DODSON MOTORSPORT LTD v LOGIICAL PERFORMANCE LTD and Others

HIGH COURT OF NEW ZEALAND

EDWARDS J

29–31 October, 1, 5–9, 12–16, 26, 27 November 2018, 1, 11 February, 18, 30 April 2019 — Auckland

[2019] NZHC 918

Copyright — Originality and subsistence — Ownership — Commissioned and sub-commissioned works — Infringement — Copying — Authorising — Secondary infringement — Damages — User principle — Relevant criteria — Additional damages — (NZ) Copyright Act 1994 ss 16, 29, 36, 121.

Misleading or deceptive conduct — Statements "in trade" — Assurances or private undertakings not covered — (NZ) Fair Trading Act 1986 ss 9, 13.

Breach of confidence — Confidential information — Obligation of confidence — Unauthorised use.

Conspiracy by unlawful means — Intention to injure not established — No proof of damage.

Dodson Motorsport Ltd (the plaintiff) was a manufacturer of aftermarket clutch and ancillary parts for the Nissan GT-R R35 (R35) motorcar. The defendants were Logiical Performance Ltd (Logiical) (a company set up by Mr Hannaford, a former employee of Dodson), Mr Hannaford himself, GRD Engineering Services Ltd (GRD) a manufacturer of parts, and its principal Mr Gray.

Dodson contended that the defendants had breached copyright in Dodson parts by manufacturing and dealing in infringing copies. Dodson also claimed breach of the Fair Trading Act (NZ) (the Act), breach of confidence and conspiracy by unlawful means.

Copyright

The defendants denied that copyright subsisted in the Dodson parts because they were not original (being derived from original Nissan (OEM) parts) and contained commonplace features or features dictated by functional constraints.

To the extent that copyright did subsist the third defendant manufacturer GRD claimed it owned copyright and there had been no breach.

Dodson claimed copyright in the Promax clutch and in individual parts making up the clutch assembly and assembly itself; two mechanical circlips, a gear lock and selector fork.

Dodson alleged that the Logiical parts infringed copyright in its works. It claimed both damages, additional damages and injunctive relief.

Fair Trading Act 1986

Dodson claimed that each of the defendants had engaged in misleading or deceptive conduct in breach of s 9, s 10 and or s 13 of the Act.

Breach of confidence

Dodson alleged that the defendants had used its confidential and commercially sensitive information to design and manufacture the Logiical parts.

Conspiracy by unlawful means

Dodson alleged that all of the defendants acted in concert with a constructive intent to injure its business.

The unlawful means pleaded was misuse of confidential information and infringement of copyright.

Held:

Copyright works

(i) The copyright works at issue were drawings underpinning the Dodson parts and included:

(a) drawings by employees of Bicknell as part of a sub-commission from GRD;

(b) drawings by GS Works as part of a sub-commission from GS Works: at [43].

Originality and subsistence

(ii) Although the OEM parts were the starting point for the Dodson designs, this did not mean that they were the end point. The question was whether the design process was truly independent. Here Dodson's design pathway was generally one of trial and error and followed an independent pathway. Originality must be assessed on a part by part basis. The focus of the inquiry is on the independent skill and labour evident in any modifications and whether any additional elements are sufficient to make the total work original: at [64], [68], [69], [72].

> *Wham-O MFG Co v Lincoln Industries* [1984] 1 NZLR 641; *Martin v Polyplas MF Ltd* [1969] NZLR 1046 (SC); *Interlego AG v Tyco Industries Ltd* (1989) 12 IPR 97; [1989] AC 217, referred to.

(a) Outer basket

(iii) Copyright subsisted in the Dodson outer basket. Although the quantity of differences between the OEM part and the Dodson part were not significant, the quality of them was. The differences reflected independent skill and judgment in design of the part. The quality of differences reflected an originality in the Dodson outer baskets: at [83].

(b) Gear plate

(iv) Copyright subsisted in the gear plate. There was a basic similarity between the OEM and Dodson part being of the same dimension and shape and performing the same function and operation of the clutch. But the differences reflected original design and were not driven by functional requirements or manufacturing process. The quality of the Dodson features considered cumulatively and in the context of the clutch assembly as a whole were sufficient to impart originality: at [87], [92].

(c) The A basket

(v) Copyright subsisted in the A basket. There were a number of differences between the OEM part and the Dodson part. Although the differences were not quantitively numerous they were nonetheless of qualitative significance. They evidenced Dodson's independent skill and labour in finding design solutions to the particular issues posted by the high performance use of the R35. The trial and error process (in one particular feature) was inconsistent with Dodson slavishly copying the OEM part: at [95], [103].

(d) The B basket

(vi) Copyright subsisted in the B basket [109]. Evidence of the design pathway for this part involved trialling different tooth profiles, oil hole patterns and producing different versions as part of the design evolution of the part: at [108], [109].

(e) Inner basket Steel (IBS)

(vii) Copyright subsisted in the IBS. When the similarities and differences between the OEM and Dodson part were considered in total, the court was satisfied that the differences were expressions of independent design and were sufficient to impart originality: at [115].

(f) The A piston

(viii) Copyright subsisted in the A piston design. Dodson's trial and error process led to refinements which were entirely of Dodson's own making and some refinements were not only original (in the copyright sense) but innovative too: at [121].

(g) The B Piston Copyright subsisted in this part

(ix) Copyright subsisted in this part. Although the B piston did not reveal the same level of innovation and design as the A piston, nevertheless the various iterations proved that they were the result of independent skill and labour: at [126].

(h) Gear lock

(x) The features of the gear lock were original to Dodson and copyright subsisted in the gear lock: at [130].

(i) Selector fork

(xi) The OEM and Dodson selector forks were not objectively similar; there was no evidence that one was derived from the other. The difference between them could not be explained by manufacturing constraint. Copyright subsisted in the selector fork: at [137].

(j) Mechanical Circlips

(xii) The court was satisfied that the Dodson design was original and that copyright subsisted in the mechanical circlips: at [139], [142].

(k) The Promax Clutch Assembly

(xiii) Copyright also subsisted in the Promax clutch assembly. The differences between the OEM and Dodson parts were the product of independent skill, labour and effort and an independent design pathway involving development by trial and error. There was no evidence of copying of the OEM. This was a case of adding innovation to existing technology and was exactly the type of innovation that copyright law was designed to protect and encourage: at [146], [149], [150].

Ownership

(xiv) As to commissioned works, there are three essential elements to a commissioning:

(a) a request to make the copyright work;

(b) an antecedent payment or agreement to pay for the copyright work in money or monies worth.

(c) the agreement may be express or implied; and

(d) the making of the work: at [153].

> *Oraka Technologies Ltd v Geostel Vision Ltd* [2013] NZCA 111; *Pacific Software Technology Ltd v Perry Group Ltd* [2004] 1 NZLR 164; (2004) 57 IPR 145; *Alwino Co Products Ltd v Crystal Glass Industries Ltd* [1985] 1 NZLR 716; (1985) 5 IPR 192 (CA), referred to.

(a) GRD drawings

(xv) The bulk of the evidence suggested that Dodson agreed to pay GRD for all work necessary to manufacture the parts and this necessarily included any drawings made by GRD. There was no real doubt that Dodson was the commissioner of the works and ownership of the copyright in the GRD drawings resided with it. Mr Gray's clear expectation was that he would be paid for all and any works undertaken in relation to the Dodson parts. The design drawings were part of the manufacturing process which was what GRD was engaged to do: at [155], [158], [159], [166].

(b) The Bicknell and GS works drawings

(xvi) Dodson was the owner of the Bicknell drawings. The Bicknell drawings, although arranged between Dodson's contractor GRD and Bicknell, formed part of Dodson's commission. GRD had been engaged to manufacture the parts and detailed drawings were necessary to allow that to occur. Dodson expected to pay for the work and did pay for it: at [165], [170], [176].

(xvii) Dodson was the owner of the GS Works drawings. GS Works drawings relating to the selector fork had been arranged by Mr Gray/GRD. GRD paid cash but did not charge Dodson. Nevertheless Mr Dodson had commissioned GRD to produce the parts which one of Dodson's directors had envisaged and designed. The drawings required to undertake that engagement were part of the commission. Implicit in the arrangement was the promise by Dodson to pay GRD for all steps necessary to perform that task. The decision by GRD to sub-contract did not alter the terms of the commission. It was not the fact of payment that was determinative of the question of commissioning but the

antecedent promise to pay. The fact that Mr Gray elected to absorb the cost of the works himself did not alter the fact that Dodson was ultimately liable to pay for the drawings and the sub-commissioning formed part of the overall commissioning of the works: at [171]–[173], [175], [176].

Copyright infringement

(xviii) The evidence of an independent design pathway for the Logiical parts was thin on the ground. The weight of evidence pointed towards, not away from an inference of copying: at [186].

(xix) A comparison between the Dodson copyright parts and the Logiical parts showed that the Logiical parts were copies of and infringed copyright in the Dodson parts being:

(a) the Logiical outbasket;
(b) the Logiical gear plate;
(c) the A and B baskets;
(d) the inner basket;
(e) the A and B pistons;
(f) the selector fork; and
(g) the clutch assembly: at [192], [198], [201], [208], [209], [212], [215], [223]–[224].

(xx) As to the gear lock and mechanical circlips, there was no direct evidence regarding copying. In relation to imported circlips, there was no evidence at all from which an assessment of the key element of copying could be made: at [218], [220].

Liability for copyright infringement

(a) GRD

(xxi) GRD, which manufactured the Logiical parts, had copied the copyright works in breach of ss 29 and 30: at [229].

(xxii) Mr Gray was liable for authorising that copying: at [231].

Inverness Medical Innovations Inc v MDS Diagnostics Ltd (2009) 93 IPR 14 (HC), cited.

(b) Logiical and Mr Hanniford

(xxiii) As to authorisation, there was sufficient evidence from which to draw the necessary inferences on the balance of probabilities that Logiical commissioned GRD to manufacture the Logiical clutch parts knowing that the resulting product would be a copy of the Dodson parts and therefore authorised infringement: at 236]–[238].

Heinz Watties Ltd v Spantech Pty Ltd (2006) 8 NZBLC 101; (2005) 11 TCLR 591; [2005] NZCA 300, applied.

(xxiv) As to secondary infringement (by possessing in the course of business or dealing with infringing copies) the Logiical clutch parts, selector fork and clutch assemblies were infringing copies. The director of Logiical, Mr Hannaford, had either actual or constructive knowledge (that is had reason to believe) that the Logiical clutch parts and selector fork were infringing copies. As a result Logiical was liable for secondary infringement: at [239], [241], [242].

(xxv) There was no statutory liability for authorising secondary infringement but Mr Hannaford was jointly liable with Logiical for committing a restricted act. He was directly and intimately involved in Logiical's tortious conduct: at [247].

Relief

(a) Damages according to the user principle

(xxvi) Applying the user principle, the copyright owner was entitled to receive from the infringers the price that would have reasonably been charged for permission or authorisation to carry out each infringing act. The assessment was one of judicial estimation of the available indications. It was for the plaintiff to adduce evidence to guide the court. General considerations would be relevant but where there was evidence of actual licensing fees specific to the work and use in question, general evidence was likely to carry less weight. The notional fee must be assessed in the commercial context as at the

relevant time. That meant that alternative courses of action open to the parties would be relevant in setting the notional fee, as would the value of the infringing use to a defendant: at [250], [253].

> *Napier Tool & Die Ltd v Oraka Technologies Ltd* [2017] 2 NZLR 611; [2016] NZCA 554; *Force India Formula One Team Ltd v One Malaysia Racing Team SDN BHD* [2012] RPC 29; [2012] EWHC 616 (Ch); *Oraka Technologies Ltd v Geostel Vision Ltd* [2013] NZCA 111; *New Zealand National Party v Eight Mile Style LLC* [2018] NZCA 596; *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* [1975] 1 WLR 819; (1975) 1B IPR 713; [1975] 2 All ER 173, referred to.

(xxvii) The *term* of the hypothetical licence was a period of 40 months (25 February 2015–15 June 2018) being the first and last dates of invoices for infringing sales. The *subject-matter* was the manufacture and sale of the infringing parts. The *territory* was both New Zealand and overseas. The licence was non-exclusive: at [259]–[261], [263].

(xxviii) There should be only one notional licensee namely Logiical. It was the main beneficiary of the breach of the copyright: at [266].

> *Oraka Technologies Ltd v Geostel Vision Ltd* [2013] NZCA 111, referred to.

(xxix) The *structure* of the notional agreement would be a royalty agreement based on the number of anticipated sales without a fixed fee: at [278].

(xxx) As to the *royalty rate*, the expected profits that each party may reasonably expect to be generated by the notional licence was a relevant factor to be taken into account in assessing the royalty rate. In the absence of any evidence in this case as to what the parties may have considered to be an appropriate profit split between them, the 25% rule that is that the licensee would have paid 25% of the profits to the licensor on each sale of an infringing item, provided a useful starting point. This led to a 20% royalty rate on the facts of this case: at [283], [288].

(xxxi) Subjective unwillingness of the licensee is irrelevant to the determination of the notional fee as this is incompatible with the assumption of a willing licensor: at [290], [291].

> *New Zealand National Party v Eight Mile Style LLC* [2018] NZCA 596, applied.

(xxxii) The impact on Dodson's business in lost sales in New Zealand and world-wide during the term of such a licence was a factor that would cause Dodson to demand a higher fee. Further, Logiical would have been prepared to pay a higher royalty as the first and only licensee to be able to sell and manufacture Dodson parts. In addition Dodson could make profits from selling non-licensed parts and services and thereby benefit: at [292], [294], [295].

(xxxiii) The extent of copying required an uplift to the 20% royalty. That adjustment or uplift was a matter of judicial estimation. An overall uplift of 8% for a total royalty of 28% reflected the overall balancing of the factors already considered. Applying this resulted in a rounded damages award of $69,494.00 to be awarded against all defendants jointly and severally: at [298], [302], [304].

Additional damages for flagrancy of breach

(xxxiv) The factors weighing in favour of an additional award of damages were:

(a) the infringement was flagrant and involved an ex-employee and former manufacturer blatantly reproducing the essential and innovative elements of the Dodson parts;

(b) the assessment of compensatory damages did not fully reflect the degree of flagrancy;

(c) it could be inferred that by copying the parts both Logiical and GRD avoided the significant costs involved in designing the parts from scratch;

(d) logiical and Mr Hannaford traded off the back of Dodson's investment in both time and money and promoted the parts as being equivalent to the Dodson brand; and

(e) deterrence was relevant: at [308].

(xxxv) Three factors however suggested that an award should be relatively modest:

(a) the defendants appeared to be of limited means;

(b) the sales of Logiical parts were relatively modest and the development of the 22-plate clutch assembly was halted when proceedings were started; and

(c) there was no evidence that the Logiical sales caused harm to Dodson's reputation or that Dodson's business had in any way suffered as a result of the Logiical sales: at [310].

(xxxvi) On the basis of these factors additional damages of $60,000 against all defendants jointly and severally were ordered: at [312].

Fair Trading Act 1986

(xxxvii) Logiical's statement that "Logiical Performance are New Zealand's leaders in Nissan R35 GT-R Development" was false or misleading in breach of s 13(1)(b): at [321].

(xxxviii) Logiical's supply of Dodson gear locks with the Dodson name shorn off constituted misleading of deceptive conduct in breach of s 9: at [325].

(xxxix) Hannaford's statement that he was the "head mechanic at Dodson performance for 8 years" was a false and misleading statement in breach of s 13(1)(b): at [327].

(xxxx) The court was not persuaded that Hannaford's statement that he "developed all this stuff when I was at Dodson's" was false or misleading within s 9, s 10 or s 13: at [329].

(xxxxi) Assurances given to Mr Dodson in a letter regarding destruction of unfinished components and tooling, the deletion of files and machine codes, the sale of machines used to manufacture the Dodson parts and the deletion of all hard drives and back ups of Dodson's information were akin to the enforcement of contractual obligations and GRD's responses were in the nature of a private undertaking. This was not the type of conduct the FTA was intending to capture: at [334].

> *Desmone Ltd v University of Auckland Senior Common Rooms Inc* (2002) 7 NZBLC 103 (HC); *Malayan Breweries Ltd v Lion Corp* (1988) 4 NZCLC 64 (HC), cited.

(xxxxii) Declarations were made as to breaches of the Fair Trading Act and orders made requiring Logiical to remove a statement from its website and to deliver up all Dodson gear locks in its possession. Logiical was prohibited from posting the statement on its website again and from supplying Dodson gear locks in the future. Mr Hannaford was prohibited from making the same or substantially the same representations: at [326]–[382].

Breach of confidence

The confidential information

(xxxxiii) The information claimed to be confidential was not about visible aspects of the clutch design nor was it limited to procedures for installing aftermarket parts or information exchanged on group chats. It was information and knowledge gained through the design, testing and manufacturing processes for the R35 clutch. This knowledge found its end expression in the clutch parts and ancillary parts themselves but clearly went beyond that which was visible in the part itself. The pleaded information had the necessary quality of confidence to qualify as confidential information: at [347].

The obligation of confidence

(xxxxiv) As to whether the information was imparted in circumstances importing an obligation of confidence, there was no doubt that Mr Hannaford received information subject to such an obligation. Confidentiality obligations were in his employment agreements: at [349].

(xxxxv) As to the position with Mr Gray and GRD, even if confidentiality was not specifically discussed, GRD should have understood that the information given to it by Dodson was confidential and that it could not use the information for its own purposes. GRD would have understood that innovation and the development of Dodson's clutch parts was the point of difference between it and its competitors and was the

backbone of its business. There was clear recognition on GRD's website of the importance of confidentiality to customers and the circumstances in which information would be imparted: at [352].

A B Consolidated Ltd v Europe Strength Food Co Pty Ltd [1978] 2 NZLR 515, referred to.

Unauthorised use

(xxxxvi) The cause of action was made out against GRD and Mr Gray. There was no real doubt that both misused Dodson's confidential information to manufacture the Logiical parts. By using Dodson's commercially sensitive information GRD was able to skip the design, testing and market feedback processes which formed part of the evolution of the Dodson parts. GRD and Mr Gray wrongfully appropriated that information for their own economic advantage and to manufacture parts in direct competition with Dodson: at [356].

(xxxxvii) Breach of confidence against Logiical and Mr Hannaford had not been established: at [359].

(xxxxviii) A declaration was made that Mr Gray and GRD breached their duty of confidence owed to Mr Dodson and an order made that they destroy or deliver up any of the confidential information: at [382].

Conspiracy by unlawful means

(xxxxix) *Observed:* The policy considerations in this case weighed against finding that the statutory breaches constituted "unlawful means". There was no "gap in the law" that needed to be filled by the conspiracy by unlawful means tort. The Copyright Act sets out a comprehensive regime for the regulation of the unlawful conduct that issued in this proceeding: at [365].

Wagner v Gill [2015] 3 NZLR 157; [2014] NZCA 336, referred to.

(l) The court was not persuaded that the essential element — an intention to injure the claimant was shown. It was not persuaded that the evidence of a grievance, when weighed together with all the other evidence called at trial, was sufficient to draw an inference that the defendants conduct was targeted at Dodson: at [371].

(li) As to proof of damage to the claimant, there was no evidence that the conspiracy had in fact caused damage to Dodson. The only evidence called at trial relating to loss was for the copyright cause of action. Therefore the cause of action should be dismissed: at [372].

C L Elliott QC and *B R Webster* for the plaintiff.

B P Cain and *E Butler* for the defendants.

Edwards J.

[1] Car enthusiasts around the world are likely to be familiar with the Nissan GT-R R35 (R35). A distinctive feature of that car is its dual clutch transmission. This case is about aftermarket clutch and ancillary parts for the R35 manufactured and sold by the plaintiff (Dodson) and first defendant (Logiical).

[2] Dodson contends that the defendants (including a former employee, Mr Hannaford, and a former manufacturer, "GRD") have breached copyright in the Dodson parts by manufacturing and dealing in copies of those parts. Dodson also claims breach of the Fair Trading Act 1986, breach of confidence, and conspiracy by unlawful means.

[3] The defendants deny all these claims. They say that copyright does not subsist in the Dodson parts because they are not original. They allege that the Dodson parts are derived from the original Nissan (OEM) parts, and contain commonplace features, or features dictated by functional constraints. However, to the extent copyright does subsist, GRD says that it owns that copyright, and there has been no breach. The defendants also deny any misleading and deceptive conduct in breach of the Fair Trading Act; deny they obtained information subject to an obligation of confidence; and deny any conspiracy or intent to injure Dodson by unlawful means.

The clutch and ancillary parts

The clutch parts

[4] The Dodson parts at the heart of this claim concern Dodson's Promax and Sportsman clutch assemblies, and the individual parts that comprise those clutches. Pictures of those parts and assemblies are set out in Appendix A to this judgment (the clutch stacks and clutch core do not form part of the claim). A cross-section view of the assembled clutch is shown in Appendix B.

[5] In very simple terms, the function of a clutch is to transmit power from the engine to the vehicle transmission system. In a dual clutch transmission, there are two clutches operating simultaneously, with the gears split between them. Clutch A has the odd gears — 1, 3, and 5. Clutch B has the even gears — 2, 4, and 6. When the car is in drive, clutch A will have one gear engaged, and clutch B will simultaneously have pre-selected the next gear, allowing that gear to be immediately engaged. As Dodson's lead engineer, Mr Cupit, explained,

essentially the car is "flipping backwards and forwards between clutch A and clutch B as it selects the next appropriate gear".[1] The process of engaging and disengaging the clutch discs allows for the transmission of torque by means of mechanical friction.

[6] The Promax clutch is Dodson's premier product and is totally self-contained. The Sportsman clutch uses some OEM parts in the overall assembly and is interchangeable with the OEM parts. Dodson claims copyright in both the individual parts which make up the clutch assembly and the assembly itself. The individual parts at issue are: the outer basket, gear plate, A basket, B basket, Inner Basket Steel (IBS), A piston, and B piston. These are referred to as the "clutch parts" throughout this judgment.

Ancillary parts

[7] There are several ancillary parts that also form part of Dodson's claim, namely, two mechanical circlips (referred to as MC 1 and MC 2 respectively), a gear lock, and selector fork. The mechanical circlips and gear lock sit on the gear shaft. The selector fork in issue is for the reverse and first gears of the car.

Logiical parts

[8] The Logiical parts which Dodson says infringe its copyright are found in Logiical's 9-plate and 22-plate clutch assemblies. The latter is known as the Ultimate clutch. The 9-plate assembly is interchangeable with the Nissan OEM parts; the 22- plate clutch is fully self-contained.

[9] The Logiical 9-plate and 22-plate clutch components were manufactured by GRD. GRD also manufactured a selector fork for Logiical which Dodson says is a copy of its selector fork.

[10] GRD did not manufacture a mechanical circlip or gear lock for Logiical. However, Logiical sold circlips and a gear lock that Dodson says infringe its copyright. Claims of secondary infringement are made against Logiical and Mr Hannaford in respect of these parts.

History of the dispute

[11] Dodson's founding directors, Mr Dodson and Mr Cupit, met each other in the early 2000s. Mr Dodson's involvement with the automotive industry continues a family tradition stretching back over a number of generations. Mr Cupit has an extensive background in car engineering.

