Professor Charles Rickett
AUT’s New Dean of Law

The University is delighted to welcome Professor Charles Rickett as the Dean of Law. Professor Rickett joins us from the University of South Australia but many New Zealand lawyers will remember him from his time at the University of Auckland where he was Professor of Commercial Law – a Chair which he held jointly in the School of Law and the School of Business and Economics – and Director of the Research Centre for Business Law. Professor Rickett left the University of Auckland in 2003 to become the Sir Gerard Brennan Professor of Law at the University of Queensland where he was also Dean of Law. He has held teaching appointments at University College London, the University of Cambridge (where he was a Fellow of Emmanuel College), Victoria University of Wellington and Massey University, and has had visiting appointments at the University of Melbourne and the University of Otago.

Professor Rickett’s research interests are primarily in equity and trusts, restitution and the law of obligations and he is well regarded in New Zealand and overseas for his various writings in those areas. The views contained in his books and articles have been cited in a number of courts including the Supreme Court of New Zealand, the Privy Council, and the High Court of Australia. He has also been involved in a consulting capacity in a number of high profile cases involving equitable and restitutionary commercial litigation.

Professor Rickett has a passion for teaching and has an outstanding reputation as a lecturer. He says, “Law is all about words and language. To be a great lawyer you need to love words – whether you’re researching it, teaching it or learning it”. And, recalling the effect Professor Peter Birks had on him when he was a student at Oxford University, Professor Rickett believes that you inspire students by living your research through your teaching.

Professor Rickett is looking forward to the challenge of leading the AUT Law School in the next phase of its development. He believes that the School needs to consolidate its LLB and postgraduate qualifications as programmes that provide a relevant and high quality legal education for students who will enter an increasingly diverse and flexible workforce. Professor Rickett is also committed to ensuring that the AUT Law School becomes recognised for its research endeavours, which should provide for a more effective and challenging learning and teaching experience for both students and academic staff members.

Season’s Greetings and a Happy New Year to all our fellow travellers

“The Clapham omnibus has many passengers. The most venerable is the reasonable man, who was born during the reign of Victoria but remains in vigorous health. Amongst the other passengers are the right-thinking member of society, familiar from the law of defamation, the officious bystander, the reasonable parent, the reasonable landlord, and the fair-minded and informed observer, all of whom have had season tickets for many years...” Healthcare at Home Ltd v The Common Services Agency [2014] UKSC 49 per Lord Reed at [1]
The article developed out of a problem with land title that has been the subject of recent case law in New Zealand, Australia and the UK. The issue the authors consider is whether a court should be able to use extrinsic material to assist in interpreting registered documents.

The initial answer seems to be that such material should not be used. One of the key purposes of land registration systems is to facilitate and encourage reliance on the title by third parties. It would be unfair if a third party were to rely on the apparent meaning of a registered document only to find out later that there was material not noted on the register that affects the meaning of the document. There is however a fundamental problem with this approach: documents commonly registered against the title such as mortgages, restrictive covenants, easements and leases may be contractual or related to contractual documents. Contractual documents are normally interpreted with regard to any extrinsic material known or reasonably available to the parties at the time of contracting. So what happens when a contractual document is registered against land title?

The High Court of Australia was confronted with this issue in Westfield Management Ltd v Perpetual Trustee Co Ltd [2007] HCA 45. In an unusually short judgment, the Court determined that, contrary to earlier authority, extrinsic material should not be available for the interpretation of a registered easement. There is little discussion of the reasoning for this, but it now seems accepted in Australia that its basis is Torrens indefeasibility – that a third party should not have to look behind the title in order to understand what is registered.

In New Zealand, an earlier Privy Council decision is relevant to this point. Opua Ferries Ltd v Fullers Bay of Islands Ltd [2003] 3 NZLR 740 was concerned with the interpretation of a register of ferry service operators, the purpose of which was both to license the operators and to inform the public of the services available. The Board considered that it was not appropriate to refer to material outside of the register when interpreting the licence because “members of the public, entitled to rely on a public document, ought not to be subject to the risk of its apparent meaning being altered by the introduction of extrinsic evidence ... The statute makes the position clear. The register is expected to speak for itself” (at [20]).

