INTELLECTUAL PROPERTY FORUM

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As the world celebrates the achievement of reaching 15 million people with HIV treatment and commits to ending the AIDS epidemic by 2030, UNAIDS reminds countries of the urgent need to ensure that new trade agreements under negotiation do not impede access to medicines.

In the 2011 Political Declaration on HIV/AIDS, adopted unanimously by the UN General Assembly, governments reiterated their commitment to the use of existing flexibilities under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, specifically geared to promoting access to and trade of medicines, and to ensure that intellectual property rights provisions in trade agreements do not undermine these existing flexibilities, as confirmed by the Doha Declaration on the TRIPS Agreement and Public Health.

The flexibilities established in the Doha Declaration and the TRIPS Agreement to protect public health and provide access to medicines for all should be fully respected during the negotiation of new trade agreements,” said UNAIDS Executive Director, Michel Sidibé. “We are entering a crucial phase of the AIDS response which will decide whether we end the epidemic as a public health threat by 2030. Anything that undermines that response must be avoided.”

Various trade agreements are currently in negotiation and concerns have been expressed that they could involve so-called “TRIPS-plus” measures such as broadening patentability criteria and extending patent duration.

Trade negotiators from 12 countries are currently working to conclude the text of the Trans-Pacific Partnership Agreement (TPP), which includes an intellectual property chapter that reportedly contains provisions going beyond what is required under the TRIPS Agreement. Such “TRIPS plus” provisions could make generic competition more difficult and lead to higher drug prices. There is also concern that any TRIPS-plus provisions agreed in the TPP are likely to influence future trade agreements.

Generic competition in the pharmaceutical industry, as well as the use of intellectual property flexibilities, have helped make prices for life-saving drugs much more affordable and enabled the unprecedented scale up of HIV treatment programmes.

The imperative over the next five years is to diagnose millions of people living with HIV and get them access to the life-saving medicines they need,” said Mr. Sidibé. “The right to health must not be negotiated away for trade gains.”

If the global AIDS response is to attain the 90-90-90 treatment target by 2020 – 90% of people living with HIV knowing their status, 90% of people living with HIV knowing their status, and 90% attaining viral suppression – HIV treatment must be accessible and scale-up must be financially sustainable.
In a later communique, UNAIDS has reported that the prestigious medical journal *The Lancet* has since published a comment based on the recent Vancouver Consensus calling for access to HIV treatment for all people living with HIV, expanded prevention services, and a comprehensive, rights-based approach to the AIDS epidemic:

> The statement was signed by more than 500 people from around the world including "civil society advocates, clinicians, researchers and the leaders of the International AIDS Society, the Global Fund, PEPFAR, UNAIDS, and other organisations."

> The Vancouver Consensus reflects today’s science – and that, regardless of where you live or who you are, it is everyone’s right to benefit from the science and have access to treatment, prevention and human rights. …

> The AIDS movement has always asserted that the benefits of science must reach everyone. But it won’t happen unless the world speeds up delivery of both prevention and treatment; donors and implementing governments increase and front load their investment; all countries update their treatment initiation guidelines and work to provide accessible, non-stigmatising health services; drugs are affordable; and discriminatory laws and policies are removed.

> Advocacy with donors and governments has never been more important -- or had more potential. We have to use every opportunity, including government budgeting processes, and the forthcoming Global Fund replenishment, UNGASS on drugs, High Level Meeting on AIDS, and International AIDS Conference in Durbin, to catalyse commitment and investment.

> Today there is a danger of the world squandering the science and losing ambition to end AIDS. It’s only advocacy that will turn that around.¹

Our esteemed Editorial Board member, the Honourable Michael Kirby AC, CMG has repeatedly expressed concern about this issue.

Back in conversation on Melbourne Cup Day 2013 in his Chambers, I canvassed the topic with his former Honour, and re-quote a section of that discourse:

> Q: The growing body of international trade law and the over-reach of IP protections, it is alleged, are impeding the fair production and distribution of low-cost generic pharmaceutical drugs. One of the recommendations in the recent United Nations Development Programme (UNDP) is that the World Trade Organisation must suspend the application of TRIPs as it relates to pharmaceutical products for lower to middle income countries. I asked him how realistic and achievable that may be?

> He replied:

> A: I don’t think that the WTO is going to implement the recommendation of the UNDP Global Commission simply because the Global Commission had some very distinguished members such as the former President Fernando Henrique Cardoso of Brazil and my good self (laughs). It is therefore necessary to set in train the steps that will lead to the reconciliation process that has not yet taken place between trade law designed essentially by trading nations to protect their interests and human rights law designed to protect the people of the world, including the most vulnerable.

> The Report of the UNDP Commission arose in the context of the HIV epidemic. That epidemic has affected upwards of 35 million people who have been infected with HIV. At the beginning of this millennium, only about one million of the people infected had access to the antiretroviral drugs which were essential to their survival, to their work capacity and to enjoying a decent human life.

> As a consequence of the intervention of the United Nations, and the creation of the Global Fund outside the United Nations, and also of initiatives by the President of the United States, the number of people on antiretroviral drugs has increased to more than 10 million people. But there are many millions more who could benefit from access to the antiretroviral drugs. Moreover, there is a special and urgent problem – namely that the original antiretroviral triple combination therapy is beginning to show its age such that the original drugs are not always effective for people who have been receiving them for a long time. They need to step up to the so-called "second-line" and "third-line" therapies. However, whereas the "first-line" therapies are now substantially out of patent, or can be the subject of generic copies in countries of need, the "second-line" and "third-line" therapies are not so easily susceptible to legal generic drugs. This is a stark indication of the conflict between the TRIPs Agreement and global intellectual property law and the urgent need of people in
The story of free trade agreements has not been one of unalloyed advantage, including for countries such as Australia. The determination of the United States of America to defend its intellectual property is admirable on one level, but not necessarily in the best interests of the people of Australia. It may not be, for example, in the best interests of their national health schemes and the balances that are struck there between the universal human right of access to essential healthcare and the universal human right of protection of inventions and promotion of inventiveness is potentially at risk in the TPP.

I will be watching with interest as to how this plays out. I will also be watching which Departments of State are leading the negotiations. If, as I suspect, those departments will be the National Treasury and/or the Department of Foreign Affairs, they may not be familiar with, or sympathetic to, the universal human rights that can be put at risk by free trade agreements. This is important for Australia. But it is doubly important for some of the other countries around the edge of the Pacific that would be parties to the TPP. If it were to be adopted, Indonesia, in particular, is one country that may not be fully protected in respect of its vulnerable population.

There may be overall advantages for a country, but if they surrender the TRIPS flexibilities that were hard fought for (and that have recently been extended to 2021 for the least developed countries), those overall advantages may mean that the universal human rights that are so necessary to human existence and, in the case of pharmaceuticals, to human survival and the right to life, are put at risk. Certainly, Australians should be fully informed of the negotiating compromises that have been reached and why they are advantageous to Australia and to other countries, specifically and relevantly in the matter of pharmaceutical pacts and the universal right to healthcare.

Since then, at the invitation of Mr Mark Dybull, Chief Executive Of the Global Fund, Michael Kirby has worked on a high level committee chaired by Pascal Lamy (former director general of the WTO) to consider a new definition of “least developed country” for the purpose of exceptional treatment in the context of global IP law. While this may not quite be a reconciliation of international patent law and the universal law of
human rights, it may be a practical solution to the immediate problem.

In an informal telephone interview last month, I asked Michael Kirby for his reaction to the recent UNAIDS media release. He replied:

The media release and my current involvement with the Global Fund may not be directly relevant to this issue, but it may be in due course. It is perhaps far more directly relevant to the work that I did with on the United Nations Development Programme (UNDP), which in its report contained in paragraph 6.1 a recommendation for the UN Secretary-General to establish a high-level panel to investigate the reconciliation of the provisions in human rights law protecting the rights of new inventions, but also to protect the rights of everyone to the essential health-care. That is going to be relevant to how the TPP and other free trade agreements play out because they now have provisions requiring parties to surrender their so-called TRIPs flexibilities, or that they have provisions that substitute a completely different regime enforced by arbitration panels. It is another indication of how the international community cannot ignore what is happening in the TPP, in particular by the actions of the United States.

The Global Fund project is centred more on the definition of “least developed countries” for the purpose of access to funding. That could be indirectly relevant here because if, in fact, free trade agreements take away TRIPs flexibilities, those countries will be desperate for funding. Consequently, those who fall into the category of “least developed countries” might be able to get out of the Global Fund to compensate for what they have paid in added intellectual property charges licensing fees in the form of imposing multiple additional patent rights with major corporations. I think that is the only indirect way this may be relevant to the UNAIDS media release.

On one view, as the industrial production of the United States declines, its future will be in intellectual property and services and that is where they want to reap the benefits. The real question is whether they (and like countries) can afford to get it out of the poorest countries of the world which cannot afford the antiretroviral drugs which is guaranteed under the Universal Declaration of Human Rights of 1948. After all, this a matter of life and death for these people, the poorest of the poor.

But, of most concern, are the free trade agreements—particularly with the United States—which require the other parties to sign up to surrender their TRIPs flexibilities. On one view, following the decline in US industrial production, it is turning to products and services subject to IP protection.

What is important is getting the right balance here. By this, I mean the balance between the protection of the rights of authors of inventions to have rewards for sharing their know-how with the world, taking risks and investing in research and development, including in failures (on the one hand) and the protection of the rights of human beings to have access to essential healthcare, particularly where this is necessary to save lives and prevent needless suffering (on the other).

It is not always known that each of these entitlements is expressly mentioned in the Universal Declaration of Human Rights of 1948. Unfortunately, the international community has not properly addressed the ways of reconciling these rights in a just manner where they come into conflict. That is why the UNDP Global Commission proposed a high-level panel to address that reconciliation. I support that idea and I hope that the Secretary General of the United Nations will accept the Commission’s proposal.

I am not against intellectual property protection. I am a lawyer. I am for it. But it must exist in the context of other fundamental human rights, including the qualified universal right to healthcare. Nothing will be more damaging to IP in the long run than seeing millions of people dying or suffering unnecessarily because their countries cannot get access to available therapies because of the state of IP law. That was the reason behind the TRIPs flexibilities and it was a good reason.

In the meantime, on the political front the eternal wrangling over the TPP continues, as further negotiations failed last month in Hawaii last month. As succinctly and stridently articulated by John Garnaut, the Asia-Pacific Editor for Fairfax Media, the reason for this failure was:

True responsibility lies with an Obama administration that was too weak, too presumptuous and far too late in lobbying its case.

Obama allowed himself to be abandoned by Democrats in Congress and held hostage by Republicans who were beholden to the dairy, sugar, auto and pharmaceutical industries.
Congress had bound his hands so tightly that Obama’s Trade Representative, Michael Froman, arrived in Hawaii with too little of value to offer. And he came with too little room to compromise, even when it came to insanely complex “rules of origin” that would have severed global auto production chains and intellectual property laws that would have priced life-saving “biologic” medicines out of reach in developing countries.

The TPP died in Hawaii because the US offer was too miserable to survive. This includes also Japan, the EU, and now China on the horizon.

In a similar vein, Peter Martin, the Economics Editor for The Age wrote on 4 August:

Australia’s hard line on data protection for biologic drugs could also be softened. Biologic drugs are those made with living organisms. There are horrendously expensive. Soliris treats a rare immune disease. To get a drug approved, the manufacturer has to submit data from trials to demonstrate that it works and is safe. After five years that data is available to other firms that might want to make it after the patent expires. The US wants to lift the restriction to 12 years, locking away the data for an extra seven years and keeping prices high. Data protection is separate to patent protection, which lasts for 20 years. If there’s a big delay between the discovery of the drug and its approval, it can be additional to patent protection.

And it works the opposite way. Whereas patents grant exclusivity in return for handing over data, data protection grants exclusivity in return for not handing over data. “You would have to sit in a committee room for a long time to work out a worse policy,” says Nicholas Gruen, a patent expert who has prepared reports for the Australian government. “It grants a monopoly in return for nothing.”

The US is reportedly considering a compromise to placate Australia. It’s a base period of five years, followed by an extension of three years “under certain circumstances”. However meaningful, it would allow both sides to claim they had won.

But even considering the idea makes plain how debauched the whole concept of trade agreements has become. In the past, trade agreements were unambiguously good for the citizens of the nations involved. They cut prices. This one puts them up. The US is using it to try to keep medicines expensive and the cost of taking on US corporations high. In Canada the pharmaceutical giant Eli Lilly is using an ISDS clause in the North American agreement to sue the government for failing to grant it two patents knocked back on the grounds that they weren’t sufficiently innovative. Eli Lilly wants $500 million.

Somehow, trade agreements morphed from pacts designed to cut trade barriers to pacts designed to erect them. Negotiators who had previously worked to advance free trade started working to advance the interests of US corporations. We saw it first in the early ’90s in an odd request from the World Trade Organisation for Australia to extend its patent term from 16 years to 20 years. The then Labor government waved it through, handing existing patent holders an extra four years of high prices. A Productivity Commission study found the decision cost more than $376 million.

From then on the demands kept building, most of them made in secret. Much of what we know about the pact being negotiated in our name comes from Wikileaks. US corporations are allowed to see what’s in it, ours are not.

Trade negotiating has become an exercise in fighting off bad proposals rather than enabling good ones.

This most important debate is well and truly far from over, and the IP implications and healthcare concerns for the world need to be seriously addressed.

In conclusion, I quote from an article recently published in The Economist, which provides some general, yet related, food for thought on this topic:

It is true that, encouraged by the prospects of patents, pharma companies do a lot more research today than in the 1960s and 1970s. But it is also true that they are not alone in their endeavours. Public support for biomedical research has soared over past decades; the budget of America’s National Institutes of Health is five times what it was in 1970. Mr Boldrin and Mr Levine reckon that once subsidies and tax breaks are accounted for, American private industry pays for only about a third of the country’s biomedical research. In return the patent system provides them with a great deal of income.
The drug companies claim this is a good deal; that the short-term gains a spate of cheap drugs would bring right after a putative abolition would be overshadowed by the long-term losses due to a dearth of new drugs. Looking at one industry-funded study that reaches this conclusion, though, Mr Boldrin and Mr Levine found it quite sensitive to the discount rate applied to future benefits. In 2005, Dean Baker, an economist at the Centre for Economic and Policy Research, a think-tank in Washington, DC, took a much simpler, but still rather striking, approach: he just compared the costs imposed by the patent system with the innovation that system bought.

America’s health systems, he noted, spent $210 billion on prescription drugs that year. Based on how much cheaper generic drugs were than patented ones, Mr Baker calculated that a competitive patent-free market might have provided the same drugs for no more than $50 billion. That represented a saving of $160 billion. The drug companies reckoned at the time that they were spending $25 billion on R&D; the government was spending $30 billion on basic medical research. The money it would have been able to save buying drugs for Medicare and Medicaid in a patent-free world have allowed the government to double that research spending, more than replacing industry’s R&D, while still leaving $130 billion in public benefit.

With America’s prescription-drug bill now $374 billion, the opportunity looks all the greater, even though the companies now say they are putting $51 billion a year into R&D. Imagining that the government could spend R&D money as effectively as the corporate sector may sound like a stretch. But a government which simply wanted to make drugs available for competitive manufacture might find various ways to get innovative results from contract research companies. Joseph Stiglitz, an economist at Columbia University, and others have suggested encouraging teams of autonomous scientists to develop new breakthrough drugs by offering those that succeed big prizes. After a promising drug was found the final, most expensive stages of clinical trials, which measure the efficacy of a drug that has already been shown to be safe, could be publicly funded, using another portion of the huge potential savings from cheaper drugs, and conducted by independent laboratories. Once a medicine was validated, any drug company would be allowed to make it.

Alternatively, the trials could be made smaller, with companies required to earn the right to manufacture a drug that had been shown to be safe by scrupulously collecting and publishing data on how the drug compared with other treatments once it was in use.

This is not as strange as it may sound. Many drug start-ups see their exit strategy as being bought up for a billion dollars or so by a big pharma company when their projects start to look promising. Billion-dollar prizes would provide similar incentives. Nor is it all that new: Robert MacFie, a leading Victorian patent-abolitionist, also favoured prizes.

Six bills to reform patents in some way (including in one case by overturning an earlier reform) have been proposed to the current American Congress. None seeks abolition: any lawmaker brave enough to propose doing away with them altogether, or raising similar questions about the much longer monopolies given to copyright holders, would face an onslaught from the intellectual-property lobby. But a top-to-bottom re-examination of whether patents and other forms of intellectual-property protection actually do their job, and even whether they deserve to exist, is long overdue. Simple abolition raises problems in terms of the ethics of property rights (see leader). But reductions in the duration of exclusive rights and differentiation between those rights for different sorts of innovation are possible, and could be introduced in steps over a number of years, allowing plenty of time for any ill effects to surface. Experiments with other forms of financing innovation could be run alongside the patent system. If defenders of the patent system really seek to foster innovation, they should be prepared to do so in their own backyard.

This Issue

This issue contains a range of articles, with a particular focus on the fields of trade mark and patent law.

In the first article, Michael Handler provides Part 2 of his two-part series, which addresses some of the challenges that the Australian courts and the Australian Trade Marks Office have encountered in recent years when dealing with descriptive and laudatory word marks in the context of trade mark registration and cancellation proceedings. Here, the author confronts other issues relating to the first step of the distinctiveness enquiry.
that have been raised in recent Federal Court and Trade Marks Office decisions. He then considers the second step of the distinctiveness enquiry, that is factual distinctiveness, and highlights some of the difficulties applicants for registration for descriptive or laudatory marks have faced in attempting to show their marks have become or are likely to become distinctive. The article concludes with considered recommendations for legislative reform to address some of the problems with this area of the law, and suggests that what owners of descriptive or laudatory word marks might be able to do to so as to secure protection for such marks, in light of recent case law.

Remaining in the field of trade mark law, yet in another jurisdiction, the second article focuses on the protection of unregistered well-known trade marks from the perspective of the protection for foreign well-known trade marks unregistered in China. This arises from a Resolution to Amend Trade mark Law of the People’s Republic of China passed in mid-2013. As the authors detail in the article, this important revision of trade mark law was completed on the basis of more in-depth development of market economy in China, long-term practice in trade mark law and theoretical studies in China. The changes are in large part, inter alia, the new provisions such as including “the principle of good faith in registration and use of trade marks,” “improvement of well-known trade mark system,” “the right of prior use system for well-known marks”, “trade mark co-existence system” and “the protection of ordinary unregistered trade marks”.

Turning then to patent law, Sylvia Song reviews and compares the patent law regimes in Australia with the UK (and Europe). In particular, the author notes that, while Australia does not have an express exclusion in its patent legislation, there remain some similarities to the UK regime, where computer-implemented inventions may be patentable on the satisfaction of some further technical effect.

Remaining in the area of patent law, Serena White and Shahnaz Irani provide a brief article which considers the similarities and differences between patent opposition in Europe and Australia. As the co-authors note, in Australia, it focuses on substantive opposition relating to the grant of a standard patent whilst acknowledging that substantive opposition relating to the grant of an innovation patent and procedural oppositions are possible. This article compares aspects in Europe and Australia including the pre-grant / post-grant nature of opposition, the available grounds and procedural differences, and raises the need for expert evidence in Australia.

Finally, Lisa Chighine provides a valuable and instructive case note on the important recently reported decision in Wilson v Ferguson, “Remedy of Equitable Compensation for Breach of Confidence where the Damage Suffered is Embarrassment, Anxiety and Distress”.

This issue’s Profile places the spotlight on the highly respected IP academic Professor Andrew Christie, who holds the Chair of Intellectual Property at Melbourne Law School at the University of Melbourne. Not only well-known in IP circles for his impressive academic qualifications and experience as a practitioner and a policy advisor, as barrister Clare Cunliffe rightly identifies, Andrew has devoted most of his working life to answering a range of IP issues, including the regulation of intellectual property protection requires a complex balancing act between rights holders and the public.

I am delighted to announce that The Honourable Justice Robert French, Chief Justice of the High Court of Australia, has kindly agreed to join the Editorial Board of the journal. I met with his Honour in July in his Canberra Chambers to profile him and discuss IP and other related topics. The Profile will be published in the December issue of the journal.

Finally, I thank all the regular correspondents to the Current Developments section of the journal, whose topical reports keep us abreast with the latest developments, here and abroad, in the world of intellectual property law.

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2 Vancouver Consensus. Available at: [http://vancouverconsensus.org/co](http://vancouverconsensus.org/co)
3 Email from Mr Chris Collins of UNAIDS to The Honourable Michael Kirby dated 7 August 2015, relayed to C. Sexton.
5 Informal telephone discussion between The Honourable Michael Kirby and C. Sexton on 1 August 2015, Sydney.
6 “In TPP talks, Barack Obama loses battle against traditional trade powers”, Sydney Morning Herald, 1 August 2015.
7 “Trans-Pacific Partnership: still alive and capable of doing us harm”, The Age, 4 August 2015.
8 “A question of utility”, The Economist, 8 August 2015.
In Conversation with Professor Andrew Christie

The regulation of intellectual property protection requires a complex balancing act between rights holders and the public. Intellectual property law has vocal stakeholders, including rights holders, practitioners and academics.

In resolving individual disputes, it is easy to lose sight of the larger questions: whether the positive effects of intellectual property outweigh the negative effects, and if not, how the system can be recalibrated to ensure that they do.

Andrew Christie, the Melbourne Law School’s Chair of Intellectual Property at the University of Melbourne, has devoted most of his working life to answering these questions, including through his ground-breaking work with the Intellectual Property Research Institute of Australia.

In answering these questions, he draws not only on his impressive academic qualifications, but also on his experience as a practitioner and as a policy advisor, as this conversation reveals.

Q: What led you into the law?
A: I started at the University of Melbourne, doing a Bachelor of Science. I was studying maths, statistics, computer science and psychology. At the time I was living in a residential college on College Crescent. I spent a lot of time talking to other college residents about what they were studying. I spoke to a guy who was studying science/law, and we discussed the criminal cases he was doing. From those conversations, I decided science/law might be more interesting than science. After I completed my first year, I transferred into a combined science/law degree. I caught up and finished both degrees in five years. That was my undergraduate degree.

Then, I worked for a number of years in Melbourne. I always knew I would study again, but I wasn’t sure what I would study – I considered doing a Masters of Law, but also an MBA.

