

Article Information

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Chou v Metstech Pty Limited - Copyright Identification

There is no copyright in an idea. There is copyright only in the manner in which an idea is expressed. Therefore identifying the manner in which an idea is expressed, whether it be artistic, literary, dramatic, etc, is of critical importance for any copyright enforcement.

The recent Full Court decision of *Chou v Metstech Pty Limited* [2023] FCAFC 205 serves as a lesson in the importance of being able to satisfactorily identify the precise copyrighted work in dispute, as it is this identification which permits an applicant to attempt to prove the originality of the copyright.

Background & Material Facts

The plaintiffs, Metstech Pty Limited (**Metstech**), Auxilia Holding Pty Limited, Chad Jefferson, and Auxilia Investments Pty Ltd (together, the **Metstech parties**) run a business of designing and distributing telecommunications systems for use in underground mines.^[1]

The proceeding before the primary judge concerned a claim that various defendants, being the former directors and employees of Metstech and their corporate entities or advisers, were involved in a conspiracy to harm Metstech by unlawfully transferring the Metstech business and IP assets to other entities.^[2]

Despite the way the case was formulated and advanced, as discussed below, the central issue was whether Metstech’s products were designed by former employee Mr Chung-Chief Chou who, at the relevant times, was Metstech’s employee or whether the design work was carried out by “Yokao”, a manufacturer contended by the defendants to have carried out the design work.^[3]

The primary judge found that Mr Chou had undertaken the design work to create Metstech’s products.^[4] This finding led the primary judge to conclude that, due to the principle of first authorship and to the extent that components of the Metstech system were capable of having copyright subsist in them, Mr Chou held copyright over Metstech’s products.^[5] However, as Mr Chou designed the products in pursuance of his terms of employment with Metstech, Metstech owned the copyright over its products.^[6]

The primary judge made an order declaring that copyright subsisted in a range of Metstech products and that Metstech held such copyright (**Declaration**).^[7] The primary judge also ordered that the defendants deliver up to the Metstech parties a range of documents relating to confidential information and trade secrets of Metstech.

Mr Chou and Welldesign Electronics Pty Limited (together, **Chou parties**) brought an appeal, challenging the primary judge’s finding that Metstech owned copyright in the Metstech products and contending that the primary judge erred in making the Declaration by failing to join “Yokao” to the Declaration as a necessary party.^[8] The Chou parties also challenged the primary judge’s orders as to an inquiry as to damages and to the order of costs.^[9]

Findings

Copyright is created by authors. As held by Gordon J in *Telstra Corporation Limited v Phone Directories Co Pty Ltd*,^[10] the question of whether copyright subsists is concerned with the particular form of expression of the work. This requires the identification of authors and their contribution to the work.^[11]

With this in mind, the Full Court were critical of the way that the copyright case was conducted by the Metstech parties in the original proceeding. The Court highlighted several important and interrelated concepts in copyright law:

- First, copyright is concerned with particular forms of expression and *'one must start with the particular form of expression in respect of which it is alleged that copyright subsists.'*^[12] This is fundamental to the question of copyright; without taking this first fundamental step, a party cannot *'even begin to assess whether that form of expression is a "work"... in which copyright subsists, or indeed, can subsist.'*^[13]
- It is important to identify the precise work in its *'particular physical manifestation'*.^[14] *'It is the fixation in material form of the particular "work" that attains copyright protection'* and a copyright work cannot be identified by *'describing the work in an abstract way by recourse to generalities.'*^[15]
- Secondly, copyright is concerned with the creativity of authors measured by reference to the contribution that the author made to the creation of the work. It is well established that the work must be original,^[16] and not copied from another work.
- Thirdly, the *'test of originality "must be applied to that thing to which the legislation attaches copyright protection"'*.^[17] This, once again, emphasises the *'fundamental importance'* of identifying first the precise copyright work in its particular physical manifestation.^[18]