Subsequent New Zealand land decisions, however, have declined to follow Opua and Westfield Management. In Big River Paradise Ltd v Congreve [2008] 2 NZLR 402, the Court of Appeal noted but did not apply the principle from these cases. Instead, William Young P, delivering the judgment of the Court, found that extrinsic material should be available to interpret registered documents. In particular, he asked three difficult questions of the Westfield approach (at [22]):

a. Should so narrow an approach be taken as between the initial parties to the restrictive covenant or easement?

b. If not, when should the narrow approach kick in, when one of the original parties sells or when both sell?

c. What if the subsequent parties are well aware of the relevant extrinsic evidence? This might arise if the extrinsic evidence relates to a particular pattern of use which existed at the time the document was executed and was continuing when the subsequent party became affected by the easement or restrictive covenant.

The UK Court of Appeal has recently addressed the general issue in relation to their Land Registration Act 2002. In Cherry Tree Investments Ltd v Landmain Ltd [2013] Ch 305 the Court had to decide whether an unregistered loan document could be used to interpret a registered mortgage. Lewison LJ (with whom Longmore LJ agreed in substance) accepted the general approach taken in Westfield and held that extrinsic evidence could only be considered where “the reasonable reader” could be supposed to have known about it. Arden LJ, delivering a dissenting judgment, thought that extrinsic material should be available except where it would prejudice third parties.

The questions posed by William Young P in Big River Paradise identify some of the difficulties of the Westfield approach. The most significant would seem to be: how can a contract be interpreted one way if not registered and another way if registered? The idea that the act of registering a contractual document may change its meaning is unsatisfactory and contrary to fundamental ideas of contractual agreement. An alternative might be that documents which the parties contemplate will be registered should be interpreted without extrinsic material, but this is also unsatisfactory. In order for a third party to work out how a registered document is to be understood, he or she would first have to inquire about what the original parties intended. This might be obvious in some cases, but in others it would require exactly the kind of factual analysis that the application of the rule in Westfield aims to avoid.

Another approach might be that the rule applies to any contract capable of being registered. This would mean that extrinsic material is excluded where the parties did not register the document, and even where they had no intention of registering it. And there are other problems with the rule. For example, what is the situation when the interpretation dispute is between the original parties to the contract, or between parties who knew of the extrinsic material at the relevant time, or where it was clear that extrinsic material was needed in order to understand the document in question? For these reasons the authors conclude, that despite the potential for unfairness, extrinsic material should be available to a court when interpreting contractual documents registered against land title.

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In fact this problem is not limited to registered documents. It mirrors the general problem when third parties rely upon, or are otherwise affected by, a contract in circumstances where they are not aware of the underlying circumstances that may influence its meaning. This is the case, for example, for a party who is assigned an interest in an agreement. The authors suggest that where parties contemplate their agreement may be relied upon by third parties then they will tend to write and understand the agreement accordingly. This means that the contemplated third party effect is part of the context that is relevant to the interpretation of a contract generally, and can affect the way that contracts should be read. This general point has recently been noted by the majority of the Supreme Court in *Firm PI 1 Ltd v Zurich Australian Insurance Ltd* [2014] NZSC 147 at [62].

The authors’ conclusion is that contractual documents registered against land title should be interpreted with regard to extrinsic material. The court should, where appropriate, take into account that the parties contemplated the document would be registered. And unilateral documents, such as the one in *Opua*, which do not cause the same difficulties, should be read only with the extrinsic information that was reasonably available to the public.

The article can be found at: M Barber, R Thomas, *Contractual Interpretation, Registered Documents and Third Party Effects* (2014) 77(4) MLR 597-618.
Professor Allan Beever

The Law School is pleased to announce the appointment of Professor Allan Beever as Professor of Law. Professor Beever, who joins the Law School from the University of South Australia, is one of the world’s leading tort lawyers and theorists of private law.