[12] In 2004 they decided to set up business together, and Dodson was subsequently incorporated. Initially the business involved building race cars, specifically Nissan GTRs, for Dodson's customers. That complemented Mr Dodson's other business, Dodson Auto Spares Ltd, which was a Japanese car parts importer.

[13] Mr Hannaford, the second defendant, began work with Dodson Auto Spares Ltd in 2004 as a mechanic. Mr Hannaford left school when he was 16 and started an apprenticeship rebuilding automatic gearboxes. He got into motorsport soon after and developed a love for building and preparing race cars.

[14] The R35 was launched in Japan in 2007 and was subsequently rolled out around the world. It was the much-hyped successor to the Nissan Skyline series, although it does not form part of that car family. Some commentators have

1. Brief of evidence, Mr Cupit, at [65].

suggested that in terms of acceleration, top speed, and head to head race-track performance the GT-R model rivals premier sports car brands such as Porsche, Audi, Lotus and Lamborghini.

[15] Mr Clark Proctor, a well-known personality in the New Zealand racing scene, was one of the first to import a R35 into New Zealand. In 2009 he experienced transmission failures with his car and, instead of returning the car to Japan at large expense, he brought it to Dodson to see if it could be fixed.

[16] Mr Cupit and Mr Hannaford pulled the transmission apart and found a blown seal on one of the pistons. The seal was a "push in" seal moulded by Nissan and not easily replaced. Mr Cupit approached Mr Peter Wieser at Marua Engineering Co Ltd (Marua) to manufacture a replacement part. Marua manufactured an A piston (then known, somewhat confusingly, as a B piston) with a push-in, rather than a push-on, seal.

[17] From these inauspicious beginnings, the Dodson business grew. By this time, the R35 was becoming a popular race car and owners were modifying the vehicle in an effort to extract more power. Dodson's business expanded from fixing faults with the original parts to making bigger and stronger clutches which could withstand the greater power that car enthusiasts were demanding.

[18] As a result of its rapid growth, Dodson required a greater volume of parts than Marua had capacity to make. So, in March 2009, following an approach by Mr Cupit, Dodson engaged Edgeworth 2000 Ltd (Edgeworth) to manufacture the Dodson parts. Edgeworth is a specialised tool making and precision engineering company and its workshop was just around the corner from the Dodson premises.

[19] Edgeworth manufactured an A and B basket, A and B piston, gear lock, and the mechanical circlips. Machine drawings of these parts were prepared in June 2009 and Dodson claims copyright in those drawings.

[20] But the Dodson business continued to grow, and the demand for larger runs of aftermarket parts rapidly outpaced Edgeworth's capacity. Dodson began to look for a more efficient and cost-effective way to manufacture its aftermarket parts. Mr Proctor recommended GRD as a potential manufacturer, and he introduced Mr Gray, GRD's director, to Mr Cupit.

[21] Mr Gray was brought up in a practical, mechanical household, and followed his father, grandfather, and great-grandfather into the field of mechanical engineering. In 2001 he incorporated GRD Engineering Services and began working on race cars.

[22] Dodson claims that there was a meeting between Mr Proctor, Mr Gray, and Mr Cupit at GRD's premises in August or September 2009 in which confidentiality was discussed. That is disputed by Mr Gray and GRD. But whatever may have been discussed around confidentiality, it was agreed that GRD would manufacture the Dodson parts. In October 2009, GRD made the first A baskets for Dodson. The other parts followed in late 2009 and early 2010.

[23] In early 2010, Dodson began work on its Promax clutch assembly. Detailed drawings were required for this self-contained assembly, and Bicknell Auto Sport Engineers Ltd (Bicknell) was engaged to prepare drawings of the necessary parts. Ownership of copyright in the Bicknell drawings is an issue in this proceeding.

[24] The Dodson selector fork was manufactured by GRD in November 2011. Mr Gray sub-contracted the manufacture of that selector fork and drawings were undertaken by Mr Glenn Simpson, trading as GS Works. Dodson claims copyright in the GS Works drawings of the selector fork.

[25] In August 2012, Dodson made the decision to create an in-house design team to work with Mr Cupit. By this time, tensions between Mr Hannaford and Mr Cupit were beginning to show, and Mr Hannaford resigned at the end of 2012. By all accounts, it was not a happy split.

[26] After leaving Dodson, Mr Hannaford went to work for a company owned by Mr Proctor, and then left to set up his own business. This business was to become Logiical, which was incorporated on 3 April 2013 under a different name. Logiical's business involves the service, repair, and maintenance of vehicles, and the retail of aftermarket clutch transmission components. This includes the sale of aftermarket parts for the R35, including those which are at the heart of this proceeding.

[27] The acrimony characterising the end of the relationship between Mr Hannaford and Dodson reared its head again in 2014. Dodson commenced employment proceedings against Mr Hannaford, but the parties reached a settlement before the matter was heard.

[28] Meanwhile, GRD continued to manufacture the Dodson parts. But by mid-2012, Dodson was experiencing further significant growth, and the directors began using overseas manufacturers to make their parts. As a consequence, GRD's workflows began to dwindle. By 2014, most of Dodson's manufacturing was conducted overseas, and GRD was forced to sell one of its machines and lay off staff. Dodson's last order with GRD was placed in July 2015.

[29] In around 2013 or 2014, Mr Hannaford approached Dodson requesting to purchase parts for a Logiical customer seeking to repair a R35. When that avenue hit a dead end, Mr Hannaford looked to purchase parts overseas, but was unable to source parts of a satisfactory quality. Eventually, he approached Mr Gray and GRD. Mr Gray initially refused to supply parts to Logiical, but Mr Hannaford's approaches wore him down and he eventually said yes. It is not clear just when that was, but the first purchase order for the Logiical parts was sent through in March 2015.

[30] GRD initially manufactured the Logiical 9-plate clutch assembly. Design and manufacturing began on the 22-plate clutch but was still under development when these proceedings were commenced. Logiical sold the clutch and ancillary parts at issue in this proceeding throughout 2015.

[31] In 2016, Dodson became aware that Logiical was selling aftermarket clutch parts. It also became aware that Mr Hannaford had made certain statements regarding the Logiical parts, and his own skills and experience, which Dodson considered were misleading and deceptive. This proceeding soon followed and was filed in January 2017.

Copyright

[32] Dodson's primary claim is breach of copyright. Dodson claims that the defendants have breached its copyright by either making copies of the Dodson clutch parts and selector fork, or by dealing or possessing in those parts. Dodson also claims that Logiical and Mr Hannaford have breached copyright in the gear lock and mechanical circlips by possessing or dealing with those particular parts.

[33] To prove its claim, Dodson must clearly identify the copyright work or works which it claims have been infringed. It must then show that copyright subsists in those works. In this case, the subsistence issue turns on whether the parts are original. If copyright does subsist, Dodson must then prove that it owns the copyright, either as the original author of the works, or as the commissioner

of them. Finally, Dodson must show that there has been an infringement of its copyright, either by copying the parts in issue, or by dealing in parts which are known to be copies. Each of these issues is considered below.

Identification of the copyright works

[34] The first step is to identify the copyright works which are alleged to be infringed. The obligation is on Dodson to clearly and accurately identify those works in its statement of claim.

[35] Schedule A to the fifth amended statement of claim dated 27 August 2018 lists the copyright works Dodson relies on. That schedule lists the computer-aided design (CAD) and manufacturing drawings for each of the Dodson parts in issue. The drawings listed include those produced by Dodson's employees, and those created by manufacturers, including GRD.

[36] CAD drawings and manufacturing drawings are graphic works falling within the definition of artistic works in s 14(1) of the Copyright Act 1994. There is no dispute in this case that those drawings, which were produced in evidence, relate to the parts either individually or as part of a design series.[2]

[37] The issue in this case is one of pleading. The defendants say that the copyright works relied upon by Dodson are limited to those defined in Schedule A. That Schedule does not refer to Mr Cupit's sketches or the Dodson prototypes. Nor does it refer to any of the drawings or test results produced by Bicknell in 2010 (Bicknell drawings). And the Schedule does not expressly refer to the GS Works drawings of the selector fork undertaken in November 2011 (GS Works drawings).

[38] In closing submissions, Mr Elliott confirmed that Dodson does not claim copyright in Mr Cupit's sketches, or prototypes. Those sketches and prototypes are of evidential relevance only. However, Dodson does rely on the Bicknell and GS Works drawings. Mr Elliott submits that when the fifth amended statement of claim is read in its entirety, it is clear that both sets of drawings fall within the scope of the pleaded copyright works relied upon by Dodson.

[39] In *Henkel*, the Supreme Court upheld the respondent's contention that Henkel's claim for copyright infringement in relation to a particular drawing was not available to it because of the way the claim was pleaded.[3] That conclusion was reached after considering the pleadings, the opening and closing addresses, and the evidence called at trial. The Supreme Court concluded that the respondent had conducted its case on the basis of the appellant's pleadings and it would be unfair to allow it to present a materially different case on appeal.[4]

[40] This case is distinguishable from *Henkel*. Although the Bicknell drawings are not specifically identified in a schedule to the claim, they are nevertheless referred to in the body of the pleading. Dodson specifically pleads that the copyright works were originally created by, or derived from "employees of Bicknell Autosport Engineering Ltd (Bicknell) as sub-commissioned by GRD to undertake part of the work that it had been commissioned to prepare for

2. See *Oraka Technologies Ltd v Geostel Vision Ltd* [2013] NZCA 111 (*Oraka*) at [12] confirming that a court may consider a series of independent drawings or diagrams in determining infringement where it is apparent that those drawings relate to the same subject and are intended to form part of a series or a whole.
3. *Henkel KGaA v Holdfast New Zealand Ltd* [2007] 1 NZLR 577; (2006) 70 IPR 624; [2007] BCL 116; [2006] NZSC 102.
4. At [32].

Dodson".[5] Similarly, the text message exchanges between Mr Cupit and Mr Bicknell are specifically referred to in the claim as particulars of the Dodson design process which underpins the claim to copyright.[6]

[41] In addition, the Bicknell drawings were referred to in Dodson's opening submissions,[7] and included in the evidence. Both Mr Cupit and Mr Gray were cross-examined about them,[8] and they were referred to in closing submissions.[9] There could be no real doubt that the Bicknell drawings were part of Dodson's claim at trial.

[42] The GS Works drawings relate to the selector fork. The statement of claim includes a pleading that Dodson commissioned the design and manufacture of the selector fork through Mr Cupit.[10] Particulars of that pleading include the dates on which Dodson commissioned GRD to prepare the moulding. As with the Bicknell drawings, the GS Work drawings were produced in evidence, and it was clear that Dodson claimed copyright in those drawings. In those circumstances, I am satisfied that the pleaded copyright works relied upon by Dodson include the GS Works drawings.

[43] In summary, I find that the copyright works at issue in the proceeding are the drawings underpinning the Dodson parts which are listed in Schedule A to the fifth amended statement of claim, and include the Bicknell drawings, and the GS Works drawings.

Copyright subsistence: Are the Dodson parts original?

Legal principles

[44] Before it can prove copyright infringement, Dodson must establish that copyright subsists in the copyright works. Under s 14 of the Copyright Act, copyright will only subsist if an artistic work is "original".

[45] The threshold for originality is low. But the extent of the work's originality will be relevant to the scope of copyright protection. An inference of copying will be more readily drawn where there is a high degree of originality, even where the degree of similarity is less.[11]

[46] The work need not be novel or unique in form; it must simply originate from its author and be the product of more than minimal skill and labour. Importantly, it is the execution or expression of the idea or concept that is protected by copyright law, rather than the idea or concept itself.[12] In the same vein, copyright does not protect how things work, as that is the remit of patent law. But purpose and function may nevertheless provide important context in which to assess originality.

5. Fifth amended statement of claim, 27 August 2018, at [16.6].
6. At [17.7].
7. For example, see [14(e)], [24], [25], [41] of the plaintiff's written opening submissions.
8. For example, see pp 351, 439, 741, and 783 of the notes of evidence.
9. For example, see [30] of the plaintiff's written closing submissions.
10. Fifth amended statement of claim, 27 August 2018, at [30].
11. *Henkel* at [38]; *Land Transport Safety Authority of New Zealand v Glogau* [1999] 1 NZLR 261 (CA) at 271.
12. *Holdfast NZ Ltd v Henkel KGaA* [2007] 1 NZLR 336; [2006] BCL 485 (CA) at [55].

[47] As Davison J found in *Sealegs*, copyright may arise in a collection of individual features which are not in themselves original and which would not attract copyright if assessed on their own.[13] In those circumstances, the work's originality lies in the skill and labour required to arrange or collocate those features.[14]

[48] Section 14(2) of the Copyright Act clarifies that a work is not original if it is a copy of another work or itself infringes copyright. The defendants claim that the Dodson clutch parts, viewed either individually or collectively, are not original because they are copies of the Nissan OEM parts, with any differences between them explained by functional or manufacturing constraints rather than independent design.

[49] As the defendants' challenge to the claim of originality in this case involves an allegation of copying, the principles relating to infringement of copyright apply to the question of subsistence also. The test for infringement by way of copying involves three elements:[15]

(a) Objective similarity between the infringing work and the copyright work.
(b) A causal connection between the copyright work and the infringing work in the sense that the copyright work is the source from which the infringing work is derived.
(c) Copying of either the entire work or of a substantial part of it.

[50] As to the first step, the Court undertakes a visual comparison between the two designs, noting similarities and differences. The purpose of that examination is "not to see whether the overall appearance of the two designs is similar, but to judge whether the particular similarities may be disregarded because they are commonplace, unoriginal, or consist of general ideas".[16]

[51] The extent of similarity between the copyright work and the allegedly infringing work has evidentiary significance in terms of proving copying. The assessment of objective similarity is a matter of impression for the court. Expert evidence may be of assistance, but the court must reach its own view.[17]

[52] The second step involves establishing a causal connection linking the plaintiff's copyright work with the defendant's alleged infringement. As the Supreme Court noted in *Henkel*, it is this second step which important in copyright infringement cases:[18]

> The ultimate issue in a breach of copyright case concerns derivation, not similarity, albeit the degree of similarity between the copyright work and the allegedly infringing work has evidentiary significance. Proof of copying will seldom be direct; in most cases the court will rely on inference. The closer the similarity between the two works the stronger the inference is likely to be that the one was copied from the other. If the

13. *Sealegs International Ltd v Yun Zhang* [2018] NZHC 1729 (*Sealegs*) at [203], citing *Bonz Group (Pty) Ltd v Cooke* [1994] 3 NZLR 216 (HC) at 220, and *Henkel* at [40].
14. *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465 at 468; [1964] 1 WLR 273 (HL) at 277.
15. The test was established in *Wham-O MFG Co v Lincoln Industries Ltd* [1984] 1 NZLR 641 (CA) (*Wham-O*). In *Oraka*, the Court of Appeal set out the preferred order in which these factors should be considered. See also *Sealegs International Ltd v Yun Zhang* [2018] NZHC 1724 at [248].
16. *Designers Guild Ltd v Russell Williams (Textiles) Ltd (t/as Washington DC)* [2000] 1 WLR 2416 at 2425; [2001] 1 All ER 700 at 709; [2001] IP & T 277 at 286; [2000] UKHL 58.
17. *Sealegs* at [251].
18. *Henkel* at [43].

> alleged infringer has had access to, and therefore an opportunity to copy, the copyright work, and the similarity between the works supports an inference of copying, it may well be appropriate for the court to conclude, on the balance of probabilities, that there was indeed copying. This, of course, is subject always to the evaluation of any evidence there may be that no copying actually took place.
>
> [citations omitted]

[53] In *Steelbro*, the Court of Appeal observed that the factors to which courts commonly have regard to in assessing causal connection are as follows:[19]

> … the "starting point" of the defendant's work; the extent of the defendant's alteration (ie whether a substantial part of the plaintiff's work survived in the defendant's so as to appear to be a copy of the original work); and generally the way in which the defendant has taken advantage of the plaintiff's work.

[54] The final step concerns substantiality. The copying must be either of the entire work or a substantial part of it. In *Oraka*, the Court of Appeal said that the substantiality test can be regarded as a practical threshold designed to limit claims of infringement to those that are real and substantial. The issue of substantiality is to be decided on the basis of what is actually found to have been copied, rather than on what might be wider allegations of copying.[20]

[55] What constitutes a "substantial" part is a question of fact to be determined in each case, but in general it constitutes such a degree of similarity that it may be said that the infringement has adopted the essential features or substance of the original.[21] A substantial part in an artistic work depends more on the qualitative visual impression rather than on a quantitative analysis.[22] In percentage terms, "substantiality" can form a very small part of the infringing work.

[56] Evidence that there are functional constraints on design can support an inference of an independent design path. In *Oraka*, the issue of functional constraints, and the notion of "commonplace" features, was explained by the Court of Appeal as follows:

> [131] The issue of functional constraints may become important at this point. If similarities between two works are dictated by the function of the item, then the similarities are an inevitable consequence of the object and its function rather than the labour and skill of the claimant, against whose misappropriation the law of copyright seeks to protect.
>
> [132] Functional constraints have been considered in the United Kingdom under the notion of "commonplace". If the claimant's design is very ordinary (commonplace) given the constraints imposed by the function of the object and there is nothing new added, then the originality of the claimant's work might be non-existent or so low that the defendant can easily avoid breach by adding something of his or her own to the design. The situation has been described as follows:
>
> > If a number of designers working independently of one another in the same field produce very similar designs by coincidence the most likely explanation of the similarities is that there is only one way of designing that article. In those circumstances the design in question can fairly and reasonably be described as "commonplace". It would be a good reason for

19. *Steelbro NZ Ltd v Tidd Ross Todd Ltd* [2007] NZCA 486 at [109].
20. *Oraka* at [87].
21. *Wham-O* (CA) at 669, citing *King Features Syndicate Inc v O & M Kleeman Ltd* [1941] RPC 207 at 210.
22. *Oraka* at [129]; *Henkel* at [44].

> withholding the exclusive right to prevent the copying in the case of a design that, whether it has been copied or not, is bound to be substantially similar to other designs in the same field.
>
> [133] Although the existence or otherwise of functional constraints is primarily relevant to earlier questions regarding the originality of the work and whether copying has in fact occurred, functional constraints may also assist in determining the originality of the respective works and whether a substantial part of the claimant's labour and skill has been taken by the defendant.
>
> [citations omitted]

[57] Access to a copyright work, and the opportunity to copy from that work, can support an inference of copying. However, the drawing of that inference is always subject to evidence showing that copying did not actually take place, and evidence of an independent design pathway can rebut an inference of copying.[23]

[58] This raises the issue of how to assess originality where modifications have been made to existing material. Two cases are particularly relevant to the facts of this case. The first is the Court of Appeal's decision in *Wham-O*.[24] One of the issues in that case was whether the addition of rings to a plain surface frisbee was sufficient to impart originality to the whole of the toy.

[59] The Court of Appeal cited from the judgment of Lord Atkinson in *Macmillan* confirming that it is not the appropriation of the raw material that is at issue in copyright claims but the appropriation of another's labour, skill and capital.[25] Accordingly, to secure copyright for the product it is necessary that labour, skill and capital should be expended "sufficiently to impart to the product some quality or character which the raw material did not possess and which differentiates the product from the raw material".[26]

[60] As to the particular facts in *Wham-O*, the Court of Appeal held that copyright subsisted because:[27]

> … the independent skill and labour in that case was directed not simply to the idea of a flying disc but to the form in which that idea was expressed by the distinctive image created upon the upper surface of the disc. Further, in so far as copyright exists in any drawings, there is no suggestion that they were copied from any previous drawings of another author.
>
> Having considered the evidence in the case we are satisfied that Wham-O is entitled to copyright protection for the whole of the materials and not simply for the ribs or rings upon them as Mr Hillyer contended for.

[61] The second case is *Steelbro*.[28] Subsistence and ownership of copyright were not contested in that case. The only issue was whether the copyright in the plaintiff's sideloading trailer had been breached. Steelbro did not dispute that it had inspected and measured the plaintiff's sideloader. Nevertheless, it maintained that its sideloader represented the logical evolution of the *Steelbro* range of sideloading trailers, and it was designed independently without resort to copying.

23. *Henkel* at [43]; *Inverness Medical Innovations, Inc v MDS Diagnostics Ltd* (2010) 93 IPR 14 (HC) at [168]; *Steelbro* at [109].
24. [1984] 1 NZLR 641 (CA).
25. *Wham-O* at 57–8.
26. *Macmillan & Co Ltd v Cooper* (1923) 40 TLR 186 at 188.
27. *Wham-O* at 665.
28. [2007] NZCA 486.

[62] The Court of Appeal summarised the competing policy arguments underpinning copyright infringement. It held that there was no valid policy reason for upholding substantial copying. Conversely, if Steelbro's design represented an "innovative development drawing upon but further developing existing technology it should be welcomed and encouraged".[29]

[63] The Court of Appeal upheld the trial Judge's findings that the Steelbro design was derivative, that Steelbro had endeavoured to replicate the TRT model, and had "checked back" against what the plaintiff had done. An inference of copying was available on the evidence, and it was open to the Judge to find copying in that case. Although Steelbro did a great deal of work itself, the Court of Appeal said that all it had done was build "a better mousetrap".[30]

The Dodson design pathway

[64] The principles in *Wham-O* and *Steelbro* are directly engaged in this case. That is because there is no dispute that Dodson had access to, and the opportunity to copy, the OEM parts. Dodson freely admits that the OEM parts were the starting point for the Dodson designs. But, just because they were the starting point does not mean they were also the end-point. The originality inquiry involves more than just considering the starting point for the design.

[65] Although it started off designing replacement parts, Dodson's business quickly progressed to designing parts for a different, higher performance use of the R35. Mr Cupit explained this development in his evidence as follows:[31] As time went on people started putting more power into their cars. There was a need to make bigger and stronger clutches. This was a separate desire to fixing faults. This in turn meant that more efficient and stronger parts needed to be designed and made. Parts were breaking because of the growing power in the car together with what I believe were inherent design flaws.

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[66] Dodson points to this changed use, and the different target market, to explain some of the key differences between their parts and the OEM parts. For example, the need to make bigger and stronger clutches led to the decision to machine the Dodson parts from single pieces of alloy billet, which provides for a more robust and rigid part than the OEM equivalents which are manufactured from pressed steel.

[67] Similarly, the pursuit of increased power also led to the creation of more room inside the clutch assembly to house additional frictions. The creation of additional space within the overall clutch assembly, whilst operating within the dimensional constraints posed by the R35, is a key driver of some of the features which Dodson says are not only original, but novel.

[68] Despite these different design objectives, the defendants say that Dodson's design pathway falls short of the threshold for formal design that one would expect if the design had been truly independent rather than derived from the

29. *Steelbro* at [101].
30. At [113].
31. Brief of evidence, Mr Cupit, at [30].

OEM parts. Dr Gooch was engaged to give expert evidence on the expected design pathway in the field of mechanical engineering. I agree with Mr Cain that Dodson's design pathway did not follow Dr Gooch's approach. But that does not automatically lead to a conclusion that Dodson copied the OEM parts. The question is not whether the design process followed, or fell short of, a textbook approach, but whether it was truly independent. That is a question of fact to be determined on the evidence in each case. 31 Brief of Evidence, Mr Cupit at [30].

