

Table of Contents

<i>Week 1 – Introduction to Equity: Historical Origins and General Principles</i>	7
Overview	7
Nature and Purpose of Equity	7
Historical Development	7
Key Maxims of Equity	7
Significance of Maxims	8
Important Cases	8
Relevant Legislation	8
Fusion of Law and Equity	8
Critiques of Fusion	8
Equity’s Modern Role	8
Equitable Jurisdiction in Australia	8
Australian Approach	9
Exam Focus	9
<i>Week 2 – The Fusion Fallacy</i>	9
Overview	9
The Judicature Acts	9
Meaning of the Fusion Fallacy	9
Examples of the Fusion Fallacy	9
The Australian Position	9
Key Cases	10
Difference Between Fusion and Convergence	10
Example of Legitimate Convergence	10
Equitable Remedies and Fusion	10
Scholarly Commentary	10
Equity’s Distinct Role Post-Fusion	11
Practical Implications	11
Exam Focus	11
<i>Week 3 – Assignments</i>	11
Overview	11

Types of Assignments	11
Statutory (Legal) Assignments – s 12 Conveyancing Act 1919 (NSW).....	11
Key Case:	12
Effect of Legal Assignment	12
Equitable Assignments	12
Types of Equitable Assignment.....	12
Equitable Assignment of Future Property	12
Key Case:	12
Distinction Between Legal and Equitable Assignments.....	12
Assignments in Equity vs. Declaration of Trust	13
Equitable Defences and Priorities	13
Assignments and the Rule Against Perpetuities	13
Assignments and Equity’s Maxims	13
Modern Applications	13
Exam Focus	13
<i>Week 4 – Equitable Dispositions and Statutory Requirements of Writing</i>	<i>14</i>
Overview.....	14
Statutory Framework	14
Purpose of Statutory Formalities.....	14
Key Distinctions	14
Leading Cases	14
Disposition vs Declaration	15
Equitable Exceptions to the Writing Requirement.....	15
Application to Modern Dealings.....	16
Practical Steps	16
Exam Focus	16
<i>Week 5 – Confidential Information</i>	<i>16</i>
Overview.....	16
Purpose of the Doctrine.....	16
Elements of an Action for Breach of Confidence.....	16
First Element – Quality of Confidence	17
Second Element – Circumstances of Confidence	17
Third Element – Unauthorised Use and Detriment	17

Relationship to Contract and Property.....	18
Public Interest Defence	18
Remedies for Breach of Confidence	18
Overlap with Fiduciary Obligations.....	18
Modern Applications	19
Exam Focus and Structure	19
IRAC Example.....	19
Exam Toolkit – Key Takeaways.....	19
<i>Week 6 – Fiduciary Obligations</i>	<i>19</i>
Overview.....	19
Nature and Purpose of Fiduciary Relationships	20
Key Cases on the Nature of Fiduciary Duty	20
Core Fiduciary Duties.....	20
2. Duty Not to Profit from Fiduciary Position.....	21
3. Duty to Act in Good Faith	21
Remedies for Breach of Fiduciary Duty.....	21
Overlap with Other Equitable Doctrines	22
Third Party Liability	22
Modern Applications	22
IRAC Example.....	22
Exam Toolkit – Key Takeaways.....	23
<i>Week 7 – Introduction to Trusts</i>	<i>23</i>
Overview.....	23
Core Definition	23
Elements of a Trust.....	23
Leading authority.....	23
Distinction Between Legal and Equitable Ownership.....	23
Types of Trusts.....	24
Creation of an Express Trust	24
The Three Certainties in Detail	24
1. Certainty of Intention	24
2. Certainty of Subject Matter	24
3. Certainty of Objects	25
Trusts Compared with Other Legal Relationships	25