Just before I moved to London, I was working at the firm that became the Australian arm of Boston Consulting Group. I wasn’t sure whether to enrol in an MBA program, so I applied the Boston Consulting Group principles for decision making to decide what masters program to enroll in. I realised that although I was a decent management consultant, I had no particular comparative advantage. But, I realised that I did have a comparative advantage in intellectual property law, because it was relatively rare to have a science degree. I decided I was better off being an intellectual property lawyer, and so I enrolled to do a Master of Laws by coursework at Queen Mary College, University of London. Just before I finished my Masters degree, one of my lecturers, Dr Noel Byrne, suggested that I should apply for a job at Southampton University. At that stage, it was my intention to practice law as a private practitioner, so I turned down the opportunity.

Noel subsequently suggested that I apply for the Herchel Smith Research Fellowship, which would allow me to be a research
fellow at Emmanuel College, Cambridge. I applied for and was awarded the fellowship. After a year as a research fellow, I decided to register as a PhD student at the University of Cambridge. I was supervised by Dr Yvonne Cripps, the senior law fellow at Emmanuel College. I completed my three-year research fellowship, and then moved back to Australia, where I spent six months finishing my PhD, which I then published.

Q: Did you ever practise law?

A: Yes. After I finished my undergraduate degree, I completed my articles at Arthur Robinson & Co, which during that year merged with Hedderwick Fooke & Alston to become Arthur Robinson & Hedderwicks (and, much later, became Allens). I was admitted as a solicitor and continued to work there for a further two and a half years.

I spent my whole time at Arthur Robinson in the intellectual property section – I never rotated out. I liked the area of intellectual property, but I thought that my experience was too narrow. I kept suggesting a rotation – normally, people rotated after their first year. My supervisors kept saying: “We’ll rotate you next year.” After about three and a half years there, I decided I wanted wider experience. I decided that instead of trying another firm, I would try another profession – which is why I went into management consulting.

While I was at Arthur Robinson, I worked on patent litigation with Michael Dowling. I remember we were involved in a big dispute concerning medical devices – ampoules which were used with a luer lock syringe. I was involved in gathering evidence for use in those proceedings. I also worked with Tim Golder, who at that stage was a young solicitor, on trade mark and copyright matters. Tim was Michael Dowling’s first articled clerk, I was his second, and Michael Pattison was his third. Both Tim and Michael are still at Allens. I also worked with Richard Hamer, who is still a partner at Allens, on licensing and franchising matters.

After I left Arthur Robinson, I moved to Pappas Carter Evans & Koop, which later became the Boston Consulting Group, to do something non-legal. I spent a year at Pappas Carter Evans & Koop before I moved to London to undertake my Masters degree in law.

After I completed my Masters degree, and before I took up my research fellowship, I also worked as a solicitor in London. I wanted to find a role independently, but not through my connections at Arthur Robinson. While I was in London, I met with Stephen Stern (who was then at Freehills). My meeting overlapped with Stephen’s previous meeting, with Mark Prinsley of Rowe & Maw (now Mayer Brown). Mark asked me what I was doing, and I told him I was interested in working in a law firm. He invited me to come to his firm the next day, where I met with him and the intellectual property partner, Stephen Gare – and they offered me a job. I worked for four months full-time at Rowe & Maw before I received the fellowship. In that time, I was admitted to practice as a solicitor in England and Wales. When I went to Cambridge, Mark and Stephen invited me to stay on at Rowe & Maw as a consultant. I continued to consult to Rowe & Maw for the next three years, particularly in the area of copyright.

After I came back to Australia and finished my PhD, I returned to Arthur Robinson, as a Senior Associate. I worked there for a year. While I was there I realised that, as much as I enjoyed private practice and respected the training I had received, I didn’t want to be a full time practitioner and that I was an academic at heart. At that stage, the University of Melbourne was looking for a lecturer in intellectual property – Sam Ricketson had moved to Monash University not long before.

I was torn about whether to leave Arthur Robinson, but Melbourne Law School opened up an opportunity for me. The then-Dean, Michael Crommelin, very generously allowed me to work out an extended notice period of more than six months, after which I joined Melbourne Law School as a Senior Lecturer. Although I still consulted, I was a full time academic from that time on.
Q: What made you decide to be an academic?
A: Initially, at Arthur Robinson, when I was engaged in litigation, I felt that I was given too much responsibility too early and I wasn’t sure that it was what I wanted. I also felt that my work as a solicitor was too narrow. It was focused, naturally, on matters of concern to clients, but I wanted to do work beyond that.

I also realised that I value autonomy more than anything else, including generous remuneration and status. Academia allows me enormous diversity, and a vastly wider range of work than I had in private practice. As an academic, I can undertake research, do government advisory work, consult to international organisations such as WIPO, and dabble in other areas, such as domain name dispute resolution and mediation. In private practice, I wouldn’t be able to do the same breadth of work. I value the diversity.

I didn’t consider going to the bar, although in retrospect I wish I had considered it. I think I might have liked it.

Q: So, why IP?
A: I enjoy everything, absolutely everything, about intellectual property. I enjoyed my entire law degree – but the subject of intellectual property was so fascinating, because it dealt with intangibles, which are incredibly complex. I was privileged to have Sam Ricketson as a teacher. He taught so clearly and so interestingly, and he was so understated and unpretentious. Nothing else I studied was more interesting than intellectual property.

Q: Did you have any important mentors?
A: Mentors is not exactly the right word. I was too stubborn and too independent to seek out mentors. However, there are a number of people who have been very important in and supportive of my career. Sam Ricketson encouraged me, and helped me gain a scholarship from Queen Mary College. Noel Byrne was also very supportive, as he helped me get to Cambridge, which was probably my biggest break.

When I got to Cambridge, Yvonne Cripps supervised my PhD. She was great – very hands off, she simply supported me when I needed it and didn’t tell me what to do. I also learnt an enormous amount from Michael Dowling at Arthur Robinson – I am very grateful for what I learnt from him about the practice of law.

Jim Lahore was also a shining beacon, in academe and in practice. Whenever I sought advice from Jim, he gave it readily and well.

Q: How important do you think are mentors?
A: When I was young, I was arrogant enough to think that mentors were not very important. As I grow older, I realise that mentors don’t need to be in your face, or to be there every day. People can help you by something they say, or through some insight that they give, or some act of support they provide. All of the good things that have come my way over the course of my career have had a seed of someone else’s contribution. I hope I can help some of my students in the same way. I hope that something I have said or done has had some effect on their development, even if I do not know that it has.

Q: Do you feel that now the practice and thinking of intellectual property law has become too specialised?
A: I think that it’s a classic double-edged sword. Inevitably and necessarily, there is a large degree of specialisation in intellectual property practice. In my own career, in the past, I was very happy to focus on a couple of areas in detail. Now, I really like to keep expanding my understanding of everything, at a basic – by which I mean foundational, not simple – level. I think as an academic it is necessary to have a basic understanding of all areas of intellectual property, since otherwise, it is very hard to see where the law is going. However, it is only possible to understand the macro level after you have a pretty solid understanding of the micro level. You need to flip between them. I think specialisation is only a problem if you don’t keep a solid sense of what is happening at the macro level.

Q: What do you view as the major current issues in intellectual property law?
A: I think they are the same as they have always been, and I think they are always at the
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macro level, since otherwise, they can be dealt with by a court decision or a legislative tweak.

I think there is a disconnect between what the state impliedly promises when it grants rights and what it does in relation to giving people an ability to enforce those rights. The implied promise is that a person with granted intellectual property rights will have access to a system for enforcing them if infringed. In practice, however, this is not the case for most rights holders. Unless the case is worth hundreds of thousands of dollars, it's generally not worth a party bothering to fight an infringement as, even if successful, the costs of doing so will exceed the returns. And, if the case is worth hundreds of thousands of dollars, it will cost a very large amount to fight it, which many rights holders simply cannot afford.

I understand why dispute resolution is costly, but I can't say it's appropriate. I think that the state should stop offering registrable intellectual property rights if it is so expensive to enforce them, because registration is effectively a waste of money. Put another way, if the state is going to offer registered intellectual property rights it needs to provide a cost-effective means of enforcing them.

That is the case for all intellectual property rights, including particularly plant breeders' rights. It costs a few thousand dollars to register these rights, which is a lot of money to most plant breeders, and in some cases, enforcing the registered rights would send the rights holder bankrupt.

Q: What could be done differently?

A: There are a multitude of responses to that question. IP Australia needs to stop seeing itself predominantly as an examiner of applications, and start seeing itself as the custodian of registered intellectual property rights in Australia. It needs to bite the bullet and get even more engaged in policy work, as has happened in the United Kingdom.

As the custodian of registered intellectual property rights, I also think IP Australia needs to see part of its duty as being to join the dots between owning rights and enforcing them – that is, to offer opinion services, to facilitate the use of experts to give determinations (binding or non-binding), and to facilitate the use of mediation and arbitration for disputes. There are a plethora of mechanisms for alternative dispute resolution, but in Australia most intellectual property disputes go through the Federal Court.

I think that all intellectual property rights are problematic in terms of enforcement. The courts generally do a wonderful job of resolving disputes, but it is a very costly way of doing it.

Q: Are there any other major issues in intellectual property law?

A: The most obvious problem is ensuring that the known negative effects of exclusive rights are outweighed by the positive effects. It is never going to be possible to arrive at a permanent solution to that issue, as I came to see when I was Director of the Intellectual Property Research Institute of Australia, a multi-disciplinary research institute in intellectual property. While in theory it is understood there is always a negative aspect to exclusive rights, that negative aspect cannot be easily quantified. Economists can tell you there is the potential for a problem, but they aren't able to assess the scope of the problem accurately. Hence, they can't provide practical recommendations for how to reform the system. To do that relies on common sense and intuition.

I think practitioners are undervalued in this respect. They can sense when intellectual property rights are either too strong or too weak. It is the responsibility of the profession, individually and through committees like the Law Council of Australia, to ensure that the balance is maintained. Practitioners need to be very active in giving their input to government on this issue.

Q: Where do you think the balance lies at the moment?

A: It is very hard to argue that copyright is too weak! Its key features – duration, exclusive rights, and the limited defences which are available – mean that the copyright regime is very generous to copyright owners.
I think patent law at the moment is better balanced in that more levers have been pulled or pushed to ensure the balance of rights. I think it is easier to balance patent law than it is to adjust copyright law. For example, the recent Australian amendments to the law of sufficiency and fair basis to reflect the UK and European position have rebalanced patent law. That is one example where policy makers have been active in ensuring the balance. Copyright represents a more systemic problem.

I don't have a strong view about the position in relation to trade marks, or designs. However, I think plant breeders' rights is an extraordinarily interesting regime in that it relates to self replicating subject matter, and to an industry which doesn't see itself as high tech. On one or two aspects, I don't think plant breeders' rights are strong enough. For example, there is an ability to avoid infringement of the exclusive rights by developing a new variety that exhibits a difference in morphology, even though that difference does not contribute to the value of the plant variety. It's also an interesting regime because there's a number of powerful defences, including a private and non-commercial use defence, a defence for breeding purposes, and an experimental use defence.

Q: Are there any key intellectual property issues you would like to see addressed, either by the Courts or by the legislature?

A: The Copyright Law Reform Committee (CLRC) worked for four years in the late 1990s to produce a valuable report on simplification of copyright law. I would like to think that, in due course, the wisdom of that report will be recognised. At the moment, the Attorney-General's Department say that they are “still thinking through” the ramifications of the recommendations made by the Committee. In general, I think copyright needs simplification – the key levers need shifting, to re-balance the regime. The CLRC was abolished in the mid-2000s, so for a decade there has been no independent body in Australia with responsibility for oversight of copyright law. I think the consequences of that show in our very poor record of copyright law reform in that time.

The Advisory Council on Intellectual Property (ACIP) has been an enormously valuable body in terms of bringing about legislative reform to most of the registered intellectual property rights regimes. For example, ACIP made some recommendations in relation to experimental use in the context of patent infringement. Initially, when ACIP proposed an experimental use defence to patent infringement, the government's response was that we don't need one in that there is no evidence of a problem. Then, the government accepted that there was evidence of a problem, but said that the proposed exception was too broad. Then, the government accepted that there was a problem, and thought that the proposed exception was too narrow. So now, Australia has the world's broadest experimental use exception and the world's broadest regulatory approval exception.

I think there are some areas where there is not enough scrutiny – both ACIP and the Plant Breeders' Rights Advisory Committee (PBRAC) are being abolished, following the recommendations of the Commission of Audit. The government says it will seek advice from IP Australia on registered intellectual property law reform, but I think there is a need for more structured processes involving external input. In another example, there is no advisory committee in relation to copyright. I think it is a serious mistake to abolish bodies like the CLRC, ACIP and PBRAC – they perform a very valuable function.

Q: What do you see as the key challenge for IP practitioners?

A: I think intellectual property practitioners are experts in the system they are working. The challenge is to step back and see the bigger picture. Lawyers, patent attorneys and trade mark attorneys all need to continually consider the system to see whether changes are needed, so that if government or the public ask “is there a problem?”, they can step back and answer the question in context – not just from the micro level, but also from the macro level.
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Q: What is the interaction between academia and practice?

A: I think in intellectual property, the relationship between academe and practice is pretty good, but it could be better. I am really worried that Australian law schools (and law schools across common law countries) are more and more removed from the practice of law. Most of the intellectual property lecturers I have worked closely with – including Sam Rickeson, Jim Lahore and Janice Luck – have made a big effort to keep in touch with practitioners. Contact between the branches of the profession is very important. But it is getting harder and harder to maintain it, because people are working so hard at their jobs.

I try to participate in the intellectual property societies – IPSANZ, IPTA – by attending or speaking at their meetings. I have also played a part in law reform committees, having been a member of the CLRC, ACIP and PBRAC, and the Law Council of Australia’s intellectual property committee.

Personally, I am increasingly getting more involved in practical matters, and increasingly there is more scope to do so. I think part of the role of academia is to engage with government and the practising branches of the profession on how to go about things.

Q: Do you think there are any lessons from other jurisdictions for Australian practitioners?

A: I think in Australia we would benefit from more interaction between academics and practitioners. In the US, for example, the divide is more fully bridged, so that some academics are also practitioners or judges, and people move more freely between academia and practice. In Australia, we tend to stay put. There’s less fluidity. In the graduate program at Melbourne Law School, we involve many practitioners as teachers, but the use of academics in legal practice is too limited. There is no reason why judges should just come from the ranks of barristers. Academics don’t just teach and research – they can also contribute to policy, and participate in practice as consultants and in alternative dispute resolution.

I also think there is more scope for intellectual property practitioners to engage in pro bono work, including clinics.

Q: If not the law, what other career path do you think you might have pursued?

A: I think I would have worked in a professional advisory capacity on intellectual property commercialisation – perhaps in venture capital – because the work involved is interesting, conceptual, real and practical. I think that if I had taken that path, I wouldn’t be complaining. However, I have been really lucky, as I get to work in a great area of law, in a great environment.
This is the second of two articles providing a critical analysis of the Australian law of trade mark distinctiveness, focusing on descriptive or laudatory word marks.

In Part 1, I explained the structure of s.41 of the Trade Marks Act 1995 (Cth), which requires as a first step that marks be classified in one of three ways: as being “not to any extent inherently adapted to distinguish” the specified goods or services (NTAEIA); “not sufficiently inherently adapted to distinguish” those goods or services (NSIA); or prima facie distinctive. I then assessed the general principles that have been used in applying the first step of the distinctiveness test, and how these principles have been complicated by the High Court’s recent decision in Cantarella Bros Pty Ltd v Modena Trading Pty Ltd.

In this article, Part 2 of the series, I start by addressing a number of other issues relating to the first step of the distinctiveness enquiry that have been raised in recent Federal Court and Trade Marks Office decisions. I then turn to the second step of the distinctiveness enquiry, namely, factual distinctiveness, showing some of the difficulties applicants for registration for descriptive or laudatory marks have faced in attempting to show their marks have become or are likely to become distinctive.

By way of conclusion, I make some recommendations for legislative reform to address some of the problems with this area of the law, as well as suggesting what owners of descriptive or laudatory word marks might be able to do to so as to secure protection for such marks, in light of recent case law.
Grey Skies and Silver Linings: A Critical Assessment of Trade Mark Distinctiveness under Australian Law, Part 2

Court in *Cantarella*, does not easily map on to the tripartite structure of s.41.

There is a danger of the test being used to ask the binary question “is the mark inherently adapted to distinguish or not?” (sometimes expressed as “does the mark have an inherent capacity to distinguish?” or “is the mark inherently distinctive?”). Indeed, this problematic language can be seen in the High Court’s decision in *Cantarella*, where the majority held that Cantarella’s appeal turned on the “question of whether the two trade marks are ‘inherently adapted to distinguish’ or ‘is the mark inherently distinctive?’”). Indeed, this problematic language to distinguish?” or “is the mark inherently adapted to distinguish or not?” (sometimes expressed binary question “is the mark inherently adapted to distinguish”). There is a danger of the test being used to ask the “continuum” of distinctive character that will need to provide to ensure that the application is not rejected. An exemplary approach to assessing the extent of a mark’s inherent adaptation to distinguish was taken by Kenny J in the 2010 decision in *Sports Warehouse Inc v Fry Consulting Pty Ltd.*

It is vital to appreciate that the *Clark Equipment* test does not purport to set up bright line rules for determining when a mark will be prima facie distinctive as distinct from being an NSIA mark, or when it will have the slight degree of inherent adaptation to distinguish such that it falls to be considered as an NSIA mark rather than an NTAEIA mark. The test forces tribunals to make hard, often speculative, decisions about the conduct of traders in particular markets in assessing the likelihood that they would wish to use particular signs. The “tripartite” classification method used in s.41 also raises the prospect that borderline cases will arise at two separate junctures – a problem to which I return in the Conclusion when considering how s.41 could be reformed.

However, the most important point for present purposes is that *Clark Equipment* has to be applied carefully to ensure that the question of the extent of a mark’s inherent adaptation is not marginalised. There is a danger of it being applied in a manner that pushes decision-makers into a finding that the mark is either prima facie distinctive or not to any extent inherently adapted to distinguish. This is a false dichotomy. One way of preventing this is for decision-makers to avoid the imprecise or shorthand use of terms such as “inherently distinctive” and “inherent capacity to distinguish”. This is because such terms are not always used in the same way in the case law and commentary on s.41; they can sometimes be used in a manner that glosses over the precise questions being asked by s.41, in particular, the requirement that the mark be classified on the continuum of distinctive character in one of three ways.

A careful application of *Clark Equipment* might also help deal with difficult fact situations, such as those involving foreign marks which are laudatory or descriptive in translation, with greater nuance than was arguably seen in the *Cantarella* litigation (where a strong argument could have been made that both ORO and CINQUE STELLE were, in fact, NSIA marks). Recognising that a foreign word might well be understood as having a
descriptive meaning to a substantial number of Australian consumers or traders, issues such as the extent of familiarity with the word in question amongst consumers generally, its meaning in both the foreign language and in translation, the nature of the goods and services, and the extent to which they are targeted at and purchased by particular sub-groups of consumers can all be taken into account in an assessment of the degree of likelihood that other traders might wish to use the marks in question. This, in turn, will then impact on a finding of the extent of the mark's inherent adaptation to distinguish.11

What Kind of Use by Other Traders is Relevant?
One aspect of Clark Equipment that is often overlooked is that the test looks to whether other traders "will think of the word and want to use it in connexion with similar goods in any manner which would infringe a registered trade mark granted in respect of it".12 This reference to infringement can perhaps be interpreted in two ways. Read literally, it might be open to argue that if other traders would wish to use the sign other than as a trade mark (for example, for descriptive or nominative purposes), or in a manner that would not infringe because a defence would be available, then the sign ought to be accepted as being prima facie distinctive. That this is not the way the test is to be interpreted is best confirmed in Clark Equipment itself, as Kitto J, later in his judgment, stated:

[i]t is no answer to say that if registration be granted such a manufacturer may nevertheless describe his goods as "made in Michigan" or in some other ways indicate that Michigan is their place of origin. He is not to be excluded by the registration of a trade mark from any use of the word Michigan that he may fairly want to make in the course of his business.13

This view found favour with the Full Court of the High Court in Faulding14 and was adopted by the Full Federal Court under the current Act.15 On this basis, it should not matter if the evidence shows use of the sign by other traders descriptively, or as a descriptive component within a compound mark. It might be thought that the High Court's decision in Cantarella, as explained in Part 1, casts some doubt on this final point. However, having already determined that the words "oro" and "cinque stelle" were merely allusive, the majority seemed to think that this was also reflected in other traders' adoption of the same mark (that is, that all coffee traders using "oro" were doing so allusively, rather than in a directly descriptive manner).

The reference to "infringement" in the Clark Equipment text is best read a second way, as indicating that the test is whether other traders might wish to use not only the exact sign whose registration is being sought, but also a "substantially identical" or "deceptively similar" sign (picking up the language of the infringement provisions). This is similar to the way the test was framed under old UK law,16 as well as by the High Court in its earlier decision in Eclipse Sleep Products Inc v Registrar of Trade Marks,17 and is the way the Full Federal Court has approached the issue under the current Act.18

This reading is significant, because logically it should mean that an application for registration of a mark that is sufficiently similar to a sign lacking distinctive character should be treated in the same way as an application for that latter sign. Having said that, there are some problems in applying the notion of "deceptively similar" too formalistically in this context. It would be a strange result if a court were to find NICAGIN for heavy earth movers to lack inherent adaptation to distinguish on the basis that it is deceptively similar to MICHIGAN. Nonetheless, it seems entirely appropriate to take into account some slight differences in applying the test for inherent adaptation to distinguish and, above all, to recognise that such a reading of Clark Equipment expands the range of signs that should fall to be considered as either NSIA or NTAEIA.

Timing Issues in Assessing Inherent Adaptation to Distinguish
A further issue raised in another recent Federal Court case concerns the question of the time at which a mark's inherent adaptation to distinguish is to be assessed.