[69] The evidence in this case shows that Dodson's design pathway was generally one of trial and error. Mr Cupit explained that in the early days he would prepare sketches of what he wanted and give those to the manufacturer (initially Marua, then Edgeworth and subsequently GRD). Prototypes would be prepared and trialled, and modifications would be made to rectify any problems found with the parts, or to improve performance. Later, in 2012, CAD drawings were prepared for each of the Dodson parts. Once a detailed CAD drawing was made, design features of those parts were able to be changed using the CAD software programme.

[70] Mr Cain challenges Mr Cupit's evidence regarding the use of prototypes in the testing process. He suggests that the parts were not prototypes but instead were designed to fill orders, and referred to Mr Proctor's evidence as to the trialling of parts in his car. But I prefer Mr Cupit's evidence to that of Mr Proctor. It was evident at trial that Mr Proctor blamed Dodson for various mishaps that occurred during racing. His deep sense of grievance coloured his evidence and tainted his recollections.

[71] Further, other evidence called at trial corroborates Mr Cupit's evidence that early prototypes were trialled and tested in Mr Proctor's car in a racing car environment. For example:

(a) Emails exchanged between Mr Hannaford and Mr Cupit in 2009 refer to trialling the seal before manufacturing the pistons, trying an "O" ring before ordering, and making a pan to try first before manufacturing a set of 10.

(b) An invoice from GRD to Dodson for 11 pans, includes a handwritten note stating "Clarke Proctor as prototype".

(c) In 2010, Dodson engaged Bicknell to undertake stress testing of the Promax assembly. Mr Cupit explained that stress testing was done because the assembly was new, and Dodson needed to know how the metal was going to physically react to the higher duty. As a result of this stress testing, modifications were made to the overall clutch assembly.

[72] A high-level assessment of this evidence suggests that while the OEM parts may have been the starting point for the Dodson designs, what then developed followed an independent pathway. That evidence provides a solid basis to rebut allegations of copying and support the claim for originality. However, Dodson claims copyright in respect of each of the clutch parts, ancillary parts, and assemblies at issue in the claim. Originality must be assessed on a part by part basis. The focus of the enquiry is on the independent skill and labour evident in any modifications, and whether any additional elements are sufficient to make the total work original.[32]

32. *Wham-O* at 665; *Martin v Polyplas MF Ltd* [1969] NZLR 1046 (SC) at 1050; *Interlego AG v Tyco Industries Inc* [1989] AC 217 at 263; (1989) 12 IPR 97 at 116; [1988] 3 All ER 949 at 966; [1988] RPC 343 at 359.

[73] Witnesses called by both parties in this case (in particular, Dr Gooch, Mr Cupit, and Mr Gray) undertook that assessment by comparing the physical features and dimensions of the parts themselves. I follow that approach as set out below. The independent expert engaged by the defendants limited his evidence to a comparison of the respective measurements and dimensions of the parts. There were numerous errors and inaccuracies throughout his evidence which rendered it unreliable and unhelpful. The defendants did not rely on or refer to this evidence in closing, and I also set it to one side.

Outer basket

[74] As the name would suggest, the outer basket sits on the outer side of the clutch assembly and encases the rest of the clutch parts. The gear plate connects through the fingers at one end of the outer basket, and the A piston slots in at the other.

[75] Visually, the Dodson and OEM outer baskets appear very similar. The overall shape, profile and configuration of the two parts are more or less the same, although the Dodson part is larger. Both parts have the same number of fingers, a circlip groove on the outer teeth, and cut-outs which are used to connect to the A piston. The square oil flow holes around the circumference are also the same shape and configuration. These features of the outer basket are shown in fig 1 of Appendix C.

[76] However, there are three key differences between the parts. The first is the size and shape of the Dodson part fingers, as shown in fig 2 of Appendix C. Those fingers slot into the 10 matching slots in the gear plate as shown in fig 3 of Appendix C. There is minimum clearance between the fingers and the gear plate slots, providing a precision fit. This fit is different to the OEM equivalents which, when fitted together, have significant clearance between the two parts – leading to movement and "rattle" in the clutch.

[77] Mr Gray says that the larger finger size was a consequence of a manufacturing decision and does not reflect original design. Unlike the OEM part, which is made out of pressed steel, the Dodson outer basket is made out of aluminium billet. As the aluminium billet is softer than steel, Mr Gray says that the whole part, and not just the fingers, had to be made thicker to be strong enough. He expanded on this in his evidence, suggesting that the design of the fingers to fit together with the gear plate arose out of a decision to remove the interior dimple on the OEM part. That decision in turn, he said, was driven by manufacturing constraints. Mr Gray explained it this way:[33]

> The problem we faced with leaving this dimple in here was that if you were to put the cutting tool in here, as I've just described, this dimple would get in the way so it would make it virtually impossible to cut that groove with that dimple being there because the tool would interfere with it. So the solution was just to remove that because we knew that if we made this a closer fit with the gear plate, that would create the same driver or do the same function as that and replace that. So that's pretty much how the bigger fingers in their width with a closer fit on the gear plate came about, it was because we needed to replace what the function of that was, because obviously we couldn't manufacture the part.

[78] Manufacturing constraints, such as the "softer" qualities of the aluminium material, may have played a part in the size and shape of the fingers, but I am satisfied that the key driver of the changes was design. Mr Cupit explains that the

33. Notes of evidence at 710.

thicker fingers on the OEM basket provide a much larger area to push on the clutch and clamp the frictions and steels together. That allows more area within the clutch, and also allows a more even distribution in the clamp load on the clutch. Creating greater area within the clutch was a design objective which finds expression in several Dodson parts.

[79] [REDACTED]

[80] [REDACTED]. This was not a decision prompted by manufacturing convenience, but a deliberate design choice consistent with the Dodson philosophy. There is a high degree of originality in this particular feature of the Dodson outer basket.

[81] The second key difference to the OEM part can be found at the other end of the outer basket. Different shaped cut-outs, a deeper circlip groove, and the absence of the pressed dimples on either side of the tooth found in the OEM part, provides for a better connection to the A piston. The simplicity of these design features does not make them commonplace. Rather, these features reflect independent skill and labour in the design of the fit between the outer basket and A piston in the overall clutch assembly.

[82] The third key difference is in the thicker wall of the outer basket. The thicker wall reduces the risk of distortion as a result of the higher load the Dodson clutch parts are designed to absorb. Mr Cupit said that finding the optimum wall thickness was not straightforward, and that initial stress tests on a prototype outer basket saw the shape deformed. The thicker wall was designed to counteract that tendency. I accept that evidence. It suggests that the thicker wall was a design solution to a problem posed, rather than a consequence of the use of the softer aluminium material. The testing of the part leading to modifications in the design negates any allegation that there was copying of the OEM part.

[83] Although the quantity of the differences between the two parts may not be significant, the quality of them is. They reflect independent skill and judgment in design of the part which is at odds with the claim of copying. Although manufacturing ease may explain some of the design differences, I am satisfied that the key driver for these changes was design, with the objective of creating a stronger clutch assembly which could withstand greater power. Whether considered individually or cumulatively, I consider the quality of the differences reflects an originality in the Dodson outer basket which distinguishes it from the OEM part. Copyright subsists in the Dodson outer basket.

Gear plate

[84] The OEM gear plate is made of pressed steel. It has 15 holes around its circumference, and three hole and slot formations. On the outer rim, it has 10 apertures through which the fingers from the outer basket protrude. The outer edge contains small teeth which slot into the IBS. The OEM oil pump gear drive is a machined part which is permanently welded onto the gear plate.

[85] The Dodson part is machined from alloy. The gear plate also has the holes around the circumference, although it has more than the OEM part, and they are all the same dimension. It also has apertures around the outer circumference, but they are a different shape and dimension to those on the OEM part as they are designed to fit the larger, thicker, fingers on the Dodson outer basket. As mentioned previously, the [REDACTED] which is original to the Dodson design. The features of the gear plate are shown in fig 1 and fig 2 of Appendix D.

[86] Although the Dodson gear plate connects to the IBS with the teeth on the outer edge, there are fewer teeth, and they are of a different shape, to the OEM part. This design was arrived at after a trial of a threaded version which allowed for a different connection to the IBS, but which became problematic as more and more power was put into the car. As explained further below, although both the OEM and Dodson parts have outer teeth, the fit to the IBS is different between the two parts. Dodson uses a circlip to lock the gear plate in position, and when the outer basket is placed over the gear plate and the IBS, it encases the circlip completely, preventing it from popping out.

[87] Objectively analysed, there is a basic similarity between the OEM and Dodson parts. They are of a similar dimension and shape and perform the same function in the operation of the clutch. They each have holes on the inner rim, apertures for the fingers of the outer basket on the outer rim, and teeth on the outer edge to connect to the IBS. But I consider the differences between the two parts reflect original design and are not driven by functional requirements or manufacturing processes, for the reasons that now follow.

[88] First, the decision to bolt the gear drive to the gear plate rather than weld it was to achieve greater flexibility in altering gear ratios. That is, by designing a part that could be bolted and unbolted, Dodson could alter the oil pump gear ratio to meet the requirements of a particular vehicle.

[89] Second, the apertures around the edge, which accommodate the outer basket fingers, allow for a precision fit between the [REDACTED] not found in the OEM equivalents. That fit also means that additional internal space is created within the clutch assembly, which allows for a greater number of frictions and seals to be inserted, which in turn allows for additional power to be transmitted. That is an original design change.

[90] Third, although the gear plate fits to the IBS through the use of "teeth", the fit is quite different as between the OEM and the Dodson parts. The OEM gear plate teeth push *in* to the OEM IBS part. Without the circlip, there is nothing to hold the gear plate in place, and it would simply fall through. However, the Dodson gear plate fits *on* to the IBS, with the teeth resting in the corresponding cut-outs in the IBS allowing it to sit, unsupported, on the IBS. The fit between the gear plate and the IBS is shown in fig 3 of Appendix D. The circlip ensures that the fit remains snug, and the entire connection is encased by the outer basket which also prevents the circlip from popping out, and the gear plate coming loose.

[91] That change was achieved as a result of an iterative design process, whereby the original threaded version, itself different to the OEM part, was initially developed and trialled. When the threaded connection was failing, Dodson went back to the design drawing board, and came up with a solution which met the particular problem posed.

[92] In summary, despite the apparent similarity between the two parts, there is sufficient evidence to show that the different features of the Dodson part are the result of independent skill and labour. The rationale for those changes is the creation of a more robust and reliable transmission which can withstand the greater duty from a high-performance use of the car. Overall, I consider the quality of the Dodson features, considered cumulatively, and in the context of the clutch assembly as a whole, are sufficient to impart originality to the gear part. Consequently, copyright subsists in this part also.

A basket

[93] The function of the A and B baskets is to transmit power to the gear box. The "snout" of the A basket (shown in fig 1 of Appendix E) connects to the gearbox. The A basket houses the clutch plates for clutch A.

[94] The OEM A basket is made out of pressed steel and is comprised of two pieces welded together. The outer circumference has a number of "teeth" which have slotted holes in a 2:1 pattern. These slots distribute oil to the frictions. The inner surface is corrugated.

[95] At first glance, the Dodson A basket looks quite similar to the OEM equivalent – particularly in its shape and profile. They both have outer teeth with holes for the delivery of oil, and the function performed by both parts is the same. However, on closer inspection, it is apparent that there are a number of differences between the two parts.

[96] First, the Dodson A basket is machined from one piece of high tensile steel. That means there is no weld joint in the Dodson part. That method of manufacture also leads to a smooth inner profile on the inside of the basket, rather than the corrugated surface on the inside of the OEM part. Those different profiles are shown in fig 2 of Appendix E.

[97] Mr Gray contends that the decision to machine the part from high tensile steel was a manufacturing decision. But I accept Mr Cupit's evidence that the choice of manufacturing material was a design decision driven by the need to have a more robust part capable of absorbing the higher duty that the Dodson clutches are designed to take. [REDACTED]

[98] Another subtle difference concerns the height and profile of the teeth (as shown in fig 3 of Appendix E). The teeth on the Dodson part are marginally longer than the corresponding teeth on the OEM part. Mr Gray contends that the tooth-shape profile is dictated by the requirement of the clutch plate which is the same in both the Dodson and Nissan assemblies. Further, Mr Gray says that the height of the teeth is determined by the number of clutch plates to be fitted, which is a functional, rather than designdriven feature. As to the profile of the teeth, Mr Gray says that this also arises out of manufacturing processes rather than any conscious design decision.

[99] Mr Cupit gave evidence that Dodson had trialled a different tooth profile for both the A and B baskets and had engaged Auckland Gear Cutters to make the broaching tool used to manufacture those teeth. He explained that the decision to lengthen and alter the profile of the teeth was necessary to fit further frictions and steels into the clutch assembly. I accept that evidence. It is consistent with the Dodson design objective of creating clutch assemblies for a higher performance use of the car, and it counters the allegations of functional or commonplace design.

[100] The shape and pattern of the holes on the outer teeth is also different between the two parts. The OEM part has slots in a 2:1 pattern. The Dodson part has rounded holes which are configured in a 3:2 pattern. A later iteration of the Dodson design has the holes in a 3:3 pattern slightly offset against each other.

[101] This is another feature which the defendants argue is functional in nature. I accept that the round shape of the holes is determined by manufacturing convenience. Round holes are easier to drill into steel billet. However, the positioning of those holes reflects purposive design. [REDACTED]. The fact that the placement evolved from a 3:2 pattern to a 3:3 pattern reflects an independent design pathway in relation to this feature of the Dodson A basket.

[102] Finally, Mr Cupit pointed to [REDACTED]. The defendants did not proffer an alternative explanation [REDACTED], and I accept Mr Cupit's evidence on that basis.

[103] Overall, the two parts are objectively similar. But that similarity is explained by the common function of the two parts, and the constraints posed by the operational requirements of a clutch. The differences between the two parts are not quantitatively numerous, but they are nevertheless of qualitative significance. They evidence Dodson's independent skill and labour in finding design solutions to the particular issues posed by high performance use of the R35. The trial and error process evident in the evolution of the oil hole patterns is inconsistent with Dodson "slavishly copying" the OEM part. The cumulative effect of those differences reflects originality in the Dodson A basket and copyright subsists accordingly. B basket

B Basket

[104] The OEM B basket is made out of two pressed steel parts which are welded together. The internal spline connects to the solid shaft that fits into the gearbox. The tooth profile around the outer edge is slightly rounded on the top. There is an inner tooth profile, or corrugated pattern, that is a by-product of the pressing process. The slotted apertures on the teeth are arranged in a 2:1:2 formation around the circumference of the B basket. On the upper circumference, the oil slots are arranged in a 2:1:1 pattern.

[105] The Dodson B basket has the same overall profile. There are apertures for oil relief and teeth around the outer circumference. The spline at the top of the B basket is also of the same shape and profile. The features of the OEM and Dodson B baskets are shown in fig 1 of Appendix F.

[106] However, as with the other Dodson parts, there are some key differences. The oil apertures are round holes, rather than slots. The holes on the outer teeth are arranged in a 3:2:3 formation which differs to the 2:1:2 formation on the OEM part. The holes on the upper circumference of the Dodson part are arranged in a regular 2:1:2 pattern, rather than the 2:1:1 pattern on the OEM part. Although not obvious to the naked eye, the overall profile of the Dodson basket is thicker, and it has a constant wall thickness. The tooth profile is also slightly different, with a squarer and sharper edge compared to the rounded edge of the tooth on the OEM basket.

[107] These design features play the same function and purpose as those on the A basket. That is, [REDACTED] the tooth profile allows more room within the overall clutch assembly, and the smooth inner profile of the basket allows a more equal distribution of force.

[108] Similarly, as with the A basket, Mr Cupit gave evidence about the design pathway for this part which involved trialling different tooth profiles, oil hole patterns, and producing different versions of the B basket as part of the design evolution of the part. That evidence is at odds with this part being a mere copy of the OEM equivalent.

[109] I find the Dodson B basket to be original for the same reasons I found the A basket to be original. Copyright subsists in this part.

Inner Basket Steel (IBS)

[110] The IBS is the core part of the clutch assembly as it takes the torque from the engine.

[111] The OEM part is made from two pressed steel parts, welded together at the internal centre disk. Three circlip grooves and a series of slots in a 2:2 pattern are located on the circumference of the OEM basket. The outer and inner profile of the OEM and Dodson IBS are shown in fig 1 and fig 2 of Appendix G.

[112] As with the other parts, the Dodson IBS has the same shape and profile as the OEM part, and it performs the same general function in the overall clutch assembly. But there are some obvious differences between the two parts. Some of those differences may be attributed to manufacturing technique. For example, I accept Mr Gray's evidence that the teeth on the internal surface of the Dodson part and the smooth outer radius are by-products of the manufacturing method used. They are not expressions of originality in and of themselves.

[113] However, other features of the Dodson IBS are evidence of original expression. First, the middle plate in the Dodson IBS is flat, and is thinner than the OEM equivalent. This allows frictions to be placed directly on top of the integrated wear plate which affords greater space than in the OEM part. Similarly, the inside diameters and internal heights are different which also aids in the creation of additional space to fit additional frictions to generate greater power. Those features are all signatures of Dodson's design philosophy and are reflective of the independent skill and judgment brought to bear in designing the Dodson part.

[114] As discussed in relation to the outer basket, a distinguishing feature of the Dodson IBS is the means by which it connects to the outer basket, and to the gear plate (as shown in fig 3 of Appendix G). That different form of connection means there are different shaped cut-outs on the top edge of the IBS. [REDACTED].

[115] When the similarities and differences between the two parts are considered in total, I am satisfied that the differences between the two parts are expressions of independent design and are sufficient to impart originality to the Dodson IBS as a whole. Copyright subsists in the IBS.

A piston

[116] The A piston connects to the outer basket. It performs part of the clamping function which generates and transmits power. As Mr Cupit explained, when the A piston is applied it reduces the area inside the clutch assembly, and basically clamps the clutch. The B piston does that on the other side of the clutch assembly. It is the clamping function which transmits power.

[117] The OEM A piston is made from pressed steel. It is located on the outer basket by means of three contact points located between 10 external teeth on the outer radius of the piston. Those 10 external teeth fit within 10 slots in the outer basket and ensure that the A piston turns with the outer basket. A rubber cup seal pushes on to the A piston to hold it in place. The OEM part has four raised dimples which are piston stops and a bent lug to prevent rotation of the outer basket circlip. These features can be seen in fig 1 and fig 2 of Appendix H.

[118] Mr Cupit covered the design evolution of the Dodson A piston at some length in his evidence. The starting point for the entire Dodson business was the blown seal on the A piston in Mr Proctor's car. As earlier noted, Mr Cupit changed the design of the piston seal so that it was a push-in, rather than a push-on, seal. From there, Mr Cupit, in collaboration with Mr Wieser, began designing the A piston. Mr Cupit says the design started with a solid piece of steel. A prototype piston was then manufactured and put into Mr Proctor's car to trial. The design of the piston evolved over time as new design solutions were

trialled, and faults with the existing parts were uncovered. Mr Cupit referred to five different versions of the A piston in his evidence, with minor modifications and adjustments made to each of those versions over time.

[119] One of the most significant refinements made to the A piston was the development of the piston seal. The design of the seal involved a deliberate decision to move away from what Mr Cupit considered was a "rather complicated approach" adopted in the OEM part, because he "felt that a flexible seal might be more reliable/serviceable", and easier to manufacture.[34] Mr Cupit explained the design process of the piston seal in the first three versions of the A piston as follows:[35]

> In basic terms, the first three versions of the modified piston had an external piston seal – a protruding part of the piston which the seal went around. With the later versions the seal went in. It was exactly the opposite to the OEM part in terms of design and functionality.

[120] Further refinements followed. Mr Cupit designed both a multi-piece steel ring, and a flexible seal, to fit inside the piston groove. Many attempts to design a flexible seal were made and a company in Pukekohe was commissioned to make some piston rings to suit the particular seal groove. Those piston rings did not provide a perfect solution, and Dodson approached a company in the United States to manufacture a piston seal that fit the piston seal groove in the Dodson A piston. Further refinements to that particular seal resulted in a metallic seal that Dodson calls the "seal for life" (shown in fig 2 of Appendix H). Mr Cupit reflected on the evolution of this seal as follows:[36] Once this lengthy R&D process was over, I realised that the fundamental design breakthrough with our modified seal was that it is internal. This means that it is both captured and protected by steel on top and bottom and also on both sides. This was a completely novel design solution which took a huge amount of time and effort to reach. While it may look simple, it was the bain of our life for some time — particularly because of leakages. As I have said, the Promax® Clutch is a significant improvement on the original OEM clutch. In fact, we promoted the new seal as a:"lifetime seal". The OEM clutch would max out at 650 HP. The Promax® goes all the way to 3,000+ HP.

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[121] The evolution of the A piston design exemplifies the Dodson design pathway. The trial and error process led to refinements to the A piston which were entirely of Dodson's own making. Some of those refinements, such as the piston seal, were not only original, but innovative too. The quality of those refinements

34. Brief of evidence, Mr Cupit, at [189].
35. Brief of evidence, Mr Cupit, at [222].
36. Brief of evidence, Mr Cupit, at [241].

imparts originality to the overall part. This was not just a better mousetrap, but a different trap designed for a different species of mouse. Copyright subsists in the A piston.

B piston

[122] The B piston performs the same function as the A piston but for the clutch on the other side. The OEM and Dodson parts are depicted in Appendix I to this judgment.

[123] The OEM B piston is made from pressed steel and comprises two parts welded together. It has an internal rubber lip seal. Four raised dimples operate as piston stops. Around the lower circumference is a series of square apertures, with smaller rounded apertures above.

[124] At one level, the two parts have a similar overall profile, shape and configuration. They both have a smooth outer radius, a smooth outer surface, and they also have holes on the outer circumference which serve the same purpose, namely oil relief. But the differences between the two parts are more visually apparent than they are with some of the other parts at issue. The Dodson part is noticeably taller. It also has a different lower profile with three slots in the outer circumference. The shape and dimension of the apertures around the outer edge are different, as are the piston stops on the inner part. The connection between the two parts is also different to the OEM version. An earlier iteration of the Dodson part included a threaded connection; the later version has an interference fit.

[125] These features reflect independent skill and labour. For example:

(a) The larger flat surface area of the B piston is designed to accommodate greater push on the steels and frictions.

(b) The greater height from the piston stop to the clamp face increases the internal capacity of the B piston by three or four millimetres. That also allows for more area inside the clutch assembly.

(c) The "interference" fit between the two parts of the Dodson part (referred to as the outer and inner) was the result of several design iterations. The first version was screwed in, and it had a tag to "rock" it in even further. Subsequently, Dodson moved to an internal thread design where the inner screwed in from the inside and was again held in place by a locking tab. The final design involved shrinking the inner part together with the outer part, removing the need to weld the parts together.

(d) The change in the shape of the piston stops (four dimples in the OEM version and a wavy design in the Dodson model) made the manufacturing process easier, but that does not detract from the fact that it was the product of independent skill and labour.

