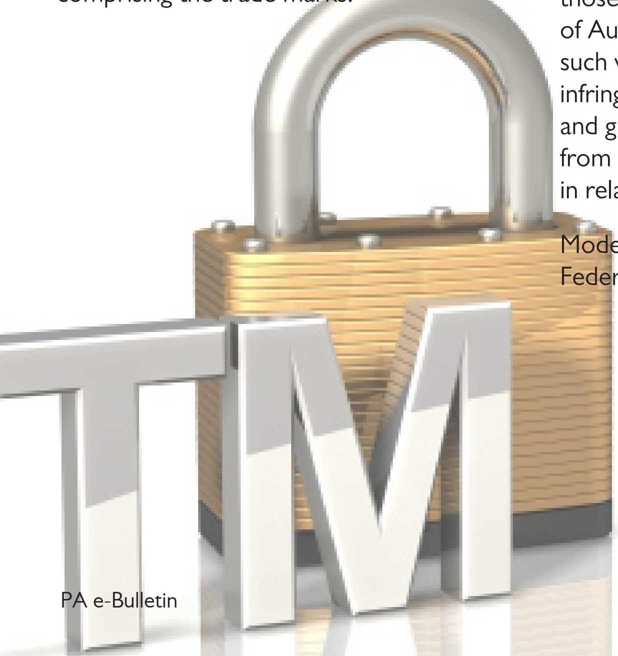
Cappucino per favore? High Court to reconsider foreign word trade mark

The High Court of Australia has granted special leave to coffee giant Cantarella Bros Pty Ltd to appeal the Full Court of the Federal Court's cancellation and removal of its trade marks 'ORO' and 'CINQUE STELLE' from the Trade Mark Register on the grounds that the foreign word trade marks were not inherently adapted to distinguish, as per Cantarella Bros Pty Limited v Modena Trading Pty Limited [2014] HCATrans 53. Associate, Cheryl Nemeth and Law Clerk, Claire Arthur, discuss the latest developments.

Fact Shot

In September 2010, Modena Trading Pty Ltd (Modena) commenced importing Italian coffee from Caffè Molinari SpA (Molinari) branded in Australia as 'Caffe Molinari Oro' and 'Molinari Cinque Stelle'. Cantarella commenced proceedings in the Federal Court of Australia against Modena for infringement of its trade marks 'ORO' and 'CINQUE STELLE' in relation to coffee and related products (class 30). Modena, in turn challenged the validity of Cantarella's trade mark registrations on the grounds that the trade marks were not inherently adapted to distinguish the goods or services of Cantarella from the goods or services of other traders due to the descriptive nature of the words comprising the trade marks.



The Federal Court of Australia observed in the initial proceedings that the English translation of the words 'ORO' and 'CINQUE STELLE' (namely, 'GOLD' and 'FIVE STARS') would not have been considered distinctive due to the descriptive nature of the words, however the appropriate test in this case was consideration of whether the foreign words were distinctive and whether, or not, the English translation of the words would be understood in Australia. The Federal Court upheld the trade mark registrations on the grounds that the words 'ORO' and 'CINQUE STELLE' were not so widely understood in Australia to mean 'GOLD' and 'FIVE STARS' (respectively) in a manner that would render the trade marks unable to distinguish Cantarella's products from those of other traders. The Federal Court of Australia also held that Modena's use of such words on imported coffee packaging infringed Cantarella's registered trade marks and granted an injunction, restraining Modena from any further use of the words in Australia in relation to coffee products.

Modena appealed the decision to the Full Federal Court.

As reported in our December 2013 e-Bulletin, the Full Court of the Federal Court of Australia (Full Court) overturned the original decision on appeal, finding that the Federal Court of Australia erred in determining that 'ORO' and 'CINQUE STELLE' were valid trade marks under the *Trade Marks Act 1995* (Cth) (TMA) and ordered that the trade marks be removed from the Trade Mark Register.

Cantarella sought leave to appeal the decision in the High Court of Australia.

The High Court granted special leave for Cantarella to appeal, finding that the Full Court's decision gave rise to important questions of law.