In the 1973 High Court decision in Burger King Corporation v Registrar of Trade Marks, Gibbs J referred with approval to the Clark Equipment formulation of the test, and added that inherent adaptation "depends on the nature of the trade mark itself and therefore is not something that can be acquired; the inherent nature of the trade mark itself cannot be changed by use or otherwise".19 This might appear to be an uncontroversial statement of the need to keep the first and second steps in the distinctiveness enquiry separate.
However, some care is needed in its application. In the recent Federal Court case of Mantra IP Pty Ltd v Spagnuolo,20 one issue was whether the mark Q1, the name of a Gold Coast high-rise apartment building adopted in 2001, was prima facie distinctive in relation to accommodation and property management services at the time registration of this mark was sought in 2008 (the applicant being one of the Mantra group of companies, another company in this group having been nominated the letting agent by the body corporate for the residential component of the Q1 building in 2005). The opponent to registration claimed that by the 2008 filing date the sign “Q1” had come to take on “geographical” significance, in the sense that it had come to identify the location from where the services were provided rather than trade origin. Following an earlier decision involving the name of a privately-owned commercial building21 Reeves J thought that “Q1” could not be equated with a geographical term.22

More interesting, however, is Reeves J’s reliance on Burger King in finding that a prima facie distinctive mark adopted in 2001 necessarily remained prima facie distinctive at the 2008 filing date, and that any use of the sign after 2001 by others that might have changed the meaning of the sign (e.g., by turning it into a geographical descriptor) could not alter this state of affairs.23 Such an approach mischaracterises Burger King, which holds only that inherent adaptation to distinguish cannot be achieved through subsequent use of the mark. It also fails to recognise that the meaning of signs can change over time, and that a mark’s inherent adaptation to distinguish must be assessed as at the filing date. Whatever the state of affairs when a mark is adopted, it might be the case that the sign has come to take on a different meaning (e.g., that it has developed geographical or descriptive significance) by the time of the application for registration, casting doubt on whether it could be characterised as prima facie distinctive for the purposes of s.41. This was explicitly recognised by the Trade Marks Office in its 2011 decision Blu-Ray Disc Association24 and is the better interpretation of s.41.25

**NSIA Marks v NTAEIA Marks**

A fourth and final issue to be discussed in this section relates to one of the most difficult aspects of the Australian test under s.41: determining whether a non-prima facie distinctive mark is to any extent inherently adapted to distinguish such that it will fall to be considered as an NSIA mark rather than an NTAEIA mark.26 “This assessment has important consequences for the second step of the distinctiveness inquiry, discussed in the following section.

Note 1 to the current s.41(4)/former s.41(6) provides that that subsection, which deals with NTAEIA marks, is intended to apply to signs that are *ordinarily used* to indicate certain qualities, characteristics, etc. of goods or services. In Austereo Pty Ltd v DMG Radio (Australia) Pty Ltd Finn J considered that “words which, though descriptive of the quality or character of goods or services, are not the only or natural words which would be chosen for that purpose ... [or] because the description itself involves an unfamiliar, obsolete, unexpectedly evocative or purely emotive usage” can be said to have some degree of inherent adaptation to distinguish.27

This approach, which can be traced to the English Court of Appeal’s decision in *J & P Coats Ltd’s Application*,28 is helpful in assessing the degree of likelihood that other traders would wish to use the sign in question. However, Finn J’s statement is arguably overreaching (and not just in its reference to “unfamiliar” marks, in light of cases such as *Eutectic Corporation v Registrar of Trade Marks*29). In particular, the idea that unless the mark is the only way of describing the goods or services it will have some degree of inherent adaptation to distinguish is problematic. This is because it overlooks the fact that traders might think of a range of broadly synonymous words, especially laudatory terms, to describe their products.30 For instance, “whopper” is clearly not the sole, or even the most obvious, term that might be used by a trader to describe the immensity of its burgers, but this does not make the mark WHOPPER to some extent inherently adapted to distinguish one trader’s burgers from another’s.31

Comparing marks that over the past few years have been held to be NTAEIA with those that have been held to be NSIA shows how difficult drawing the distinction can be. The following table sets out forty or so decisions of courts and hearing officers from June 2010 to July 2015 involving word marks held to be either NTAEIA or NSIA, grouped according to the type of descriptive mark under consideration:
<table>
<thead>
<tr>
<th>Type of sign</th>
<th>NTAEIA</th>
<th>NSIA</th>
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<tbody>
<tr>
<td>Generic/</td>
<td><strong>Court decisions</strong></td>
<td><strong>Court decision</strong></td>
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<tr>
<td>descriptive/</td>
<td>• SIR WALTER (for “Buffalo grass of the ‘Sir Walter’ variety”)³²</td>
<td>• TENNIS WAREHOUSE (for services including the online retailing of</td>
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<tr>
<td>laudatory</td>
<td>• “Is This Australia’s Cheapest Chemist?” (stylised) (for services</td>
<td>tennis clothing and equipment)⁶⁷</td>
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<td></td>
<td>in Classes 35 and 44 relating to pharmacies)³³</td>
<td></td>
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<tr>
<td></td>
<td>• APP STORE (for various services in Classes 35, 38, 42)³⁴</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• YELLOW (for goods and services including print and online phone</td>
<td></td>
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<tr>
<td></td>
<td>directories)³⁵</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• DENTAL EXCELLENCE (for “dentistry”)³⁶</td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>• SUPERB (for flour and related goods sold on a wholesale basis)³⁸</td>
<td><strong>Office decisions</strong></td>
</tr>
<tr>
<td>decisions⁴⁷</td>
<td>• MH370 (for various entertainment services)³⁹</td>
<td>• ENDURE (for “water based coating materials for use in relation</td>
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<td></td>
<td>• “SEADWARF Paspalum SDX-1” (for turf and grass seeds)³⁰</td>
<td>to timber floors, parquetry floors”)³⁸</td>
</tr>
<tr>
<td></td>
<td>• EXTRA DRY (for “beers and ales”)⁴¹</td>
<td>• “Blair’s Tyres” (for distribution and retail services Class 35 and</td>
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<td></td>
<td>• “Open Tafe” (for Class 35 referral and advertising services</td>
<td>vehicle servicing services in Class 37)⁴⁹</td>
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<td></td>
<td>relating to educational courses provided by TAFE institutions)⁴²</td>
<td>• PARACETEMOL OSTEO-TAB (for “pharmaceutical preparations; pain</td>
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<td></td>
<td>• FREE BARS (for Class 30 goods, including confectionery)³⁵</td>
<td>relieving preparations; medicines for human purposes”)⁵⁰</td>
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<tr>
<td></td>
<td>• ATTIC LADDERS (for “ladders that fold into ceiling spaces”)⁴⁴</td>
<td>• TRUE A2 (for animal breeding products and services, animal testing</td>
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<tr>
<td></td>
<td>• “The Weather Channel” (for a range of retailing, telecommunications</td>
<td>kits and veterinary services)⁵¹</td>
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<tr>
<td></td>
<td>and entertainment services)⁴⁵</td>
<td>• “Discover Downunder” (for production of television programs)³²</td>
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<tr>
<td></td>
<td>• REAL DAIRY ICE CREAM and “Real Dairy Ice Cream” stylised (for</td>
<td>• NATIONAL HEALTH SERVICES DIRECTORY (for various goods and services</td>
</tr>
<tr>
<td></td>
<td>Class 30 goods including ice cream)⁴⁶</td>
<td>in Classes 9, 16, 41, 42, 44)⁵³</td>
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<td></td>
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<td>• BIG PICTURE (for various Class 41 entertainment services)⁵⁴</td>
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<td>• AERO SPORTS CARS (for motor vehicles and accessories)⁵⁵</td>
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<td>• UNIVERSAL (for “life jackets, personal flotation devices, buoyancy</td>
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<td></td>
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<td>jackets and buoyancy belts”)⁶⁶</td>
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## Grey Skies and Silver Linings: A Critical Assessment of Trade Mark Distinctiveness under Australian Law, Part 2

<table>
<thead>
<tr>
<th>Geographical</th>
<th>Court decision</th>
<th>Office decisions</th>
<th>Court decision</th>
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<tr>
<td>PERSIAN FETTA (for “dairy products including cheese”)</td>
<td>REMEMBRANCE PARKS CENTRAL VICTORIA (for goods and services related to cemetery management and funerals)</td>
<td>“Harbin” (stylised) (for beer and other beverages)</td>
<td>CAIRNS HARBOUR LIGHTS (for accommodation and real estate leasing, rental, agency and letting services in Classes 36 and 43)</td>
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<tr>
<td>“Harbin” (stylised) (for beer and other beverages)</td>
<td>SOLIGA FOREST HONEY (for “honey”)</td>
<td>HIMALAYA PURE HERBS (for “pharmaceutical substances: dietetic substances for medical use”)</td>
<td>LANCASTER (for “leather goods, bags for men, bags for women, satchels, portfolios, document holders, briefcases, small leather articles, purses, card holders, wallets”)</td>
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<tr>
<td>SOLIGA FOREST HONEY (for “honey”)</td>
<td>HIMALAYA PURE HERBS (for “pharmaceutical substances: dietetic substances for medical use”)</td>
<td>LANCASTER (for “leather goods, bags for men, bags for women, satchels, portfolios, document holders, briefcases, small leather articles, purses, card holders, wallets”)</td>
<td>SANREMO (for goods including “remote control devices” and related services)</td>
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<tr>
<th>Misspellings/phonetic equivalence</th>
<th>Office decisions</th>
<th>Office decisions</th>
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<tr>
<td>WEED ‘N’ FEED (for fertilisers and preparations for killing weeds, destroying pests and controlling diseases in plants)</td>
<td>“Rite Price” (for various Class 35 retail and Class 37 maintenance services)</td>
<td>GRASSPROTECT&amp;A TURFPROTECT&amp;A (for various building materials, meshes and grids)</td>
</tr>
<tr>
<td>“Rite Price” (for various Class 35 retail and Class 37 maintenance services)</td>
<td>“Memorials@home” (for goods in Classes 16 and 25, cemetery management and business administration in Class 35, and “burial, grave digging, embalming” in Class 45)</td>
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<tr>
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<td>TOTALPATENT (for “on-line interactive databases featuring information relating to the analysis, evaluation and creation of patents”)</td>
<td>CARSGUIDE (for various goods and services in Classes 9, 16, 35, 36, 38, 41)</td>
</tr>
<tr>
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<td>HEELGUARD (for grated access and manhole covers for pits, trenches, drains, underground access ways and ducts)</td>
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From a close reading of the above cases and decisions it is possible to discern a greater willingness by hearing officers to accept descriptive marks as NSIA than can perhaps be seen in court decisions. For example, in the 2014 decision in Roebuck v News Ltd the hearing officer, in considering an application for CARSGUIDE for services relating to online and print car guides, suggested that because the expression “cars guide” is “slightly awkward to express orally”, and that the mark was a single word, it had the “requisite spark of trade mark identity”.76 This idea that an NSIA mark need only show a “spark”, a “scintilla” or a “modicum” of inherent adaptation can be seen in other Office decisions, including one involving the mark NATIONAL HEALTH SERVICES DIRECTORY for goods and services related to the production of a national directory of health services.77 Such an approach is in tension with other Office decisions where minor misspellings of descriptive words have been held not to give the mark any inherent adaptation to distinguish, as well as Eclipse Sleep Products Inc v Registrar of Trade Marks, where Dixon CJ, Williams and Kitto JJ framed the test of adaptation to distinguish in terms of whether other traders would “desire to use the same mark, or some mark nearly resembling it, upon or in connection with their own goods”.78 Other Office decisions involving NSIA marks are also difficult to reconcile with existing case law. For instance, in a 2012 decision involving an application for SLEEPTEA, the hearing officer acknowledged that “sleep tea” was a known type of tea but, given that the term was not commonly used, held the mark to be NSIA,79 a decision that sits uncomfortably alongside Eutectic.

By way of contrast, in four of the six court decisions in which the marks in question were held to be NTAEIA, the Office had, at the registration stage, classified the marks as NSIA.80 In Yarra Valley Dairy Pty Ltd v Lemnos Foods Pty Ltd, involving PERSIAN FETTA for dairy products including cheese, Middleton J held that even though Persia is not the current name of a geographical area, its ongoing geographical significance is such that other traders would have a legitimate interest in wanting to describing their Iranian-sourced cheese, or a style of cheese derived from cheese produced in Iran, by reference to such a term, in particular because of the exotic connotations of the word “Persia” and also to avoid any potentially negative association with “Iran”.81 In Agapitos v Habibi, Le Miere J disagreed with the owner’s submission that DENTAL EXCELLENCE for “dentistry” was “concocted”, consisting of two words that would not normally be used together, instead finding that other dentists wishing to indicate their services were of superior quality may well want to use the expression “dental excellence” for that purpose.82 And, in Phone Directories Co Australia Pty Ltd v Telstra Corporation Ltd, Murphy J explained in detail why Telstra’s mark YELLOW was a descriptive term for Telstra’s specified goods and services, and one that other traders would wish to use in relation to print and online phone directories, emphasising evidence that before the filing date other traders in Australia and overseas had used the colour and word yellow in respect of their directories to indicate the purpose of them.83 His Honour was unpersuaded by Telstra’s arguments that the word “yellow” was not a generic term for business directories and was an “arbitrary” term used in relation to services.

In all three cases discussed above, the Judges were sceptical of the owners’ arguments that their marks were inherently adapted to distinguish to even a slight extent.84 It remains to be seen whether the more cautious approach to the distinctiveness inquiry in these cases (the latter two in particular) influences the Office in its application of the first step of the distinctiveness inquiry.

As a final point, it is worth flagging that it is not obvious why, at a normative level, Australian law requires non-prima facie distinctive marks to be classified in one of two ways (i.e., as either NSIA or NTAEIA), and draws such a rigid demarcation between the two categories. After considering the significance of marks being classified in one or other of these ways in the next section, I take up this question in more detail in the Conclusion, arguing that there is a strong case for s.41 to be reformed to do away with the distinction between NSIA and NTAEIA marks entirely.

Factual Distinctiveness

Challenges in Demonstrating Factual Distinctiveness

A non-prima facie distinctive mark can still pass the distinctiveness hurdle if factual distinctiveness can be demonstrated. Under s.41, this operates differently according to whether the mark is classified as NSIA or NTAEIA under the first step of the distinctiveness enquiry. For NTAEIA marks, only one factor can be taken into account in assessing whether the mark does distinguish
the applicant’s goods or services: the extent of the applicant or predecessor in title’s pre-filing date use of the mark. For NSIA marks, the second step involves a consideration of the combined effect of three factors – the degree of the mark’s inherent adaptation to distinguish, the applicant or predecessor in title’s use or intended use of the mark, and “any other circumstances” – as part of an overall determination of whether the mark has or will come to distinguish the applicant’s goods or services. This demonstrates how important it is for decision-makers to explain the extent of a mark’s inherent adaptation to distinguish. As was recently confirmed in *Sports Warehouse*, the lesser the extent of the NSIA mark’s inherent adaptation to distinguish, the stronger the evidence of use or intended use will be needed for the mark to be taken to be capable of distinguishing, and vice versa.85

The key element common to both NSIA and NTAEIF marks is that of use of the mark. Much of the information provided in the Trade Marks Office’s Manual of Practice and Procedure relates to what sort of evidence of use should be provided, and in what form. The focus is very much on quantitative data: details of the location and duration of use; annual turnover figures; advertising expenditure; examples of uses of the mark; details of market share and how the goods or services have been advertised; further commercial plans, etc.86 Clearly, such evidence will be crucial. But it is perhaps important to appreciate that much of this evidence can only really serve as a proxy for the question that needs to be asked: whether by such use the mark has acquired distinctiveness (or, for NSIA marks, whether it will come to do so).

Recent Federal Court decisions show how difficult it can be to demonstrate factual distinctiveness, even when what might appear to be extensive evidence of use is provided. A clear indication of this is *Phone Directories v Telstra*, involving an application for the word mark YELLOW. Having found the mark to be NTAEIF, Murphy J was unpersuaded that the impact of Telstra’s use of the word “yellow” in various forms since the mid-1970s meant that the mark had acquired distinctiveness by its 25 July 2003 filing date. Notwithstanding Telstra’s extensive use of the “Yellow Pages” brand, both as a word mark and in conjunction with the famous “walking fingers” device, dating back to the 1970s, Murphy J considered that the term “yellow” remained descriptive of the colour and nature of Telstra’s directories when used in that manner.87 Telstra’s brief “Hello Yellow” advertising campaign in the early 1980s was considered not to have involved trade mark use of “yellow”, but rather use as a “shorthand reference” to the “Yellow Pages” mark.88 In any event, Murphy J thought if Telstra’s use of “yellow” since the 1970s was to be taken to be use as a trade mark, any such use was diluted by the fact the word was almost invariably used as part of larger word marks or composite marks, and was not used extensively enough for it to distinguish Telstra’s goods and services from those of other traders.89

Despite the lower threshold for NSIA marks (in the sense that post-filing date use and “any other circumstances” can be taken into account, and that the decision-maker only needs to find that the mark will acquire distinctiveness), applicants for such marks have tended to fare little better in showing factual distinctiveness. In *Sports Warehouse*, involving an application for TENNIS WAREHOUSE for the online retailing of tennis clothing and equipment, filed on 18 August 2005, the applicant also put forward what appeared to be extensive evidence of a range of uses of the mark, from both before and after the filing date. Kenny J concluded that even though there was evidence that went towards a showing of factual distinctiveness – such as use on a website between 1998-2002, use in the domain name “tennis-warehouse.com”, advertisements in magazines, and limited sales in Australia – this was thought to be insufficient to satisfy the former s.41(5).90

Evidence that did not assist the applicant was that from 2003 the words “Tennis Warehouse” had been used in conjunction with a “TW” logo, which diluted the words’ trade mark significance, and that some of the examples of use, including on promotional gifts, post-purchase invoices and post-purchase packaging, was not in the course of trade and therefore not use as a trade mark at all.92 In *Phone Directories v Telstra*, Murphy J considered in obiter that if YELLOW were to be classified as an NSIA mark (that is, that it was inherently adapted to distinguish to a “minor extent”), Telstra’s additional evidence of post-filing date use did not demonstrate that the mark had or would become factually distinctive. His Honour thought a “Find It In Yellow” campaign, run in 2005-06, still used “yellow” as a shorthand reference to “Yellow Pages”,94 and that despite the rebranding of Telstra’s entire product and service from “Yellow Pages” to “Yellow” from 2006-09, there was only negligible evidence indicating strong consumer recognition that “Yellow” had become factually distinctive.95
The approaches taken in these cases are consistent with those taken in other Federal Court cases and recent Office decisions when assessing the factual distinctiveness of word marks with little or no inherent adaptation to distinguish, particularly where the words have been used descriptively rather than as a trade mark, or used in combination with other more distinctive matter (such as other words or a device).

In both *Phone Directories v Telstra* and *Sports Warehouse* the judges emphasised that little evidence was provided by the applicants for registration as to consumer recognition of the marks. This was a particular problem for Telstra: notwithstanding evidence that it had spent close to $20 million on its “Yellow” rebranding, the fact that it could only point to negligible evidence of consumer recognition of the “Yellow” brand was a significant limitation. This raises questions as to whether applicants might need to do more to acquire and present consumer-based evidence, and what are some of the difficulties in doing so, an issue to which I return in the conclusion.

As a final point, it needs to be asked whether the recent amendment to s.41 is likely to make it easier for owners of NSIA and NTAEIA marks to secure registration. Under ss.41(5) and (6) as originally enacted, the decision-maker needed to be satisfied, on the basis of the evidence provided, that the mark was or would become factually distinctive. This was thought to create uncertainty and significant costs for applicants, who felt they had little guidance as to the quality and quantity of evidence that would be needed to persuade examiners that their marks had acquired distinctiveness, particularly in the event that a response to an adverse report involving the filing of evidence led to the maintenance of the s.41 objection. From the perspective of the Office, given that much of the evidence examiners were required to assess went to quantitative measures such as the duration of use, the geographical extent of use, turnover figures and advertising expenditure (rather than evidence of consumer recognition), it might well have been the case that officials felt as if they were on somewhat shaky ground when concluding that a mark had acquired distinctiveness. These factors help explain the amendment to s.41 to ensure that the “presumption of registrability” now applies in relation to NSIA and NTAEIA marks – it is now the case under s.41(2)–(4) that decision-makers have to be satisfied that the marks *are not or would not become* factually distinctive for the s.41 ground of rejection to apply.

It might be the case that the Office will internalise this change to ensure that quantitative evidence of factual distinctiveness is treated more favourably than under the former law, which is perhaps the real intention of the amendment.

However, it needs to be recognised that the application of a “presumption” in favour of the applicant in this situation ought to make next to no practical difference. This is because under both the former and current law the decision-maker was and is required to make the assessment of factual distinctiveness on the balance of probabilities (and not on some higher standard, such as whether the mark should clearly not be registered). Because of the application of the balance of probabilities standard, it is only in cases where the evidence as to whether a mark has acquired sufficient distinctiveness can be said to be in the balance that the presumption might have any work to do. Such cases will be extremely rare, even if one adopts a “subjectively perceived tie” approach to the balance of probabilities standard (that is, even if the evidence in fact generates a probability of slightly more or slightly less than 50%). Instead of relying on the fig leaf of the presumption of registrability, which cannot do the work the Office and many trade mark owners would probably like it to do, more thought needs to be given to the real difficulties involved in assessing factual distinctiveness and the challenges faced by both applicants and the Office in this regard.25

**Problems with s.41 as a Cancellation Ground in the Case of NSIA and NTAEIA Marks**

Each of *Yarra Valley*, *Agapitos v Habibi* and *Cantarella* involved attempts to cancel the registration of a mark on the grounds of lack of distinctiveness. More specifically, each involved the court considering the cancellation ground under s.88(2)(a) (“any of the grounds on which the registration of the trade mark could have been opposed under this Act”), which in turn required it to assess whether the mark ought not to have been registered because of s.41. In this context, it is worth noting that there are two unsatisfactory aspects of how s.41 operates as a cancellation ground when the mark in question is held by the court to be a non-prima facie distinctive mark.

The first is that if the mark is held to be NTAEIA, the registered owner can only save its registration by showing that its mark had acquired distinctiveness by the filing date. **
Many years of post-filing date use. To take the facts of Cantarella as an example, it was not open to Cantarella to argue that if its ORO and CINQUE STELLE marks were held to be NTAEIA, the extent of its use of the marks since their 2000 and 2001 filing dates meant that at the time of Modena Trading’s cross-claim in 2011 the marks had become distinctive and that the registrations should therefore not be cancelled. For marks that are held to be NSIA, however, it appears that it is open for owners to show that even if the mark lacked distinctiveness at the filing date, any post-filing date acquisition of distinctiveness can be take into account to save the registration in cancellation proceedings. In this way the s.88(2)(a)/41 cancellation ground has the potential to operate unfairly against registered owners of NTAEIA marks, and places further pressure on tribunals to classify non-prima facie distinctive marks as NSIA rather than NTAEIA.