(e) The seal groove is also different on the Dodson part. This allowed for the push-in seal, rather than the push-on seal for the OEM part. The position of the seal is accordingly different.

[126] The Dodson B piston does not reveal the same level of innovation in design as, for example, the A piston. Nevertheless, the various iterations in some of these design features prove that they were the result of independent skill and labour. And, the conscious design decisions made in accordance with the clear design objective to increase space in the clutch imparts originality to the Dodson B piston. Copyright subsists in this part.

Gear lock

[127] As the name would suggest, the gear lock "locks" the gear onto the gearbox shaft. The OEM R35 clutch does not have a gear lock. The originality issue is not derivation, but functionality, in relation to this part.

[128] The origins and subsequent development of this part point towards originality. Mr Cupit said that over the years Dodson found that the OEM circlip (a spring steel type clip) which holds the gear on was the probable cause of gearbox failure. To avoid that problem, Dodson designed the gear lock to hold the circlip more securely in place. The design of the part went through a number of iterations as Dodson's own design deficiencies were exposed in the market, and Dodson's dealers sought a part which could be removed to allow easy access to service the gearboxes.

[129] Furthermore, there are innovative features of the gear lock which put the originality enquiry beyond dispute. The gear lock incorporates both a wedge and a taper. [REDACTED].[37] Accordingly, the gear lock plays two functions: it holds the circlip in place, [REDACTED] providing for a more secure fit on the gearbox shaft.

[130] I am satisfied that these features of the gear lock are original to Dodson and copyright in the gear lock accordingly subsists.

Selector fork

[131] The function of the selector fork is to engage the gear. The selector fork in issue is for the first and reverse gears. Photographs of each of the OEM, Dodson and Logiical parts inspected by Dr Gooch were included in his brief of evidence, and are reproduced in Appendix J.

[132] There are noticeable differences between the OEM and Dodson models. The OEM selector gear is a two-piece cast aluminium part. It has a short detend arm, a large shaft housing, and a selector ring area with a small chamfer. The casting is thicker than the Dodson equivalent, and there is a large brace on the fork.

[133] The Dodson selector fork is made from one piece of solid billet steel. It is integrated into a one-piece design which is overall smaller than the equivalent OEM part. The Dodson part has a longer detend arm and the area behind that arm is narrower. The smaller shaft housing means there is less material in the part which leads to a streamlined design. A larger chamfer in the selector ring contact area allows for better oil lubrication. The Dodson selector fork has less material on the selector lever and a smaller brace.

[134] Mr Gray claims that the changes to the selector fork arose out of manufacturing changes that either he, or Mr Glenn Simpson of Trimac made to overcome manufacturing hurdles. Accordingly, he says these are not design changes instigated by Dodson but features which are dictated by manufacturing constraints.

[135] I prefer Mr Cupit's evidence as to the development of this part. Mr Cupit explained that several Dodson customers were returning with selector forks that were breaking in the same place. Accordingly, Dodson decided to manufacture a stronger part using a single piece of solid billet. That decision is consistent with Dodson's overall design objectives in designing parts capable of withstanding greater force generated in the car.

37. Brief of evidence, Mr Cupit, at [371].

[136] The other features of the Dodson selector fork are also a result of purposive design, rather than manufacturing convenience. The smaller size provides greater clearance around the gears designed by Dodson, and the streamlined shaft housing and detend arm contribute to the overall strength and durability of the part.

[137] Overall, the OEM and the Dodson selector forks are not objectively similar; there is no evidence that one was derived from the other; and the differences between them cannot be explained by manufacturing constraint. Copyright subsists in the selector fork.

Mechanical circlips

[138] The mechanical circlips designed by Dodson also hold the gears in place on the gear shaft. The original version of the circlip is referred to as MC 1. A later version is called MC 2. The OEM circlip is a standard spring steel circlip, and there is no equivalent to the Dodson-designed part.

[139] Dr Gooch described the Dodson mechanical circlip as a "locking collar"– a mechanical stop which he said is reasonably common in transmission systems.[38] Despite that commonplace use in other areas, I am satisfied that the Dodson design is original for the following reasons.

[140] First, the design of the circlips responded to a specific problem identified as a cause of gear box failure in the high-performance use of the car. Mr Cupit explained that Dodson had to find a way to hold the gears on the shafts more effectively given the increased power being generated in the car.[39] The gear lock sits on the front of the shaft, but there was no room for another gear lock on the back of the shaft. Accordingly, Dodson designed a mechanical circlip which was bolted in place to secure the gears in place.

[141] Second, the various design iterations of the part are also consistent with the part being original. The first version had a straight cut through the middle with no oil drainage flow holes. This design was then developed to ensure the delivery of oil to the bearing sitting behind the circlip. Oil flow holes were drilled into the top and bottom of the circlip and a washer was built in to the circlip. That design process suggests that this was not just a case of taking a commonplace item and using it in a different context.

[142] Third, and most significantly, is the angled cut in the centre of the circlip. That simple, yet innovative, design solution [REDACTED]. Dr Gooch described this feature as an "unusual design" and represented a point of difference to similar circlips (or locking collars) used by other aftermarket parts suppliers.[40] That design improvement reflects independent skill, judgment, labour and effort and is the hallmark of originality in this part. Copyright subsists in the mechanical circlips.

Clutch assembly

[143] In addition to the individual parts, Dodson claims copyright in the clutch assemblies, being both the Promax and Sportsman clutch systems.

[144] This claim does not relate to the order of the assembled parts. Dodson does not claim copyright in the basic arrangement of the clutch parts. The order is dictated by the functioning requirements of the dual clutch system. To that

38. Brief of evidence, Dr Gooch, at [287].
39. Brief of evidence, Mr Cupit, at [389].
40. Brief of evidence, Dr Gooch, at [288]. Also see notes of evidence, at 174/32-176/2.

extent the collocation claim is different to the collocation claim in *Sealegs*, which involved an original arrangement of parts which were not themselves original.[41]

[145] In this case, the collocation claim is directed at the way the individual parts connect and operate together as a fully functioning clutch. Although Dodson claims copyright in both the Promax and Sportsman clutch assemblies, the claim in relation to the latter simply duplicates the claim in relation to the individual parts. Accordingly, I proceed on the basis that the copyright claim is directed at the Promax clutch assembly, which is a self-contained clutch assembly not interchangeable with the OEM parts.

[146] Although there is considerable overlap with the claim to copyright in the individual parts, there is no duplication. I have approached Dodson's claim on the basis that the sum of the individual parts is more than the whole, with copyright claimed in the "whole". Considered on that basis, I am satisfied that copyright subsists in the Promax clutch assembly. The originality is reflected in the following features:

(a) The nature and fit of the connection between the parts. For example, the connection between the gear plate and the inner basket involves an original design on the teeth of the outer rim of the gear plate so that it sits on the inner basket, rather than pushes in to it. The circlip secures it further, and the whole ensemble is further secured by the outer basket encasing the circlip and the connection even further.

(b) [REDACTED]

(c) The location and dimensions of oil apertures which ensure the precise delivery of oil to clutch parts. The oil hole patterns on the A and B baskets, which evolved from a 3:2:3 pattern to a 3:3:3 pattern, is an example of design evolution to meet a specific problem.

(d) The creation of more space within the clutch assembly, allowing a greater number of frictions to be inserted. Small design changes to create additional space can be seen in the A and B pistons, the flat internal wear plate on the IBS, and the protrusion of the fingers on the outer basket through the gear plate apertures to create a flat surface to accommodate more frictions.

[147] The innovative features of the clutch assembly reflect the different purpose of the Promax clutch when compared to the OEM version. Although the Dodson parts may have had their beginnings in aftermarket replacement parts, that was rapidly superseded by the design of a clutch assembly for a high-performance use of the car, capable of withstanding increased power and greater rotational forces.

Summary of originality findings

[148] Standing back, it is clear that Dodson has taken Nissan's idea of a dual clutch transmission. That explains the substantial similarities between the various parts. Those similarities are the result of the functional constraints imposed by a dual clutch transmission, and the space constraints imposed by the dimensions of the R35. That that does not mean Dodson has copied the OEM parts. It was entitled to take the idea of a dual clutch transmission – copyright does not protect ideas.

41. [2018] NZHC 1724.

[149] Insofar as the expression of the idea, it is the differences between the parts that are telling. Those differences are the product of independent skill, labour and effort, and an independent design path involving development by trial and error. There is no evidence of copying; to the contrary many of the features of the Dodson parts are not only original, but innovative too. Those features are enough to impart originality to the individual parts, and the clutch assembly as a whole.

[150] This is not a case of "building a better mousetrap". Rather, it is a case of adding innovation to existing technology, just like the addition of rings on a frisbee. That is exactly the type of innovation that copyright law is designed to protect, and indeed, encourage. Whether considered as individual parts, or as part of the overall clutch assembly, the Dodson clutch parts, and the ancillary parts, are original. Copyright subsists in the claimed copyright works.

Who owns the copyright?

[151] GRD and Mr Gray contend that to the extent that copyright subsists in the works, then they own the copyright and not Dodson. Specifically, GRD and Mr Gray claim ownership of the copyright in the GRD manufacturing drawings, and the Bicknell and GS Works drawings too.

[152] The author of a copyright work is the person who contributes the skill, labour and judgment comprising the actual work.[42] The default position in s 21(1) of the Copyright Act is that the author of a work is the first owner of any copyright in the work. However, there are two exceptions to that default rule:

(a) Where an employee makes a copyright work in the course of his or her employment, the employer is the first owner of any copyright in that work;[43] and

(b) Where a person commissions and pays, or agrees to pay, for a work (other than a literary work) and the work is made in pursuance of that commission, that person is the first owner of any copyright in that work.[44]

[153] Whether a work is commissioned, and if so, the scope of the commission, and the date on which the commission arises, are all questions of fact.[45] However, there are three essential elements to a commissioning:[46]

(a) A request to make the copyright work;

(b) An antecedent payment or an agreement to pay for the copyright work in money or money's worth; and

(c) The making of the work.

42. *Oraka* at [20].
43. Section 21(2) of the Copyright Act 1994.
44. Section 21(3) of the Copyright Act 1994.
45. *Pacific Software Technology Ltd v Perry Group Ltd* [2004] 1 NZLR 164; (2004) 57 IPR 145 (CA) (*Pacific Software*) at [52].
46. *Oraka* at [40].

[154] The critical element is the second one, that is, an antecedent payment or an agreement to pay for the works in money or money's worth. The agreement to pay may be express or implied.[47] It is not necessary that there be an agreement as to the precise amount to be paid. The payment is a "quid pro quo" for the copyright.[48]

GRD drawings

[155] The issue in relation to the GRD drawings is whether the scope of the engagement included payment for those drawings. As the Court of Appeal noted in *Pacific*, it would have been preferable for the parties to address this explicitly in writing, but the fact that they did not is not fatal to Dodson's claim.[49] The bulk of the evidence suggests that Dodson agreed to pay GRD for all work necessary to manufacture the parts, and this necessarily included any drawings made by GRD. My reasons for reaching that conclusion are as follows.

[156] First, the evidence suggests that the parties' expectations were that Dodson would pay for everything required to manufacture the parts. When Mr Cupit first approached Mr Gray, he was looking for a manufacturer who could produce greater volumes than either Edgeworth or Marua. Dodson had "paid" for any design work that either Edgeworth or Marua had undertaken in relation to these parts.[50] Mr Cupit's expectation in approaching Mr Gray therefore was that Dodson would be paying for whatever was necessary in order to manufacture the parts.

[157] Correspondingly, Mr Gray and GRD's expectation was that payment would be made for all work undertaken in relation to the Dodson parts. Mr Cupit said that when he met with Mr Gray, the latter made it very clear that he had a business to run and he could not afford to carry design, research and development or any other costs. Although the discussion may not have been as detailed as Mr Cupit suggests, I consider it probable that Mr Gray indicated that he would not carry any costs. That upfront approach is consistent with his later request for a progress payment in relation to the Promax development. Mr Gray described that request as follows:[51]

> If they wanted me to carry on through one month into the next with that being my sole focus, at that stage I asked Harry for a — what did you call it — progress payment to keep things moving forward otherwise it would've come to a stop and Glenn wouldn't have got the first Promax on time.

[158] Mr Gray's clear expectation was that he would be paid for any and all of the work undertaken in relation to the manufacture of the Dodson parts.

[159] Second, the design drawings undertaken by Mr Gray were part of the manufacturing process. The GRD drawings of the parts were required to be able to programme the machines to manufacture those parts, and to make the necessary changes to them. In that sense, the drawings formed part of the overall manufacturing of the parts – which is what GRD was engaged to do. To say that

47. At [40].
48. *Pacific Software* at [58]; see also *Alwino Co Products Ltd v Crystal Glass Industries Ltd* [1985] 1 NZLR 716; (1985) 5 IPR 192 (CA).
49. At [53].
50. Mr Wieser, director of Marua, could not recall rendering a formal invoice to Dodson, and accepted that he might have been compensated by Dodson doing some work on his car for free. However, he was in no doubt that he had been compensated (notes of evidence at 197, line 10).
51. Notes of evidence at 789, line 20.

the manufacturing process was charged and paid for, but not the drawings which formed part of that manufacturing process, is somewhat strained.

[160] Third, GRD's invoices reflected the common expectation of both the parties. Several of GRD's invoices referred to "R&D".[52] Mr Gray said that he understood "R&D" to mean the work required to set up the machine, make the machine codes, and make the jigs required to hold the part in the machines while doing the manufacturing, but did not include any manufacturing or design drawings. I do not accept that explanation. Other invoices issued by Mr Gray specifically referred to tooling, and jig costs, suggesting that R&D was different in kind. Further, there is no reason to isolate "R&D" to particular tasks, but not others. A more plausible meaning of that term is that it was used as a broad catch-all phrase that referred to any steps taken in relation to research and development work in the course of manufacturing the part — including any drawings.

[161] The fact that R&D was not expressly referred to in every invoice does not mean that it was excluded from that invoice. The more probable explanation is that the price of the drawing was included in the price of the part. Mr Cain submits that if this was so, then it would be reasonable to expect the price of the part to be initially higher, with it dropping once the price of the drawing had been recovered. The fact that there was no change in the price of a part over time, he says, suggests that the price for the drawing was not included in the price of that particular part at all.

[162] I consider a more likely explanation is that the cost of producing manufacturing drawings was not always identified as a separate cost for a specific part – particularly if it was of little significance in the overall picture. It was simply a cost of manufacturing which could be expected to be recovered, in broad terms, in the cost of the part. Reduction of the price following recovery of the drawing and design cost does not necessarily reflect commercial realities. Mr Duncan of Edgeworth explained it succinctly in these terms:[53]

> Q. But you would have recovered the cost of your drawing though by the time you came to produce the second order, yes?
> A. Yes
> Q. But there is no deduction in your price?
> A. No It's called business.
> Q. So notwithstanding the drawing had already been paid for, you maintained the same price for those parts all the way through the period of time -
> A. It's called good business
> Q. — you were manufacturing? It's called good business, right, as opposed to reduce the price because of -
> A. That's called bad business
> Q. — you've already recovered the price. That's called bad business?
> A. Yeah.

[163] Fourth, the parties' later conduct is also consistent with Dodson agreeing to pay, and then paying, for the manufacturing drawings. In early 2010, Dodson began work on the Promax clutch, which was then known as the 1000hp clutch. GRD was engaged to manufacture the additional parts required for this assembly – namely the IBS, outer basket, and gear plate. Dodson agreed to pay GRD a

52. For example, see Common Bundle of Documents pp 72, 91,117,123, and 183.
53. Notes of evidence at 193, lines 14-27.

progress payment of 53 Notes of Evidence at 193, lines 14–27. $15,000 to allow GRD to work on the development phase of the project. Mr Cupit explained in evidence that Dodson understood there were development costs involved in the Promax assembly and that the payment was necessary to fund GRD through that phase.

[164] Mr Gray corroborated that evidence. He said that Dodson had to provide a progress payment to keep things moving forwards otherwise "it would've come to a stop and Glenn wouldn't have got the first Promax on time …".[54] The agreement to fund the development of the Promax assembly by way of a progress payment is good evidence that GRD's commission included payment for design work, including any manufacturing drawings.

[165] Finally, and in a similar vein, Mr Gray did not challenge or question Dodson's demands that intellectual property clauses in a credit application form presented by Mr Gray be deleted. That was the time to raise issues about copyright ownership. The fact that Mr Gray did not assert at this time, or at any time up until this proceeding was commenced, that he was the owner of copyright undermines the genuineness of that assertion now.

[166] Considering the relationship as a whole and in context, it is clear that Dodson designed the parts, and commissioned GRD to manufacture them. That commission included all that was necessary to manufacture the parts, including the manufacturing drawings produced by GRD. Dodson was invoiced for this work, including for "R&D", and Dodson paid those invoices. There is no real doubt that Dodson was the commissioner of the works, and ownership of the copyright in the GRD drawings resides with it.

The Bicknell and GS Works drawings

[167] The question of who owns the copyright in the Bicknell and GS Works drawings raises an issue around sub-commissioning. The general principle is that the person who commissioned the work, and who is ultimately liable to pay for it, is the person who commissioned it.[55]

[168] In 2010, Bicknell was engaged to produce drawings of the Dodson parts and to undertake stress testing of the Promax clutch. Mr Gray says that GRD contracted Bicknell to do the drawings. Mr Gray explains that detailed drawings were necessary because the dimensions of the IBS and outer basket had to be adjusted to accommodate more plates, and the gear plate also had to be made differently. Duane Bicknell, of Bicknell, had the necessary skills and expertise in the SolidWorks programme to complete the drawings. Mr Gray did not have these skills at this time.

[169] Although the contact regarding the drawings was between Mr Gray and Mr Bicknell, I nevertheless consider that the Bicknell drawings formed part of Dodson's commission. Dodson, and more particularly, Mr Cupit, was the designer of the Promax clutch assembly. GRD was engaged to manufacture the parts. Detailed drawings were necessary to allow that to occur and to assist with the tweaks and changes made to the parts during the development process.

[170] Dodson expected to pay for this work and did in fact pay for this work. Bicknell's invoices were addressed directly to Dodson and were paid for by Dodson. Mr Bicknell emailed Mr Cupit requesting the Dodson logo to be sent

54. Notes of evidence at 784, lines 20-34.
55. *James Arnold & Co Ltd v Miafern Ltd* [1980] RPC 397 (Ch) at 404.

through so that he could put it on the drawings. That is good evidence that all parties understood that Dodson was commissioning, and paying, for the work.

[171] The GS Works drawings relate to the selector fork. Mr Gray approached Trimac Engineering to manufacture the selector fork, and they had suggested he contact Glenn Simpson to prepare the necessary drawings. Mr Gray says he paid cash for these drawings but did not charge Dodson for it. He denies recovering this cost in the price of the part and relies on the fact that the price for the selector forks remained consistent in his invoices to Dodson and did not drop, as would be expected if the drawing cost was amortised over the price of the parts.

[172] Although Dodson did not pay for the GS Works drawings in this case, that does not alter the fact that Dodson is the owner of the copyright. Dodson commissioned GRD to produce the Dodson parts which Mr Cupit had envisaged and designed. The drawings required to undertake that engagement were part of that commission. Implicit in the arrangement was a promise by Dodson to pay GRD for all the steps necessary to perform that task.

[173] The decision to sub-contract part of that work to GS Simpson does not alter the terms of the commission between GRD and Dodson. Nor does the fact that GRD paid for that drawing and elected, unilaterally, not to pass on that cost to Dodson. In his evidence in chief, Mr Gray explained that he did not charge for the drawings, because:[56]

> I was looking at the bigger picture – by not charging for the drawings I was going to build goodwill with Dodson's. So I took on the cost myself.

[174] He confirmed that position in cross-examination:[57]

> At this time in the business there was lots going on and they were putting a lot of work through me, so it was just like, oh well, that's gone now, just get on with it. That was the whole business relationship with Dodson's, was I was putting in just as much effort to build a good strong friendship and business relationship with Dodson's so that I stayed on being their supplier, that I didn't worry about it.

[175] It is not the fact of payment that is determinative of the question of commissioning, but the antecedent promise to pay. The fact that Mr Gray elected to absorb the cost of the GS Work drawings himself does not alter the fact that Dodson was ultimately liable to pay for these drawings, and the sub-commissioning formed part of the overall commissioning of the works. Seen in the context of the relationship between Dodson and GRD as a whole, I am satisfied that Dodson owns copyright in the GS Works drawings as the commissioner of that work.

[176] In summary, I find that Dodson is the owner of the copyright in the GRD, Bicknell and GS Works drawings. The next issue is whether that copyright has been infringed.

56. Brief of evidence, Mr Gray, at [155].
57. Notes of evidence at 804, line 30.

Has there been copyright infringement?

[177] Dodson alleges that its copyright has been infringed through the manufacturing of the Logiical parts (primary infringement)[58] or the possessing or dealing with copies of the copyright works knowing that they are infringing copies (secondary infringement).[59]

[178] The Act defines "infringing copying" in s 12, but what the concept actually entails has been fleshed out in the common law. Those principles have been summarised earlier (from [49] to [63]). This time they are applied in a comparison between the Dodson parts on the one hand, and the Logiical parts on the other.

The defendants' design pathway

[179] Just as Dodson pointed to evidence of an independent design pathway to establish originality, the defendants defend the claim of infringement by pointing to their own independent design pathway. However, the evidence adduced on behalf of the defendants was not as coherent or conclusive as that produced by Dodson.

[180] Initially, the defendants took the line that the starting point for the design of the Logiical parts was the OEM version. Mr Hannaford says that he approached GRD to manufacture the parts as replacements for the OEM components. Mr Gray initially said that he designed Logiical's 9-plate clutch assembly with the OEM part beside him. He confirmed that in his oral evidence, emphasising that he only referred to the OEM clutch and his own knowledge in designing the Logiical parts. The 22-plate clutch, he said, took a little longer because it involved development of the main hub. But, again, he stressed that he did not make reference to the Dodson parts or drawings when he was designing the Logiical assemblies.

[181] However, that position changed when Mr Gray was presented with some SolidWorks drawings of the Logiical components in cross-examination. These GRD drawings had creation dates of 2012 or later. Mr Gray's evidence that they were drawings of OEM parts undertaken by Mr Ineson, a GRD employee, for the purposes of a SolidWorks training course, was unconvincing. Mr Ineson worked nearly exclusively on the Dodson parts while on a SolidWorks training course at the Manukau Institute of Technology. It is significant that the drawings were created at about the same time that some of the Dodson parts were being manufactured. This provides a firm evidential base from which it may be inferred that the Dodson parts and drawings formed the starting point for the Logiical parts.

[182] Mr Gray then took the line that he used the knowledge that he had acquired from drawing and designing the Dodson parts to design and manufacture the Logiical parts. He did not consider there to be anything wrong with that given his view that the parts were simply copies of the OEM parts, and any differences were a result of manufacturing initiatives taken by him, and not Dodson. Irrespective of whether Mr Gray genuinely believed that to be the case, the point is that know-how derived from the Dodson work was used in the manufacture of the Logiical parts, and the process did not start from a "clean sheet of paper".