As author of the well-regarded books *Rediscovering the Law of Negligence*, *Forgotten Justice: A History of Political and Legal Theory* and *The Law of Private Nuisance*, as well as numerous journal articles and book chapters, Allan’s research has had a significant international impact on scholarship in his areas of expertise. In recognition of this, he has won a number of prestigious awards, including a von Humboldt Research Fellowship from the Alexander von Humboldt Foundation, Germany and a Major Research Fellowship from the Leverhulme Trust, UK. In 2013, the University of Newcastle upon Tyne Law School held a symposium on Professor Beever’s work, entitled ‘Allan Beever on Tort Law and Political Philosophy’ and earlier this year the Australian Society of Legal Philosophy Annual Conference featured a symposium devoted to his book *Forgotten Justice: A History of Political and Legal Theory*.

Allan has written or taught in the areas of tort law, contract law, unjust enrichment, legal theory, philosophy of law, comparative law and the philosophy of Immanuel Kant.

He is delighted to be back in Auckland after eight years overseas. Allan grew up on the North Shore and undertook undergraduate and post graduate qualifications in philosophy at the University of Auckland before completing the Master of Studies in Law at the University of Toronto. He lectured in the Faculty of Law at the University of Auckland between 2000 and 2006 and since then he has also held positions at the Universities of Ottawa, Southampton and Durham and at the Max Plank Institute for Comparative and International Private Law in Hamburg.

Associate Professor Rod Thomas

The Law School warmly congratulates Rod Thomas on his promotion to Associate Professor. Rod lectures in property law and has written widely on that area.

Last month Rod accepted an invitation to speak at a conference on land title issues hosted jointly by the Private Law Centre and the Centre of Property Law at Cambridge University. The conference which looked at issues arising since the enactment of the UK Land Registration Act 2002 took place at Trinity Hall and brought together a diverse range of experts on land registration – from the Law Commission, HM Land Registry, the judiciary, legal practice and academia. Rod delivered a paper entitled “Automating Torrens – Issues of system design, public confidence and risk”.

Helen Dervan – Commercial Trusts

Senior lecturer Helen Dervan teamed up with Dr Nuncio D’Angelo, head of banking and finance at Norton Rose Fulbright Australia to co-author a chapter on reforming the commercial trust in S Griffiths, S McCracken, A Waldrop (eds) *Exploring Tensions in Finance Law, Trans-Tasman Insights* (Thompson Reuters, Wellington, 2014). The authors highlight the vulnerable position of trust creditors and other outsiders under Australasian trust law.

Helen and Nuncio are members of the academic committee of the Banking & Financial Services Law Association (BFSLA) an Australasian organisation that is actively involved in banking law practices and law reform. The academic committee contributed to the other 11 chapters.

Thompson Reuters have generously provided a copy of this insightful analysis of current legal issues in the area of finance law. Email mike.french@aut.ac.nz with “Finance Law” in the subject line by 4.00 pm on 15 December to go in the draw.
Construction of “Property”

The oft quoted dictum that “information is not property” has been brought to the fore in a number of recent cases. Earlier this year, in Your Response Ltd v Datateam Business Media Ltd [2014] EWCA Civ 281, the English Court of Appeal decided that it was not possible for a database manager to exercise a common law lien over a database pending the payment of outstanding debts. Relying, inter alia, on the House of Lords’ decision in Colonial Bank v Whitney (1886) 11 App Cas 426, Moore-Bick J (with whom Davis and Floyd LJJ agreed) concluded that “the decision [in Colonial Bank] makes it very difficult to accept that the common law recognises the existence of intangible property other than choses in action . . .” (at [26]).

The world has moved on considerably since 1886; indeed in this digital age, where information is a significant and valuable asset, is it time for the courts to adopt a different approach to the way they deal with information? Despite its decision in Your Response, the Court of Appeal acknowledged that there were powerful arguments to be made “for reconsidering the dichotomy between choses in possession and choses in action and recognising a third category of intangible property, which may also be susceptible of possession . . .” (at [27]).