The second aspect is something of the opposite problem. When the 1995 Act was passed, it contained a ground of cancellation of registration in s.88(2)(d). This applied where the mark had been accepted for registration as an NSIA mark (i.e., under the former s.41(5)) on the basis that it would distinguish the specified goods and services, and where the mark had remained registered for at least 10 years, but at the time of the cancellation proceedings it had not in fact come to acquire distinctiveness. This provision was repealed, with almost no explanation, in 2001. In the Explanatory Memorandum to the Trade Marks and Other Legislation Amendment Bill 2001 (Cth) it was stated that under s.88(2)(d) “the court would be obliged to apply stricter criteria than would have been applied by the Registrar of Trade Marks when accepting the trade mark for registration” and that “[t]he repeal of this provision will remove the uncertainty inherent in this difference”. This hardly seems sufficient to have justified the outright repeal of the ground. Further, since it is always open for an owner in cancellation proceedings to maintain that its NSIA mark will acquire distinctiveness to avoid cancellation under s.88(2)(a)/41, the lack of a s.88(2)(d) cancellation ground unduly privileges owners of registered marks that have never actually acquired distinctiveness (in turn raising the question of why our registration system allows such marks on the Register in the first place).

Conclusion: Legislative Reform, and Some Options for Owners of Descriptive Marks Facing Distinctiveness Objections

By way of conclusion, I offer some recommendations about how the Australian legislation might be reformed to deal with some of the problems identified. I also offer some thoughts about what owners of prima facie descriptive marks might do when confronted with distinctiveness objections at the registration stage, in light of some of the difficulties identified in demonstrating factual distinctiveness.

Reforming the Act

Despite the importance of the distinctiveness requirement in s.41, there are a number of problems with its operation. The recent reform of s.41 to ensure that the “presumption of registrability” applies when assessing factual distinctiveness will do little, if anything, to address these problems. Section 41 remains very difficult to interpret, and the policy or policies sought to be served by the provision are not clearly reflected in its wording. The tests used to determine a mark’s “inherent adaptation to distinguish” do not easily map on to the statutory language. Any reform of s.41 must start with simplifying the text of the provision.

Yet perhaps the most concerning issue with s.41 relates to its tripartite structure – in particular the requirement that non-prima facie distinctive marks be classified as either NSIA or NTAEIA. In particular, it is not at all clear why NSIA marks should be allowed to be registered on the basis of a mere likelihood that they will become factually distinctive. Such an approach would seem to allow signs that may not in fact meet the very definition of a trade mark to proceed to registration, thus limiting the signs available for other traders to use for the sake of their ordinary meanings but without any clear countervailing benefit to consumers. This is especially problematic given that since the repeal of s.88(2)(d) there no longer appears to be a solid basis for challenging the registration of such marks on the grounds that, post-registration, they have not in fact come to acquire distinctiveness.

There have, in fact, never been strong justifications for allowing the registration of non-prima facie distinctive marks that are not, but are likely to become, factually distinctive. The registration of such marks was first made possible in Australia under the 1955 Act as a
result of recommendations of the Dean Committee, although the Committee specifically doubted whether there was value in accepting such marks for registration before they had acquired distinctiveness. It was only because, at that time, registration in various foreign countries was only available if the mark in question had been registered in Australia, and that under the 1905 Act marks that were only capable of becoming distinctive were not registrable, that it was thought necessary to follow the UK's lead and establish Part B of the Register to enable the registration in Australia of such marks. These limited reasons, focusing on the needs of Australian exporting firms that had chosen to adopt non-prima facie distinctive marks, no longer apply with any force. It is also worth noting that the UK, and countries such as New Zealand that have adopted similar legislation, have since moved away from this model – under the laws of those countries only evidence that a non-prima facie distinctive mark had acquired distinctiveness by the filing date is sufficient for such a mark to be accepted for registration. This also reflects the position under US law.

Given the public interest in leaving NSIA signs available for general commercial use, and the lack of any other sound justification for granting exclusive rights over such marks if acquired distinctiveness cannot be established, it is hard to justify the tripartite structure set up under s.41. Ideally, therefore, any reform should first involve setting up a test of distinctiveness that simply asks whether the mark is prima facie distinctive and, if not, whether it had acquired distinctiveness by the filing date. The first part of this test ought to be primarily and explicitly interpreted by reference to the needs of other traders in being able to use the sign in question, or a substantially identical or deceptively similar sign, for the sake of the ordinary signification it may possess.

Even if the legislature does not consider that the tripartite structure of s.41 needs amending, or that the language of the provision does not need clarification, the cancellation provisions in s.88 clearly need to be revisited. To address the problems raised in the previous section, s.88 should be amended in two ways:

First, to add a new subsection to ensure that the registration of a mark can only be cancelled if the mark is not distinctive at the time the cancellation proceedings are commenced, notwithstanding that it might not have been distinctive at its filing date. This is the position under current UK and New Zealand law, and also accords with one of the Recommendations of the 1992 Working Party that reviewed the Australian law.

- Secondly, to reintroduce of a ground with the same effect as the former s.88(2)(d): that is, to ensure that the registration of an NSIA mark that was accepted for registration only on the basis that it would acquire distinctiveness can be cancelled after it has been registered for a period of time if it has not in fact come to acquire distinctiveness by that time.

Registering and Enforcing Rights in Descriptive Marks

As a final point, it is worth briefly considering what an owner of a descriptive word mark might be able to do to increase its chances of securing protection for its mark. Without suggesting that recent Australian cases and decisions on factual distinctiveness have set the bar at an inappropriate level, these cases have demonstrated that it is difficult to secure registration in Australia on the basis of factual distinctiveness, even for marks that fall to be considered as NSIA, rather than NTAEIA.

Most practitioners would be well aware of some of the strategies that can be used in order to try to overcome such objections. For NSIA marks, these might include extending the time for acceptance for as long as possible, so that more evidence of post-filing date use can be amassed. For marks initially classified as NTAEIA, there is much to be gained by attempting to argue that the mark has a “spark” or “scintilla” of inherent adaptation (relying on Office decisions that have used this language), such that the mark should be treated as NSIA rather than NTAEIA. If this fails, a further tactic might be to make a later application for the same mark with the same specification, so that use of the mark up to the second filing date can be taken into account. The relatively minor cost involved in making the second application and the loss of the earlier priority date might well be outweighed by the ability to register the mark.

In terms of the evidence that might be relied on to show factual distinctiveness, given that the overarching question is whether or not the mark does or will distinguish the specified goods or services, surveys would seem to be the most valuable form of evidence that an applicant could adduce to show factual distinctiveness. However, it is appreciated that not only are surveys costly and time-consuming to produce, but also that the Office has shown a strong degree of scepticism towards survey evidence.
At times, this has been entirely understandable. The Office has been rightly critical of surveys conducted well after the relevant time for assessing whether the mark had acquired distinctiveness, and surveys involving leading questions or questions not eliciting responses going to whether the sign was understood by consumers as a trade mark.

Having said that, certain criticisms, such as those going to what might appear to be low sample sizes of surveys, have arguably been misplaced. More could be done to ensure that applicants have clearer guidelines as to the sort of survey evidence that is likely to be persuasive. In this regard it is encouraging to see that IP Australia is an industry partner, working with key brand owners and academics from Law and Psychology, in an Australian Research Council funded project that is designed to “put Australian trade mark law on a firmer empirical footing by test[ing] the law’s assumptions against actual consumer responses.”

At present, however, applicants are likely to face an uphill battle in registering marks consisting of descriptive or laudatory words. The idea of not registering such marks, and instead trying to rely on the tort of passing off or an action for contravention of s.18 of the Australian Consumer Law to prevent other traders from making misleading use of such descriptive terms, is likely to hold little appeal. Two recent Federal Court cases in which mark owners were unsuccessful in such actions, Vendor Advocacy Australia Pty Ltd v Setamidis and Kosciuszko Thredbo Pty Ltd v ThredboNet Marketing Pty Ltd, show how difficult such a task is likely to be. But one alternative that should not be so easily dismissed might be to seek to register a device mark prominently featuring the descriptive word mark component. Such marks will almost always be considered to have a higher degree of inherent adaptation than the word mark alone. To use an illustration from recent case law, while the word mark TENNIS WAREHOUSE for the online retailing of tennis clothing and equipment was considered to be NSIA, with a relatively low level of inherent adaptation to distinguish, the following device mark for “retailing of goods (by any means)” was held to be prima facie distinctive:

In terms of the scope of protection afforded to such device marks, it might be thought that a mark owner would struggle to prevent another party from using only the descriptive word component of the mark, even if that party’s use constitutes use as a trade mark. There is a long line of Anglo-Australian authority that shows that courts will be slow to make a finding of deceptive similarity where the similarity between the marks results from the common presence of descriptive or laudatory subject matter. However, a recent case might provide some comfort to mark owners. In REA Group Ltd v Real Estate 1 Ltd, the registered owner of the following device mark for real estate related goods and services (which had been held to be prima facie distinctive at the registration stage):

was successful in its infringement action against a competitor using “realestate1.com.au” as its domain name and as a heading to a sponsored link, appearing in Google search results as follows:

realEstate1.com.au

Our aim is to make searching for real estate pure, simple and fast!

This was the case even though the respondent’s conduct fell short of constituting passing off/breaching the statutory prohibition on misleading or deceptive conduct. In considering this latter issue, Bromberg J accepted that REA Group had acquired secondary meaning in the term realestate.com.au, but emphasised that “realestate” remained descriptive and that only small differences in the respondent’s use would be needed to avoid a finding of liability. His Honour was not convinced that consumers clicking on the sponsored link would have failed to notice the “1” in the link and would have mistakenly believed they were accessing the realestate.com.au site. In this part of the decision his Honour was very much alive to concerns about giving the applicant a monopoly over descriptive language used in an online context (the applicant’s complaint here being limited to the respondent’s use of “realestate1” only in conjunction with “.com.au”).

However, in considering the issue of trade mark infringement, Bromberg J held that the marks were deceptively similar. This was because of the strong evidence that consumers treated “realestate.com.au” in isolation as a brand name, and that the respondent had taken that “precise idea” for its mark,
meaning that consumers would be inclined to note the presence of the ".com.au" suffix in both marks but, when scanning search results, would be likely to overlook the "1" in the respondent's mark.129 His Honour's analysis of deceptive similarity focused very much on a comparison of the word components of the two marks – it does not appear that any weight was given to the fact that the registered mark was a compound device mark.

The decision in REA Group on trade mark infringement is perhaps best explained on the basis that the court had, in considering passing off, recognised that the owner had acquired secondary meaning in the term "realestate.com.au".130 This raises a question of how the secondary meaning in the term "realestate" was given to the fact that the court had, in considering passing off, recognised that the owner had acquired secondary meaning in the term "realestate.com.au".130 This raises a question of how the infringement action would have been decided in the absence of a passing off claim, and whether the court would have required the registered mark owner to demonstrate such acquired distinctiveness for deceptive similarity to be established. Concerns have been raised about the decision, with some commentators suggesting that it shows the need for the reintroduction of mandatory disclaimers of descriptive content in registered trade mark law.131

Another way to achieve a similar end is through a careful application of the deceptive similarity enquiry that is more explicit about the need to ensure that owners are not given overbroad monopolies in descriptive content within compound marks and that recognise that in some situations a degree of consumer confusion might need to be tolerated in order to prioritise other valuable policy goals. For the time being, however, REA Group remains an interesting illustration of how an owner of a descriptive brand name might achieve protection over that descriptive content through securing the registration of a compound device mark that prominently features the descriptive word component. While not without its problems, such an approach might overcome some of the difficulties considered in both Part 1 and this article in trying to register the descriptive word mark alone.

1 This article draws on chapter 4 of R. Burrell and M. Handler, Australian Trade Mark Law (Oxford University Press, 1st ed, 2010; 2nd ed, forthcoming 2016) and is based on the paper "A Critical Assessment of Trade Mark Distinctiveness and Descriptiveness under Australian Law", presented at the 28th Annual IPSANZ Conference, Queenstown, New Zealand, 20 September 2014.


4 ibid., [155] [2]. See also at 172 [78]. For a similar approach, see Gordon J's decision in Mastroonardi Produce Ltd v Registrar of Trade Marks [2014] FCA 1021; (2014) 108 IPR 7, 11-12 [17]-[21], 13 [23].


7 [2010] FCA 664; (2010) 186 FCR 519, 539-45 [85]-[108]. See also Buchanan Turf Supplies Pty Ltd v Registrar of Trade Marks [2015] FCA 756, where Yares J at [45] asked the question posed by Clark Equipment ("Would traders of buffalo grass of the Sir Walter variety, in the exercise of the common right of the public to make honest use of words for the sake of the signification which they impart, in the exercise of the common right of the public to make honest use of words for the sake of the signification which they impart, think of the sign SIR WALTER and want to use it in connection with the designated goods") and, at [46], answered "undoubtedly, 'yes'," in finding the mark to be NTAIEA.

8 Although the High Court's approach in Cantarella provides some support for adopting what might be described as the "Part A" approach (i.e., positively classifying marks as invented words, having no direct reference to the character or quality of the goods, etc, as was required in assessing registrability under s 28(1) of the former Act) as a means of determining whether or not a mark is sufficiently inherently adapted to distinguish. For critical discussion of the difficulty of determining the difference between prima facie distinctive marks and NSIA marks, see J. Linford, "The False Dichotomy Between Suggestive and Descriptive Trademarks" (2015) 76 Ohio State Law Journal (forthcoming).

9 See, for example, Agapitos v Habibi [2014] WASC 47, where Le Miere J appeared to treat the term "not inherently distinctive" as conterminous with "not inherently adapted to distinguish". at [28], [37].

10 Interestingly, the Office came to this conclusion when assessing a new application by Cantarella for CINQUE STELLE for "coffee", made on 30 September 2013 (notwithstanding the Full Federal Court's decision of the same day, finding the mark to be NTAIEA). See Trade Mark 1583291.

11 Such an approach might also help deal with similar types of sign, such as surnames: cf. Garrett Electronics Inc [2015] ATMO 48 (finding GARRETT and GARRETT METAL DETECTORS for metal detectors to be prima facie distinctive).

12 (1964) 111 CLR 511, 514 (emphasis added).

13 ibid., 517 (emphasis added).

14 (1965) 112 CLR 537, 555 (K+yo J, with whom Barwick CJ and Windeyer J concurred).


16 Registrar of Trade Marks v W & G Da Con Ltd (1913) 306 R 660, 671 (Lord Parker).

17 (1957) 99 CLR 300, 310 where Dixon CJ, Williams and Kitto JJ framed the test of "adaptation to distinguish" in terms of whether other traders would "desire to use the same mark, or some mark nearly resembling it, upon or in connection with their own goods" (emphasis added).


19 (1973) 128 CLR 417, 424.


21 See Mid Sydney Pty Ltd v Australian Tourism Co Ltd (1998) 90 FCR 236, 250-1 (Full Ct) (CHIFLEY TOWER for "property management services, retail and office leasing services" held to be prima facie distinctive).
22 Mansa IP Pty Ltd v Spagnozzi (2012) FCA 769; (2012) 205 FCR 241, 261-5 [54],[63], [67] (noting the possibility of an exception for a plaza or other public space adjacent to a building, taking the name of that building, which might gain geographical significance: at 265 [64-66]); Leave to appeal Reeves J’s decision was granted, with Logan J considering that the case was not on all fours with MID Sydney (see Spagnozzi v Mansa IP Pty Ltd (2012) FCA 1038; (2012) 131 ALD 58), but the matter settled before the Full Court hearing. In Re Mackay Airport Pty Ltd (2013) ATMO 17, (2013) 101 IPR 594 the Office considered “Mackay Airport”, for a wide range of services, to be NTAEIA, distinguishing Mansa IP on the basis that “Q1” was a coined term, and recognising that many other traders would have a legitimate need to describe that their services were provided from or in relation to Mackay Airport.

23 Mansa IP Pty Ltd v Spagnozzi, ibid, 265 [63].

24 [2011] ATMO 51; (2011) 93 IPR 273. See also the decision of the Hearing Officer of the UKIPO in In the Matter of Application Number 265/5156 by Canary Wharf Group Plc (O-423-14, 3 October 2014), rejecting a 2013 application for registration of CANARY WHARF by the developers of the Canary Wharf property estate in London (which had been developed in the 1980s), on the basis that by the filing date, “Canary Wharf” had come to be understood as a geographical location. The decision was upheld on appeal: Canary Wharf Group Plc v The Comptroller General of Patents, Designs And Trade Marks [2015] EWHC 1588 (Ch).

25 See also Mastroianni Produce Ltd v Registrar of Trade Marks [2014] FCA 1021; (2014) 108 IPR 7, 13 [25] (considering the meaning of the word “zima” both when it was adopted in 2010 and at the July 2011 filing date). In Re Alem Pty Ltd (as trustee for Mini-Tankers IP Trust) [2015] ATMO 35, (2015) 112 IPR 97 the Hearing Officer said (at 107 [24]) that “the question of whether a highly descriptive trade mark falls just to one side or the other of the [former] subsection 41(5)-(6) divide can sometimes be fraught with ambiguity and subject to vigorous debate”.

26 (1936) 5 RPC 355, 380 (Lord Wright) (considering SHEEN for relation to Mackay Airport). In the Matter of Application Number 6955156 by Canary Wharf Group Plc on the basis that “Q1” was a geographical location, had been developed in the 1980s), on the basis that by the filing date, “Canary Wharf” had come to be understood as a geographical location. The decision was upheld on appeal: Canary Wharf Group Plc v The Comptroller General of Patents, Designs And Trade Marks [2015] EWHC 1588 (Ch).


28 This was recognised by Middleton J in Agapitos v Habibi [2014] WASC 47.

29 See also Agapitos v Habibi [2014] WASC 47.

30 This has been recognised by Australian courts (see Phone Directories v Telstra [2011] FCA 373; (2011) 106 IPR 281 (”Goji Juice” was considered to be NSIA in relation to dietary supplements and beverages, on the basis that it was not immediately obvious why another trader would need to use the particular stylisation in connection with the entirely descriptive words). Cf. Unilever Plc v Regal Cream Products Pty Ltd (2011) 96 IPR 114. See also PPG Industries Australia Pty Ltd v DuluxGroup (Australia) Pty Ltd [2015] ATMO 53.

31 This was recognised by Middleton J in Agapitos v Habibi [2014] WASC 47.

32 Sometimes be fraught with ambiguity and subject to vigorous debate”.

33 “the question of whether a highly descriptive trade mark falls just to one side or the other of the [former] subsection 41(5)-(6) divide can sometimes be fraught with ambiguity and subject to vigorous debate”.

34 (1987) 9 IPR 259, 264 (VSC)) and by the Court of Justice of the European Union in determining that the s.41 ground had been made out.

35 Agapitos v Habibi [2014] WASC 47.

36 “the question of whether a highly descriptive trade mark falls just to one side or the other of the [former] subsection 41(5)-(6) divide can sometimes be fraught with ambiguity and subject to vigorous debate”.

37 See also Agapitos v Habibi [2014] WASC 47.

38 Agapitos v Habibi [2014] WASC 47.


40 See also Agapitos v Habibi [2014] WASC 47.

41 Agapitos v Habibi [2014] WASC 47.

42 Agapitos v Habibi [2014] WASC 47.

43 Kraft Food Australia Pty Ltd v Mars Australia Pty Ltd [2012] ATMO 51; (2012) 97 IPR 52.

44 Attic Ladders Pty Ltd v Kimberly-Clark Plastics Pty Ltd [2012] ATMO 36.


48 PPG Industries Australia Pty Ltd v DuluxGroup (Australia) Pty Ltd [2015] ATMO 53.

49 Atlaw Pty Ltd [2015] ATMO 51.

50 GlassSmithElixir LLC v AFT Pharmaceuticals Ltd [2014] ATMO 100.

51 A2 Corporation Ltd [2014] ATMO 94.


54 Bauer Consumer Media Ltd v Big Picture (Anz) No 2 Pty Ltd [2013] ATMO 35.


56 Martinus Australia Pty Ltd [2011] ATMO 73.


58 Bendigo Cemeteries Trust [2014] ATMO 82.


64 Clearlight Investments Pty Ltd v Sandieish Mising and Construction Oy [2013] ATMO 50.


66 Knowle Airconditioning & Plumbing Pty Ltd [2013] ATMO 42.


70 Paige Stainex Pty Ltd v Aus Polycrete Pty Ltd [2011] ATMO 87; (2011) 95 IPR 165.


73 The Poster & Gamble Co [2014] ATMO 5.


75 Isabella Thomas Holdings Ltd [2011] ATMO 52.

76 (2014) 105 IPR 459, 471 [35].

77 Re National Health Call Centre Network Ltd [2014] ATMO 6; (2014) 105 IPR 270. See also Re Freidlf International Holding LLC[2009] ATMO 45; (2009) 82 IPR 597 (where a device mark featuring the slightly stylised words “Gogi Juice” was considered to be NSIA in relation to dietary supplements and beverages, on the basis that it was not immediately obvious why another trader would need to use the particular stylisation in connection with the entirely descriptive words). Cf. Unilever Pl v Regal Cream Products Pty Ltd [2011] ATMO 98; (2011) 96 IPR 114, 119-20 [20]-[21].

78 (1957) 99 CLR 300, 310 (emphasis added).