58. Sections 29 and 30 of the Copyright Act.
59. Section 36.

[183] Of course, that alone is not sufficient to justify an inference of copying. As seen with the Dodson parts, modifications to original material that are a result of independent skill and labour may be enough to impart originality to the whole. However, the difference in this case is that there is little or no evidence from which an inference of independent skill and labour may be drawn.

[184] Specifically, there was very little evidence of testing on the parts. GRD did not undertake any testing; Mr Hannaford was responsible for that. Mr Hannaford said that he tested the 9-plate assembly in Mr Proctor's car, and the 22-plate assembly was tested in a race car in Australia. However, in stark comparison to the testing undertaken by Dodson, there was no evidence of refinements or adjustments made to the clutch assemblies as consequence of this testing, and no evidence of the evolution of the part as a result.

[185] Similarly, and as described further below in relation to each part, there was not the same degree of rationalisation for the design features reflected in the Logiical parts as there was for the Dodson parts. That is, the differences between the Logiical parts and the Dodson parts did not themselves reflect a comprehensive trial and error design process or a clear design philosophy.

[186] In general terms, the evidence of an independent design pathway for the Logiical parts is thin on the ground. The weight of the evidence points towards, not away from, an inference of copying. With that in mind, a comparison of each of the Dodson and Logiical parts now follows.

Outer basket

[187] The Dodson and Logiical baskets have the same general profile and dimensions, but there are some differences which are apparent on a visual inspection (see fig 4 and fig 5 of Appendix C). There are 16 fingers in the Logiical version, as opposed to 10 fingers in the Dodson outer basket. Similarly, at the opposite end, the Logiical outer basket has more fingers than the Dodson equivalent. The holes on the outer circumference are an elongated slot shape, and there are more of them than in the Dodson outer basket.

[188] Mr Gray was unable to offer any reason for the differences between the two parts. Dr Gooch was unable to see any mechanical advance in these differences either, noting that they performed the same basic function. He concluded that the differences between the Logiical and Dodson parts made no material impact on the function of the two parts.

[189] There are, however, some important similarities between the two parts. The Logiical outer basket is made out of machined aluminium billet, like the Dodson one. The fingers are also fatter, which is a point of difference to the OEM version. [REDACTED]. Consequently, like the Dodson part, the Logiical outer basket does not have the internal dimples found on the OEM version. The circlip groove on the outer teeth also has the same profile as the Dodson circlip groove. The walls of the outer basket appear to be the same thickness, and Dr Gooch's evidence was that the Logiical outer basket had the same inside and outside diameter and thickness to the Dodson outer basket.

[190] In substance, the Logiical outer basket has the very features of the Dodson outer basket which differentiate the Dodson component from the OEM part. As explained above, these Dodson design features were not responses to manufacturing or functional constraints as Mr Gray suggested. They were deliberate design decisions aimed at increasing the performance of the R35.

[191] Dr Gooch gave evidence of other potential design pathways that GRD could have followed in designing the outer basket. He concluded that the Logiical part was based on the Dodson design, and it had followed the same design path. I agree. The evidence strongly suggests that the Logiical outer basket was derived from the Dodson equivalent.

[192] The substantiality threshold is also met in relation to this part. Effectively, Logiical has adopted the essential features or substance of the Dodson part. There is no evidence of an independent pathway leading to that same design. Overall, the evidence points to Logiical having copied the Dodson outer basket, and I find accordingly.

Gear plate

[193] The Dodson gear plate and the Logiical gear plate are very similar to look at, but much of that similarity is dictated by the function of the part within the overall clutch assembly. Version 2 of the Dodson gear plate is depicted in fig 4 of Appendix D, and the Logiical gear plate is shown in fig 5.

[194] There are a few differences between the two parts. The apertures around the outer circumference differ in shape and number – that reflects the different size and greater number of fingers on the Logiical outer basket. The shape and number of teeth around the outer rim of the gear plate in the 9-plate clutch assembly also differ. Mr Gray explained that Logiical increased the number of fingers to make it interchangeable with the OEM inner basket steel. Consequently, the shape and spacing of those teeth is dimensionally the same as the OEM gear plate.

[195] There are also similarities between the parts:

(a) The Logiical gear plate is machined from two parts — a high strength steel plate and a steel oil pump gear. The Logiical gear plate also has a removable gear to drive the oil pump — as does the Dodson part.

(b) Dr Gooch gave evidence that the spigot diameter of the two parts was exactly the same, despite that dimension being nominal to the function of the part.

(c) The parts were bolted together using 10 bolts which have the same distance between them.

(d) The gear plate and IBS were connected using precision fit teeth, with a circlip locking it in place.

(e) The gear plate and outer basket were connected through the fingers from the outer basket fitting through apertures on the gear plate.

[196] The similarity between the latter three features is particularly significant. These are the key features which differentiate the Dodson part from the OEM part. The fact that the parts have been bolted together, using exactly the same number of bolts, at exactly the same distance apart, is very strong evidence that the essence of the Dodson part has been reproduced in the Logiical part. That Mr Gray may have come up with this solution when designing the Dodson parts only makes it more likely that this solution was simply copied over in the Logiical part.

[197] Finally, [REDACTED] and the use of a circlip to lock the gear plate in place, is a signature of Dodson's innovation. There is no evidence that the defendants trialled other methods of connecting the gear plate to the outer basket, or other means of securing it in place. Dr Gooch produced a morphological matrix regarding the potential design pathways for the gear plate. He concluded

that Logiical had adopted the same design solutions as Dodson based on the similarities between the parts. I accept that evidence.

[198] The Logiical gear plate reproduces, in substance, the essential features of the Dodson part. It was clearly derived from the Dodson part. The Logiical gear plate is a copy of the Dodson gear plate and infringes the latter's copyright.

A and B baskets

[199] The defendants accept that both the A and B baskets are objectively similar to the Dodson equivalents. That is apparent from a comparison of the various versions of the parts as shown in fig 4 (Dodson) and fig 5 (Logiical) of Appendix E, and fig 2 (Dodson) and fig 3 (Logiical) of Appendix F.

[200] Although I found the differences between the Dodson and the OEM A and B baskets to be subtle, they were nevertheless representative of a different design philosophy. The Logiical parts adopt and reproduce the essential features of the Dodson equivalents, namely:

(a) They are machined from one piece of high tensile steel, which eliminates the need for a weld joint and provides for a more robust part.
(b) The increased stack height accommodates additional frictions and steels.
(c) The round oil holes are arranged in the same sequence as versions of the Dodson A and B baskets.
(d) They have a greater wall thickness than the OEM version.

[201] Those similarities reproduce the substantial part of the Dodson design. They provide a foundation for concluding that the Logiical parts were derived from the Dodson parts. Infringement of copyright in relation to the A and B baskets is established.

Inner Basket Steel (IBS)

[202] Dodson claims that both the Logiical 9-plate IBS, and the 22-plate IBS infringe its copyright. Versions of the Dodson and Logiical IBS are set out in fig 4 and fig 5 of Appendix G.

[203] On a visual inspection, the similarities between the various parts are as follows:

(a) They are all machined from solid high tensile steel.
(b) They all comprise three parts welded in the centre.
(c) They have teeth on the internal surface only, and a smooth outer radius.
(d) They have a flat, integrated wear plate at the centre.
(e) They have bevelled edges.
(f) They have inset circlip grooves to hold the circlip more securely.

[204] There are also some apparent differences:

(a) The top rim of the Logiical IBS has a different profile. The Dodson IBS has notches cut out on the top edge which is where the gear plate sits. Those notches are absent in both Logiical parts.
(b) The apertures on the outer circumference are a different shape and are arranged in a different pattern to the apertures in the Dodson part. In the Logiical 9-plate part, the apertures are single, elongated slots arranged at regular intervals. The 22-plate part has elongated apertures in a vertical line, and four additional small round holes arranged in-between.

(c) The Logiical 9-plate part appears to be slightly shorter than the Dodson equivalent; but the Logiical 22-plate part is marginally taller than the Dodson part.

(d) The Logiical 9-plate part has the four dimples on the outer circumference which allows interchangeability with the OEM version. Neither the Dodson, nor the Logiical 22-plate IBS have this feature.

[205] These differences are not material in the overall comparison of the Dodson and Logiical parts. The most obvious difference is in the number and shape of the apertures around the circumference of the IBS. Dr Gooch could not see any technical justification for the difference and considered the additional holes to be undesirable from a structural perspective.

[206] The similarities between the parts are more revealing. The very features which distinguish the Dodson part from the OEM part are reproduced in the Logiical part. In particular, the use of a flat, integrated wear plate, and the circlip grooves to hold the circlip in place have been substantially reproduced in the Logiical parts. In Dr Gooch's opinion, the similarity between the parts suggested that the Logiical parts had been derived from the Dodson equivalents. I agree.

[207] Mr Gray did not contest that he had adopted the Dodson features. Rather, he took the position that the Dodson features were solutions that he had devised to overcome flaws in the OEM version, and accordingly he considered he was justified in using them. The following exchange during cross examination illustrates his position:[60]

> Q. So you once again went back to what you knew, the Dodson solution and avoided the drawbacks of the OE version?
>
> A. Like you said before, the common denominator is me, we came up with a solution, Duane and I came up with a solution to go to the thin plate to start with. It wasn't a suggestion from Mr Cupit, it was a solution that Duane and I came up with, so the common denominator is me.
>
> Q. So you basically just used your previous solution for the new product?
>
> A. That would be a sensible thing to do, wouldn't you think?

[208] I consider this exchange puts it beyond doubt that the Logiical IBS is derived from the Dodson part. There is no evidence of independent skill and labour in designing the parts which would refute the inference of copying.

[209] I find that the Logiical IBS infringes Dodson's copyright in the equivalent Dodson part.

A and B pistons

[210] The defendants accept that the Logiical A and B pistons are objectively similar to the Dodson equivalents.

[211] Based on his observations of various versions of the Dodson and Logiical parts, Dr Gooch concluded that the Dodson parts were the most likely starting point for the Logiical parts. That was due to features unique to the Dodson part being replicated in the Logiical equivalent. For example:

(a) The larger radius between the boss and the flange in the Dodson A piston was replicated in the first version of the Logiical A piston. However, there was no evidence to suggest that this feature had been arrived at through independent trial and error.

60. Notes of evidence at 893, lines 11-18.

(b) The same waved pattern for the piston stops were found in both Logiical and Dodson's A pistons. Dr Gooch's opinion was that if the design had been from scratch you would more likely see something similar to the dimples on the OEM A piston.
(c) The split ring seal design was also present in both the A and B pistons. In Dr Gooch's opinion, that was unlikely to be a coincidence.
(d) The Logiical B piston incorporated the Dodson interference fit feature without any evidence of independent design pathway leading to the same result.
(e) The dimensions between the Logiical and Dodson B pistons were "practically identical" in Dr Gooch's opinion. Some of those dimensions were nominal in nature, and Dr Gooch stated that he would have expected more variation had there been independent design.

[212] The defendants were not able to offer a genuine explanation for the substantial similarity between the two parts. Although some of the similarities may have been driven by manufacturing constraints, others were clearly adopted because they made good design sense. Dodson's skill and hard work in evolving the design to incorporate these features was simply adopted by Logiical without independent thought or expression. When all the features are considered in their entirety, I am satisfied that that the Logiical parts are a copy of the Dodson equivalents.

Selector fork

[213] The defendants accept that their selector fork is objectively similar to the Dodson selector fork. Indeed, the only real difference between the two parts is the different manufacturing material. The Logiical part is manufactured out of aluminium alloy; the Dodson part is out of steel.

[214] That difference fades into insignificance given the degree of similarity between the parts:

(a) The Logiical version is an integrated one-piece design, with a longer detend arm protruding from a smaller shaft housing. The selector ring contact area has a larger chamfer than the OEM equivalent. These are the features which distinguish the Dodson selector fork from the OEM selector fork and were the product of Dodson's skill and labour.
(b) The Logiical part replicates the dimensions of the Dodson selector fork, so that when the drawings are overlaid, they appear to be dimensionally identical.
(c) Dr Gooch's expert opinion was that the Dodson and Logiical selector forks had been manufactured using the same computer aided drafting information.

[215] It is clear that the Logiical part is a substantial reproduction of the Dodson version if not an exact replica of the part. The coincidence in shape and dimension is not the result of manufacturing or functional constraints. Rather, it points strongly towards the Logiical part being an exact copy of the Dodson part. I find that the Logiical version breaches Dodson's copyright in the selector fork.

Gear lock and mechanical circlips

[216] GRD and Mr Gray did not manufacture a gear lock or mechanical circlips. Nevertheless, Dodson claims that Logiical and Mr Hannaford have infringed Dodson's copyright in those parts by importing, possessing or selling infringing copies of these parts contrary to s 36 of the Copyright Act.

[217] Establishing liability under s 36 involves proving, on the balance of probabilities, that the part is in fact an "infringing copy". The definition of "infringing copy" in s 12 of the Act includes the making of an object that constitutes an infringement of the copyright in the work in question, including, in relation to importation, the making of a part that would have infringed copyright had it been made in New Zealand (subject to certain exceptions which do not apply in this case).

[218] Dodson initially alleged that Logiical was selling a gear lock which was an infringing copy. However, the only evidence adduced at trial established that the Logiical gear lock was in fact a Dodson gear lock with the Dodson logo substantially removed. In the absence of any direct evidence regarding the alleged infringing parts, the claim for breach of copyright cannot be maintained in relation to the gear lock.

[219] As far as the mechanical circlips are concerned, there is no dispute that Logiical imported SSP circlips. Mr Hannaford admitted as much in his evidence. Dodson did not produce as exhibits those parts that they say infringe. However, the defendants produced SSP circlips through Mr Hannaford in his evidence in chief.

[220] Visually, the SSP circlips share some similarities to Dodson's MC 1. But objective similarity alone is not sufficient to prove that the imported parts are "infringing copies". There is no evidence at all from which the assessment of the key element of copying – that of derivation – may be made. The fact that Dodson may have separately alleged copyright infringement against SSP, and there had been discussions in chat forums as to the general similarity between the parts, is not proof that these parts were copies. In the absence of that evidence, Dodson cannot discharge its burden in relation to the mechanical circlips.

[221] Accordingly, Dodson cannot show that Logiical and/or Mr Hannaford imported a gear lock or mechanical circlips which infringed Dodson's copyright. It follows that the claims of secondary infringement in relation to these parts must be dismissed.

Clutch assembly

[222] Dodson pleads that the assembled clutches sold by Logiical and Mr Hannaford reproduce the whole or a substantial part of the Dodson clutch assemblies. Although not particularised, I have treated this claim as being directed at the Logiical 22-plate clutch system which is totally self-contained – just like the Promax.

[223] It flows from my analysis of the individual parts which make up the Logiical 22-plate clutch assembly, that this assembly also infringes Dodson's copyright in the Promax clutch assembly. All the features which lead me to find that copyright subsists in the Promax assembly (at [146]) are reproduced in the Logiical 22-plate clutch system. They have been copied from the Dodson parts.

[224] I find that the Logiical 22-plate clutch assembly infringes copyright in Dodson's Promax clutch assembly.

Who is liable for the infringement and on what basis?

[225] Having established that the Logiical clutch parts and selector fork breach Dodson's copyright, the next question to determine is who should be held liable for that breach and on what basis.

[226] The Copyright Act provides a number of different routes by which liability for copyright infringement might be established. The following sections are applicable in this case:

(a) Section 29 provides that copyright is infringed by the doing of a "restricted act" in relation to either a whole or any substantial part of a copyright work, and either directly or indirectly.
(b) Section 30 provides that the copying of a copyright work is a "restricted act".
(c) Section 2 defines "restricted act" as meaning any of the acts described in s 16.
(d) Section 16 sets out the acts which an owner of copyright has an exclusive right to do in New Zealand. They include copying the work, issuing copies of the work to the public, whether by sale or otherwise, and authorising "another person to do any of the acts referred to" in paragraphs (a) to (h) of s 16.
(e) Section 36 provides that copyright in a work is infringed by a person who possesses an infringing copy in the course of business, or who otherwise sells, offers for sale, exhibits or distributes, "an object that is, and that the person knows or has reason to believe is, an infringing copy of the work". This is known as "secondary liability".

[227] The heads of liability alleged against each of the four defendants is considered below.

GRD and Mr Gray

[228] GRD manufactured the Logiical clutch parts, the selector fork, and the 9-plate and 22-plate clutch assemblies. I have found that the individual parts making up those assemblies, and the 22-plate assembly itself, breach Dodson's copyright. Accordingly, GRD is in breach of ss 29 and 30 for the copying of a copyright work.

[229] Dodson says Mr Gray is also liable for copyright infringement as he authorised GRD to copy the copyright works and that is a "restricted act" for the purposes of s 29.

[230] All parties agree that the question of Mr Gray's liability is to be approached by considering whether his acts, as director of GRD, can found separate liability for copyright infringement under the Act. That approach was followed in *Inverness*.[61] In that case, Woodhouse J found that MDS Diagnostics Ltd's director was liable for a separate statutory wrong of infringement by authorising MDS to issue infringing copies to the public. His Honour held that because MDS was a corporation, the act of issuing to the public by MDS could only have occurred as a consequence of authority being given by another person (whether a corporate entity, or individual). As the Act did not exclude directors or corporations from those who may be liable for authorising another act of infringement by a corporation, the director in that case could be held liable for authorising the infringing act.

[231] Applying those principles to this case, it is clear that Mr Gray is directly liable for authorising copyright infringement. Mr Gray held 99 per cent of the shares in GRD, with the remaining one per cent held by his wife. Mr Gray was the face of the company, and the one who Mr Hannaford approached when he

61. *Inverness Medical Innovations Inc v MDS Diagnostics Ltd* (2009) 93 IPR 14 (HC).

wanted parts manufactured for Logiical. In reality, GRD and Mr Gray were one and the same with Mr Gray being the directing mind and will of his corporate entity. The decision to manufacture the Logiical parts, and to replicate the Dodson parts, was a decision taken by Mr Gray. In that respect, Mr Gray "authorised" GRD to copy the Dodson parts, thus infringing Dodson's copyright.

[232] Accordingly, both GRD and Mr Gray are liable for copying Dodson's work, with Mr Gray being personally liable for authorising the copying of that work.

Logiical and Mr Hannaford

[233] Dodson says that Logiical is also liable for copyright infringement. There is no evidence to show that it was directly involved in the manufacturing process and so it cannot be held directly liable for copying or reproducing the copyright works. Dodson alleges two other routes by which Logiical might be found liable:

(a) First, by authorising GRD to copy the Dodson parts contrary to s 16(1)(h) of the Act.

(b) Second, by being in possession of infringing copies, selling or offering to sell an object that it "knew or had reason to believe was an infringing copy" in the course of business.

[234] The first route of liability involves considering the concept of authorisation through a lens different to that used to consider the distinction between corporate and director liability. The scope of what is meant by "authorise" in this sense was considered by the Court of Appeal in *Heinz*.[62] It was alleged that Heinz Watties had contracted with BPM Contracts Ltd to construct a building "as per the existing adjacent potato stores".[63] The adjacent potato store belonged to Spantech, who argued that Heinz Watties had, as a result, authorised BPM to breach Spantech's copyright.

[235] The Court held that an instruction to build "as per the existing adjacent potato stores" could amount to a direction to copy those other potato stores.[64] As Heinz Watties was the contracting party and directed what was to be built through the contractual specifications, it could be held liable for authorising copyright infringement if what was built did in fact breach Spantech's copyright.[65] That Heinz Watties did not think that this amounted to copyright was immaterial. It was sufficient that Heinz Watties made an authorisation to copy – even if no authorisation was given to actually infringe copyright. The Court of Appeal also accepted that it was arguable that if the building was an infringing copy, then by commissioning the building on the terms that it did, Heinz Watties became a joint infringer or procured the breach of copyright.

[236] Applying those principles to this case, to prove its claim against Logiical, Dodson would need to show, on the balance of probabilities, that Logiical commissioned GRD to manufacture the Logiical clutch parts knowing that the resulting product would be a copy of the Dodson parts.

62. *Heinz Watties Ltd v Spantech Pty Ltd* (2006) 8 NZBLC 101; (2005) 11 TCLR 591; [2005] NZCA 300 at [36].
63. At [5].
64. At [32].
65. At [33].

[237] There is no direct evidence of an instruction in those precise terms, but there is sufficient evidence from which to draw the necessary inferences. That evidence includes the following:

(a) Mr Hannaford approached Mr Gray to manufacture the Logiical parts after failing to secure supply of the Dodson parts from Dodson directly and failing to secure parts of the necessary quality from overseas suppliers. It may be inferred from that evidence that Mr Hannaford wanted parts equivalent to the Dodson parts. His assertions that he only commissioned GRD to manufacture "replacement" parts lacks credibility in the face of that evidence.

(b) Mr Hannaford knew that Mr Gray and GRD had manufactured parts for Dodson and so he knew that GRD had the capabilities and know-how to replicate the Dodson parts.

(c) Mr Hannaford appeared to believe that if GRD was not manufacturing parts for Dodson any more, it would be "ok" for GRD to manufacture parts for Logiical. Similarly, Mr Gray believed that GRD was entitled to use his know-how derived from Dodson to manufacture the Logiical parts. Mr Gray's description of the approach made by Mr Hannaford exemplifies the point:[66]

> Carl asked me, "Would you make some bits for us?" and I said, "Well, I'm not particularly interested" and he said, "well, you know, you're not making it for Dodson's any more. I can't buy it, *what about just make the stuff that you're not doing for them*". I was like, "Nah, can't really be bothered still". He rang me a few times, and each time I said no In the end, around Autumn 2015 I thought "Well, yeah, Dodson's are running away with what I felt to be my hard work". So, I agreed to do some baskets for him. We weren't making the baskets for Dodson's at the time, or the pistons, because they were all being made offshore. It wasn't some grand conspiracy though, to get back at Dodson's. I had knowledge, which I wasn't barred from using under any agreement with Dodson's, and I was not doing a lot so I agreed to put the time into it.
>
> (emphasis added)

(d) Mr Hannaford had worked for Dodson during the development of the Dodson clutch and gear parts. He also worked closely with Mr Gray and GRD and accepted that he was involved in the refinement of the 22-plate clutch design. He must have known when he saw the Logiical parts manufactured by GRD that they were copies of the Dodson parts. His continuing course of conduct in instructing Mr Gray to manufacture the parts constitutes a continuing authorisation to copy those parts.

[238] Accordingly, I find that Logiical authorised GRD to breach copyright pursuant to s 16(1)(h) of the Act.

[239] The second route of liability, that of secondary infringement, arises under s 36 of the Act. Under that section, copyright is infringed by a person who possesses or deals with an object "that is, and that the person knows or has reason to believe is, an infringing copy of the work". I have already found that the Logiical clutch parts, selector fork, and clutch assemblies, are "infringing copies" for the purposes of this section. The remaining issue is whether Logiical knew or had reason to believe that the Logiical parts were infringing copies.