Formalities for Creation of a Trust	25
Exceptions	25
Failure of Trusts and Resulting Consequences	25
Fiduciary Nature of Trusteeship.....	25
Modern Applications	26
IRAC Example.....	26
Exam Toolkit – Key Takeaways	26
<i>Week 8 – Resulting Trusts.....</i>	26
Overview	26
Types of Resulting Trusts	26
A. Automatic Resulting Trusts.....	27
Definition.....	27
Common Situations	27
Leading Cases.....	27
B. Presumed Resulting Trusts.....	27
Definition.....	27
Rationale.....	27
Leading Cases.....	28
Legislative Note.....	28
Presumption of Advancement	28
Rebutting the Presumption	28
The Role of Intention	28
Resulting Trusts and Illegality.....	29
Comparison with Constructive Trusts.....	29
Key Distinctions.....	29
Modern Developments and Academic Commentary	29
IRAC Example.....	29
Exam Toolkit – Key Takeaways	30
<i>Week 9 – Constructive Trusts.....</i>	30
Overview	30
Types of Constructive Trusts.....	30
Key distinction.....	30
Institutional Constructive Trusts	30
Leading cases.....	31
Constructive Trusts Based on Unconscionability	31
Remedial Constructive Trusts	32

Constructive Trusts and Fiduciary Accountability	32
Knowledge and Third Party Liability	32
Two limbs of liability	32
Knowledge categories	32
Constructive Trusts and Torrens Title	33
Academic Commentary	33
IRAC Example	33
Exam Toolkit – Key Takeaways	34
<i>Week 10 – Charitable and Non-Charitable Trusts</i>	<i>34</i>
Overview	34
Charitable Trusts	34
Definition	34
Statutory Framework	34
Historical Foundations	34
Essential Characteristics of a Charitable Trust	35
Relief of Poverty	35
Advancement of Education	35
Advancement of Religion	35
Other Purposes Beneficial to the Community	36
Public Benefit Requirement	36
Political Purposes and Charitable Status	36
Cy-Près Doctrine	36
Non-Charitable Purpose Trusts	37
General Rule	37
Exceptions	37
Mixed or Hybrid Trusts	37
Reform and Modern Trends	38
IRAC Example	38
Exam Toolkit – Key Takeaways	38
<i>Week 11 – Breach of Trust and Remedies</i>	<i>38</i>
Overview	38
Definition of Breach of Trust	39
Key Cases	39
Elements of a Breach of Trust	39
Defences to Breach of Trust	39
Remedies for Breach of Trust	40
A. Personal Remedies	40
B. Proprietary Remedies	40
Tracing	41

Requirements for Tracing in Equity	41
Limitations	41
Liability of Third Parties.....	41
Equitable Compensation	41
Account of Profits.....	42
Constructive Trust Remedy	42
Exam Toolkit – Key Takeaways.....	42
<i>Week 12 – Tracing, Breach of Fiduciary Duty, and Stranger Liability.....</i>	42
Overview.....	42
Tracing	43
Definition.....	43
Purpose	43
Key distinction.....	43
Leading Cases.....	43
Limits on Tracing	44
Fiduciary Duty.....	44
Definition.....	44
Core Fiduciary Duties	44
Key Cases	44
Remedies for Breach of Fiduciary Duty.....	45
Stranger Liability	45
Knowing Receipt	45
Key Cases.....	46
Knowing Assistance	46
Defences to Third Party Liability	46
Interaction between Fiduciary and Accessory Liability	46
Exam IRAC Scaffolds	47
(1) Tracing.....	47
(2) Fiduciary Breach	47
(3) Knowing Receipt.....	47
(4) Knowing Assistance.....	47
Exam Toolkit – Key Takeaways.....	47
<i>Exam Toolkit and Checklist – Equity and Trusts.....</i>	48
General Exam Strategy	48
Problem Questions Checklist	48
Bullet-Point IRAC Format for Problem Questions	49

Topic-Specific IRAC Templates.....	49
Key Themes for Exam Revision.....	51
Essay Checklist	51
Essay Template	52

Week 1 – Introduction to Equity: Historical Origins and General Principles

Overview

Equity developed in England to supplement the rigidity of the common law. It evolved from the Court of Chancery, which exercised the King's conscience to grant relief where common law remedies were inadequate. Today, equity operates within the same court system as the common law but remains guided by distinct principles of fairness, conscience, and justice.