79 Himalaya Global Holdings Ltd [2012] ATMO 14, [17].

80 In the fifth and sixth cases, both the hearing officer and the Federal Court held the mark to be NTAEIA: see Re Apple Inc [2013] ATMO 13, (2013) 102 IPR 139, affd Apple Inc v Registrar of Trade Marks [2013] FCA 1304; (2013) 109 IPR 187 (involving APP STORE) and Buchanan Turf Supplies Pty Ltd v Registrar of Trade Marks [2015] FCA 756 (involving SIR WALTER for various goods and services, including “turf grass”, of which “Sir Walter” is a variety.)
103 There is scope for the court to use its discretion under s.88(1) to refuse to cancel the registration of the mark in such circumstances. However, the scope of the court’s discretion remains unclear, and mark owners ought to have the comfort of a statutory provision ensuring that the registration of their distinctive marks cannot be cancelled rather than having to persuade a court to exercise its discretion in cancellation proceedings.
104 See, for example, Yarra Valley Dairy Pty Ltd v Lenovo Foods Pty Ltd [2010] FCA 1367; (2010) 191 FCR 297, 340 [260].
105 Explanatory Memorandum, Trade Marks and Other Legislation Amendment Bill 2001 (Cth), 1.
107 Ibid. Indeed, when Part B of the UK Register was first established under the Trade Marks Act 1919 (UK), a mark could only be registered in that Part if it had been in use for two years prior to the date of the application. This requirement was removed in the Trade-Marks Act 1938 (UK) following lobbying by British traders, who argued that they were still disadvantaged in foreign countries where trade marks were registered without prior examination: see Report of the Departmental Committee on the Law and Practice Relating to Trade Marks (1934) Cmd. 5458 (Goschen Committee Report) [56]-[61]; see also Hansard HL, vol. 104, cols 17-8 (28 January 1937). Australia simply followed the approach taken by the UK. For an overview of the Australian provisions under the 1955 Act, see J. B. Hack, “Part B Registration in Australia” (1960) 50 Trademark Reporter 571.
109 15 USC §1052(f).
1011 Trade Mark Act 2002 (NZ), s.7(32).
1012 Working Party to Review the Trade Marks Legislation, Recommended Changes to the Australian Trade Marks Legislation (AGPS, 1992), 23 (Recommendation 36C).
1013 This has been explicitly recognised in the UK: see Marks and Spencer Plc v Interflora Inc [2012] EWCA Civ 1501; [2013] ETMR 11, [35] ("[i]n cases where acquired distinctiveness of a mark is in issue a survey may accurately identify that proportion of the relevant public which recognises the mark as a badge of trade origin. It will then be for the fact finding tribunal, with the aid of such a survey, to decide whether a significant proportion of the relevant public identify goods as originating from a particular undertaking because of the mark.").
1014 For example, Re Application by Cadbury Ltd (2002) 55 IPR 561.
1015 Re Cashcard Australia Ltd [2007] ATMO 70; (2007) 74 IPR 434.
1017 Cf. Harvey v Lion-Beer, Sports & Wine Pty Ltd [2013] ATMO 5, [50]-[55], “Small” sample sites are not necessarily problematic; the issue is more about the span of the confidence interval (which measures how far the sample mean will depart from the population mean). See generally G. Camm, Understanding the New Statistics: Effect Sizes, Confidence Intervals, and Meta-Analysis (Routledge, 2011).
1018 Cf. the guidance provided under German law, as considered by the CJEU in Joined Cases C-217/13 and C-218/13, Oberhauk AG, Banca Santander SA and Santander Consumer Bank SA v Deutscher Sparkassen- und Giroverband e.V [2014] ETMR 56.
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126 For recent consideration, see Lift Shop Pty Ltd v Easy Living Home Elevators Pty Ltd [2014] FCAFC 75; (2014) 106 IPR 419.
127 ibid., 355 [130], 356 [134].
128 ibid., 364-6 [176]-[190].
129 ibid., 376 [241].
130 While Bromberg J did not explicitly link the finding that REA Group’s “realestate.com.au” domain name alone had acquired distinctiveness with the finding on deceptive similarity, his Honour did take into account the “widespread consumer recognition” of the domain name (ibid., 374 [233]), and the fact that the domain name was “[o]ne of the central distinguishing features” of REA Group’s registered mark (at 376 [241]).
Legal Protection of the Unregistered Well-Known Trade Marks: A Perspective of the Protection for Foreign Well-known Trade Marks Unregistered in China

Introduction

On 30 August 2013, at the fourth meeting of the Standing Committee of the Twelfth National People’s Congress, a resolution to amend trade mark law in the People’s Republic of China (PRC) was passed. This marked the finalisation of the third revision of trade mark law. This revision of trade mark law was undertaken to reflect the more in-depth development of the market economy in China, as well as long-term practice in trade mark law and theoretical studies in China. The modification is on a large scale in that, among other things, the newly added provisions – including “the principle of good faith in registration and use of trade marks,” “improvement of well-known trade mark system,” “the right of prior use system for well-known marks” and “trade mark coexistence system” and “protection of ordinary unregistered trade mark,” and so on – are closely related to protection issues about unregistered trade marks.

The revision of trade mark law was done in the wake of cases such as “Sotheby’s,” “Viagra,” “Land Rover” as well as other trade mark cases in recent years, together with the long-standing practices of “imitation of big brands” and “malicious registration to ‘get in first’” which have upset the establishment of trade mark law and provoked widespread discussion and in-depth thinking about protection of foreign unregistered well-known trade marks in China. With the development of China’s market economy, many foreign business people have entered the Chinese market. Nevertheless, owing to the differences in the legal trade mark system as well as culture, language, habits and the levels of economic development in different countries, a large number of disputes in trade mark and infringement have occurred. Therefore, it is of great significance how foreign rights holders of unregistered well-known trade marks safeguard their legitimate rights and interests by means of the trade mark law in China and fulfill their obligations to maintain and build a fair and competitive economy.

To this effect, this article intends to explore this issue in four parts. The first part deals with the introduction and analysis of the development of a protection system for unregistered well-known trade mark in China, including the development process of the legislative, executive and judicial protection systems. Part II explores the moderate protection system for unregistered well-known trade marks already implemented, while analysing its historical background. In the third part, the authors have chosen a number of recent typical cases related to the protection of unregistered well-known trade marks in China to carry out empirical analysis of the system’s performance characteristics and problems. The aim is to seek some inspiration and suggestions regarding the system and summarise the rules of infringement and how well-known trade marks might make better use of the legal system. Finally, by paying further attention to the value of “use” of trade mark in trade mark law, the authors have been motivated to study the issues of unregistered foreign well-known trade marks, and how to understand and make use of these systems to seek protection.

Development History of the Legal Protection System for Unregistered Well-Known Trade Marks in China

The legal system for protection of unregistered well-known trade marks was not started until the implementation of reform, opening up and market economy policy. Currently, this system is expressed in the Trade Mark Law promulgated by the National People’s Congress (NPC) and Regulations for the Implementation of the Trade Mark Law or Rule of Implementation of Trade Mark Law promulgated by the State Council, a series of regulations issued by the State Administration for Industry and Commerce (SAIC) and several judicial interpretations released by the Supreme People’s Court.
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Development of the Protection System for Unregistered Well-known Trade Marks by the Chinese Legislature

Trade mark laws enacted in 1982 changed the principles of comprehensive registration and mandatory registration enacted from 1963 into a system of voluntary registration, affirmed the legal status of unregistered trade marks and enabled their use, although it failed to make explicit provisions for their protection.

Owing to China's entry into Paris Convention for the Protection of Industrial Property (Paris Convention) in 1985, when the Trade Mark Law was modified in 1993, recognising the long-term problem of competition to be the first to register unregistered trade marks used by others, one article provides that any trade mark registered by deceptive means shall be revoked. This amendment meant that the trade mark law in China had begun the protection for unregistered trade marks at NPC legislative level. Moreover, the Regulations Regarding the Implementation of Trade Mark Law issued in 1993 made specific provisions about Article 27 of the Trade Mark Law (1993) and enumerated the deceptive acts in registering trade mark by deceptive means and fortified the protection for "trade marks already well known to the public". A "trade mark known to the public" and "well-known trade mark" do not mean the same. In Chinese trade mark law and the Paris Convention "well-known trade marks" are equivalent to famous trade marks. Anyway, this provision moved closer to protection of unregistered well-known trade marks.

The revised Trade Mark Law (2001) further strengthened the protection of unregistered trade marks on the basis of the Trade Mark Law (1993) and the number of provisions was greatly increased, including Article 13, 14, 15, 31 and 41. One of the most influential was paragraph 1 of Article 13. This paragraph, together with Article 14 about the factors to be considered to recognise, as well as Article 41 about reasons and duration for the revocation of a registered trade mark, constituted a comprehensive protection system for unregistered well-known trade marks. This system realised the Trade Mark Law's fulfillment of the obligations in Article 6 bis of the Paris Convention. In addition, its 15th article (that prohibited agents and representatives from maliciously registering unregistered trade marks) and Article 31 (about the prohibition of registering marks through illegitimate means already used by others and enjoying certain reputation) demonstrated legal protection of unregistered trade marks. It was only from 2001 when the new Trade Mark Law was promulgated, that comprehensive legal protection of unregistered well-known trade marks became institutionalised and standardised.

The latest Trade Mark Law (2013) has further developed and improved the understanding of value through use of trade mark as well as protection of the trade mark. This will be addressed in detail in Part IV of this article.

The Enforcement Practices for the Unregistered Well-known Trade Mark Protection System by the Administrative Department of China

The trade mark law enforcement agencies in China mainly comprise the Trade Mark Office of the SAIC and the Trade Mark Review and Adjudication Board (the TRAB) under the State Council of China. The legislation as to the protection of unregistered trade marks and the conservative practices are not synchronised. As mentioned before, Trade Mark Law (1982) does not include any legal provisions on the protection of unregistered trade marks, but in the practice of trade mark law, cases of unregistered trade mark infringement had already come into being.

The case of the "Wellcome" trade mark being registered maliciously in 1988 had made otherwise promising companies give up the trade mark. Another case is about unregistered trade mark "777". To face practical needs, the trade mark law enforcement agencies carried out targeted protection under circumstances when legislation was still imperfect. For example, in August 1987, in trade mark opposition cases, the National Trade Mark Office, identified that the "PIZZA HUT" trade mark of the United States Pizza Hut International Ltd is a well-known trade mark. This identified the first well-known trade mark since China's accession to the Paris Convention and rejected the registration of the same trade mark on the same commodity by New Vision Company of Australia.

Again in the modified Trade Mark Law (1993), provisions about protection of service mark were added. By then, Shangri-La International Hotel Company had not yet registered its service trade mark in China but requested protection of the service mark "Shangri-La". The Trade Mark Office of the SAIC and Enterprise Registration Bureau released a document after consultation and ordered revocation of the registration of a Shangri-La hotel in Guangdong province on the
grounds of protecting Shangri-La as a well-known trade mark. During this period, the protection of well-known unregistered trade marks by the law enforcement agencies was in general fragmented and individualised and the legal basis was mainly the provisions of the Paris Convention. Thus, it lacked a clear basis in domestic law and protective mechanisms had not yet been institutionalised.

The well-known trade marks in the Interim Regulations for Identifying Well-known Trade Marks released by the SAIC in 1996 are limited to registered trade marks. On 17 April 2003, the SAIC issued Regulations for Identifying and Protection of Well-known Trade Marks (the well-known Trade Mark Regulations). These regulations were promulgated on the basis of Trade Mark Law (2001). They confirmed the protection of unregistered well-known trade marks from the perspective of law enforcement authorities. Subsequently, some unregistered trade marks such as "Hui Er Kang", "Little Sheep", "Zhonghua" were identified as well-known trade marks, and thus began the institutional practice of identifying unregistered well-known trade marks by administration on an explicit legal basis. On 21 April 2009, the SAIC again released Detailed Rules on the Recognition of Well-known Trade Marks, thus the identification of well-known trade marks became further institutionalised and standardised.

Development History of Protective Practices and Judicial System and Policies for Unregistered Well-known Trade Marks in China

The judicial protection of unregistered well-known trade marks in China mainly started on a comprehensive basis after the Trade Mark Law was enacted in 2001. The legal grounding for judicial protection of unregistered well-known trade mark includes not only the Trade Mark Law but also a series of judicial interpretation issued by the Supreme People's Court. Paragraph 2 of Article 4 of Interpretation of the Supreme People's Court on Application of Laws in the Trial of Civil Disputes Over Domain Names of Computer Networks which came into effect on 24 July 2001, involving violations of well-known trade marks and unregistered well-known trade marks by domain name registration, which constitutes infringement or unfair competition.

Article 2 of Interpretation of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising from Trade Marks issued by the Supreme People's Court on 16 October 2002 states that in accordance with the first paragraph, Article 13 of the Trade Mark Law, reproduction, imitation, translation of other unregistered well-known trade marks in China or the main part thereof and use of them on the same or similar goods as a trade mark which are likely to cause confusion, shall bear civil liability to stop infringement. This is the explicit stipulation about the liability of infringement on unregistered well-known trade marks.

In judicial practice, the “sour milk” case involving Mengniu Group which occurred in 2004 is considered to be the earliest case of judicial determination of an unregistered well-known trade mark. Since then, the judicial determination of unregistered well-known trade marks has become normal. Due to the lack of specific statistical data, we cannot get an accurate empirical result about recognition of unregistered well-known trade marks and protection. However, because the concept of well-known trade marks including registered well-known trade marks and unregistered well-known trade marks, we can be sure that the changes of policies and attitudes regarding judicial determination of well-known trade marks will definitely have an impact on unregistered well-known trade marks and be reference value for our research and thus worthy of attention.

According to incomplete statistics done by the Intellectual Property Tribunal of the Supreme People's Court, there has been a huge increase in recognised well-known trade marks since 2004. By 2006, a total of 220 well-known trade marks had been recognised by the court at all levels. Between 2007 and 2008, the number of recognised well-known trade marks peaked and reached a total of 269 in two years. At that time, more than 400 intermediate courts and 30 lower courts all over the country enjoyed the right the recognise well-known trade marks. Together with the well-known trade marks identified by the administrative authority, the number of identified well-known trade marks was large. In reality, the well-known trade mark system was artificially “deified” and “alienated” and many companies filing requests to identify their trade marks as well-known trade marks, regarded as a high honour, in consideration that the identification would bring permanent benefit.

Additionally, they were advertised with hype such as “Famous Chinese Trade Mark” in various media. Some companies even sought recognition of well-known trade marks by making false lawsuits, which
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is completely contrary to the original intent of the legislation of well-known trade marks. In this regard, as early as 2006 the Supreme People's Court had responded on the basis of judicial policy. On 12 November 2006, the Supreme People's Court delivered a Notice of the establishment of well-known trade mark filing system, which requested the high courts to report the identified well-known trade marks cases within their jurisdiction to the Intellectual Property Tribunal of the Supreme People's Court for information and research. On 5 January 2009, a Notice of the Supreme People's Court on Issues Related to Jurisdiction of Recognising Well-known Trade Mark Cases in Civil Disputes, was released, which limited the number and level of courts qualified to recognise well-known trade marks, and thus the number of Intermediate People's Courts qualified for recognition of well-known trade marks was reduced to 44.

On 1 May 2009, the Supreme People's Court promulgated and implemented the Interpretation of the Supreme People's Court Concerning the Application of Laws in the Trial of Cases of Civil Disputes Arising from Trade Marks (Well-known Trade Mark Interpretation). It clearly defined determination of the well-known trade mark cases, recognition based on need, recognition based on facts and passive recognition. All the necessary circumstances for recognition and every circumstance for rejection of filing application for registering well-known trade marks are listed. It stipulates that in recognition of well-known trade marks the self-rule of evidence does not apply, and well-known trade marks only serve as facts of the case and reasons for judgment but will not be included in the main text of the verdict. These judicial interpretations have had a significant impact on the judicial determination of well-known trade marks. Since 2009, all local courts have been more cautious as for the recognition of well-known trade marks and only a limited number of trade marks have been recognised.

As observed by Judge Xiangjun Kong, the former presiding judge of Intellectual Property Tribunal of Supreme People's Court, the development history of recognition policy for well-known trade marks can be divided into three stages: the initial stage is between 2001 and 2006, when the judicial determination of well-known trade marks was still in the process of exploration and discussion and no clear judicial attitude or mature judicial policy was formed; the rectification and specification stage is between 2006 to 2009, during which the major issue is “legally prudent”, “forbidden”, “strict”, and the like. All local courts became more rigid about recognition of well-known trade mark. Meanwhile, the recognition of well-known trade mark was also proceeding towards institutionalisation and standardisation. The year 2009 is a period of strengthening the protection, and was also dedicated to positive change of hypercorrections in the second phase. The main intention was to standardise the recognition of well-known trade marks while strengthening the protection of well-known marks so as to change the fear and misgivings of court in recognising well-known trade marks. For those well-known trade marks that qualify for protection and need protection they will be protected in line with the law.

The Scope and Extent of Protection of Unregistered Well-known Trade Marks in China: Moderate Protection and the Reasons

Introduction of Specific Legal Regime for Protection of Unregistered Well-known Trade Marks in China

Types of Protection Provided for Unregistered Well-known Trade Marks

Based on the system resources before the modification of Trade Mark Law in 2013, the type of protection for unregistered trade marks in China can be divided into three categories on the basis of well-known status: The first is unregistered well-known trade marks; the second is unregistered trade marks of a certain influence; the third is unregistered ordinary trade marks.

First of all, for unregistered well-known trade marks, the protection system provided is mainly shown in paragraph 1, Article 13 of Trade Mark Law (2001), which provides:

In the event of an application for registration of a trade mark that is a reproduction, imitation, or translation of another’s well-known trade mark not registered in China on same or similar goods, and consequentially is likely to create confusion, the application shall be rejected and the trade mark shall be prohibited from use.

It is the core provision to protect unregistered well-known trade marks in China. However, this article is subject to the following conditions: (a) the unregistered trade mark is proved to be well-known trade mark, hence Article 14 of Trade Mark Law, Rules of Well-known Trade Mark Recognition, Working Rules for Recognition of Well-known Trade Marks, Interpretation of Well-known Trade Marks
shall apply; (b) Applications for revocation of registered infringing trade marks will be made within five years from the date of registration unless it can be proved that the registrant is malicious, in which case the time limit does not apply; (c) Where registration or use is rejected, this is limited to registration or use on the same or similar commodities, i.e. cross-category protection is not allowed academically; (d) Besides the well-known feature, likelihood to cause confusion is essential. Secondly, the protection of unregistered trade marks with a certain influence is mainly included in Article 31 of *Trade Mark Law* (2001), i.e. “the application for trade mark registration shall not damage the existing prior rights of others, nor register a trade mark others have used and enjoy some influence by unfair means”. This provision aims to provide protection for those which cannot prove the well-known status, but does have some impact after long-term use. Some conditions also apply to this provision:

(a) It must be proved that this unregistered trade mark has indeed been used and has achieved a certain influence in the market. In this regard, the Court’s criteria provides: “It has been actually used in the territory of China and the relevant public within a certain range are aware of the trade mark. Namely, it must have been recognised as a trade mark already in use and achieved some success. If there is any evidence to prove that the mark has been used continuously for some time earlier in a certain region, achieved a certain sales volume or done advertising, it can be identified as influential.”

(b) On the issue of cross-category protection, it neither applies to the non- similar goods, i.e. cross-category protection shall not apply.

(c) Filing application to revoke a registered trade mark which infringes must be done within five years after registration of the trade mark, unless the other party is proved to be malicious.

Thirdly, for ordinary unregistered trade marks, Article 15 of *Trade Mark Law* (2001) stipulates that applications for trade mark registration shall be rejected and prohibited to use by trade mark agents, representatives who have registered maliciously a trade mark belonging to their client.

This provision does not provide legal protection for the ordinary unregistered trade marks in a broad sense. Since the “first to register by an agent or representative” does not require holders of unregistered trade mark rights to provide the “well-known status” to an unregistered well-known trade mark and unregistered trade mark, you can classify it as protection of ordinary unregistered trade marks. However, this situation is just an ordinary unregistered trade mark in a very special case. Therefore, this provision does not mean that the Chinese trade mark law provides universal protection of registered trade marks.

According to the meaning of the provision, the existence of relationship between client and agent or representative and whole body is the major condition applicable to this provision, followed by an unauthorised registration of registered trade marks by agent or representative without licensing. The application for revocation shall also be made in five years.

**Means of Protection Provided for Unregistered Well-known Trade Marks in China**

“Two ways and deals with coordinately” has been a major feature of the protection system for intellectual property in China, i.e. that the administrative and judicial protection co-exist. It is also true in the field of trade marks. To be specific about unregistered well-known trade marks, administrative and judicial protections co-exist.

The first is administrative protection. Administrative protection of unregistered well-known trade marks is mainly found in three procedures:

(a) Application allows for opposition against the trade marks which have passed preliminary review of the Trade Mark Office and is announced, and the Trade Mark Office shall conduct the recognition of well-known trade mark in the procedure of opposition.

(b) If a registered trade mark is considered to have infringed the rights of an unregistered trade mark, application can be made to the TRAB to withdraw the trade marks and carry out the protection of well-known trade mark in the decision process.

(c) In trade mark management, in the event that the trade mark used by others is considered to have damaged the right of unregistered trade mark, an application
can be made to the local Administration Department of Industrial and Commerce where the case occurs so as to prohibit the use of the trade mark by means of a written request.

At the same time, application can also be made to identify a well-known trade mark. If the case is accepted, it shall ultimately be reported to the SAIC and Trade Mark Office for recognition. Of course, in accordance with the principle of judicial finality, the ruling of the Trade Mark Office and the TRAB for the above three situations can be brought to the court as an administrative lawsuit.

The second is judicial protection. The judicial protection of unregistered well-known trade marks is mainly found in two judicial processes, namely, the administrative cases involving the authorisation and determination of trade mark and the cases of trade mark infringement. The former is the judicial review process in the administrative procedure of recognising a well-known trade mark, which may maintain or alter the results of identifying well-known trade marks. The latter is recognising unregistered well-known trade marks during the hearing of facts in a trade mark infringement lawsuit filed by the parties.

**Forms of Legal Remedies for Unregistered Well-known Trade Marks**

Owing to the difference in the legal nature determination of unregistered well-known trade marks and registered well-known trade marks, the infringement on registered well-known trade mark constitutes the “acts of infringement of a registered trade mark”, as expressly enumerated in Article 52 of Trade Mark Law (2001) and therefore civil liabilities including stopping the infringement, eliminating hindrance, removing risks and compensation for damages apply. Thus, civil sanction can apply to the counterfeiting of trade mark infringing goods, forged trade mark icons and materials, tools, equipment and other property exclusively for the production of infringing commodities. In addition, administrative punishment may also apply. But for unregistered well-known trade marks, since the Chinese trade mark law does not specify the exclusive trade mark right of an unregistered well-known trade mark, only an “exclusive right of registered trade mark” exists, the remedies provided for the unregistered well-known trade mark is simple in that there are no other means except stopping the infringement.