66. Brief of evidence, Mr Gray, at [380].

[240] The principles relevant to the knowledge requirement under s 36 were set out by the Court of Appeal in *Jeanswest*.[67] Section 36 requires actual knowledge ("knows") or constructive knowledge ("has reason to believe"). The latter includes a party wilfully closing its eyes to the obvious or wilfully failing to make inquiries that an honest and reasonable person in the circumstances will make.[68] Ignorance of copyright law is no excuse, so that lack of knowledge based on an error of law may still amount to infringement. The appropriate inquiry is whether the defendant knew the relevant facts to determine whether a work was a copyright work.[69]

[241] Where, as in this case, the secondary infringer is a corporation, the knowledge element of s 36 is to be considered by looking at the knowledge of the director, in this case Mr Hannaford. The following evidence shows that Mr Hannaford had either actual knowledge or constructive knowledge that the Logiical clutch parts and selector fork were "infringing copies":

(a) Mr Hannaford worked for Dodson and had intimate knowledge of the evolution of the design of the Dodson parts and their particular attributes.

(b) Mr Hannaford was also aware that Dodson had claimed copyright in their products and that they demanded confidentiality in relation to those parts to protect their investment.

(c) Logiical's promotion of its products appeared targeted at the same market as Dodson. That is, aftermarket parts for high performance use. Mr Hannaford's suggestion that they were simply designing replacement parts for the R35 lacked credibility in that respect.

(d) The evidence set out at [237] relied on to find that Logiical "authorised" GRD to copy the Dodson parts.

[242] It follows that Logiical is liable for secondary infringement under s 36 of the Act.

[243] The final question is whether Mr Hannaford should be held separately liable for copyright infringement. Dodson pleads that Logiical "acted under the direction, control and authorisation of Mr Hannaford and that Mr Hannaford has caused, encouraged, procured and/or authorised Logiical to copy and reproduce the Copyright Works or to engage, instruct, or commission GRD and Mr Gray to do so without license from Dodson". Alternatively, Dodson pleads that Logiical and Mr Hannaford have acted in the furtherance of a common design.

[244] In terms of statutory liability, Mr Hannaford may be liable if he "authorised" GRD and Mr Gray to copy the parts. That avenue of liability is not closed off simply because I have found Logiical liable for that authorisation. Joint liability for authorising an infringement is consistent with the broad net cast by s 29 of the Copyright Act which provides that infringement by the doing of a restricted act may be done "directly or indirectly" and it is "immaterial whether

67. *Jeanswest Corporation (New Zealand) Ltd v G-Star Raw C V* (2015) 13 TCLR 787; [2015] NZCA 14.
68. At [110].
69. At [114]–[117], citing with approval Ian Finch (Ed) *James & Wells Intellectual Property Law in New Zealand*, 2nd ed, Thomson Reuters, Wellington, 2012, at 301; Kevin Garnett et al (Eds) *Copinger and Skone James on Copyright*, 16th ed, Sweet & Maxwell, London, 2011, vol 1, at [8]–[10]; *Husqvarna Forest and Garden Ltd v Bridon New Zealand Ltd* [1997] 3 NZLR 215 at 226; (1997) 38 IPR 513 at 524; *Brintons Ltd v Feltex Furnishings of New Zealand (No 2)* [1991] 2 NZLR 683 (HC) at 688.

any intervening acts themselves infringe copyright".[70] In any case, even if there is no separate statutory liability, Mr Hannaford may be held liable as a joint tortfeasor for committing a restricted act.[71]

[245] There is no statutory liability for authorising secondary infringement under s 36 of the Act. Mr Hannaford's liability for secondary infringement must therefore be considered under the law of tort. The authors of *Intellectual Property Law in New Zealand* outline two different approaches in New Zealand case law to establishing the liability of directors for the tortious conduct of their companies in the intellectual property context. The first is the least favoured "making the tortious act his own" test, and the second is the "procured or directed" test. The focus of the second test is on the director's conduct, and its relationship with the tortious conduct for which the company is liable.[72] Dodson relies on this second test in alleging that Mr Hannaford is jointly and severally liable for Logiical's infringement.

[246] Ultimately, whatever route is followed, I am satisfied on the evidence that Mr Hannaford, together with Logiical, should be held liable for copyright infringement. Mr Hannaford is Logiical's sole shareholder and director, and his knowledge (including that gained from his time as a Dodson employee) is Logiical's knowledge. Logiical could only act, and did only act, on Mr Hannaford's say so. He made all decisions about what Logiical did and did not do, and he was effectively indistinguishable from Logiical as he accepted in cross-examination:[73]

Q. And you make all the important decisions on behalf of the company?
A. Yes.
Q. And all the important actions taken by the company are taken by you effectively?
A. Yes.
Q. So would you accept if I said that you are effectively Logiical?
A. Yes.

[247] In reality, it was Mr Hannaford who authorised GRD and Mr Gray to manufacture parts that were a copy of the Dodson parts, and it was Mr Hannaford who directed Logiical to deal with those copied parts. Logiical was the vehicle through which Mr Hannaford acted for the purposes of copyright infringement, and in that sense, both Logiical and Mr Hannaford acted together. Mr Hannaford was directly and intimately involved in Logiical's tortious conduct. I accordingly find Mr Hannaford jointly liable for Logiical's copyright infringement.

What relief should be granted?

[248] Dodson seeks declaratory and injunctive relief, and an order requiring the delivery up of all infringing copies of the copyright works. That relief is appropriate, and orders in those terms are set out at the end of this judgment.

[249] Dodson also seeks damages – an award calculated according to the user principle, and additional damages pursuant to s 121 of the Copyright Act. The claim to the former is considered first.

70. Section 29(2) of the Copyright Act.
71. *Electroquip Ltd v Craigco Ltd* HC Ak CIV 2006-404-006719, 3 September 2008, per Rodney Hansen J at [134].
72. At [114]–[117], citing with approval Ian Finch (Ed) *James & Wells Intellectual Property Law in New Zealand*, 3rd ed, Thomson Reuters, Wellington, 2017, at 4.10.7.
73. Notes of evidence, p 535, lines 11-17.

The user principle

[250] The user principle provides a means of calculating damages where a copyright owner cannot establish loss of profits, or a normal royalty fee.[74] The basis of the user principle is that the copyright owner "is entitled to receive from the infringers the price that would have reasonably been charged for permission or authorisation to carry out each infringing act".[75]

[251] The assessment is based on a hypothetical negotiation between a willing licensor and a willing licensee for a notional licence fee to be paid for each infringing act. The assessment involves considering what sum would have been arrived at in negotiations between the parties had each been making reasonable use of their respective bargaining positions, bearing in mind the information available to the parties and the commercial context at the time that the notional negotiation would have taken place.[76]

[252] In *Eight Mile Style*, the Court of Appeal endorsed the features of the user principle set out in *Copinger and Skone James on Copyright* as follows:[77]

(i) The hypothesis is that the actual licensor and the actual infringer are willing to negotiate with each other as they are, with their strengths and weaknesses, in the market as it existed at the date of the infringement. Accordingly the task of the court is to assess the value of the use to the defendant, not to a hypothetical person.

(ii) However, any impecuniosity on the part of the notional licensee is to be disregarded, as are the personal characteristics of the parties (eg an easy-going or aggressive nature), as opposed to the objective factors with which they were faced. Such matters are not considered to provide any guidance as to what the right is worth.

(iii) The fact that one or both parties would not in fact have reached an agreement is irrelevant.

(iv) The terms of any notional licence must reflect the actual infringement. Accordingly, where only part of a copyright work has been infringed, the notional licence is a licence to carry out the infringing act and not a licence to use the whole of the copyright work. The period of the licence is the period of actual infringement. Where the infringer enjoyed exclusivity in practice, the notional licence should accord with the reality. Likewise, the licence should permit the infringer to contract with others on the terms on which it actually contracted.

(v) Where there has been nothing like an actual negotiation between the parties, it is reasonable for the court to look at the eventual outcome and to consider whether or not that is a useful guide to what the parties would have thought at the time of their hypothetical bargain.

(vi) The court can take into account other relevant factors, and in particular delay on the part of the claimant in asserting its rights.

74. *New Zealand National Party v Eight Mile Style LLC* [2018] NZCA 596 (*Eight Mile Style*) at [27]–[28]; *General Tire and Rubber Co v Firestone Tyre and Rubber Co Ltd* [1975] 1 WLR 819 at 826; (1975) 1B IPR 713 at 725; [1975] 2 All ER 173 at 176 (*General Tire*).

75. *Napier Tool & Die Ltd v Oraka Technologies Ltd* [2017] 2 NZLR 611; [2016] NZCA 554 at [74].

76. *Force India Formula One Team Ltd v One Malaysia Racing Team SDN BHD* [2012] RPC 29; [2012] EWHC 616 (Ch) (*Force India*), cited in *32Red PLC v WHG (International) Ltd* [2013] EWHC 815 (Ch) (*32Red Plc*) at [25]; *Oraka* at [27], [29] and [33].

77. Gillian Davies, Nicholas Caddick and Gwilym Harbottle (Eds), *Copinger and Skone James on Copyright*, 17th ed, Sweet & Maxwell, London, 2016, vol 1, at [21-292], as quoted in *Eight Mile Style* at [29].

(vii) It is relevant under this head that the defendant could have arrived at the same result by lawful means if the parties can be expected to have taken that fact into account in their hypothetical negotiation. That alternative need not have had all the advantages or other attributes of the infringement.

(viii) In the absence of comparable licences or other compelling evidence the royalty may be based on the "available profits" method: the defendant's actual profits are calculated; it is assumed that the parties would have accurately predicted these profits when negotiating; the profits are then (in effect) divided between the claimant and the defendant.

(ix) In some cases it may be appropriate to award as damages the cost of producing or commissioning the material in a form which did not infringe copyright.

(x) In a case within this group, the court may have to call into play "inference, conjecture and the like", and apply "a sound imagination and the practice of the broad axe".

[253] The assessment is one of judicial estimation of the available indications. It is for the plaintiff to adduce evidence which will guide the Court. General considerations will be relevant, but where there is evidence of actual licensing fees specific to the work and use in question, general evidence is likely to carry less weight.[78] The notional fee must be assessed in the commercial context as at the relevant time. That means that alternative courses of action open to the parties will be relevant in setting the notional fee, as will the value of the infringing use to a defendant.[79]

The expert evidence

[254] Each party engaged expert witnesses who gave evidence on the calculation of damages. Mr Hussey was engaged on behalf of the plaintiff. He assessed damages according to two scenarios. The first scenario was predicated on the parties not knowing the actual sales made by Logiical. Mr Hussey considered the parties would have agreed that the licensee pay a fixed fee of $100,000 per annum, plus a royalty rate of 10 per cent of infringing sales. Damages were calculated at $357,000 according to this scenario.

[255] The second scenario was based on the parties having knowledge of the actual number of infringing sales made by Logiical. Under this scenario, Mr Hussey assumed two licences – one with Logiical and one with GRD. The structure of each notional licence agreement was payment of a royalty on each infringing sale. The royalty rate was calculated according to an estimated split of profits between the parties. That split was calculated by considering the profits which Dodson would have lost as a result of licensing Logiical (the "cannibalisation rate"). That set the minimum rate which Dodson would have agreed. A 20 per cent premium was added to allow Dodson to profit on the arrangement. On instructions, Mr Hussey added a further 20 per cent premium to this figure, relying on the High Court judgment in Eight Mile Style. The damages calculated on this scenario were between $106,008 and $160,618 depending on the cannibalisation rate chosen.

78. *General Tire* at WLR 824–5; IPR 723–4; All ER 174–5; *Eight Mile Style* at [4]–[41].

79. *Eight Mile Style* at [47]; *32Red Plc* at [41]. *Oraka* at [30], referring to *Force India Formula One Team Ltd v Aerolab SRL* [2013] RPC 36; [2013] EWCA Civ 780 at [107], [426]–[427], [455]–[458]; *Gallagher Electronics Ltd v Donaghys Electronics Ltd* (1991) 4 TCLR 344 at 350; 3 NZBLC 102,210 (HC).

[256] Mr Beylefeld was engaged by the defendants. He also calculated the applicable royalty rate according to two different scenarios. In the first scenario Mr Beylefeld had reference to a database of the royalty rates in the auto-manufacturing intellectual property field. That established a royalty rate of 6.1 per cent of sales. Mr Beylefeld uplifted that to 10 per cent to account for issues particular to the positions of the parties in this case. That resulted in damages of $25,127.

[257] Mr Beylefeld's second scenario was based on the royalty rate being determined by an agreement on the share of profits. Mr Beylefeld applied the "25 per cent rule", that is, a presumption that the parties would agree that 25 per cent of Logiical's profits would be paid to Dodson as licensor. That yielded a royalty rate of 19.6 per cent, which was rounded up to 20 per cent. Mr Beylefeld then considered factors which would result in an increase, or decrease of this royalty rate, and concluded that they balanced each other out so that no further adjustment was necessary. The damages calculated according to this approach were $50,254.

[258] The various issues raised in each of the four scenarios put forward by the experts are considered in the context of the hypothetical negotiation over the licence fee as set out below.

Terms of the hypothetical licence

[259] The parties' experts agreed the term of the hypothetical licence is 40 months. There was a difference between them on the commencement and end dates of this licence period, but that difference is immaterial. I have adopted 25 February 2015 to 15 June 2018 which are the first and last dates for which invoices with infringing sales have been discovered.

[260] The subject matter of the licence is the manufacture and sale of the infringing parts. That encompasses the manufacture and sale of the clutch parts and selector fork, but not the gear lock and mechanical circlips.

[261] Territory is another relevant factor in setting the appropriate royalty rate.[80] Mr Cain submits that it is open to the Court to only assess damages on the sales made in New Zealand, as that is where the copyright infringement occurred. However, that approach is unduly narrow. Logiical made sales to customers both in New Zealand and overseas, and the hypothetical negotiation would be for a licence of all those sales. That approach is consistent with the compensatory objective of the user principle. Both experts included overseas sales as part of their analysis and I proceed on that basis.

[262] That raises a further issue about whether the licence would be tied to particular regions or would apply worldwide. Although Dodson's dealership practice suggests that any non-exclusive agreement would be linked to a particular geographical region, there was insufficient evidence to infer the particular region in which the sales would take place. Even if the geographical territory was limited to the actual place of the infringing sales, there was no evidence about the number of Dodson's dealers in that particular geographical location, and so nothing to suggest how a territorial limit would affect the notional fee.

80. *Eight Mile Style* at [65].

[263] Mr Beylefeld assumed a non-exclusive agreement and made an upwards adjustment to the market royalty information he sourced for that purpose. For the purposes of this exercise, I also assume that a non-exclusive licence, not tied to any particular geographical location, is being negotiated.

Parties to the negotiation

[264] Dodson will be at the negotiating table as the notional licensor. But there is an issue as to whether both Logiical and GRD will be there as notional licensees. Put another way, the question is whether there will be a single notional licence, or two.

[265] The same issue was considered by Hinton J in *Oraka*. Her Honour held that the appropriate licensee in that case was Geostel Vision Ltd – the seller of the grading machine that was operating in competition with the plaintiffs' grader. The manufacturer of the defendant's grader, Napier Tool and Die, was not at the negotiating table, and its profits were considered irrelevant.[81]

[266] I respectfully agree and follow that approach. On that basis, Logiical is the notional licensee. Logiical is the main beneficiary of the breach of Dodson's copyright.[82] Accordingly there is only one notional licence, and not two.

Commercial context and the parties' bargaining positions

[267] The hypothetical negotiation is to be conducted on the basis that each party is making reasonable use of their respective bargaining positions bearing in mind the information available to the parties, and the commercial context, at the time.[83]

[268] At the time of the hypothetical negotiation, Dodson had a dominant position in the market for its high-performance aftermarket clutch parts for the R35. Ninety per cent of its business was export based, and it had an established network of dealers worldwide.

[269] There was no evidence about how many dealers and distributors Dodson had in 2015, but by 2018, Dodson had 120 to 150 dealers, and two distributors (including [REDACTED]). Dodson did not, and does not have any dealers in New Zealand, although it did have a standalone service centre which Mr Cupit described as being like a dealer in some respects. Not all dealers were entitled to sell the full range of Dodson clutch parts, and none of the dealership arrangements included a licence to manufacture the Dodson parts.

[270] Although the dealership agreements are not expressly limited to a particular territory, Dodson controls the number of dealers operating in the same geographical region. Dodson's dealership agreements typically include a minimum spend requirement, which varies depending on where the dealer is located and the number of cars sold in the region.

[271] At the time of the hypothetical negotiation, Logiical had been operating for a few years. Its principal business was the service, repair and maintenance of vehicles, with some sales of aftermarket components for the R35. Mr Hannaford had sought permission from Dodson to sell its parts but was unsuccessful in securing supply directly. However, the fact that Dodson would not have made the deal with Logiical or Mr Hannaford in reality is irrelevant to the overall assessment.

81. *Oraka* at [55].
82. *Force India* at [435].
83. *32Red Plc* at [35].

[272] As to the wider commercial context, there were several other companies selling aftermarket clutch parts for the R35 at the relevant time. Mr Beylefeld's expert evidence was made on the basis that Logiical could have sourced the same parts from seven other suppliers worldwide. Dodson disputes that these companies were truly competitors operating in the same market.

[273] For the purposes of the hypothetical negotiation, I consider these parties to be competitors. The fact that they may be selling inferior parts, or parts which were not targeted at the high-performance end of the market, relates to the extent of the competition posed by these seven companies. That impacts on Logiical's ability to obtain parts that are the same as, or similar to, the Dodson parts from other sources. It is also a factor to be weighed in the mix when considering the impact on Dodson's business of licensing Logiical. These are features which are addressed at [296] to [297] of this judgment.

Structure of the licence — A fixed fee?

[274] Mr Hussey's first scenario was premised on the parties not having knowledge of the actual infringing sales achieved by Logiical. In Mr Hussey's opinion, the negotiated royalty in those circumstances would have allowed for the prospect of the arrangement causing significant harm to the Dodson business. That impact would, in his opinion, have been reflected in the parties agreeing a fixed annual licence fee of $100,000 per annum, plus a 10 per cent royalty rate on all infringing sales.

[275] The premise underlying this approach – that the parties did not have knowledge of the actual number of infringing sales – is consistent with the hypothetical negotiation taking place prior to infringement. The actual outcome is only a guide as to what the parties would have thought at the time of their hypothetical bargain.[84] I also agree that Dodson would have taken into account the impact of licensing Logiical on its business in determining the minimum royalty rate it was willing to accept. That impact includes the potential to lose sales during the term of the licence, and after the term of the licence expires.

[276] However, while that impact is relevant, I am not persuaded that Dodson would have considered it to be "significant". Dodson was dominant in the market at the time of the hypothetical negotiation, with dealers positioned worldwide. Logiical was still in an early start-up phase and did not have established sales channels or a solid customer base in New Zealand or overseas. Obviously, that might have changed in the future with the sale of Dodson parts, but I do not consider the parties would have anticipated a major impact on Dodson's market share at the time they were negotiating the hypothetical licence.

[277] Even if there was a significant impact, I am not persuaded that this would have led the parties to agree on an annual fixed fee arrangement, whether of $100,000 or any other sum. That structure, and those sums, are not grounded in the evidence, and Mr Hussey candidly acknowledges that they are arbitrary.[85] The market evidence relied on by Mr Beylefeld (referred to further below) establishes that the most common structure of licensing agreement is the payment of a fee calculated on a percentage (the royalty rate) on each sale.

84. *32Red Plc* at [25]; *Oraka* at [33(i)].

85. Mr Hussey pointed to the [REDACTED] agreement as support for his fixed fee approach. But a one-off requirement to purchase stock at a certain level is not comparable to an annual fixed fee unrelated to product purchases or sales targets. Accordingly, I am not persuaded that the [REDACTED] agreement substantiates the fixed fee approach.

[278] Accordingly, I consider the structure of the notional agreement would be a royalty agreement based on the number of anticipated sales, without a fixed fee. The key issue in contest between the parties concerns the royalty rate which the parties would have agreed on in their negotiations. Evidence directed to that issue is considered next.

Comparable licences

[279] Evidence as to the royalty rate set in any existing licensing agreements, and the rate set in market agreements may be used as a guide as to what the parties would have agreed.

[280] Dodson produced a distribution agreement signed in June 2018 with a European distributor, [REDACTED]. Broadly speaking, the terms of the [REDACTED] agreement suggest that Dodson could command a higher royalty rate in any negotiation. But the agreement is not directly comparable, in that it does not stipulate a royalty rate per se, and adjustments would need to be made for additional terms agreed (such as the purchase of product upfront, and minimum sales requirements). The agreement also post-dates the hypothetical negotiation by a number of years. Neither party had reference to this agreement in reaching their expert opinions, and I consider it to be of little value in the overall assessment.

[281] Mr Beylefeld's first scenario was based on the royalty rates referenced in the IPSCIO Royalty Source – a royalty rate and licencing agreement database. He derived royalty rates of around six per cent for license agreements in the automotive industry. He then increased that royalty rate to 10 per cent to account for the notional rate being based on a non-exclusive agreement, and not including a territorial restriction.

[282] Again, while that evidence is of relevance, its generality reduces its utility for comparison purposes. And, for the reasons set out below, the fact specific features of the negotiation between the parties in this case suggest that the royalty rate agreed would be significantly higher than 10 per cent.

Share of profits

[283] Both experts accepted that royalties are a means of sharing actual or expected profits. The expected profits that each party may reasonably expect to be generated by the notional licence is therefore a relevant factor to be taken into account in assessing the royalty rate.

[284] Mr Beylefeld's second scenario was based on a share of profits using the "25 per cent rule" as a starting point. The 25 per cent rule provides that the parties would have agreed that the licensee would have paid 25 per cent of the profits to the licensor on each sale of an infringing item. Mr Beylefeld's application of the 25 per cent rule in this case led to a royalty rate of 19.6 per cent, which he rounded to 20 per cent.

[285] Mr Hussey's second scenario was also based on a profit split. But he assessed the royalty rate to be negotiated based on a share of profits from a different starting point. He considered what profits Dodson might expect to lose as a result of licensing Logiical (the cannibalisation rate) and used that to calculate the royalty rate that would apply to allow Dodson to recoup these profits. He considered this 'break-even" rate to be the minimum royalty rate which Dodson would agree to in any negotiation. An additional 20 per cent premium was then added to allow Dodson to profit from the notional licence with Logiical.

[286] As noted above, the impact on Dodson's business, including the potential to lose sales, is relevant to the hypothetical negotiation between the parties. But there is insufficient evidence to suggest that Dodson would have anticipated the impact on its business to be as significant as Mr Hussey assumes.

[287] Even if the actual sales figures could be used as a guide to what the parties may have thought at the time of the hypothetical negotiation, there is no evidence to infer that Dodson would have made 50 per cent, or even 33 per cent of the infringing sales itself. If there was such evidence, then damages should have been assessed using the loss of profits measure – at least in respect of those sales.[86] Damages calculated in accordance with the user principle is the appropriate measure when the plaintiff cannot prove a loss of profits. Calculating the hypothetical royalty rate by reference to the loss of profits suffered on actual sales confuses the two measures.

[288] Hinton J did not rely on the 25 per cent rule in *Oraka*, as she did not consider there to be any need to adopt a fall-back position in that case.[87] But in the absence of any evidence in this case as to what the parties may have considered to be an appropriate profit split between them, the 25 per cent rule provides a useful starting point. The application of that rule leads to a 20 per cent royalty. I adopt that royalty rate as the starting point in the hypothetical negotiations and consider whether any adjustments should be made to it for the features peculiar to this case.