Nature and Purpose of Equity

- Common law provides fixed rules; equity moderates their harsh effects.
- Equity intervenes when the strict application of legal rules would cause unconscionable results.
- Equity does not replace common law; it supplements it.
- Modern Australian courts apply both systems concurrently (Supreme Court Act 1970 (NSW) s 57).

Historical Development

- The medieval common law system offered limited writs and rigid forms of action.
- Litigants petitioned the King to intervene on grounds of fairness.
- These petitions were referred to the Chancellor, who applied conscience rather than technical law.
- The Court of Chancery emerged as a separate jurisdiction applying equitable principles.
- The Judicature Acts 1873–75 (UK) merged the administration of law and equity, but not their principles.
- Equity prevails in cases of conflict (Supreme Court Act 1970 (NSW) s 58).

Key Maxims of Equity

Equity developed guiding principles known as maxims. They are not rules but expressions of equitable reasoning.

- Equity will not suffer a wrong to be without a remedy.
- Equity follows the law.
- Equity acts in personam (against the conscience of the defendant).
- He who seeks equity must do equity.
- He who comes to equity must come with clean hands.
- Delay defeats equity (laches).
- Equity looks to intent rather than form.
- Equity regards as done that which ought to be done.
- Equity will not assist a volunteer.
- Equity will not perfect an imperfect gift.
- Equality is equity (used in distribution between equal claimants).

Significance of Maxims

These maxims guide the court in deciding when and how to grant equitable relief. They reflect the moral and discretionary nature of equity and ensure that relief is consistent and principled.

Important Cases

Earl of Oxford's Case (1615) 21 ER 485

Conflict between common law and equity. The King resolved that where there was conflict, equity should prevail.

Significance: Foundation of the principle that equity overrides common law where they conflict.

Walsh v Lonsdale (1882) 21 Ch D 9

A lease agreement enforceable in equity even though formalities were incomplete.

Significance: Equity treats as done what ought to be done; merger of equitable and legal remedies in the same court system.

Harris v Digital Pulse Pty Ltd (2003) 56 NSWLR 298

Issue: Whether exemplary damages are available in equity.

Held: No. Equity is concerned with restitution and deterrence, not punishment.

Significance: Shows that equity retains distinct principles even after fusion.

Relevant Legislation

Supreme Court Act 1970 (NSW) s 57–58

- s 57: Merged administration of law and equity in NSW.
- s 58: Equity prevails where conflict arises.

Fusion of Law and Equity

The Judicature Acts merged courts but not doctrines. This created the modern system in which law and equity coexist in a single forum. Equity maintains its distinct doctrines of conscience and fairness.

Critiques of Fusion

- Pro-fusion: Promotes consistency and efficiency.
- Anti-fusion (fusion fallacy): Mixing doctrines distorts both systems and undermines equity's flexibility.

Key case: Harris v Digital Pulse Pty Ltd (2003) – majority refused to extend common law damages to equitable wrongs, preserving separation.

Equity's Modern Role

- Applies to modern transactions including trusts, fiduciary duties, and unjust enrichment.
- Ensures fairness in dealings such as fiduciary relationships, estoppel, and equitable relief.
- Provides flexible remedies such as injunctions, specific performance, rescission, rectification, and equitable compensation.

Equitable Jurisdiction in Australia

Equity is administered primarily by the Supreme Courts of each state under their constitutions and Supreme Court Acts. The High Court oversees equitable principles through appellate review.

Australian Approach

The High Court has reaffirmed equity's independence and flexibility in applying conscience-based standards, as seen in:

- *Muschinski v Dodds* (1985) 160 CLR 583 – unconscionability as the foundation of equitable relief.
- *Giumelli v Giumelli* (1999) 196 CLR 101 – discretionary nature of remedies.
- *Farah Constructions Pty Ltd v Say-Dee Pty Ltd* (2007) 230 CLR 89 – emphasis on settled equitable doctrines to preserve coherence.