**The Criterion of Time and Area Applicable to Identification of Unregistered Well-known Trade Marks**

In this regard, the same standard applies as in determining well-known trade marks. Geographically, “well-known in China” is clearly stated, e.g. Article 2 of Regulations about Well-known Trade Marks, which stipulates that “The well-known trade mark hereby refers to the trade marks widely known in China to the relevant public and enjoy high reputation”. Article 1 of Interpretation of Well-known Trade Marks also states that: The alleged well-known trade marks in this interpretation means trade marks that are widely known to relevant public in China. Any well-known trade mark in foreign countries cannot access protection in the event that it cannot prove its well-known status in China. Therefore, it cannot obtain protection in the name of well-known trade marks.

In judicial practice, time is also critical for recognising unregistered well-known trade marks. In China, the time criterion specified in judicial practice varies by case. In cases of infringement of a trade mark or unfair competition, the time criterion applied in recognising well-known trade marks is “the time when infringement on trade mark or unfair competition occurs”. For trade mark disputes, review of opposition and revocation of improperly registered trade mark cases, the criterion of time means “when filing for registration is made”.

From the above, system resources providing protection for unregistered well-known trade mark law it is obvious that the scope and extent of protection for unregistered well-known trade marks is limited and moderate. On the whole, the recognition of the status of well-known trade marks is restricted by time and area. Compared with the registered well-known trade marks, cross-category protection is not possible as far as the category of protection is concerned. In the legal nature determination it does not fall within the scope of infringement on registered trade mark rights, and thus the remedy can only be cease of the infringement.

**Reasons for the Current Status of Protection for Unregistered Well-known Trade Marks in China: A Historical Exploration**

The formation of the current status of protection for unregistered well-known trade marks in China is somehow related to the unique growth
process of trade mark law, especially the changes in understanding of the concepts of "registration" and "use", because the "registration" corresponds to "registering trade mark right whereas "use" corresponds to "unregistered trade mark right". The role of concept and system formed in history in the development of the current status can never be overlooked.

Development of China's trade mark law has experienced three stages: the first stage, the trade mark law before new China was founded; the second stage, the trade mark law in the planned economy era; and the third stage, the trade mark laws in the market economy era. It is of significant value to examine the changes in the values of "registration" and "use" in these three stages so as to understand the moderate protection system for unregistered well-known trade marks implemented in China.

Period of Blind Obedience to the Value of Trade Mark Registration before the Founding of New China

The development of trade mark law before the founding of New China can be divided into two stages, namely the late Qing Dynasty and the Republic of China period. In 1904, the Qing government promulgated the Constitution. It is China's first trade mark law enacted in a hurry and under foreign pressure, aimed at protecting owners of foreign trade marks. As some researchers put it: "The Qing government was forced to introduce it by foreign ministers and foreign businessmen." Article 1 of the Constitution provides: "Whether Chinese or foreigner, he who wants exclusive trade mark right shall follow the laws in this constitution." This means that either Chinese or foreign businessmen shall follow the Articles of the Constitution to register so as to obtain trade mark rights and the unregistered are not entitled to legal protection. Under the prevailing conditions, the Qing government failed to attend to the fundamental meaning of trade mark registration and use, but based trade mark law on "registration" directly.

This model was also inherited in trade mark legislation in the period of the Republic of China. These trade mark laws compared with trade mark legislation in late Qing, although the value of the use is paid more concern, still hold that a trade mark right shall be obtained via registration. Therefore, prior to the founding of New China, the value of registration had been confirmed hastily and blindly in trade mark law as a stopgap measure.

Comprehensive Registration System during the Planned Economy Era

From 1949 when the People's Republic of China was founded until 1982 before the Trade Mark Law of the People's Republic of China was enacted, the trade mark legislation during this period mainly included Provisional Regulations for Trade Mark Registration (1950) and Regulations Concerning Trade Mark Administration (1963). The Provisional Regulations for Trade Mark Registration adopted voluntary registration principles, taking into account the proprietary property of the trade mark. However, since 1957 when Opinions of the Central Administration for Industry and Commerce on the Implementation of Comprehensive Registration of Trade Mark (Opinion of Comprehensive Trade mark Registration) to 1963 when Trade Mark Management Regulations was promulgated, which changed the proprietary property of the trade mark fundamentally.

The recognition feature of trade marks has given way to management aiming more for quality supervision. This process is realised through implementation of comprehensive and mandatory registration system, which mainly aims to serve the supervision and management of product quality. Under this system, the role of a trade mark is primarily a media and link to the realisation of supervision. Meanwhile, the registration and use of trade marks are bundled together. In such a system, the trade mark law has reached its climax in the confirmation of the value of registration, and therefore, there is no basis for "use but not register".

Rational Return of Registration and Use Value: Impact of the Market Economy

The practice of reform and opening up policy together with the establishment of market economy in China has pulled back the trade mark legislation system to be consistent with the international community and also pushed the protection of unregistered trade marks into the vision of research in theory and practice. Since 1982 when the Trade Mark Law came into existence, although "registration" has been paid enough attention, the concept that the legitimate right and benefit obtained from the practices in using the trade marks to realise its feature of identity has been gradually established.

In this regard, the Chinese scholars in the field of trade mark law research have made great
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contributions. When discussing issues of protection of unregistered well-known trade marks, Professor Handong Wu has pointed out that: “For those trade marks not registered but actually well-known trade marks, if no protection is provided for them only because of the principle of registration, it is obviously not fair for operators who paid efforts and investment or conducive to encourage honest operation of business and promote the establishment of order in market competition. The intention of well-known trade mark is to solve the protection of unregistered trade mark.”41 Yexuan Yang once put it: “The life of trade mark lies in the use of trade mark, the essence of protection of trade mark rights is to protect the legitimate use of trade mark.”42 Professor Yumin Zhang also said: “In theory, to obtain trade mark rights through use of the trade mark is in compliance with the features of trade mark and simple business ethics and is thus the most fair.”43 The first author of this article has pointed out in one of his essays: “trade mark itself is just a logo to identify the source of goods or services, and the value of trade mark is based on the credit of trade mark arising from the use.”44 “It is critical to rectify the error that only registration can produce the civil rights to be protected by law and understand that civil rights can also be produced by objective facts of actual use.”45

The theoretical study of rational knowledge of “use” in building Chinese trade mark law has corrected the malpractice originated from the previous over-reliance on “registration”.

Summary of the Historical Development
From the development of China’s trade mark law we can see a clear thread that “registration” has dominated the primary and the central position in the whole course of development of trade mark law. From the blind obedience of the registration value to implementation of market management and quality control by comprehensive registration and then to the rational return to the use value, during which overall registration and mandatory registration system are especially impressive in the planned economy period, the principle of obtaining trade mark right through registration has not been changed.

Of course, it is undeniable that the moderate protection of unregistered well-known trade marks currently provided in China is partially because of policy and theory construction. Again, most scholars and practitioners accepted the principle of obtaining trade mark right through registration, while moderately restricting the obtaining of trade mark right through use mainly on account of the principle of comparative advantage by registration. For example, Professor Yumin Zhang has said: “In the context of the globalisation of trade and from the two value targets including aspects of security and efficiency obtained through registration has comparative advantage over obtaining the right by use. Therefore, the revision of trade mark law should continue to adhere to the principle of registration to get trade mark right.”46 Professor Handong Wu also pointed out that only through registration and announcement of right can the security of transactions be ensured.47

While discussing the mode to obtain trade mark right, Prof. Handong Wu pointed out that in developed countries the obtaining of trade mark right is being transferred from use to registration, and “whereas in developing countries where such foundation does not exist or such basis is unstable, its trade mark system directly begins from the registration”.48 “This is the case in China. Besides, the effect of the planned economy era has strengthened the fascination for a registration principle. Only after the Chinese trade mark legislation has entered the era of market economy, there seems to be an opportunity to think and select the various system and theory in trade mark laws. In registration and value of use, it is undeniable that the current selection bears the colour of theory and policy, but the hidden role of the development of the unique history of trade mark law in China cannot be ignored, which is caused by the inertia of the system.

As Dr Jicun Fu noted: “Registration indisputably has existed from the Trade Mark Registration Pilot Constitution in 1904 until Trade Mark Law 2001 and the third draft amendment to the Trade Mark Law and it is caused by the inertia of the system and also the results of self-reinforcing of the system.”49 Such ingrained notion affects many things. For example, the central role of “registration” in trade mark law has decided that the unregistered trade mark right produced by “use” can only be in the secondary position and only limited necessary protection shall be provided for them. Therefore, on the issue of the use of the trade mark right it generated an ongoing evolutionary process.

However, we should look at this problem from the perspective of development. For example, before Trade Mark Law (2001) the protective system
for unregistered well-known trade marks had not yet come into existence, whereas Trade Mark Law (2001) included it into the system, and the protection of registered trade marks with a certain influence was also provided, which meant a great improvement of the system. The “prior use right of trade mark” as well as “conditional protection of ordinary unregistered trade marks” stipulated in Trade Mark Law (2013) is the further recognition of the value in use.

Therefore, it is reasonable to believe that the development of trade mark law in China is an important historical factor of the systematic feature of current moderate protection for unregistered well-known trade marks. At the same time, we should also believe that, with the continuous development of economy and society, the awareness of “registration” and “use” in the trade mark law will certainly continue to be updated and the protection system for unregistered well-known trade marks will also become gradually sophisticated.

Status of Protection for Foreign Unregistered Well-known Trade Marks in China: Typical Case Studies

On the basis of understanding the protection system as well as its development, features and reasons of formation of well-known trade marks in China, the authors will focus on the judicial practice in protection of foreign unregistered well-known trade marks in China to discover and summarise useful and regular information for us, as presented in the form of analysis of the following typical cases.

Selection of Cases

The typical cases in support of our study are produced in the following ways:

First, we determined the object of case studies. What is an unregistered well-known trade mark? We first need to determine the geographical area in which it is not registered. As to the current provisions of trade mark law in China, it certainly means “unregistered” in the territory of China. In addition, since trade marks can be registered in different categories such as goods and services, can a certain registered well-known trade mark in one category be an unregistered well-known trade mark in another category? Some researchers in Chinese academia of trade mark law do hold a positive view. However, in our opinion, this position has confused the relationship between exclusive trade mark rights and the right of prohibition. The owner of a registered well-known trade mark enjoys cross-category protection over unregistered similar or different goods through his right of prohibition. This cross-category protection of exclusive trade mark right is a right of prohibition based on the well-known status of the registered trade mark and conferred by law in order to prevent confusion. The unregistered well-known trade mark is often a trade mark which becomes well-known as a result of the owner’s use of the unregistered trade mark and thus the owner enjoys the exclusive right.

Therefore, the cases selected here are those trade marks not yet registered in China in any category but which were claimed to be in actual use and involves foreign parties, including those trade marks of foreign parties which filed applications for registration but had not yet obtain exclusive trade mark right. Furthermore, whether the involved trade mark is finally recognised as a well-known trade mark finally is not our major concern. Some trade marks may be well-known in a foreign country and may have been subject to applications for recognition as well-known trade marks, but ultimately have failed, or they may have been identified to have a certain influence but still within our subjects.

Secondly, we select cases from the case database. We selected “China Judgment Stack of Beijing University College Channel” as a case repository and chose 30 cases in point. Judging by country, these cases involve the United States, Britain, France, Spain, Sweden, Austria, Japan, Italy, India and other countries and regions including China Hong Kong and Taiwan. We have reviewed by reference to type of cases, administrative authorisation and determination cases and infringement on civil trade mark right cases, within the time span from 2005 to 2013.

Case Study

We intend to analyse these cases from two aspects to find some rules. The first is classifying the well-known foreign trade marks unregistered in China by their types and the other is summary of some special issues shown when these unregistered foreign well-known trade mark in China are identified in an effort to discover the attitudes and standards held by the Chinese courts while handling these cases.

Types of Violation of Unregistered Foreign Well-known Trade Marks in China

Through the case summary of 30 typical cases, types of common violations of unregistered foreign
well-known trade marks in China are in the following five categories:

(1) Registering the Foreign Trade Mark Unregistered in China as a Trade Mark, Business Name and Domain Name in China or Use of the Trade Marks for confusion.

This is the most common and typical type of infringement, which is implemented by filing an application for registration of the unregistered trade mark owned by foreign right holder who failed to register the mark in China for one reason or another. Since China practices the principle of owning trade mark right through registration and principle of prior use, the trade mark owned by foreign rights holders are thus seized or used via infringement, with the help of the territorial principle in trade mark law.

As in the trade mark case “MOSDORFER and graphics”, the third person Wenzhou New Blue Sky Electrical Appliance Co., Ltd registered trade mark No. 3001452 “MOSDORFER and graphics”. The Moss Dov company challenged the application and argued that that as early as 1712 it had started using the trade mark “MOSDORFER and graphics” and began to develop the Chinese market in 1986. Through long-term use it had achieved a strong influence in China; therefore it should be recognised as unregistered well-known trade marks with some influence. But the Court held that the evidence submitted by the plaintiff is not sufficient to prove that its trade mark has achieved some influence through its use in mainland China. Therefore, it is certainly not well-known and the unregistered trade mark is finally not protected.

Another example is the “LEUPOLD” trade mark case. The third person Sam appliances (Nantong) Co., Ltd applied for registration of “LEUPOLD” but Leopold and Stevens company challenged the application and argued that that as early as 1712 it had started using the trade mark “MOSDORFER and graphics” and began to develop the Chinese market in 1986. Through long-term use it had achieved a strong influence in China; therefore it should be recognised as unregistered well-known trade marks with some influence. But the Court held that the evidence submitted by the plaintiff is not sufficient to prove that its trade mark has achieved some influence through its use in mainland China. Therefore, it is certainly not well-known and the unregistered trade mark is finally not protected.

Concerning the protection of unregistered well-known trade mark in this category, the first thing to do is to provide proof of being well-known through use in China so as to be recognised as an unregistered well-known trade mark and duly protected. Unfortunately, 15 of the above cases (accounting for half of 30 typical cases) failed to win protection via this access, mostly for lack of evidence of sufficient use in China. Secondly, the foreign parties can fight for the protection by convincing relevant departments to identify it as trade marks with a certain influence, such as “Weisheng” trade mark case. The Court ruled that “Weisheng” trade mark constitutes an unregistered trade mark of certain influence, thereby others’ preemptive registration is rejected. The third thing is to advocate rights through fighting against unfair competition; the “Crocodile T-shirt trade mark CROCODILESINCE1952 and graphics” trade mark case is an example.

Although the court has not yet identified the involved trade mark as unregistered well-known trade mark, it has determined that the behaviour of the two defendants constitutes unfair competition and they should stop use of the mark. Finally come trade mark registration elements. The foreign parties can also claim rights by other’s violation of elements stipulated in trade mark law. In the “no trace” trade mark case, the Court considered that “no trace” to be the description of the function and feature of effect of a commodity, and thus cannot be registered.

(2) The Trade Mark in a Foreign Language that has been Registered in China, but the Corresponding Chinese Trade Mark is Unregistered and thus the Chinese Trade Mark was Applied for Registration by Others.

This is very typical and common form of infringement, mainly relating to those trade marks of which essential elements of trade mark are partly or wholly literal words. Because of the language difference, the trade marks or business names registered in foreign language by foreign right holders and used in China will normally have their corresponding word in Chinese among Chinese consumers and media so as to form an unregistered Chinese trade mark. Owing to the existence of
language habits, this trade mark in Chinese makes it easier for consumers to link the trade mark with the corresponding goods or services and plays a role in distinguishing the source of the commodity and service. The presence of identifying value of such a trade mark in Chinese is likely to be the object of pre-emptive registration.

The famous “Sotheby’s” trade mark case is an example. The plaintiff of the case, British Auction House Sotheby, registered the English trade mark “SOTHEBY’S” in China, but “Sotheby’s” Chinese trade mark “苏富比” (Su Fu Bi) was not registered in China. The defendant, Sichuan Sotheby Auction Co. Ltd, registered graphics as a company name and used it as trade mark in operation. The Court ruled that “苏富比” is an unregistered well-known trade mark in China and the defendant is prohibited from using it.

Another example is the “Viagra” trade mark case. The plaintiff, Pfizer, argued that the trade mark VIAGRA used on their product “sildenafil citrate” dedicated to the male erectile dysfunction diseases, and “伟哥” (Wei Ge) is the corresponding Chinese trade mark to “VIAGRA”. “VIAGRA” and “伟哥” are corresponding and consistent. After long-term use and publicity, “伟哥” trade mark has become a well-known trade mark in China. Wellman not only advertised that “伟哥”, the unregistered well-known trade mark of Pfizer, is their trade mark but also licensed it to Eastern company and sold through New Concept Company, which constituted trade mark infringement and unfair competition. Therefore, it argued that “伟哥” was an unregistered well-known trade mark and should be afforded protection in China. However, after careful examination, the Court did not confirm that “伟哥” was an unregistered well-known trade mark and thereby dismissed the claims of the plaintiff.

In addition, the “Saridon” trade mark case, the “Sony Ericsson” trade mark case, the “Ashley Pa” trade mark case, the “Sephora” trade mark case, the “Land Rover” trade mark case, the “Ferrero Rocher” trade mark case, the “Yamato” trade mark case, the “Timken software” and “Timken electronic” trade mark case, the “Mondo” and “MONDO” trade mark case, and the “Hermes” trade mark case also fall in this category.

The protection of such unregistered well-known trade mark mainly depends on proving how well-known the Chinese trade mark is. Sometimes the registered trade mark in the foreign language of rights holders has been well-known in China but if they cannot prove that the foreign trade mark and trade mark in Chinese are uniquely corresponding it is difficult to safeguard their rights, which is the most important and difficult feature of this type of trade mark. However, because the foreign trade marks are well-known, there are chances that the corresponding unregistered well-known Chinese trade mark be recognised as well-known trade marks.

Among the above 12 cases, “Sotheby’s” and “Mondo” successfully won recognition as unregistered well-known trade marks. Moreover, even if not recognised as a well-known trade mark, quite a few of them have been identified as unregistered with a certain influence, such as the “Saridon”, “Sephora”, “Land Rover”, “Yamato” trade marks. Of course, the right holders of this type of trade mark infringement case shall bear the burden of proof to show that the unregistered trade mark is well-known and there is a corresponding relationship between the involved Chinese and foreign trade marks.

(3) Registering the Logo of Others as Trade Mark who Already Enjoy Prior Rights

In the “Crayon Shin-chan” trade mark case, the plaintiff, Japan Futabasha, is the copyright owner of “Crayon Shin-chan” cartoons. The third person, Shanghai Engjia Economy and Trade Development Company Limited, registered the “蜡笔小新” (Chinese, Na Bi, Xiao Xin) trade mark. The plaintiff filed an application to cancel the mark, arguing that the registered trade mark in dispute had infringed its copyright and constituted reproduction, imitation of its unregistered well-known trade mark. However, the Court decided not to support its claims nor to recognise the text and graphics of “蜡笔小新” as unregistered well-known trade marks in China.

Another example is the “Iverson” and “艾弗森” (Ai Fo Sen) trade mark case. The third party Lin Zedong filed an application for registration of “IVERSON and graphics” trade mark. The claimant objected and claimed that the trade mark in dispute infringed the right of name of NBA basketball star Allen Iverson as well as trade mark right. The Court ultimately determined that the trade mark application should be rejected on the grounds that it had infringed the right of name but did not identify “Iverson” or “艾弗森” as an unregistered well-known trade mark. The right
holder of this type of trade mark infringement could seek a remedy based on Article 32 of Trade Mark Law (2013), which states that application for registration of a trade mark shall not infringe the prior rights of others. For example, in the “Crayon Shin-chan” trade mark case, the plaintiff appealed on the basis of violation of copyright, but lost because the exercise of rights was beyond the statutory period of five years. The Court determined in favour of the plaintiff for the reason that registration of “Iverson” had damaged the right of name.

(4) There is Previous Cooperation between the Two Parties but One Party Pre-empted the Trade Mark

This type of infringement is a double-edged sword for right holders to safeguard their rights. First, the fact that cooperation existed before helps prove the existence of malice of the other party in pre-empting the trade mark. The “Saridon” trade mark case is one such example. The plaintiff and the third party, Southwest Pharmaceutical Co. Ltd, had been in partnership and such cooperation made the Court determine that it was very clear for the other party to register maliciously. The Court decided that Southwest Pharmaceutical registered “散列通” (San Lie Tong) trade mark which is similar to “散利痛” intentionally while knowing that the “Saridon” trade mark was owned by LaPoche Ltd, thus subjectively LaPoche Ltd must already have had a malicious intention to take up the interests of the “Saridon” trade mark and should be revoked.

However, if the cooperation between the two parties continues, then the other party’s defense by “authorised use” may be successful. A good example is the “3A RACING” trade mark case, in which the plaintiff claimed that the defendant used “3A RACING” trade mark by infringement, but because it could not prove that their licensing agreement had come to the end, the Court did not support its petition.66

(5) The Registered Trade Mark Expires because the Right Holder Fails to Renew so that Others Register

For the previous right holder of a registered trade mark, whether or not such a situation may give rise to an unregistered well-known trade mark depends on whether there is a continuous usage of the mark after the registration expires. In the “MINUTEMAID” trade mark case,67 as early as in 1982, the appellant, Coca-Cola Company, had registered the “MINUTEMAID” trade mark but did not renew upon the expiry date. The third person, Dong Ping, then applied to register the “MeimeiMinuteMaid” trade mark. Coca-Cola Company objected, arguing the “MINUTEMAID” is just “Maid”, one of Coca-Cola’s brand, had been used together with “Maid” trade mark on goods, and therefore should be recognised as an unregistered well-known trade mark. However, the Court held that the evidence submitted rarely involved the “MINUTEMAID” trade mark, and the trade mark had not been used after expiry date. Consequently, it was impossible to prove the MINUTEMAID trade mark had been widely used and advertised. Thus, the Court did not rule in favour of the application.

Critical Issues Relating to the Identification of Foreign Unregistered Well-known Trade Marks by Courts in China

As mentioned above, the so-called well-known trade mark is a trade mark widely known to the relevant public in China, but this abstract concept makes the issue of identifying well-known trade marks strongly subjective.