Grinds of Appeal

In its application for special leave, Cantarella submitted that the Full Court had erred in two material respects. First, that the Full Court applied the incorrect test for determining whether a foreign word had inherent distinctiveness (including, by reference to the ordinary significance of the foreign word in Australia). Second, that there was a lack of evidence to support the decision that the words 'ORO' and 'CINQUE STELLE' were commonly used by other traders in Australia in relation to coffee prior to Cantarella's trade mark registration.

In relation to its first ground of appeal, Cantarella argued that the Full Court had misapplied the test in *Clark Equipment Co v Registrar for Trade Marks* (1964) 111 CLR 511 (Clark Equipment) in relation to whether the trade marks were inherently adapted to distinguish. Cantarella submitted that the test was not what other traders thought about the ordinary meaning of the words, but was a two-pronged test which required consideration of whether the words had an ordinary meaning in Australia and, if so, whether that ordinary meaning is one that traders are likely to use. Cantarella submitted that if no ordinary meaning is found – which they say would be the case here – then there is no need to look beyond and consider the second limb (namely, whether other traders are likely to use the words) as the words would have already achieved inherent distinctiveness.

In relation to its second ground of appeal, Cantarella submitted that the Full Court had no evidence before it on how other traders had used the words 'ORO' and 'CINQUE STELLE' prior to Cantarella obtaining trade mark registration in Australia, other than some references on a handful of invoices. Further, Cantarella submitted that it was inappropriate for the Federal Court to consider evidence of use by other traders after registration.

In their reply, Modena submitted that the Clark Equipment test was a fluid test and, as a consequence of that fluidity, its application may vary from case to case. Modena argued that, contrary to what was stated in Cantarella's submissions, the Full Court's judgment was not limited in its analysis to how other traders used the words, but their inquiry extended beyond the class of traders to consumers of the relevant goods or services. Further, Modena submitted that such lines of inquiry are not mutually exclusive. On that basis, Modena concluded that evidence in the case demonstrated that a high percentage of buyers of coffee at restaurants and cafes in Australia would understand the trade marks to mean 'GOLD' and 'FIVE STARS' and recognise them as descriptive terms. In addition, Modena submitted that it had and could demonstrate with 'absolute certainty' that other traders had used such words prior Cantarella's trade mark registration in Australia and should be able to continue to use such terms innocently, without improper motive, after Cantarella's trade mark registration.

What we're left with: the dregs

For now, it is simply watch this space until the High Court sets the matter down for hearing, filtrates the Full Court's decision and determines whether the Full Court applied the correct test in determining whether the trade marks 'ORO' and 'CINQUE STELLE' were inherently adapted to distinguish Cantarella's goods from those of other traders.

The High Court decision will be important to give guidance to trade mark owners in Australia as to when foreign word trade marks may be protected and the factors to be taken into account when adopting a foreign word trade mark.

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Look away now - when seized documents may be inspected by a liquidator under s483 of the *Corporations Act*

One of the functions of a liquidator is to obtain records of the company in liquidation to assist with the collection, protection and realisation of the company's assets. Tis task may from time to time prove to be problematic. In such instances the liquidator has the power to require delivery up of such records under the Corporations Act. Lawyer, Daniel Coloe looks at one such method which the Supreme Court of Victoria has held not to be valid for the purpose of inspecting documents.

This matter involved proceedings brought by Mr Gregory Andrews, in his capacity as liquidator of ACN 079 528 699, formerly Mischel & Co, against Mischel & Co Advisory Services Pty Ltd and Henry Mischel (the former director of Mischel & Co) (the Defendants) seeking orders under section 483 of the *Corporations Act 2001* for the Defendants to deliver up certain books and records of Mischel & Co in their possession. The liquidator claimed he was, prima facie, entitled to those books and records.

Prior to Mischel & Co being put into liquidation it sold its advisory business to Mischel & Co Advisory Services (Mischel Advisory), who continued to carry on business at the Mischel & Co's former premises. Mr Andrews apprehended that the use of computers at the premises may have caused the electronic books and records of Mischel & Co to be at risk. The liquidator therefore issued an urgent proceeding and sought a search order under Order 37 of the *Supreme Court (General Civil Procedure) Rules 2005*.