Exam Focus

- Know the historical evolution of equity and how it differs from common law.
- Be able to explain the purpose and continuing role of equity in Australia.
- Memorise the key maxims and their practical meaning.
- Understand that equity acts on conscience and provides discretionary remedies.
- Be prepared to discuss the fusion debate with reference to *Harris v Digital Pulse*.

Week 2 – The Fusion Fallacy

Overview

The fusion fallacy refers to the mistaken belief that the merger of law and equity under the Judicature Acts 1873–1875 (UK) created a single, unified system of law that blends equitable and common law principles. In reality, only the courts were fused – not the doctrines. Equity and common law continue to operate side by side, each maintaining distinct principles, remedies, and purposes.

The Judicature Acts

Before the Acts:

- Common law and equity were administered in separate courts.
- Common law courts provided damages, while the Court of Chancery provided equitable remedies such as injunctions and specific performance.

After the Acts:

- The administration of law and equity was merged into one court system.
- Each court could now apply both legal and equitable rules.
- Where conflict arises between the two, equity prevails (*Supreme Court Act 1970* (NSW) s 58).
- However, the doctrines remain conceptually distinct.

Meaning of the Fusion Fallacy

Coined by Professor Ashburner (1933): “The two streams of jurisdiction, though they run in the same channel, run side by side and do not mingle their waters.”

Fusion fallacy occurs when a court applies equitable principles to modify legal rights (or vice versa) without justification.

Examples of the Fusion Fallacy

- Applying equitable defences (such as laches) to legal claims.
- Awarding common law damages for breach of fiduciary duty.
- Treating equitable compensation as identical to tort damages.

The Australian Position

The High Court of Australia has consistently rejected the fusion fallacy.

Key points:

- The courts may develop equitable and legal principles consistently, but not merge them.
- The fusion of remedies must be justified by coherent principle, not convenience.

Key Cases

Harris v Digital Pulse Pty Ltd (2003) 56 NSWLR 298

Facts: Employees breached fiduciary duties. Employer sought exemplary (punitive) damages in equity.

Held: Exemplary damages are not available in equity.

Reasoning: Equity's purpose is compensatory and restorative, not punitive.

Significance: Reinforced that equity retains its distinct purpose and will not import legal remedies incompatible with equitable principle.

Maguire v Makaronis (1997) 188 CLR 449

Facts: Solicitors breached fiduciary duty by lending money to clients for a mortgage. Clients sought relief under contract and equity.

Held: The High Court warned against confusing equitable doctrines with legal ones.

Significance: The case confirmed the need to apply equitable principles independently and consistently with conscience.

Australian Postal Corporation v Lutak (No 2) (2003) 132 FCR 567

Held: Equitable doctrines can be developed to reflect modern conditions, but this does not justify fusion.

Giumelli v Giumelli (1999) 196 CLR 101

Held: Remedy for proprietary estoppel determined by equitable principle (proportionate and discretionary), not by importing legal measures of damages.

Difference Between Fusion and Convergence

- Fusion: Improper mixing of law and equity.
- Convergence: Law and equity may evolve in harmony, applying consistent reasoning where principles overlap.

Example of Legitimate Convergence

Common law and equity may both protect confidential information or impose liability for misrepresentation, but each does so with distinct reasoning.

Equitable Remedies and Fusion

Courts must consider whether the remedy sought fits the nature of the right.

- Legal right → damages.
- Equitable right → injunction, specific performance, or equitable compensation.

Fusion fallacy arises if these are interchanged without principled reasoning.

Scholarly Commentary

- Meagher, Heydon and Leeming argue that any mixing of law and equity leads to doctrinal confusion.
- Deane J in *Muschinski v Dodds* (1985) acknowledged that equity can develop in response to modern needs, but must retain its moral foundation in conscience.