According to the provisions of Article 14 Trade Mark Law (2013), the elements involved in identification of well-known trade marks include:

(1) awareness of the trade mark of the relevant public;
(2) the duration of use of the mark;
(3) the duration, extent and geographical area of any publicity of the mark;
(4) records of protection of the trade mark as well-known trade mark;
and (5) other factors that makes the trade mark well-known. Other factors include production, sales volume, sales revenue, profits and tax, cover area, length of time of using the trade mark, industrial rankings, market research reports, market value assessment report, history of being identified as well-known trade marks, of the major commodities with this mark in the recent three years.68 The determination of the specific factors in recognising well-known trade marks is not at all rigid. According to the provisions of current judicial interpretation, in identifying well-known trade mark, the People’s Court takes into account all the above factors, but based on the specific circumstances of individual case, not all the above requirements need to be met.69

Although the above general legal provisions also apply to the recognition of those foreign well-known trade marks unregistered in China, it is often featured by some special characteristics and issues owing to the foreign related factors. Here,
we now provide an analysis and summary of these differences by reference to selected typical cases.

(1) As to the Facts and Geographical Scope Concerning the Use of Trade Marks

The fundamental reason for an unregistered well-known trade mark to be protected is that it has achieved significant identification effect through actual use. On this basis, the basic fact used to determine whether it is well-known is the use of the mark, namely, how it has been used in mainland China. Therefore, what the right holder needs to do is to prove that their unregistered trade mark has been used in mainland China. By reference to a study of the selected cases, we unfortunately find that in many cases the right holders have failed to satisfy this criterion.

As in the “Ferrero Rocher” trade mark case, most of the evidence submitted by the right holder related to publicity and use of the trade marks in Hong Kong (China), Taiwan and other countries or regions, but remaining limited evidence was insufficient to prove that its trade mark is well-known in mainland China. In the “LEUPOLD” trade mark case, the evidence submitted by the right holder only showed that the mark was produced in China, but the right holder could not prove its actual use in China and that it had acquired some influence in China.

By contrast, if we look at the successful stories such as “Sotheby’s” trade mark case, even though because of the relevant provisions of China’s “Auction Law”, the British auction house Sotheby cannot implement the auction of cultural relics, the applicant still submitted sufficient documents showing the various promotional activities such as charitable auction, auction preview by its affiliates and representative offices in China. Ultimately, “Sotheby’s” was identified as an unregistered well-known trade mark.

In the “Mondo” trade mark case, the company Mondo Italy submitted extensive evidence to show that it had provided services to the Olympic Games, major sports facilities and stadiums within China, to demonstrate the facts of extensive use in China. The Court ultimately identified its trade mark “Men Duo” (Men Duo) and “MONDO” as unregistered well-known trade marks.

(2) The Meaning of “Use” of Trade Marks

According to Article 48 of the Trade Mark Law (2013), the use of a trade mark, shall include the use of the trade mark on goods, packages or containers of the goods or in trading documents, and the use of the trade mark in advertising, exhibition or any other business activities, so as to identify the source of goods. Owing to multiple types of goods or services and varied requirements in legislation in different countries, Chinese courts are not so rigid with the use of a trade mark in the application of this standard.

First, the Court will be flexible in application of the standard concerning its use on different goods or services. As in the “Sotheby’s” trade mark case, as Sotheby Auction House is engaged in the auction of cultural relics and in accordance with Chinese law, it is not allowed to be engaged in auction business in a real sense in China. However, the Court determined that charitable auctions, auction preview, charge-free auctions and other activities of its affiliates and Shanghai offices demonstrated the use of “Sotheby” trade mark in China and could also be identified as “used” in China. In the “Bloomberg” trade mark case, the Court accepted the plaintiff’s argument about the special nature of news media industry and agreed that the marked source of information which is referred to could be a means of trade mark use. Nor did the Court deny characteristics of financial information which can cross borders at a high speed.

Secondly, with regard to the cases in which others maliciously register trade marks in Chinese corresponding to foreign trade marks, the issue of unique correspondence between foreign and Chinese trade marks exists, which involves the special issue of simultaneous use of foreign and Chinese trade marks. In the “亚士霸” (Ya Shi Ba) trade mark case, the Court held that the existing evidence was insufficient to prove that Yashiba Company’s “ESPA and graphics” trade mark uniquely corresponds to the Chinese translation of “亚士霸”. Ultimately it failed to get protection by law. In the “散利痛” (San Li Tong) trade mark case, the Court determined that “Saridon” as a registered trade mark散利痛’s homophonic Chinese translation, has been used by LaPoche Ltd as the company’s logo on the medicines, thus formed the unique correspondence. Whereas the disputed trade mark “散列通” (San Lie Tong) is approximate to “散利痛” and constitutes use approximate trade mark on the same product and therefore should be revoked. Other cases such as “Hermes”, “Viagra”, “Ferrero Rocher”, “Sony”, “Land Rover”, “Sephora”, “Mondo”, “Yamato”, “Timken” and other trade marks also have the same problem.
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Thirdly, whether the unregistered Chinese trade mark should be used by right holder itself. The issue is mainly found in cases relating to the correspondence between Chinese translation and a foreign trade mark. The main issue is that the foreign trade mark belongs to the right holder, but the Chinese translation of the corresponding foreign trade mark can be varied and the right holder does not fix any corresponding Chinese trade marks while using foreign trade marks and thus others may register the trade mark in Chinese. The further issue is that the domestic consumers and the media accepted the trade mark only in Chinese as the translation of foreign trade mark, and the trade mark in Chinese already has recognition value and confusion is thus caused. Because the right holder of the foreign trade mark has not fixed this relationship, they often lack sufficient evidence in litigation.

As in “Viagra” trade mark case, Pfizer advocated that 伟哥 is the corresponding unregistered trade mark “Viagra” in Chinese, but all the evidence it had provided were merely media reports which were not prepared by Pfizer, for its own promotion. They were simply reports about the efficacy, side effects, impact of Viagra. Pfizer also admitted in the hearing that it has never used 伟哥 as its Viagra in mainland China. Additionally, Pfizer's Lawyer's Statement also claimed that the corresponding Chinese name of “Viagra” should be “万艾可”. Consequently, its appeal was not supported by the Court.99

By contrast, in the “Land Rover” trade mark case, Geely Automobile Company registered 陆虎 (Lu Hu) trade mark, but the British Rover Company intended to prove that 陆虎 is the corresponding Chinese trade mark of “LAND ROVER” and provided 41 media reports to prove its positive and active use 陆虎. It was argued that, since 陆虎 and 陆虎 (Lu Hu) are similar to each other, the 陆虎 trade mark registered by Geely should be revoked. The Court decided that the news reports or commentaries filed by plaintiffs could prove that 陆虎 as its Chinese name for English “LAND ROVER” was widely recognised by the relevant Chinese public and had formed a unique correspondence to the right holder of BMW, the owner of “LAND ROVER”. The Chinese 陆虎 had been recognised by the majority of consumers and the media and thus functioned as a distinction between the sources of goods and marks of the product quality. BMW also accepted the Chinese 陆虎 to refer to its product "LAND ROVER" SUV vehicle. Eventually, Rover Company's appeal was supported.100

In these two cases, the acceptance of a Chinese trade mark as the only accredited correspondence to the foreign trade mark is very critical. On this topic, the “Sony Ericsson” trade mark case is very typical. In this case, the 索爱 (Suo Ai) trade mark had been registered by Jianjia Liu, when the Sony Ericsson product had not yet entered the market in Mainland China. However, consumers and the media referred to “Sony Ericsson” as “索爱” on the internet and other media because it is simple, convenient and conventional.

In the first hearing, the First Intermediate People's Court in Beijing held that “索爱” had been accepted by consumers and media so as to distinguish between different sources of goods and mark the quality of products. These practical effects and impact naturally favoured Sony Ericsson (China) Company, which in essence is equivalent to their own use of the trade mark. Thus, although Sony Ericsson (China) Company admitted that it never advocated that “索爱” was its unregistered trade mark, the acceptance of the consumer and the promotion of media jointly helped to reach the same effect as achieved by its own use of “索爱”.101

However, in the second hearing, the Beijing Higher People's Court was of the opinion that these reports and comments were not achieved by efforts of Sony Ericsson (China) Company. Before application for registering “索爱” trade mark, Sony Ericsson (China) Company had not conducted any production, sale and promotion of other commercial activities for the “索爱” products. Evidence also suggested that Jiansheng Lu, Vice President and Group Sony Ericsson (China) Company, once claimed: “...... Sony Ericsson is a joint venture of Sony Group and Ericsson Group, ...... we are not “索爱”, We are Sony Ericsson ...... I request you call us Sony Ericsson or Sony Ericsson, and not “索爱”. Thus, the previous verdict was dismissed and “索爱” trade mark registration was maintained.102 However, in the Chinese market, some consumers unaware of it may still be confused.

The above three cases in China have been controversial in theory and practice of trade mark law in China and also provided an important warning: in the Chinese context the trade marks in Chinese corresponding to the foreign trade mark must be affixed as soon as possible by the right holder. Because of the difference in language
and culture, in order for a foreign trade mark to be totally accepted in a new context a suitable corresponding Chinese trade mark is essential, as remarked by Yongshun Cheng, Director of Beijing Intellectual Property Development Center, as well as former vice-president, Intellectual Property Tribunal of Beijing Higher People's Court: “In the Chinese market, it is definitely a Chinese mark to be most identifiable and easy to remember for general public, no matter how well-known an international brand is, find a catchy Chinese name before entering the Chinese market. The name can be a transliteration, paraphrase which shall meet the Chinese cultural traditions.”103 Once selected, it should be used in conjunction with the foreign trade mark immediately to establish correspondence in order to prevent others from registering maliciously. In this regard, the “Sotheby’s” and “Mundo” trade mark cases are good examples which achieved success.

(3) With Regard to the Form of Evidence

During the survey of typical cases, we found that in many cases a number of right holders submitted a huge amount of evidence of inferior quality which was thus ruled out of court and failed to function as evidence. First, some evidence is in a foreign language without Chinese translation, as in “MOSDORFER and graphics” trade mark case. The submissions of Moss Dov included products of its parent company, use of the logo, the history of development, copy of the sales vouchers, promotional brochures, product profile, product catalog, the use and publicity of the logo of “MOSDORFER and graphics”, information about websites of dealers, product information, price lists, orders, contracts, shipping documents and other evidence – all in a foreign language but with no Chinese translation attached, so they were excluded by the Court.104

The second important factor is “time” on the evidence. In the “No trace” trade mark case, the US 3M company requested that “No trace” is an unregistered well-known trade mark of which 3M enjoys prior right to use. However, the evidence submitted was either formed after the filing date of opposed mark or not dated. The Court held that the evidence could only prove that their products have a sales record in China, but was unable to prove that trade mark “No trace” had already been well-known or was enjoying some good reputation before the date of filing opposition.105 A problem of a similar nature exists in abundance in the selected typical cases.

Impact of the Revision of Trade Mark Law (2013) on the Protection of Unregistered Foreign Well-known Trade Marks in China

Functions of Prior Use Right System of a Trade Mark and Co-existence Regime of Trade Mark

The prior use right system of trade mark is expressed in paragraph 3 of Article 59 in Trade Mark Law (2013): “Where, before a trade mark registrant applies for registration of the relevant trade mark, another party has used ahead of the trade mark registrant a trade mark that is of certain influence and is identical with or similar to the registered trade mark on the same or similar goods, the holder of the exclusive right to use the registered trade mark shall have no right to prohibit the said party from continuing to use the trade mark within the original scope of use, but may require the latter to add suitable logos for distinguishing purposes.”

Article 59 is the restriction of the exclusive right for registered trade mark. It can be seen that legislators regarded prior use right system of trade mark as a restriction of exercising exclusive right for a registered trade mark. This is demonstration of further confirmation of the use value on the basis of the principle of obtaining trade mark through registration. In practice, the results of application of this system is “co-existence regime of trade mark”, i.e. two or more similar marks can exist on the same or similar goods and these marks can legally co-exist.

From the provisions, the application of this system must meet three pre-conditions: (a) the prior user must have used the mark before the trade mark registrant files an application for registration; (b) the use of the mark has a certain influence; and (c) it can continue to be used within the original scope. The system has not been implemented and the actual effects and conditions will be dependent on practical use and understanding, especially the understanding of “within the original scope” which has not fully been determined in scope in practice.

But in the authors’ opinion, the most important value of this system lies in the control of “pre-emptive registration of trade mark” and “imitation of big brand” because the real intention of the registrant is not genuine use of the mark. Conferring the prior right to use to an unregistered trade mark can assist real users not to lose the right to use as a result of pre-emptive registration. In this way, in the competitive situation where distinctive
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Use is applied, a pre-emptive registrant certainly has nowhere to hide because behind the credit of a trade mark is the quality of goods and services. If you cannot guarantee the quality of those goods or services, sooner or later you will withdraw from the market. Consequently, business integrity is encouraged and ensured. This system of protection is very important for protection of unregistered foreign well-known trade marks in China because the object of the pre-emptive registrant is often the unregistered foreign trade mark of foreign trade mark owner. The effect of implementation of this system should be positive to reduce and eliminate malicious registering of unregistered trade mark.

Protection of Ordinary Unregistered Trade Marks

Paragraph 2, Article 15 of Trade Mark Law (2013) states: “An application for registering a trade mark on the same or similar goods shall not be approved if: the trade mark under application is identical with or similar to an unregistered trade mark already used by another party; the applicant clearly knows the existence of the trade mark of such another party due to contractual, business or other relationships with the latter other than those prescribed in the preceding Paragraph; and such another party raises objections to the applicant’s trade mark registration application.” The reason why the system stipulated in this Article is regarded as “the protection of ordinary unregistered trade marks” is that the law does not require prior use of the trade mark to prevent others’ trade mark registrations except the one pre-condition that the applicant has a contract with the other person, business relationship or other relationship and knows clearly the existence of the trade mark. The addition of this condition has greatly reduced the eligible scope of the system.

In fact, it should be called “limited protection of ordinary unregistered trade marks” and this limitation is reasonable to exist because, if this “relationship” condition is deleted, it will become completely a system to obtain trade mark right just by use. Professor Ying Du has remarked “Before changing the unitary mode to obtain trade mark right through registration, the protection of unregistered trade marks of prior use must be strictly limited by conditions.”\textsuperscript{106} “If certain influence by the prior use of the mark is not required, the subjective degree of malignancy of user or registrant of the trade mark shall be increased accordingly.”\textsuperscript{107} The purpose of the condition “relationship” is to indicate the subjective malignancy. Professor Yumin Zhang has argued that, if ordinary unregistered trade mark of prior use is given the right to dissent and revoke, it is equivalent to negating the registration-based system and actually adopting a use-based system.\textsuperscript{108}

For the foreign well-known trade marks unregistered in China, the advantage of this system is that it helps owners expand the scope of protection of foreign unregistered trade marks. According to this mechanism, as long as any relationship between the registrant and the right holders of unregistered trade marks can be proved, even if the trade mark has never been used in China and has no fame, the registered trade mark can be dismissed in opposition proceedings. This system is of great significance for the solution to “OEM” problems and the removal of barriers by the owner of the foreign trade mark right in advance before entry into Chinese market, on condition that the relationship between the parties previously existed and the other party is malicious.

Restrictions for a Trade Mark Agency to Apply for a Registered Trade Mark

Article 19 of Trade Mark Law (2013) has set clear limits for the manners of trade mark agencies and stipulates that trade mark agencies follow the principle of good faith. Except for its application for trade mark registration agency services, they are not allowed to apply for other registered trade marks or otherwise will be subject to punitive measures. This is also helpful for the future protection of foreign well-known trade marks unregistered in China.

Precise Regulations with Regard to Principle of Good Faith

The provision of this principle is a direct response to the bad faith in registration and “use” of trade mark observed in recent years. Paragraph 1, Article 7 of Trade Mark Law (2013) states that: “Application for the registration and use of trade marks should follow the principle of good faith.” The principle of good faith in trade mark law also plays an important role in the protection of foreign well-known trade marks unregistered in China and can serve as a complementary means for the incomplete legislation. Of course, the specific application of the principle of good faith also needs the summary of experience in judicial practice, but in terms of legislation, it has been a big step forward.
Conclusion
In conclusion, the development of the protection system for unregistered well-known trade marks in China has been and is a gradual process featured by strongly historic and national elements. The modification of Trade Mark Law in 2013 presented the likelihood for more rational protection of unregistered well-known trade marks. Investigation of typical cases shows that the disputes of foreign well-known trade mark unregistered in China can be roughly grouped into five types. In addition, in many cases as such, there exist problems concerning the form and probative force of evidence, including lack of Chinese translation of evidence in a foreign language, date of proof of actual use of the mark being later than the filing date of application for registration, and evidence of use of the mark outside China which leads to that evidence being excluded by the court directly in a hearing.

Thus, in preparing and presenting evidence, the right holder should strictly follow the standard and elements for identifying the well-known status of trade mark as stipulated in trade mark law in China and excessive invalid evidence is of no assistance. In addition, in our analysis and summary of past cases, the Chinese courts are flexible – to a certain extent – in applying the standards to determining unregistered trade marks and judging the use of trade mark positively based on the difference between the commodity and service as demonstrated in “Sotheby’s”, “Bloomberg” and other cases. In typical cases of the pre-empted registering and using a Chinese trade mark corresponding to the foreign trade marks, it is a prominent issue that unique correspondence between the Chinese and foreign trade marks needs evidence to prove that both Chinese and foreign trade marks must be bundled in use.

Moreover, whether the right holder has accepted and used the correspondent Chinese trade mark is essential to safeguarding their rights. Discussions in the above “Viagra”, “Land Rover”, “Sony Ericsson” cases have alerted foreign right holders that in Chinese context the corresponding trade mark in Chinese to the foreign trade mark must be affixed as soon as possible by the right holder. This is also the advice of Chinese trade mark law experts. The various provisions as to the protection of unregistered trade mark added into Trade Mark Law (2013) have extended confirmation about the value of use and provide an important step towards the higher level for the trade mark law in China. These additional provisions are most significant for the protection of foreign well-known trade marks unregistered in China.

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1 At the twenty-fourth session of the Fifth National People’s Congress Standing Committee on August 22, 1992, followed by the first amendment on February 22, 1993, the second amendment October 27, 2001 and the third amendment on August 30, 2013. The revised Trade Mark Law came into force on May 1, 2014.

2 See paragraph 1, Article 7 of Trade Mark Law (2013). This provision will be specifically addressed hereunder.

3 See the relevant provisions of Article 13 & Article 14 Trade Mark Law (2013). This provision will be specifically addressed hereunder.

4 See paragraph 3, Article 59 of Trade Mark Law (2013). This provision will be specifically addressed hereunder.

5 See paragraph 2, Article 15 of Trade Mark Law (2013). This provision will be specifically addressed hereunder.

6 Regulations of Trade Mark Administration (1963) is the main legal basis of the Trade Mark Law in the planned economy era of China. The regulation established the principle of comprehensive and mandatory trade mark registration of a trade mark, and unregistered trade marks may not be used and the used trade mark must be registered, which shows the regulatory functions of the trade mark supervision over the quality of trade mark in the period of planned economy.

7 For this point See (6) of the second point in the explanation about “the amendment of the Trade Mark Law (Draft)” made by Minxue Liu, director of the SAIC, to the National People’s Congress, on December 22, 1992. He said that: “The current problem in the management of a registered trade mark is that some people obtain trade mark in a fraudulent way and some others may pre-empt register others’ trade mark used for a long time to seek illegal interests.” In this situation, an additional provision has been added into the 30thArticle of the current draft of Trade Mark Law as the second paragraph: “registered trade mark by deceptive or other improper mean, shall be cancelled by the Trade Mark Office.” Finally, this provision is included in Article 27 of Trade Mark Law (1993).

8 See Paragraph 1, Article 25 of Regulations Regarding the Implementation of Trade Mark Law (1993 amendments), which provides: “The following acts are Trade Mark Law among the means...
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used for registration of trade mark by deceptive or other improper means as mentioned in Paragraph 1 of Article 27 (2) Breach of good faith principle by copying, imitation and translation and register of others’ trade marks well-known to the public.

9. The “Welcome” trade mark was originally a trade mark used on beverage products of Arctic Food Company but was not registered. In 1988, Welcome Drinks was designated as special drinks by Eleventh Asian Games in China and even headed for international markets. But Shanshi Yangguan Drinks Factory registered the mark. Both parties negotiated but failed and Arctic Food Company had to abandon the trade mark. Refer to Chuanyang Qiao: “Welcome Trade mark was Preempted Registration”, in EB / OL: http://expert.brandon.com/hangyejingpin/110830-25404.html. Accessed 16 January 2014.

10. The case involves a company in Shanghai, which used two trade marks on its bed sheet product for export. One is a registered trade mark “ship”, and the other is an unregistered mark “777”. Both of them were used together on the packaging. But shortly thereafter, “777” was registered by a former infringer. For lack of legal basis the unregistered trade mark was pre-emptively registered successfully. See also Yang Yexun, “Legal Protection of Unregistered Well-known Trade mark”, (2005) 8 China Business Research, 49.


14. Article 2 of Provisional Regulations about Well-Known Trade Marks provides: “The well-known trade marks in this provision refers to the registered trade marks which enjoy a high reputation in the market and are well known to the relevant public.”

15. Article 2 of Provisions about Identification and Protection of Well-known Trade Marks provides: “The well-known trade mark referred to in this provisions is a trade mark widely known to the relevant public and enjoys a high reputation in China.” It is no longer limited to a registered trade mark.

16. Article 4 of Interpretations of Supreme People’s Court of Applicable Laws to Several issues Concerning the Hearing of Civil Disputes Computer Domain Name provides: “In hearing disputes related to domain name, people’s main court shall determine the registration and use of domain name by the defendant as infringement or improper competition if it meets the following conditions . . . (b) The domain name or the major part of the domain name constitutes copying, imitation, translation or transiliention of the plaintiff’s well-known trade mark; or it is identical or similar to the registered trade mark, domain names of the plaintiff enough to cause misidentification of the relevant public.”


18. These are the statistics from the intellectual property tribunal of the Supreme People’s Court when the Third Amendment of Trade Mark Law (Draft) was open for comments in 2011. See Comments of Colleagues from Court Circle and Some Trade mark Agencies on the Draft Amendment to the Trade Mark Law. Source: Chinalamindo - China Law Search system EB / OL: http://www.pkulaw.cn.

19. Ibid.

20. For the identification of well-known trade marks by the Chinese Trade Mark Office and the Board of Trade Mark Review and Adjudication, See China Trade Mark Office website’s column of “well-known trade marks”. http://di.tifac.gov.cn/

21. Many researchers in the field of trade mark law of well-known trade marks in China have studied alteration and typical results can be found in Institutional Logic of Well-known Trade Mark Alienation, by Yuan Zhendu, Intellectual Property Press, 2011.