Information is intangible and has different characteristics from personal property generally; for example, use of information by one person doesn’t prevent others from using it, information doesn’t become depleted with use, and constraining the dissemination and exchange of information so that others are excluded is not easy. At the heart of the dilemma is the fact that information doesn’t fit easily into a legal concept of property which is inextricably tied up with notions of ownership and the exclusive rights which follow. Over-arching all these considerations is the concern that the fundamental right to information would be seriously impaired were the law to recognise information as property.

Confidential information and trade secrets are protected by law but not by treating the information as the property of the person who has the interest in it. As Lord Upjohn stated in Boardman v Phipps ((1967) 2 AC 46 at 127):

In general, information is not property at all. It is normally open to all who have eyes to read and ears to hear. The true test is to determine in what circumstances the information has been acquired. If it has been acquired in such circumstances that it would be a breach of confidence to disclose it to another then courts of equity will restrain the recipient from communicating it to another . . .

However, while courts in different jurisdictions have generally taken the view that the protection of confidential information is not proprietary in nature, the judges don’t always speak with one voice; for example in Veolia ES Nottinghamshire Ltd v Nottingham CC [2010] EWCA Civ 1214, Rix LJ observed that “confidential information is a well recognised species of property, protected by the common law . . .” (at [111]).

The conundrum of whether to treat information as property is not confined to the common law. There are many statutory provisions (both civil and criminal) which deal with aspects of “property” and it is always open to Parliament to define “property” as broadly, or as narrowly, as it considers necessary to achieve the purposes of the particular piece of legislation. One such definition appears in the Crimes Act 1961 (the Act). Section 2 of the Act defines “property” as including “real and personal property, and any estate or interest in any real or personal property, money, electricity, and any debt, and any thing in action, and any other right or interest”.

Statutes are always speaking and some might argue that the words “any other interest or right” are broad enough to encompass “information”. However, the fact that those words were included in the original definition and that, apart from the addition of the words “money, electricity” (the Crimes Amendment Act 2003), it has remained unchanged since 1961, raises questions of construction. One suspects that the definition was enacted without too much scrutiny in the original debates which were understandably dominated by discussion on the abolition of the death penalty.

The introduction of the Crimes Amendment (No 6) in 1999 would have been an ideal opportunity for Parliament to clarify the status of “information” in the definition of “property” and one might have thought that it would have been more proactive in that regard given that, just prior to the Bill being introduced, the Law Commission had produced its report on Computer Misuse which suggested that, “The importance of information as a business asset in the knowledge economy may justify redefinition of information as a property right for both civil and criminal law purposes” (NZLC R54, 1999 at [36]). However, while a revised definition of “property” for the purposes of crimes against property was proposed in the Bill, that did not deal with information and, in any event, the provision did not survive the Select Committee stage (apart from the two additions noted above). When debate on the Bill resumed in 2003 there was no substantive discussion of the definition and Parliament’s focus had shifted to the exceptions to computer system access afforded to the Government’s security services. It seems an opportunity was lost.

It is also interesting to note that there has been very little judicial consideration of the s 2 definition in the past fifty years. In Davies v Police [2008] 1 NZLR 638 the High Court held that an employee who had accessed pornography and music using his employer’s internet connection had taken “property with intent to deprive [his employer] permanently of that property”. Miller J considered the employer’s right to internet usage was brought within the
definition of “property” as a chose in action and, significantly for our discussion, distinguished the “quantity of data” from “information (such as music or images) comprised or conveyed in the data” (at [33]).

In July this year the Court of Appeal in Dixon v R [2014] NZCA 329 considered directly the question of whether information could be “property” under the s 2 definition. The case concerned video footage which captured Mike Tindall, captain of the English World Cup rugby team and recently married to the Queen’s granddaughter, taking his eyes off the ball while carousing at Queenstown’s Altitude Bar (operated by Base Ltd). The defendant, a bouncer for the bar’s security firm, had dishonestly obtained the CCTV footage from Base Ltd’s computer system and, not being able to find a buyer, posted it on a website (it is not known whether Her Majesty ever got round to viewing it). Mr Dixon was charged under s 249(1)(a) of the Act with accessing a computer system and thereby dishonestly and without claim of right obtaining “property”.