[289] As noted above, the hypothetical negotiation is predicated on a willingness by both parties to reach agreement. The fact that one party would not have ever licensed the other is irrelevant. Nevertheless, the commercial factors which might make one party more reluctant, and the other more willing, will be relevant to the bargain ultimately struck.

Reluctance and willingness

[290] In *Eight Mile Style*, the Court of Appeal highlighted the distinction between objective and subjective reluctance. In the context of that case, objective reluctance on the part of the licensor reflected the potential risk of political association to the future commercial value of the copyright work. The subjective reluctance was the need for alignment with the licensor's views and morals, that is, the subjective reaction to the particular viewpoint of the licensee in that case. Applying the same principle, but on the other side of the bargaining table, the Court of Appeal found that the subjective willingness of the licensee (described as the licensee's "special willingness") in the hypothetical negotiation was irrelevant to the determination of the notional fee.[88] This was because a subjective reluctance to license is incompatible with the assumption of a willing licensor.

[291] Both experts agreed that Dodson's reluctance to licence Logiical was a factor that could justify a higher fee, but neither of them drew a distinction between objective and subjective factors in their evidence. I consider that Dodson's reluctance to negotiate with Logiical due to matters of personal

86. In *Electroquip Ltd Craigco Ltd (No 2)* HC Auckland CIV-2006-404-6719, 29 April 2010, damages were assessed on a loss of profits basis for those sales that the plaintiff could prove it would have made, and on the basis of a notional royalty rate for those sales that it could not prove it would have made.
87. *Oraka* at [133].
88. *Eight Mile Style* at [92].

distaste, concerns about competency, or even hostility towards each other are subjective factors irrelevant to the hypothetical negotiation. I put them to one side.

[292] However, the commercial factors which may have caused Dodson to demand a higher fee (in other words, a reluctance to accept anything below a certain level), are relevant to the overall assessment. The impact on Dodson's business as a result of entering into the licence with Logiical is one such factor. That impact is both direct and indirect. As previously mentioned, Dodson could expect to lose sales in New Zealand, and some sales may also have been lost worldwide, during the term of the licence. The indirect loss would flow from licensing a competitor to not only sell, but also manufacture the Dodson products. Such a licence would facilitate Logiical's entry into the New Zealand and world market.

[293] Originally, Dodson submitted that the loss of quality control in relation to the manufacture of its parts would also be a factor driving up the royalty rate. But, following the Court of Appeal's decision in *Eight Mile Style*, Dodson conceded that quality control was not a relevant factor. I am bound by that judgment, and so put the lack of quality control to one side.

[294] Nevertheless, even without the quality control issues, I consider the impact on Dodson's business means that Dodson would have demanded a higher royalty rate than 20 per cent. On the flip side, I consider Logiical would have been prepared to pay that higher royalty rate. Dodson was the market leader for aftermarket clutch components for the R35. Logiical would have been the first and only licensee to be able to both sell and manufacture Dodson parts. This would have been a major coup for a relatively small company just starting out.

[295] In addition to selling Dodson parts, Logiical is also likely to have anticipated making additional profits from selling non-licensed (ie non-infringing) parts and providing ancillary services. The fact that Logiical sold frictions and steels having a value of approximately $34,000 substantiates such an adjustment. These substantial benefits are likely to have led Logiical to agree a royalty rate in excess of 20 per cent on each sale.

Dodson's competitors

[296] Mr Beylefeld considered there were various factors which would have counter- balanced any upward adjustment to the royalty rate. The primary factor was the effect of competition in the market. That is relevant to the alternatives open to Logiical from which to source similar parts.

[297] As noted above, I accept that Dodson faced competition in the market. But the quality of that competition would not have made a material difference to the parties' negotiating positions in my view. There was very limited evidence directed towards this issue at trial, but what little evidence there was did not suggest that any of the seven competitors identified provided serious inroads into Dodson's market share. Looked at in the broader context, this would not have been a factor leading to a downwards adjustment in the negotiated hypothetical royalty rate.

Extent of the copying

[298] The extent of the copying is relevant to the licence fee to be struck. I have found that the Logiical parts reproduced the essence of the innovative features in the Dodson parts. In that sense, there has been extensive copying. But there are

some differences between the parts, and it must be borne in mind that some of the similarities are explained by the functional constraints imposed by the R35 dual clutch transmission. Considered in the round, I consider the extent of the copying requires an uplift to the 20 per cent starting point, but only by a modest amount.

Eight Mile Style premium

[299] Mr Hussey's calculations included a 20 per cent premium he was instructed to make on the basis of the High Court judgment in *Eight Mile Style*. In closing, Mr Elliott identified six separate factors which he said justified the application of a 20 per cent premium in this case. As to these factors:

(a) Three of them (use by a former employee, the fact that the defendants knew full well that they would not be able to access the Dodson parts, and the fact that they held themselves out as associated and connected to Dodson) are far removed from the hypothetical negotiation upon which the user principle is based. They verge on being punitive in nature, which is at odds with the compensatory focus of the principle.

(b) One of the factors (the impact on the dealer network) has already been taken into account.

(c) As set out above, and in accordance with the Court of Appeal judgment in Eight Mile Style, the loss of quality control is not a relevant factor.

(d) The alleged compromise of the value of the copyright works by the production of low quality copies, is just a variation of the loss of quality control factor.

[300] Mr Hussey did not provide an independent expert opinion in support of the additional premium, acknowledging that he had only applied it on instructions. I do not consider there to be any basis to apply a premium, whether of 20 per cent or some other figure, and I decline to do so.

Assessment of compensatory damages

[301] It follows from the above that the royalty rate of 20 per cent (derived from the split of profits according to the 25 per cent rule) is to be adjusted upwards to account for the potential risk to the future commercial value of the copyright works The quantum of that adjustment is a matter of judicial estimation.

[302] Given the respective bargaining positions of the parties, and the commercial context in which the hypothetical negotiation was taking place, I consider an uplift of eight per cent, for a total royalty rate of 28 per cent, reflects the overall balancing of the factors considered above.

[303] As to the sales figures that this royalty rate should be applied to, the experts agreed that Logiical made sales of $286,075.50 during the period in question. But, the following sums should be deducted from this amount:

(a) The sum of $34,806.19 for frictions and steels. The frictions and steels sold do not form part of Dodson's claim. They are non-infringing sales; and

(b) The sum of $3,076.50 for the sales of the gear lock ($2,084.75) and the mechanical circlips (a total of $991.75) that I have found were not infringing copies.

[304] Applying the 28 per cent royalty rate to the sum of $248,192.81 results in a (rounded) damages award of $69,494.00. That sum is to be awarded against all defendants jointly and severally for copyright infringement.

Additional damages for flagrancy of breach

[305] Section 121(2) of the Copyright Act allows a Court to make an award of additional damages having regard to the circumstances, and in particular the flagrancy of the infringement and any benefit accruing to the defendant as a result.

[306] "Flagrancy" implies the existence of "scandalous conduct, deceit and such like; it includes deliberate and calculated copyright infringements".[89] The damages awarded are not linked to compensation awards, and are akin to awards of exemplary damages at common law.[90] All relevant conduct of the parties up to the time of judgment may be considered.[91]

[307] In *Jeanswest*, the Court of Appeal annexed a table setting out examples of cases in which additional damages had been awarded, and the quantum of those awards.[92] Factors relevant to the exercise of the discretion include the nature of the infringement (and the degree of flagrancy); the benefit to the defendants from the breach; the adequacy of the compensatory award; the means of the infringing parties; and the deterrence effect of an award.[93]

[308] The following factors weigh in favour of an additional award of damages:

(a) The infringement in this case was flagrant. It involved an ex-employee and former manufacturer blatantly reproducing the essential, and innovative, elements of the Dodson parts.

(b) The assessment of compensatory damages according to the user principle does not fully reflect the degree of flagrancy in the breach.

(c) Although there was no direct evidence of the benefit derived by the defendants, it may be inferred that by copying the parts, both Logiical and GRD avoided the significant costs involved in designing the parts from scratch.

(d) Logiical and Mr Hannaford traded off the back of Dodson's investment in both time and money, and specifically promoted the parts as being equivalent to the Dodson brand.

(e) Deterrence is relevant in these circumstances. Prosecuting copyright infringement can be difficult and time-consuming. Deliberate copying requires an additional award to act as a deterrent to others who may be tempted to engage in similar behaviour.

[309] Dodson submits that the defendants' denial of copyright infringement throughout these proceedings is a further ground to award additional damages. But something more than putting forward a defence to a claim is required to engage the exemplary purposes of the s 121 award. To the extent that there is conduct specifically relating to the carriage of the proceedings, then that conduct may sound in costs.

89. *Wellington Newspapers Ltd v Dealers Guide Ltd* [1984] 2 NZLR 66 at 69; (1984) 4 IPR 417 at 420, citing *Ravenscroft v Herbert* [1980] RPC 193 (Ch) at 208.
90. *Skids Programme Management Ltd v McNeill* [2013] 1 NZLR 1; (2013) 98 IPR 324; [2012] BCL 387; [2012] NZCA 314 (*Skids Programme*) at [106].
91. At [108].
92. (2015) 13 TCLR 787; [2015] NZCA 14 .
93. *Skids Programme*; *Jeanswest*. As to deterrence, see *Seafolly Pty Ltd v Fewstone Pty Ltd* (2014) 313 ALR 41; 106 IPR 85; [2014] FCA 321 at [642]–[643].

[310] Although these factors suggest an additional award should be made, there are three factors that suggest such an award should be relatively modest:

(a) The defendants appear to be of limited means. This is not a copyright case between two substantial competitors. Mr Hannaford described Logiical and Dodson as being like a dairy and supermarket respectively. There is truth in that comparison.

(b) The sales of Logiical parts were relatively modest, and the development of the 22-plate clutch assembly was halted when proceedings were started.

(c) There is no evidence that the Logiical sales caused harm to Dodson's reputation, or that Dodson's business has in any way suffered as a result of the Logiical sales.

[311] In terms of quantum, I have considered all those cases reviewed in the table to the *Jeanswest* decision, and the award in *Jeanswest* itself. I consider this case to be closest to *Norm Engineering Pty Ltd v Digga Australia Pty Ltd* in which an award of AUD $19,450 was made against a single defendant in 2007.[94] In this case, some 12 years later, there are four defendants, and effectively two major parties involved in the manufacturing and sale of the Logiical parts.

[312] Taking all these factors into account, I make an award of $60,000 in additional damages against all defendants jointly and severally.

Fair Trading Act

[313] Dodson claims that each of the defendants engaged in misleading and deceptive conduct in breach of ss 9, 10, and/or 13 of the Fair Trading Act 1986 (the FTA).

Logiical and Mr Hannaford

[314] Dodson claims that Logiical breached the FTA in two ways. First, it claims that a statement on Logiical's website breached the FTA. Second, it claims that Logiical's supply of gear locks with the Dodson logo machined off was misleading and deceptive.

[315] The statement at the centre of the first claim appears at the bottom of the Logiical website and provides:

> Logiical Performance are New Zealand's leaders in Nissan R35 GT-R Development

[316] The background to that page is an enlarged picture of a gear lock. On the right- hand side of the page are three smaller pictures arranged underneath each other. The top picture shows a gear lock in situ, the next is an A basket, and a picture of a B basket is on the bottom. At the centre-left of the page is a statement in large font, "strengthen your R35 GT-R Gearbox", and in smaller font underneath "reliable launches every time", "see range" and "road, race and rally transmissions".

[317] Dodson alleges that the statement is misleading in two different respects. First, Dodson says that the statement misrepresents Logiical's alleged leadership in Nissan R35 GT-R development. Second, Dodson says that the statement represents that the Logiical gear lock is part of such a development when it was not.

94. *Norm Engineering Pty Ltd v Digga Australia Pty Ltd* (2007) 162 FCR 1; 72 IPR 332; [2007] FCA 761.

[318] I treat Dodson's first allegation as a claim falling within s 13(1)(b) of the FTA. That section prohibits a person in trade from making a false or misleading representation that services are:

> …of a particular kind, standard, quality or quantity, or that they are supplied by any particular person or by any person of a particular trade, qualification or skill, or by a person who has other particular characteristics

[319] There is no issue that the representation was made, that it was made in trade, and that it was made in connection with the supply, possible supply, or promotion of the supply of goods or services. It also concerns the standard and quality of the services to be supplied by Logiical, and the characteristics of the person (in this case, Logiical) supplying them ("leaders in the development of R35").

[320] The only issue is whether the statement is false and misleading. Mr Hannaford denies that it is. He says that the statement about being New Zealand's leaders in Nissan R35 GT-R development is in relation to the Nissan R35 as a whole, and not just the gearbox. That explanation is strained. The most prominent statement on the website page relates to strengthening the gear box. There is reference to reliable launches, and road, race and rally transmissions. The photographs on the page relate to components of the gearbox and transmission. The clear message conveyed is that Logiical is a leader in the development of stronger and more reliable gearboxes and transmissions for the R35.

[321] That representation is both false and misleading. It is simply not true to say that Logiical is a leader in the development of the R35 GT-R. The findings on the copyright cause of action establish that Logiical's business was built on the back of copies of Dodson's parts. Logiical was not involved in the development of its aftermarket clutch parts for the R35, let alone being a leader in the field. Inducing customers through misleading statements made on company websites is just the type of conduct captured by s 13(b). Logiical's misrepresentation breaches s 13(b) of the FTA.

[322] Dodson's claim that the statement is also misleading because it represents that the defendants' gear lock is part of the R35 development, when it was not, is more problematic. It is far from clear that such a representation is conveyed by the photographs and statements on the website. There was no evidence that the targeted sector of the public (owners of R35s looking to strengthen the gearbox and transmissions) are likely to have been misled in that way. I consider the allegations in relation to the gear lock are more appropriately considered in the context of Dodson's second claim that the supply of one or more of Dodson's gear locks with the Dodson logo machined off was in breach of the FTA. That claim is considered next.

[323] Initially, Mr Hannaford said that he had sold second-hand products, but that he had never received, nor sold any Dodson parts. He denied machining off the Dodson logo on these parts. However, there was a shift in that evidence, and Mr Hannaford became particularly uncomfortable when questioned further about this as the following exchange demonstrates:[95]

> Q. Just so we can clarify the gear locks. Are you aware that it's been alleged that someone has defaced them by machining off the Dodson name?

95. Notes of evidence, p 503, lines 3-20.

A. Yes, that's what it looks like.
Q. And was that you?
A. They were — I can't recall if they were me. There were some that were damaged.
Q. Have you had a chance to look at the exhibit 44. May I approach the witness, Your Honour?
A. Yes, it has been cleaned up, I can see that. I can't, I can't recall if I did this myself, I don't think I would've. Where did this gear lock come from, what gearbox?
Q. It's dealt with in the evidence. I'm just asking you whether you ever took the Dodson name off a gear lock?
A. I did polish a few of them. This one here I did, might've been the one, there was one that had been done and I polished it off, I polished it to make it smooth so this potentially could've been the one that was at the workshop, it would've been one of the second-hand ones that came in, they were all beaten up and -

[324] Mr Hannaford's claim that he polished a few second-hand Dodson gear locks because they were beaten up lacks credibility. The above exchange is sufficient to prove, on the balance of probabilities, that Mr Hannaford machined off the Dodson name from at least one gear lock.

[325] There is no real doubt that Logiical's supply of the Dodson gear locks, with the name sheared off, constitutes misleading and deceptive conduct in breach of s 9 of the FTA. The fact that only one or two of these gear locks were supplied, and there is no evidence of customers being misled, is not determinative of the claim. There are some parallels to *Holdfast*, where the Court of Appeal upheld the High Court's findings that supplying "Toggler" fasteners in Holdfast packaging was misleading and deceptive conduct in breach of s 9.[96] Objectively assessed, Logiical's actions were capable of misleading and deceiving customers into thinking that the gear lock supplied was a Logiical one, when that was not true. That is sufficient to establish a breach of s 9.[97] I find accordingly.

[326] Dodson makes two claims of breach of the FTA against Mr Hannaford personally. The first is a statement in a NZ Performance Car magazine article from September 2016 that Mr Hannaford was the "head mechanic at Dodson performance for eight years".

[327] Mr Hannaford says that he never meant to convey that he held the position of 'Head Mechanic' at Dodson. Instead, he was providing a descriptive and general explanation of the role he performed for the company. That explanation is implausible. As Mr Hannaford later admitted, he was "talking himself up". He was trading off Dodson's pre-eminent reputation in the market by associating himself with the development of their products. His statements suggest to the magazine readership that he has a particular trade, qualification or skill that he does not have, and that he is affiliated to Dodson in a way that he is not.[98] It is a false and misleading statement under s 13(b) of the FTA.

[328] The second statement relied upon by Dodson was made during a conversation with a private investigator who was posing as a potential customer. The conversation took place on 16 August 2016 and was recorded by the private investigator who gave evidence at trial. When referring to clutch parts, Mr Hannaford said that he "developed all this stuff when I was at Dodson's".

96. *Holdfast New Zealand Ltd v Mechanical Plastics Corp* [2013] NZCA 335.
97. As per the test set out in *Red Eagle Corporation Ltd v Ellis* [2010] 2 NZLR 492; (2010) 11 NZCPR 157; [2010] NZSC 20 at [28].
98. Section 13(b) and (f) of the Fair Trading Act 1986.

[329] There are two potential meanings conveyed by Mr Hannaford's statements. It could be interpreted as Mr Hannaford claiming responsibility for the development of the Dodson parts. It could also be interpreted as meaning that Mr Hannaford was involved with the development. That latter interpretation is not false, nor misleading. Considered in the context of the discussion as a whole, I am not persuaded that this statement was false or misleading within the meaning of ss 9, 10 or 13.

GRD and Mr Gray

[330] Dodson claims that GRD and Mr Gray made two separate representations which breach the FTA.

[331] First, Dodson claims that both GRD and Mr Gray held themselves out as being lawfully entitled to manufacture and deal in the Dodson parts, and as being the rightful owners of the copyright in the copyright works.

[332] Dodson's statement of claim does not identify when, where, and to whom the representation was made. In closing, Mr Elliott submitted that Mr Gray held himself out as the rightful owner of the Dodson designs in his statement of defence. Representations made in a statement of defence are not representations made "in trade" and so fall outside the ambit of the FTA. In the absence of any evidence regarding the particulars of the representations relied upon, Dodson is unable to prove, on the balance of probabilities, a breach of the FTA.

[333] Second, Dodson claims that both GRD and Mr Gray made various assurances regarding the destruction of unfinished components and tooling, the deletion of files and machine codes, the sale of machines used to manufacture the Dodson parts, and the deletion of all hard drives and back-ups of Dodson's information. These assurances were made in a letter to Dodson once the relationship with GRD had come to an end. Dodson says that these statements were false and misleading as GRD and Mr Gray had not in fact destroyed and deleted the tooling, machine codes and Dodson information as represented.

[334] Despite the broad definition of "trade" under the FTA, I am not persuaded that GRD's assurances fall within that definition. The assurances were made in response to Dodson's requirements at the end of a business relationship between the two parties. As discussed further in this judgment (at [350]–[352]), the terms of that relationship included the protection of confidential and commercial information. Seen in that light, Dodson's requests were akin to the enforcement of contractual obligations, and GRD's responses was in the nature of a private undertaking.[99] This is not the type of conduct the FTA was intended to capture[100] I decline Dodson's claim of breach of the FTA against GRD and Mr Gray.

Additional claims

[335] Dodson submits that during the course of the trial it became clear that the defendants had engaged in other misleading and deceptive conduct. It referred to statements made by Logiical and Mr Hannaford regarding a "finite element analysis" and the sale of second-hand parts.

[336] These claims were not pleaded and no application to amend the statement of claim was made either prior to, during, or at the close of trial. It is true that Dodson claimed relief for all breaches of the FTA because the precise number,

99. See *Desmone Ltd v University of Auckland Senior Common Rooms Inc* (2002) 7 NZBLC 103 (HC) at 580; *Malayan Breweries Ltd v Lion Corp* (1988) 4 NZCLC 64 (HC) at 344.
100. Fair Trading Act 1986, s 1A.

extent, and dates of each of the breaches were then unknown. But that pleading was ineffective in reserving Dodson's rights to advance additional claims. The purpose of a statement of claim is to inform the opposing party and the Court of the basis of a claim and its necessary ingredients.[101] Notice of the claim is the backbone of natural justice. Mr Hannaford and Mr Gray did not have notice of these additional claims against them, and, in these circumstances, I decline to entertain these un-pleaded claims.

Relief

[337] Dodson seeks declaratory and injunctive relief against the defendants. Logiical has not given an undertaking that it will remove the offending website statements or desist from supplying Dodson's gear lock as if it was its own. There are also no other means of ensuring that Mr Hannaford does not continue to "talk himself up" by referring to himself as Dodson's head mechanic when promoting Logiical's business. Declarations marking that conduct as misleading and deceptive are in the public interest. Injunctive relief to enforce those findings is also "desirable" (as per s 41 of the FTA). Orders in those terms are set out at the end of this Judgment

[338] Dodson also sought orders under s 43 awarding damages. However, there was no evidence to support the claim for damages. Mr Hussey considered that any loss arising out of the breach of the FTA was already reflected in the damages assessed in relation to the copyright infringement. Mr Beylefeld did not address the damages sought under any other cause of action other than the copyright infringement claims. Accordingly, I decline to make an award of damages.

[339] Finally, Dodson seeks orders directing the defendants "to return, deliver up, or destroy on oath all product, printed matter, digital references or other materials in the possession or power or under control of the Defendants the use of which would offend against any injunction granted". I am satisfied that Dodson, or indeed a future customer, is likely to suffer loss if an order requiring Logiical to deliver up the offending gear locks is not made. An order under s 43(3)(e) is appropriate in those circumstances. However, there is no basis to go beyond that and I decline to grant the order in the terms as sought.

Breach of confidence

[340] Dodson's third cause of action against all defendants is for breach of confidence. Dodson alleges that the defendants have used its confidential and commercially sensitive information to design and manufacture the Logiical parts.

[341] Breach of confidence is an equitable cause of action. There are three elements which must be proved for the cause of action to succeed:[102]

(a) The information must have the necessary quality of confidence;
(b) The information must have been imparted in circumstances importing an obligation of confidence; and
(c) There must be unauthorised use of the information to the detriment of the party communicating it.

[342] Each of these requirements is considered below.

101. *Reay v Attorney-General* [2016] NZAR 1672; [2016] NZCA 519 at [16].
102. *Coco v AN Clark (Engineers) Ltd* (1968) 1A IPR 587 at 590; [1968] FSR 415; [1969] RPC 41 (Ch) at 47.

Does the information have the necessary quality of confidence?

[343] Dodson's statement of claim defines the confidential information which it says has been misused in some detail. It includes prototypes, information about the sourcing of parts and materials, fabrication, drawings, intelligence received from the market, Dodson's employees and dealers, insights and information regarding the workings of the clutch assemblies, knowledge of faults, knowledge of the significance of the dimensions and material used, and knowledge of the improvements and modifications made in the Dodson design process.