Metstech did not focus on proving the existence of the works or addressing Mr Chou's contributions as an author, but rather relied on the evidence of a consulting electrical engineer who discussed the tasks that are typically undertaken as part of electrical design.^[19] The Metstech parties also contended that, in carrying out his design work, Mr Chou must have brought into existence documents or other material that were original literary or artistic works in which copyright subsisted and of which Metstech owned.^[20]

Unsurprisingly, the Court held that the Metstech parties instead should have identified and proved the existence of specific literary and artistic works and addressed Mr Chou's contribution as an author to the specific works by reference to the concepts highlighted above.^[21]

In particular, the Court noted that the existence of certain documents had *'no necessary connection to whether they are works in which copyright can subsist'*, or whether Metstech is the owner of that copyright.^[22] Further, the Court emphasised that ownership of copyright should not be confused with the ownership of physical items which the material form of expression in which copyright can subsist.^[23] The Court held:

'By conducting the case in the way they did, the parties failed to undertake, and address, the technical analysis that is required to prove the subsistence and ownership of copyright in a literary or artistic work. Notably, no work was even put forward by the plaintiffs for analysis as a copyright work...'^[24]

Despite these criticisms, the Court determined the appeal on the basis of the case that the parties chose to put before the primary judge.^[25]

The Court amended the Declaration to clarify that the Declaration was as between the plaintiffs and the defendants and that certain documentation referred only to documentation created by Mr Chou in the course of designing Metstech's products and not to any documentation created by "Yokao".^[26] The Court otherwise dismissed the appeal.^[27]

Takeaways

Determining whether copyright subsists in a work can be a challenging exercise, and as this decision demonstrates, can be the difference between successful copyright protection or not.

Businesses should maintain an active intellectual property register, and preferably undertake regular audits of their registers to confirm ownership of intellectual property. Similarly with agreements which concern the licensing or sale of intellectual property, having a comprehensive understanding of what intellectual property is owned by whom, and where the rights lay, can protect a business from unwittingly disclosing valuable IP assets to another party.

Piper Alderman has a nationally recognised practice in intellectual property enforcement and protection, with experience in all jurisdictions. Please contact Tim O'Callaghan and his team if you require intellectual property advice.

^[1] *Chou v Metstech Pty Limited* [2023] FCAFC 205 [1]-[2] ("*Chou v Mestech Pty Limited*").

^[2] *Ibid* [2]; *Metstech Pty Ltd v Park* [2022] NSWSC 1667 [2].

^[3] *Chou v Metstech Pty Limited* (n 1) [3], [54].

^[4] *Ibid* [55].

[\[5\]](#) Ibid.

[\[6\]](#) Ibid [59].

[\[7\]](#) Ibid [4].

[\[8\]](#) Ibid [60], [63]-[64].

[\[9\]](#) Ibid [95], [105].

[\[10\]](#) [2010] FCA 44; 264 ALR 617.

[\[11\]](#) Ibid [344].

[\[12\]](#) Ibid [36] citing *Telstra Corporation Ltd v Phone Directories Co Pty Ltd* [2010] FCA 44.

[\[13\]](#) Ibid [36].

[\[14\]](#) Ibid [37].

[\[15\]](#) Ibid.

[\[16\]](#) Ibid [38]; *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd* [2011] FCA 362; 91 IPR 488, [48] (Yates J)

[\[17\]](#) Ibid [39] quoting *Desktop Marketing Systems Pty Ltd v Telstra Corporation Pty Ltd* [2002] FCAFC 112 [92].

[\[18\]](#) Ibid.

[\[19\]](#) Ibid [41].

[\[20\]](#) Ibid [42].

[\[21\]](#) Ibid [41].

[\[22\]](#) Ibid [43].

[\[23\]](#) Ibid.

[\[24\]](#) Ibid [45].

[\[25\]](#) Ibid [47].

[\[26\]](#) Ibid [116].

[\[27\]](#) Ibid.