In the District Court, Judge Phillips considered that the definition of “property” under the Act was wide enough to include the data file from the CCTV footage. The Court of Appeal disagreed. French J (delivering the judgment of the Court) considered electronic footage stored on a computer was information and, according to the “orthodox position”, information was not property. The Court found nothing in the context and wording of the relevant provisions, nor in the legislative history, to suggest that Parliament had intended to include information within the definition of “property”:

Parliament must be taken to be aware of the large body of authority regarding the status of information and in our view had it intended to change the legal position, it would have expressly said so by including a specific reference to computer-stored data. (at [35])

The Court of Appeal quashed Mr Dixon’s conviction but replaced it with a conviction under a different part of s 249(1)(a) on the basis that he had “accessed the computer system and thereby dishonestly and without claim of right obtained a benefit”.

The Court’s finding that data obtained from a computer is not “property” for the purposes of s 2 of the Act has since been followed in Watchorn v R [2014] NZCA 493 but, on 23 October, Mr Dixon was granted leave to appeal to the Supreme Court where that question, inter alia, will be considered. Whatever the outcome of the appeal, the Court of Appeal decision in Dixon highlights the difficulties with the s 2 definition of “property” as it is currently worded. The Court of Appeal recognised that, despite its decision, the “intuitive response” of many would be that “in the modern computer age digital data must be property” (at [21]) and, it is submitted, a comprehensive review of the definition of “property” in the Act is long overdue. Whether or not Parliament ultimately chooses to treat information as “property” within carefully delineated bounds, we consider that the present definition in s 2 is cumbersome and unwieldy and should be amended in order to make clear Parliament’s intention in this respect.

Suzanne McMeekin and Mike French

PROFESSOR JANE GINSBURG - NZ LAW FOUNDATION DISTINGUISHED VISITING FELLOW

In October the Law School was very privileged to co-host the NZ Law Foundation Distinguished Visiting Fellow for 2014, Professor Jane Ginsburg. Professor Ginsburg is the Morton L. Janklow Professor of Literary and Artistic Property Law at Columbia University School of Law, and Faculty Director of its Kernochan Center for Law, Media and the Arts and is recognised internationally for her expertise in copyright law. As the Visiting Fellow, Professor Ginsburg visited all the NZ law schools and, while in Auckland, delivered a well-received public lecture entitled, From Hypatia to Victor Hugo to Larry & Sergey: “All the world’s knowledge” and Universal Authors’ Rights, in which she considered the clash between the ideals of universal authors’ rights on the one hand and universal access to knowledge on the other. Professor Ginsburg also presented a seminar to AUT Law School staff on the doctrine of fair use where, in a fascinating discussion, she traversed a number of intriguing photo and artwork cases and other examples (such as Mike Esparza’s Picasso Superheroes) to illustrate just how perplexing the idea / expression divide can be.

Professor Jane Ginsburg (right) with Senior Lecturer Pheh Hoon Lim
CHANGES TO DIRECTORS’ DUTIES

Major corporate collapses in recent decades, especially during the global financial crisis (GFC), caused by, *inter alia*, board mismanagement, have prompted many countries to question whether directors of corporations meet the standard of care and conduct that investors legitimately expect in a modern commercial world. Australia responded back in the late 1980s and early 1990s by undertaking relevant law reform reviews which led to substantial legislative amendments in 1992, 1999 and 2001. However, it is only very recently that New Zealand has taken steps to ensure its directors fulfil investors’ expectations. New Zealand was by no means immune from the GFC; there were a number of spectacular corporate failures which have resulted in many investors losing much or all of their savings (since May 2006 some 45 finance companies have collapsed with losses estimated at over $3 billion and affecting between 150,000 and 200,000 investors). Despite this, our response to the GFC was confined to reform of the finance sector and, more recently, securities laws (Financial Markets Conduct Act 2013). The conduct of company directors continued to be governed by the Companies Act 1993; a regime which many considered notoriously weak in terms of enforcing standards of conduct, review and penalties.