[344] Whether information has a quality of confidence is a fact-based inquiry. But there are certain facts which will indicate confidentiality. These include: the extent of thought and work expended to produce the material, whether the information is unique or a trade secret, and the extent to which the owner has considered the information confidential and taken steps to preserve and guard its secrecy.[103] Information cannot be confidential where it is "public property or public knowledge".[104]

[345] The defendants argue that the information was not confidential. They say this is because the information was in the public domain in three ways:

(a) Any person could acquire knowledge of Dodson's clutch parts by simply pulling the parts apart.
(b) The procedures for making aftermarket parts are common knowledge among mechanical engineers.
(c) Dodson had posted about faults of the OEM clutch on public internet forums, along with other competitors and publicly available sources of information about the clutch parts and assemblies.

[346] Once a manufacturer releases its product for public sale, it cannot maintain confidentiality over features that are either visible or readily ascertainable, absent relevant intellectual property laws. But it can maintain confidentiality over information that is not visible or readily ascertainable. This includes, for example, drawing plans, market information, or improvements made in the design and manufacturing process.

[347] Much of the information being claimed as confidential in this case is not about visible aspects of the clutch design. Nor is it limited to procedures for installing aftermarket parts, or information exchanged on group chats. The confidential information at the heart of the claim is something different to those limited categories. It is information and knowledge gained through the design, testing and manufacturing processes for the R35 clutch. This knowledge finds its end expression in the clutch parts and ancillary parts themselves, but clearly goes beyond that which is visible in the part itself. I consider the pleaded information has the necessary quality of confidence, and the first element of the confidence cause is met.

Was the information imparted in circumstances importing an obligation of confidence?

[348] The second requirement is that the circumstances must impose an obligation of confidence on the person in receipt of the information.

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103. *Skids Programme* at [80].
104. *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd* [1963] 3 All ER 413 at 415; (1948) 65 RPC 203 at 215, cited in *A B Consolidated Ltd v Europe Strength Food Co Pty Ltd* [1978] 2 NZLR 515 (CA) at 521 (*A B Consolidated*).

[349] There can be no real doubt that Mr Hannaford received information subject to an obligation of confidence. Confidentiality obligations were set out in his employment agreements signed in 2006 and 2009. These agreements made it crystal clear that any information obtained by Mr Hannaford in the course of his employment with Dodson was confidential.

[350] The position with Mr Gray and GRD is less clear cut. Mr Cupit says that he met with Mr Gray and discussed confidentiality at the outset of their relationship. That is denied by Mr Gray. I prefer Mr Cupit's evidence on this point for the following reasons:

(a) First, Dodson's business was growing exponentially by the time of the meeting in 2009. Indeed, greater manufacturing capacity was one of the reasons Mr Cupit and Mr Gray were meeting. Confidentiality around the features of the Dodson parts that set them apart from the competition was essential to maintaining this demand.

(b) Second, the value of confidentiality was already reflected in the agreements which Dodson required its employees to sign. The fact that Dodson was alive to the importance of confidentiality makes it much more likely that it was raised in any conversation with a potential new contractor.

(c) Third, Mr Cupit and Mr Gray had not met before, and did not know each other. Based on my observations at trial, it would be consistent with Mr Cupit's style and approach to raise issues such as confidentiality directly, and at the outset.

[351] In any case, regardless of whether the parties discussed confidentiality, an obligation of confidentiality generally arises out of a relationship where one party has imparted information to the other on the basis that it is only to be used for the limited purpose for which it was given. In the absence of any confidentiality agreements, it is enough that a person knows or ought to know that information has been divulged to it in confidence. This obligation has been extended to cover pre-contractual bargaining, and more generally applies to business relationships.[105]

[352] Even if confidentiality was not specifically discussed, GRD should have understood that the information given to it by Dodson was confidential, and that it could not use the information for its own purposes. Innovation in the development of Dodson's clutch parts was the point of difference between it and its competitors and was the backbone of its business. GRD would have understood this. Indeed, GRD's website contains the following statement: "with strict access controls to our workshop, you can be assured of confidentiality and the protection of your intellectual property". That is a clear recognition of the importance of confidentiality to customers, and the circumstances in which information would be imparted.

[353] I find that the information was imparted in circumstances of confidentiality. This second element of the cause of action is also met.

Was there unauthorised use of the information to the detriment of the party communicating it?

[354] The third element of the cause of action concerns unauthorised use of the information. Dodson alleges that the defendants have used the confidential information to "unlawfully create, source, develop and sell the Logiical parts," and that they threaten to utilise the confidential information in wilful disregard of Dodson's rights and entitlements.

105. *A B Consolidated*.

[355] In *Norbrook*, the Court of Appeal set out some guiding principles for ascertaining whether confidential information had been misused.[106] The Court emphasised that the purpose of protecting confidence was to prevent misuse, not to stifle competition. Thus, mere possession of confidential information, or deriving comfort from the fact that it conforms with other information from an independent source, is not enough to constitute misuse. Conduct will only amount to a misuse if the knowledge or comfort causes the person to do, or to omit to do, something. For example, it is a misuse for a person to use confidential information to avoid having to undertake some part of the process required to develop a product themselves.[107]

[356] In this case, there is no real doubt that GRD and Mr Gray misused Dodson's confidential information to manufacture the Logiical parts. That flows from my findings that GRD did not follow an independent pathway and that the Logiical parts were copies of the Dodson equivalents. Mr Gray's use of the SolidWorks drawings, which probably incorporated Dodson's commercially sensitive information, is good evidence of misuse. By using that commercially sensitive information, GRD was able to skip the design, testing, and market feedback processes which formed part of the evolution of the Dodson parts. GRD and Mr Gray wrongfully appropriated that information to their own economic advantage, and to manufacture parts in direct competition with Dodson. The breach of confidence cause of action is made out against GRD and Mr Gray.

[357] Establishing a breach against Mr Hannaford is not as straightforward. Dodson does not particularise the way in which Mr Hannaford and Logiical have misused the confidential information. It is not alleged that Mr Hannaford disclosed commercially sensitive information to GRD to facilitate the making of those parts. Nor is it alleged that Mr Hannaford misused confidential information to source particular parts, identify sales channels, or to install the relevant parts in customer's cars. I was not taken to any evidence from which it may be inferred that Mr Hannaford had misused confidential information.

[358] That particularisation is all the more important in Mr Hannaford's case because in November 2014 he reached a settlement of his employment dispute with Dodson [REDACTED]:

> [REDACTED]

[359] Whether a particular act or omission amounts to misuse of confidential information, or whether it falls within this permitted use, can only be determined in light of the particular misuse alleged. In the absence of such particularisation I cannot be satisfied, on the balance of probabilities, that there has been a misuse. The breach of confidence cause of action against the first and second defendants must be dismissed.

Conspiracy by unlawful means

[360] In the final cause of action, Dodson alleges that all the defendants acted in concert with a constructive intent to injure Dodson's business. The cause of action adds flavour to Dodson's other claims, but, like the Fair Trading Act and breach of confidence causes of action, received comparatively little attention at trial.

106. *Norbrook Laboratories Ltd v Bomac Laboratories Ltd* [2004] 3 NZLR 39 (CA) at [35].
107. At [35].

[361] There are two forms of the conspiracy tort. This case concerns the second form, that of conspiracy by unlawful means. That tort is committed where two or more persons agree to perform an unlawful act that causes damage to the plaintiff. There is no dispute as to the elements of the cause of action, which are:[108]

(a) The existence of a combination;
(b) Unlawful action (unlawful means);
(c) Intention to injure the claimant; and
(d) Actual damage caused to the claimant.

[362] As to the first element, Mr Cain submits that there is no evidence of a combination – only a customer and supplier relationship. That submission is targeted at the lack of evidence concerning an agreed intent to act to injure Dodson. I address that submission in relation to the third element of the cause, that of an intention to injure the claimant. For present purposes, it is sufficient that all four defendants were working in combination to produce and sell the Logiical parts.[109]

[363] As to the second element, Dodson pleads misuse of its confidential information, and infringement of the copyright as the unlawful means. The former is problematic given the dismissal of that claim against Mr Hannaford and Logiical. However, the latter has been established against all four defendants, and I proceed on the basis that breach of copyright is the alleged "unlawful means".

[364] There has been some uncertainty regarding the scope of what constitutes "unlawful means" for the purposes of the conspiracy tort. Following a review of the various decisions in *Wagner v Gill*, the Court of Appeal observed that an overriding theme was "that the encroachment of the common law into the regulation of economic competition must for obvious reasons be subject to some limits".[110] Those limits depend on policy considerations, having regard to the underlying purpose of the tort.

[365] The policy considerations in this case weigh against finding that the statutory breaches constitute "unlawful means". There is no "gap in the law" that needs to be filled by the conspiracy by unlawful means tort. The Copyright Act sets out a comprehensive regime for the regulation of the unlawful conduct at issue in this proceeding. However, the parties did not specifically address me on these points, or indeed whether breach of either of these statutes constitutes "unlawful means". And, as outlined further below, the cause of action fails regardless. It is not necessary to finally decide the point for that reason. Nevertheless, for the purposes of argument, I proceed on the basis that breach of the Copyright Act is sufficient to establish this element of the cause.

[366] The real contest in this case concerns the third element – an intention to injure the claimant. It is not necessary for Dodson to prove that the defendants had the sole or predominant purpose of injuring it, but something more than reasonable foreseeability that the unlawful conduct was likely to cause harm is required.[111] Just where the line between those two ends should be drawn in any particular case is more difficult to discern. In *Wagner v Gill*, the Court of Appeal

108. The principles relevant to the tort were most recently reviewed and restated by the Court of Appeal in *Wagner v Gill* [2015] 3 NZLR 157; [2014] NZCA 336 (*Wagner v Gill*) at [47]–[52].
109. A company is a separate legal entity and can conspire with its directors: *Wagner v Gill* at [27].
110. At [79].
111. At [89] and [90].

preferred, on balance, to retain the requirement that the conduct be directed at a claimant, although it was not necessary to reach a concluded view on that issue in the case.[112]

[367] The primary evidence of intention relied upon by Dodson in this case is the sense of grievance that each defendant took away from their relationship with Dodson. There is no doubt that both Mr Hannaford and Mr Gray felt a deep sense of bitterness towards Dodson at the way their respective employment and manufacturing relationships came to an end. Neither of those relationships ended on good terms and the resulting acrimony was evident at trial.

[368] But that evidence needs to be considered in light of all the evidence called at trial, some of which contains contraindications of an intention to injure. For example, when Mr Hannaford left Dodson's employment, he started working on R35 cars. Dodson knew about that and took no issue with it. Mr Hannaford says that he only started to look for replacement parts because customers started asking for them. He then approached Dodson but was unsuccessful in securing supply. Other attempts to source parts were unsuccessful and it was only then that he approached Mr Gray. This evidence suggests that the decision to manufacture the Logiical parts was motivated by a desire to feed customer demand, and to build a competing business (albeit by way of copying), rather than injure Dodson in any way.

[369] Similarly, Mr Gray declined the request to manufacture the Logiical parts on several occasions, before finally succumbing to Mr Hannaford's requests. At the time that he did finally succumb, GRD's work from Dodson had dwindled, and Mr Gray decided to make the parts as a favour to his friend, Mr Hannaford. That is at odds with a concerted effort to damage Dodson's business in any way.

[370] Finally, both Mr Hannaford and Mr Gray scoffed at the idea that they could even contemplate making a dent in Dodson's market share. There are reasonable grounds for that view. Dodson is the leader in the field with an extensive network of dealers across the world. Neither Mr Hannaford nor Mr Gray had the nous or the means to take Dodson down a peg or two, and, I consider it unlikely that they even tried.

[371] Overall, I am not persuaded that the evidence of a grievance, when weighed together with all the other evidence called at trial, is sufficient to draw an inference that the defendants' conduct was targeted at Dodson. Rather, taken at its highest, the evidence suggests that Mr Hannaford wanted to set up a business in competition with Dodson, and he engaged GRD to manufacture the parts. That, in and of itself, is not sufficient to constitute an intention to injure. The cause of action fails on proof of this third element.

[372] Even if intention could be proved, the cause of action would nevertheless fail on the fourth element – proof of damage to the claimant. There was no evidence that the conspiracy had in fact caused damage to Dodson. The only evidence called at trial relating to loss was for the copyright cause of action. In the absence of any evidence regarding loss, the elements of the cause of action cannot be established, and the cause of action against all defendants must be dismissed.

112. At [106].

Summary of findings

[373] In summary, I have found that the copyright works at issue in the proceeding are the drawings underpinning the Dodson parts which are listed in Schedule A to the fifth amended statement of claim, and include the Bicknell drawings, and the GS Works drawings. Copyright subsists in those copyright works as they are original works. Dodson is the owner of the copyright works either as the author of those works or as commissioner.

[374] The Logiical clutch parts, Logiical selector fork, and the Logiical 22-plate clutch assembly infringe Dodson's copyright in the copyright works. There is insufficient evidence to support a claim of infringement in relation to the Logiical gear lock and mechanical circlips, and those claims are dismissed.

[375] GRD is liable as a primary infringer. Mr Gray and Logiical are liable for authorising GRD to undertake that copying. Logiical is liable as a secondary infringer in relation to the Logiical clutch parts, Logiical selector fork and Logiical 22-plate clutch assembly. Mr Hannaford is liable for authorising copyright infringement and as a joint tortfeasor in relation to secondary infringement.

[376] Damages against all the defendants jointly and severally are assessed at $129,494. This sum comprises the sum of $69,494 calculated according to the user principle, and additional damages in the sum of $60,000 pursuant to s 121 of the Copyright Act. Injunctive and declaratory relief is granted in addition.

[377] In terms of the FTA cause of action, I have found that Logiical's statement on its website, and the supply of Dodson's gear locks with the logo sheared off breach ss 13 and 9 respectively of the FTA. Mr Hannaford's statement about being the head mechanic at Dodson similarly breaches the FTA. The conduct alleged against GRD and Mr Gray is not conduct falling within the meaning of "trade" and is accordingly outside the scope of the FTA. Those claims are dismissed. Declaratory and injunctive relief is appropriate, as is limited "deliver up" orders in relation to the gear lock. There is no evidence to support the claim for damages, and the scope of the other relief sought under s 43 is too broad.

[378] The breach of confidence cause of action is established against GRD and Mr Gray. Orders to deliver up the confidential information are made below. There is insufficient evidence and particularisation of the misuse of confidential information by Logiical and Mr Hannaford, and accordingly the breach of confidence cause of action against them is dismissed.

[379] The conspiracy by unlawful means cause of action against all defendants is dismissed as there is insufficient evidence of an intent to injure Dodson, and no evidence of damage caused to Dodson as a result.

Result

[380] As to the copyright causes of action, I make the following orders.

(a) Dodson's claim for primary infringement of copyright is allowed. The claim for secondary infringement of copyright is allowed in respect of the Logiical clutch parts and selector fork but is dismissed in relation to the gear lock and mechanical circlips.

(b) The Logiical clutch parts and the Logiical selector fork are declared to infringe Dodson's copyright in the Dodson Parts (comprising the Dodson clutch and ancillary parts).

(c) Logiical and Mr Hannaford, whether by their servants, agents, or otherwise, are restrained from copying, issuing to the public, possessing in the course of business, manufacturing, distributing, offering for sale, selling or making available the Logiical clutch parts (whether by way of individual parts or in an assembled clutch), and the Logiical selector fork.
(d) The defendants shall deliver up or destroy all remaining Logiical clutch parts and the Logiical selector fork.
(e) Damages are awarded against all the defendant jointly and severally in the sum of $129,494 comprising $69,494 in compensatory damages, and additional damages in the sum of $60,000.
(f) Interest is awarded in accordance with the Interest on Money Act 2016.

[381] As to the Fair Trading Act 1986 cause of action, I make the following orders:

(a) Dodson's claim against Logiical is allowed in relation to statements made on the Logiical website, the supply of the Dodson gear lock, and as against Mr Hannaford in relation to the statements in the NZ Performance Car magazine. All other claims are dismissed.
(b) It is declared that:
(i) Logiical breached the Fair Trading Act 1986 by making the statement at [315] on its website and by supplying a Dodson gear lock as if it was its own
(ii) Mr Hannaford breached the Fair Trading Act 1986 by making the statements at [326] to the NZ Performance Car magazine.
(c) Logiical shall remove the statement at [315] from its website and deliver up all Dodson gear locks (whether the logo has been removed or not) in its possession.
(d) Logiical is prohibited from posting the statement at [315] on its website again, and from supplying Dodson gear locks in the future.
(e) Mr Hannaford is prohibited from making the same or substantially the same representations as set out in [326] again.

[382] As to the breach of confidence cause of action, I make the following orders:

(a) Dodson's claim is allowed as against Mr Gray and GRD but dismissed as against Logiical and Mr Hannaford.
(b) It is declared that Mr Gray and GRD breached their duty of confidence owed to Dodson.
(c) Mr Gray and GRD shall destroy or deliver up any of the confidential information pleaded at paragraph 57 of the Fifth Amended Statement of Claim.

[383] The conspiracy by unlawful means cause of action is dismissed.

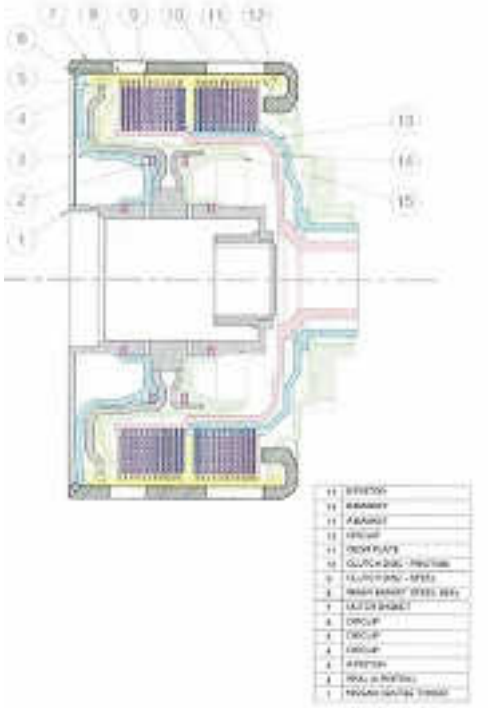
[384] As to costs, Dodson is the overall winner and is entitled to an award of costs. If counsel cannot agree on the quantum of costs and disbursements, or there are any factors affecting the award costs of which I am not aware, then memoranda as to those issues may be filed and served within 20 working days of the date of this judgment. Costs shall be determined on the papers unless otherwise ordered.

[385] Finally, I direct this judgment be initially released to the parties and their counsel only so that commercially sensitive information may be identified and redacted in the public copy of the judgment. Counsel shall confer and file

memoranda (preferably joint) within 15 working days from the release of this judgment as to those commercially sensitive parts of the judgement to be redacted.

Appendix A – Clutch Parts

Appendix B – Cross-section view of Assembled Clutch



Appendix C – Outer Basket

Fig 1 – Outer basket features

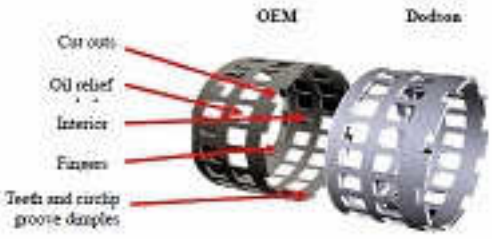


Fig 2 – Outer basket fingers

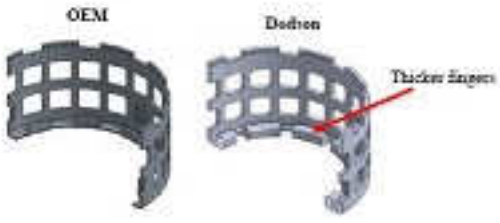


Fig 3 – Dodson outer basket and gear plate fit

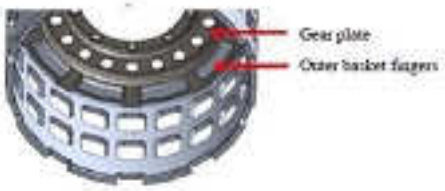


Fig 4 – Dodson outer basket

Fig 5 – Logiical outer basket

Appendix D – Gear Plate

Fig 1 – Gear plate features

Fig 2 – Gear plate and oil pump gear drive

Fig 3 – Fit between Dodson gear plate and IBS

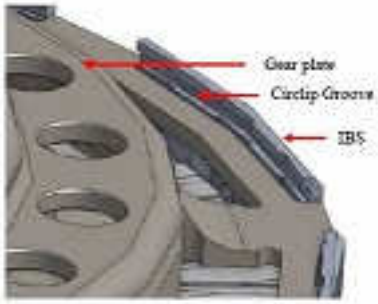


Fig 4 – Dodson gear plate (v.2)

Fig 5 – Logiical gear plate

Appendix E – The A Basket

Fig 1 – A basket

Fig 2 – A basket inner profile

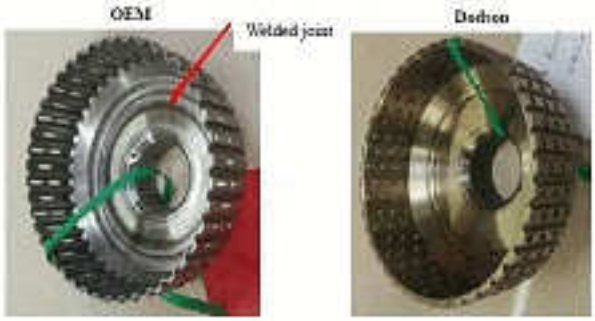


Fig 3 – Teeth and oil holes

Fig 4 – Dodson A basket versions

Fig 5 – Logiical A basket versions

Appendix F – The B Basket

Fig 1 – B basket features

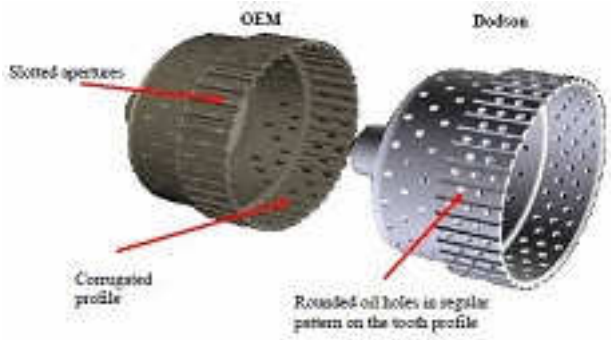


Fig 2 – Dodson B basket versions

Fig 3 – Logiical B basket versions

Appendix G – IBS

Fig 1 – IBS outer profile

Fig 2 – IBS inner profile and middle plate

Fig 3 – Fit between Dodson IBS and gear plate

Fig 4 – Dodson IBS version 1 (upper) and version 2 (below)

Fig 5 – Logiical IBS 9 plate (upper) and 22 plate (below)

Appendix H – A Piston

Fig 1 – A piston

Fig 2 – Piston stops and seal

Fig 3 – Dodson versions 3, 4, and 5

Fig 4 – Logiical versions

Appendix I – B Piston

Fig 1 – B Piston

Fig 2 – Dodson B Piston (versions 3 and 4)

Fig 3 – Logiical B Piston

Appendix J – Selector Fork

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BARRISTER