Justice Ferguson of the Supreme Court of Victoria ordered that the electronic books and records be seized and established a procedure for the Defendants to object to the production and inspection of any documents seized by the liquidator. A large quantity of the documents were subject to an objection and the liquidator applied for an order entitling him to inspect those books and records.

The Defendants objected to the provision of the documents on the grounds that the application did not constitute a proper basis for obtaining inspection. The objection also raised the issue of whether the court in its discretion should order inspection of seized electronic books and records. The court also examined whether in exercising that discretion it should have regard to the ambit and purpose of ss 483(1) and the purpose for which inspection is sought.

Under r37B.03 the Court may make an order if the court is satisfied that, amongst other things, the applicant seeking the order has a strong prima facie case on an accrued cause of action.

Under ss483(1) the Court may require a person who is a contributory trustee, receiver, banker, agent, officer or employee of a company to pay, deliver, convey, surrender, or transfer to the liquidator as soon as practicable, any money, property of the company or books in the persons hands to which the company is *prima facie* entitled.

Justice Robson, on determining the liquidator's application, held that the relevant principles applicable to s483(1) were:

- The procedure under the subsection is summary only.
- The jurisdiction of the court under the subsection is discretionary.
- The procedure is not available to the liquidator where the claim is made, by the person in whose hands the assets are found, that is adverse to the company.
- The subsection may not be used to determine questions of ownership.
- The application may only be brought in relation to any money, property of the company, or books in the person's hands to which the company is prima facie entitled.
- The persons identified in the subsection are all persons who either derive their authority from the company or are accountable for it.

The Court held that the use of inspection of the seized documents for the purpose of proposed or possible separate proceedings would be to use the documents for a purpose other than for which the search order was obtained. The liquidator can use other procedures if he wishes to pursue a claim that the sale of the business from Mischel & Co to Mischel Advisory was a sham. Thus the Court would not use its discretion to order inspection of the seized documents under s37.01 to assist the liquidator in pursuing other proceedings or helping him to decide whether to issue other proceedings.

In regards to whether the Court would exercise discretion under s37.01 to order inspection of the seized documents for the purpose of the liquidator seeking to establish in the present proceeding that the sale of the business was a sham and seek an order for delivery up of property, it was held that the court has no jurisdiction under ss483(1) to resolve the contest as to ownership of the advisory business between the liquidator and Mischel Advisory.

The Court held that the discretion under ss483(1) is not appropriate to be used where the liquidator is unable to identify with some degree of specificity, the particular money, property of the company or books to which Mischel & Co was prima facie entitled. For the court to exercise its discretion the liquidator must establish that the item of money, property of the company or books is in the person's hands against whom the order is sought and that the company is prima facie entitled to that money, property or books. It is not enough to establish that the item may be money, property or books to which the company is prima facie entitled.

In deciding not to exercise its discretion the court held that it took into account:

- The volume of books and records that have been seized.
- The inability of the liquidator to identify with any precision the particular book or records that might belong to Mischel & Co.
- That many of the seized books and records relate to affairs of persons not parties to the proceeding.
- Whether or not it is possible to identify any document that might belong to the Mischel & Co without invading the confidentiality of other non-parties.
- The liquidators primary concern relates to the purported sale of the business of Mischel & Co to Mischel Advisory which is a matter that does not fall within the jurisdiction imparted by ss483(1).
- That the seizure order was obtained for the purpose of securing the preservation of evidence which may be relevant to an issue in the application by the liquidator under ss483(1).
- That the evidence of Mr Mischel indicates that there is likely to be a dispute about the title of any books and records that the liquidator may seek to lay claim to.
- That ss483(1) may not be used to resolve title to disputed property.

The Court therefore held that the liquidator could not get access to the seized documents which had been subject to an objection. This decision may prevent liquidators from applying under section 483(1) *Corporations Act 2001* and Rule 37.01 of the *Victorian Supreme Court Rules* to seize documents unless some or all of the discretionary factors outlined by Justice Robson can be satisfied.

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