The Companies Amendment Act 2014 introduced two new offences, essentially criminalising ss 131 and 135. Sections 138A and 380(4) are aimed at conscious wrong-doing. Section 138A(1) provides for criminal liability where a director acts in “bad faith”, “believing that the conduct is not in the best interests of the company” and “knowing” that the conduct will cause “serious loss to the company”. Under s 380(4) criminal liability will arise when the director fails to prevent the company incurring a debt in circumstances where the director “knows” that the company is insolvent or that the company will come insolvent by incurring the debt: s 380(4). Both offences are punishable by up to five years’ imprisonment or a fine of up to $200,000 (s 373(4)). A convicted director faces an automatic ban from management for five years under s 382.

While the changes are to be applauded, it is submitted that they do not go far enough. In the author’s view criminal breaches should not be confined to these two directors’ duties; further, reforms here would be complemented by the introduction of a civil penalty regime as in Australia. The latter has been rejected in New Zealand primarily on the basis that civil penalties would have a chilling effect on “positive entrepreneurial behaviour”. It must be remembered however that the ‘entrepreneurial spirit’ of the past decades has cost many New Zealand investors their life savings, and employees their livelihoods. Investment in a company should not be treated as akin to investment in the futures market or outright gambling. Reconsideration of this position is warranted; civil penalties would provide the Financial Markets Authority with another useful weapon in its armoury, particularly when breaches are not serious enough to attract criminal liability.

Professor Julie Cassidy

CRYPTIC CORNER

LAST ISSUE

In the last issue of AUTlaw we asked you to name the “eminent New Zealand jurist who could apparently woo with honour reassured”. The answer of course was the late Sir Arthur Owen Woodhouse.

We also asked for the name of the associated case identified in the question, “If the attitude of the goldfish was unknown, was it possibly only pike Vince disturbed?” The case was *Kinney v Police*.

Our congratulations go to Phillipa Smith, Deputy Controller and Auditor General in the Office of the Auditor General (pictured left), who won the draw for the bottle of champagne.

THIS ISSUE

Try the Cryptic and be in to win a bottle of champagne in time for Christmas.

Velvet made Elias turn temptress? That can’t be right! The quality of the clothes should make no difference to the way you live your life; as the Chief Justice noted in a 2009 Supreme Court decision, in respect of the purchaser of one North Shore property, “although he looked ‘scruffy’, he had the means to pay.” What is the name of the case? (7, 4, 6, 3, 1, 7)

Email your solution to mike.french@aut.ac.nz by 4.00 pm on Monday 15th December. All correct entries received by the deadline will go into the draw to win a bottle of champagne.
LAW FIRMS WIN MAJOR BUSINESS AWARDS

The Law School sits in the Faculty of Business and Law and on 2 October our sister school hosted the 2014 AUT Business School Excellence in Business Support Awards at the Langham Hotel. Now in their ninth year, the Awards were set up to celebrate those who are contributing to the development of a robust New Zealand business environment and provide a unique opportunity for business support organisations to benchmark their performance against others in their sector. The management department of AUT Business School in partnership with the New Zealand Business Excellence Foundation assessed the entries in the 11 categories against the internationally recognised Baldrige criteria.

Over 700 business leaders and guests attended the gala dinner and saw Minter Ellison Rudd Watts win the Supreme Award having taken out the Auckland Centre for Financial Research Award for businesses in the $20 million to $100 million turnover category. According to the judges, Minter Ellison Rudd Watts presented as a dynamic firm with a clear, long-term vision that defines its strategy around a philosophy of “Listen, Care, Deliver”.

In a successful evening for law firms, AJ Park was joint winner of the New Zealand Trade and Enterprise Export Support Award and Anthony Harper was a finalist in the $5 million to $20 million turnover category.

STAYING IN TOUCH
For inquiries about studying law at AUT, email: law@aut.ac.nz or visit: www.aut.ac.nz
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