22. supra., n.18.

23. Ibid.


25. See Paragraph 2, Article 18 of Opinions Concerning Trial of Administrative Cases in Respect of Trade Mark Right Granting and Confirmation (Fa Fa 12/2010).

26. See Paragraph 3, Article 18 of Opinions Concerning Trial of Administrative Cases in Respect of Trade mark Right Granting and Confirmation(Fa Fa 12/2010 ). “For the used trade mark of some influence, it is not appropriate to protect on dissimilar goods.”

27. Article 15 of Trade Mark Law (2001): “Where an agent or representative registrars, in its own name, a trade mark of one of its principal, without the principal’s authorization, and the principal opposes the registration, the trade mark shall not be registered and shall be prohibited from use.”

28. Article 2 of Interpretations of Supreme People’s Court of Applicable Laws to Several issues Concerning the Trial of Civil Trade mark Disputes (Fa Shi [2002] No. 32) provides: “The following acts are among the acts stipulated in Article 52(5) of the Trade Mark Law and infringe the exclusive right of other registered trade mark . . . (b) Copying, imitation, translation of another well-known trade mark or the main part of the trade mark to use on identical or similar goods of trade mark to misled the public, resulting in the damaged interest of right holders of well-known trade mark.”

29. See Article 21 of Interpretations of Supreme People’s Court of Applicable Laws to Several issues Concerning the Trial of Civil Trade mark Disputes (Fa Shi [2002] No. 32).

30. Article 2 of Interpretations of Supreme People’s Court of Applicable Laws to Several issues Concerning the Trial of Civil Trade mark Disputes (Fa Shi [2002] No. 32) as per paragraph 1, Article 63 of Trade Mark Law where reproduction, imitation, or translation of another’s well-known trade mark not registered in China on same or similar goods, and consequently is likely to create confusion, the infringer shall be liable to stopping the infringement.

31. It must be made that clear that this this means the concept of a legal sense in China, generally it refers only to Mainland China, excluding Hong Kong, Macao, Taiwan because of the different legal systems. In a political sense, China, of course, includes Hong Kong, Macao and Taiwan.


33. Perhaps the Qing government simply did not have the motivation of discussing the topic of “obtaining trade mark through registration or use”, because everything is only expedient. In the prevailing social conditions and government policy, there may be no atmosphere to discuss this issue.

34. Article 1 of Trade Mark Law (1923), Trade Mark Ordinance (1925), Trade Mark Law (1930 ) , Trade Mark Law (1935) and the Trade Mark Law (1940) all clearly defined: “Any appraisal of their own products, conditions and government policy, there may be no atmosphere to discuss this issue.

35. Article 3 of Trade Mark Law (1923) provides: “When two or more persons apply for registration of the same or similar trade mark on the same product, the first person to use it actually shall be approved. When no one has used it before or when it is impossible to prove the first applicant shall be successful”; secondly, Article 3 of Trade Mark Ordinance (1925), Trade Mark Law (1930 ) , Trade Mark Law (1935) and Trade Mark Law (1940) have similar provisions.

36. Article 3 of Provisional Regulations on Trade mark Registration (1950). When the general public and private factories, businesses and co-operatives need special trade mark for their own production, manufacture, processing or selection of merchandise, in accordance with the Ordinance, application for registration to the Private Financial and Economic Committee Central Office of the State Council for registration shall be filed.

37. Article 1 of Opinions of Central Administrative Bureau for Industry and Business Concerning Comprehensive Trade Marks Registration states: “All companies (regardless of economic nature) and co-operatives need special trade mark for their own production and manufacture, processing or selection of merchandise, in accordance with the Ordinance, application for registration to the Private Financial and Economic Committee Central Office of the State Council for registration shall be filed. Open for comments in 2011. In the Provisional Regulations on Trade mark Registration, the then Central
As pointed out by Ms Yexuan Yang: "According to both paragraphs (paragraph 1 and 2 of Article 13 of Trade Mark Law) the protection of well-known trade marks only involves unregistered well-known trade marks, either unregistered in China or unregistered in the corresponding range of services or goods." See supra n.13, Yexuan Yang, at 50. Chun-yan ZHANG once remarked: "In fact, on different or dissimilar goods, registered well-known trade mark is not "registered trade mark" in essence because on such category of goods, this trade mark is not registered." See Chun-yan ZHANG, "Judicial Determination and Legal Protection of Unregistered Well-Known Trade Mark", (2008) 8 Pacific Journal, 69.

URL of the database: http://www.lawyee.org/

The methods applied in case selection include: First, select Case Database group in Lawyer University Channel of Peking University, then select "Database of Ruling in China", from "guide to classification", we selected feature of "trade mark" and got 79,812 search results. Then, we applied "Article 13 of Trade Mark Law as the search words and" name or the full text as the search data and clicked on "search from results", 330 results appeared. After excluding the duplicate results appeared in the first search and add to the selected cases. Finally, 29 appropriate cases were chosen, plus one case we have been in touch but no final judgment has been made, the "Hermes" case, the total number typical cases reached 30.

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54 The Case between Mass Dow Limited (MOSDORFERGESELLSCHAFT BMH) v National Board of Trade mark Review: See the judgment, zhixingzhuan No.2589, Beijing First Intermediate People's Court (2010).

55 The Case between Leopold and Steven v National Board of Trade mark Review: See the judgment, gaoshangzhong No.1350, Beijing Higher People's Court (2010).

56 The Case between US Bloomberg Limited Partnership v Shanghai Peng Bo Financial Information Ltd and Shanghai Peng Bo Network Data Information Consulting Co., Ltd about trade mark infringement. The plaintiff contended that its “Bloomberg” trade mark is an international well-known trade mark and both "彭博" (Peng Bo) and "彭博资讯" (Peng Bo Zi Xun) are registered trade marks in China. Both defendants have registered two domain names of pobo.net.cn and pobo.com.cn, and used the "彭博" and "彭博资讯" on its software and website, and "彭博" is used as a significant part in the corporate name. "彭博" and "彭博资讯" are very close to the plaintiff’s “彭博" and "彭博资讯" and easy to confuse the average consumer. Therefore, it is requested that the defendant is prohibited to stop the illegal use of them. During the trial, the Court found that the two defendants had registered “彭博” and “彭博资讯” as the outstanding feature of the business before the plaintiff registered "彭博" which was still an unregistered trade mark then. Therefore, the Court ruled it necessary to determine whether the two unregistered trade marks of the plaintiff had already been well-known or had a certain influence before the defendant registered. The final judgment of the Court is that it does not constitute a well-known trade mark and the two defendants did not infringe to use the name in the business name. However, the use of the domain name by the two defendants and the use of the websites and software in a registered trade mark of the plaintiff constitutes a violation of the right of registered trade mark. See No. 97 judgment of Shanghai Pudong New Area People's Court (2005); the judgment, Huyizhongwuzhongzi No. 2, Shanghai First Intermediate People's Court (2007).

57 The trade mark infringement case of US Auto Parts Corporation v Beijing San'ai Ruixing Auto Parts Co., Ltd. Before "3A RACING" trade mark was registered, the defendant had used and filed application for registration of the mark. The plaintiff argued that the defendant's conduct had infringed its trade mark right and took it court and requested the Court to confirm its status as an unregistered well-known trade mark, and render judgment to stop the defendant's infringement and damages. However, the Court held that the plaintiff failed to provide sufficient evidence that "3A RACING" trade mark had been an unregistered well-known trade mark before registration and determined that its appeal shall not be supported. See the judgment, ErZhongMingChuZiNo. 02150, Beijing Second Intermediate People's Court.

58 The Case between US EMC Corporation v National TRAB. In this case, the third person Preview Technology (Shenzhen) Co., Ltd applied for registration of "EMC" trade mark and the plaintiff challenged and claimed that its "EMC2" trade mark is a well-known trade mark unregistered in China and the trade mark dispute is the imitation of
the trade mark and thus should not be approved. The Court reviewed the evidence and concluded that the plaintiffs’ “EMC2” trade mark did not constitute an unregistered well-known trade mark in China and thus could not support its appeal. See the judgment, Zhong Xing Chui Zi No. 654, Beijing First Intermediate People’s Court.

61 The Case between Hong Kong Crocodile Garment Ltd v Beijing New Century Trade City Market Ltd. and GE Changneng – trade mark infringement and unfair competition. The plaintiff claimed “Crocodile T-shirt CROCODILE SINCE1952 and graphics” is an unregistered well-known trade mark, but two defendants sell clothes with the trade mark, which constitutes trade mark infringement and unfair competition. An order was requested the defendant stop infringement and unfair competitive immediately, involving identification of trade marks as well-known trade marks, and cited the two defendants to compensate the plaintiff economic loss of 2.9 million RMB yuan, and a reasonable amount of cost worth 50,000 RMB yuan to stop the infringement. The Court did not support the appeal of identifying the trade mark as a well-known trade mark, but determined that the two defendants’ conduct constituted unfair competition. See the judgment, ErzhonMinchuzi No.9625, Beijing Second Intermediate People’s Court (2007).

62 The Case between HSIL v State TRAB case. In this case, the third party, Hele Building Material (Suzhou) Co. Ltd. registered the “Hindware” trade mark on sanitary ware products, but the plaintiff filed an application and advocated for its prior use of unregistered well-known trade mark “Hindware”. The Court did not support the plaintiff’s claims, and made the determination not to revoke the registered trade mark. See the judgment, Yizhongxingchuzi No. 2845, Beijing First Intermediate People’s Court (2010).

63 The Case between Japan Ownam Community, Inc. v State TRAB case. In this case, the third party, Pritan City Shoes Co. Ltd. applied for registration the Baohong “HYSTERIC” trade mark but was challenged by the plaintiff that advocated that from genuine and well-known trademark is unregistered in China. The Court held that the plaintiff’s claims lacked evidence to support this, and thus did not support its request and the trade mark in objection can be registered. See the judgment, yizhongxingchuzi No. 1155, Beijing First Intermediate People’s Court (2010).

64 The Case between Xiamen Yucheng Zipper Co. v State TRAB. The third party is a Hong Kong Xiaongwei Zipper Limited used the “YES” trade mark on their No. 26 zipper. The appellant challenged the application and advocated that its parent company, Taiwan Yucheng Company, had registered the “Hai-feng YES” trade mark in Taiwan.”YES” had been used for many years by the parent company in mainland China. The trade mark in opposition which applied for registration was reproducing and imitating “YES” trade mark and therefore should not be approved for registration. The Court did not support the appellant and did not determine that the trade mark was an unregistered well-known trade mark. See judgment, Gaominzhongzi No.1067, Beijing Higher People’s Court (2010).

65 The Case between J. Lindberg Limited v State TRAB. The third party is Garment Co. Ltd., Jinjiang City, Fujian Langzi Clothing Co. Ltd, and other goods and the appellant challenged the application. The appellant claimed that its parent company, Wellink Industrial Co. Ltd, applied for registration of the trade mark “TAKEOUT” but the plaintiff challenged the application and claimed that its “TAKEOUT” trade mark is a well-known mark unregistered in China with genuine and well-known trademark is unregistered in China. The Court held that the third party’s application made the description of the features and effects of the product and should not be registered and did not support the registration of the trade mark as an unregistered well-known trade mark. See the judgment, Yizhongxingchuzi No. 2309, Beijing First Intermediate People’s Court (2012).

66 The Case between United States Pocky Garment Co Ltd v State TRAB. In this case, the third party, Sihuosh Jicngkong Garments Co. Ltd. applied for registration of the trade mark “TAKEOUT” but the appellant challenged the application and claimed that its “TAKEOUT” trade mark is a well-known mark unregistered in China with genuine and well-known trademark is unregistered in China. The Court held that the third party’s application made the description of the features and effects of the product and should not be approved. The Court did not support the plaintiff’s claim. See the judgment, Gaominzhongzi No.273, Beijing Higher People’s Court (2013).


68 The Case of Unfair Competition, Infringement on Unregistered Well-known Trade Mark between (US) Pfizer Limited (Pfizer Inc.) and Pfizer v Beijing New Health Concept Pharmacy Co. Ltd. and Other – trade mark infringement. See the judgment, Erzhongminchuzi No.11593, Beijing Second Intermediate People’s Court (2007) and judgment Gaominzhongzi No. 322, Beijing Municipal Higher People’s Court (2008).

69 The Case between Ericsson v State TRAB. The third party is a Hong Kong Ericsson Research Limited in opposition of the plaintiff’s application for registration of the trade mark “索爱” as well-known trademarks. See the judgment, Gaominzhongzi No. 11593, Beijing Second Intermediate People’s Court (2007) and judgment Gaominzhongzi No. 11593, Beijing Second Intermediate People’s Court (2007).

70 The Case between F. Hoffmann LaRoche & Co. v State TRAB. LaRoche & Co. where the plaintiff had signed a co-production agreement including licensing “Saridon” logo as early as in 1987 with the third party, Southwest Pharmaceutical Co. Ltd. In 1991, the bilateral cooperation period expired and the third party successfully registered the trade mark “散热” in 1993. Since it was approximate to the plaintiff’s registered trademark “散热” corresponding to the foreign trade mark “Saridon”, the Court ruled that disputed trade mark “散热” was registered in bad faith and imposed registration and should be revoked. See the judgment, Yizhongxingchuzi, No. 677, Beijing First Intermediate People’s Court (2005).

71 The Case between Sony Ericsson Mobile Communications (China) Ltd. v State TRAB. The third party in this case, Liu Jianjia, registered “索爱” trade mark but the plaintiff made application to withdraw the registration by claiming that the trade mark was short for “Sony Ericsson” and the well-known trademark were not registered in China, therefore the registration by the third party should be revoked. The Court of Beijing First Intermediate found that it is an unregistered trademark of a certain influence, the plaintiff’s application for registration should not be approved. See the judgment, Gaominzhongzi No.991, Beijing Higher People’s Court (2011).

72 The Case between Sotheby’s Auction Ltd – trade mark infringement. See the judgment, Sotheby’s Auction Ltd v Sichuan Higher People’s Court (2013).

73 The Case between Mei Qi Industrial Co. v State TRAB. In this case, the third party challenged the registration of trade mark “WEISHENG” and “the graphics” but the Taiwan Weiheng Electronics Corporation challenged that “WEISHENG” is its unregistered well-known trade mark and therefore the opposed trade mark should not be approved. The Court reviewed the evidence and concluded that the plaintiffs’ “EMC2” trade mark did not constitute an unregistered well-known trade mark in China and the opposed trade mark should not be approved for registration. The Court did not support its claim and the trade mark in objection was been approved and registered. See the judgment, Gaominzhongzi No.83, Beijing Higher People’s Court (2011).

74 The Case between State TRAB and Spain ESD4 Pump Company (BOGEMAR, SL) v Jin Chang Electrical Hardware Trading Co. Ltd in Huzhou, Dongguan City. In this case, the applicant, Jin Chang Electrical company, applied for registration of “立士宝” (Shi Ba) trade mark
mark and the appellant Spain Espa Pump Group company applied to withdraw the registration, saying that "陆虎" corresponds with its "ESPA" and the graphics trade mark and is the unregistered well-known trade mark in China. Court did not support the application of ESPA pump group. See the ruling No. Gaoxingzhongzi 1174 by Beijing Higher People's Court (2010).

76 The Case between SEPHORAS. A. and Sephora (Shanghai) Cosmetics Sales Co. v Shanghai Han ikin Love Cosmetics Co., Sephora Cosmetics France International Ltd, and Shanghai Daily Chemical Co., Ltd on trade mark infringement and unfair competition. The plaintiff of the case claimed that its "Sephora" is a well-known trade mark not registered in China and the defendants used "Sephora" trade mark, which constitutes trade mark infringement and unfair competition. The Court did not support the appeal that the trade mark involved is a well-known trade mark but determined that the use of the defendant's conduct constituted unfair competition. See the judgment, Hgaominsan (zhi) zhongzi No.75, Shanghai Higher People's Court (2009).

77 The Case between British Rover Company v State TRAB. In this case, the third party Geyly Group Limited registered "陆虎" trade mark and the plaintiff applied to revoke the application, claiming that "陆虎" uniquely corresponds with the unregistered trade mark of "Land Rover". Besides, because "陆虎" and "陆虎" are approximate, the third party has pre-emptively registered others' trade mark with a certain influence. Upon review, the Court supported the plaintiff's claim and revoked the third party registered trade mark. See judgment No. Gaoxingzhongzi 1043, Beijing First Intermediate People's Court (2011) and the judgment, Gaoxingzhongzi No.1151, Beijing Municipal Higher People's Court (2011).

78 The Case between Italian Ferrero Limited (Ferrero. PL) v State TRAB. In this case, the third party, Jiangsu Li-ang Feng Food Group Limited, registered a "陆虎" trademark (in ShuMontreols/Ti) trade mark. The plaintiff applied to withdraw the application and claimed that the trade mark constituted the reproduction and malicious cybersquatting of its unregistered well-known trade mark "Ferrero Rocher" and should be revoked. The Court did not support the plaintiff's claim and the trade mark registered by the third party was not revoked. See the judgment, Yizhongzhixingchuzi No.1043, Beijing First Intermediate People's Court (2010).

79 The Case between Zhang Shuiqing v State TRAB. In this case, Shuiqing Zhang applied for registration of "雅满桃YAMANTAO及图" (Ya Mans TaoYAMANTAQ). The third party, Japan Sewing Machine Manufacturing Co., Ltd. once registered the "yamato" trade mark in China, and "雅满桃" and "yamato" had formed fixed correspondence. Therefore, the plaintiff applied for revocation of Zhang's trade mark. Upon review, the Court supported the request of the third party and determined that the disputed trade mark should be revoked, although not recognize "雅满桃" as a well-known trade mark. See the judgment, Gaoxingzhongzi No.1659, Beijing Higher People's Court (2012).

80 The two Cases are between Timken Company v State TRAB. These two cases involve two unregistered trade marks "铁牌背软件" (Tie Mei Ken Ruian Ji) and "铁牌背电子" (Tie Me Kuken Dian Zi). The third party, Changzhou Koyo Bearing Co. Ltd. applied for registration of the above two trade marks. The plaintiff, Timken, filed opposition and contended that it has the registered trade mark "TIMKEN", and "铁牌背" is also a Chinese firm used by it. Before the filing date of the opposed mark, "TIMKEN" was already a well-known trade mark in China used on its bearings. The only significant part of the opposed trade mark is identical to the plaintiff's fixed Chinese translation of the plaintiff's well-known trade mark and therefore the disputed trade mark should not be approved. The Court ultimately did not support the plaintiff's claims. See the judgment, Yizhongzhixingchuzi No. 1050,1051, Beijing First Intermediate People's Court (2012).

81 The Case between Beijing Mundo Sport Facilities Technology Development Co., Ltd. v State TRAB. The appellant applied for registration of "蒙多及图" (Mong Duo Ji Tu) trade mark, but the third party, Italian Mondo company, applied for cancellation. After hearings by State TRAB, the Court of First Instance and Court of Second Instance, it was ruled that "蒙多" and "MONDO" were widely known to the relevant public in China dealing in the plastic track industry through in use and therefore are unregistered well-known trade marks. Registration of the controversed trade mark constitutes the reproduction, imitation and translation of the unregistered well-known trade mark and cyber squatting. Therefore it should be revoked. See judgment No. Gaoxingzhongzi 639 by Beijing Higher People's Court (2013).

82 The Case between French Hermes International, Inc. v State TRAB. French Hermes International, Inc. registered the "HERMES and carriage graphics" trade mark in China, and the third party, DaFeng Company, filed an application for registration of "爱马仕" trade mark in China before Hermes International, which made application for revocation but its proposed trade mark application for registration of "爱马仕", was rejected. In opposition of the trade mark, review of opposition and the first hearing Hermes International, Inc. failed and it is not yet finalised.

83 The Case between Japan Fudata Corporation Ltd v State TRAB. See the judgment, Yizhongxingchuzi No.409, Beijing First Intermediate People's Court (2006).

84 The Case between United States Reebok International Ltd. v State TRAB. See the judgment, Yizhongxingchuzi No.1385, Beijing First Intermediate People's Court (2012).

85 The judgment, Yizhongxingchuzi No. 677, Beijing First Intermediate People's Court (2005).

86 The judgment, Erzhongxingchuzi No. 02150, Beijing First Intermediate People's Court (2006).

87 The Case between The Coca-Cola Company v State TRAB. See the judgment, Gaoxingzhongzi No. 1092, Beijing Higher People's Court (2010).

88 See Article 3 of Provisions of Well-Known Trade Mark.

89 See Article 5 of Interpretations of Well-known Trade Mark (Fa Shi [2009] No. 3).

90 See Article 4 of Interpretations of Well-known Trade Mark (Fa Shi [2009] No. 3).

91 See the judgment, Yizhongxingchuzi No. 108, Beijing First Intermediate People's Court (2010).

92 See the judgment Yizhongxingchuzi No. 1350, Beijing Higher People's Court (2010).

93 See the judgment Erzhongxingchuzi No.11593, Beijing Second Intermediate People's Court (2007).

94 See the judgment Gaoxingzhongzi No. 639, Beijing Higher People's Court (2013).

95 See the judgment Erzhongxingchuzi No.11593, Beijing Second Intermediate People's Court (2007).

96 See the judgment Puminanxianchuzi No.97, Pudong New Area People's Court of Shanghai (2005).

97 See the judgment Gaoxingzhongzi No.1174, Beijing Higher People's Court (2010).

98 See the judgment, Yizhongxingchuzi No.677, Beijing First Intermediate People's Court (2005).

99 See the judgment, Gaominzhongzi No.1684 and 1685, Beijing Higher People's Court (2007).

100 See the judgment, Yizhongxingchuzi No.1043, Beijing First Intermediate People's Court (2011) and see the judgment Gaoxingzhongzi No.1151, Beijing Municipal Higher People's Court (2011).

101 See the judgment, Yizhongxingchuzi No.196, Beijing Intermediate Court (2008).

102 See the judgment, Gaoxingzhongzi No. 717, Beijing Higher People's Court (2008).


104 See the judgment,Yizhongxingchuzi No.2589", Beijing First Intermediate People's Court (2010).

105 See the judgment, Yizhongxingchuzi No.2309, Beijing First Intermediate People's Court (2012).


107 ibid.

Introduction

It is an oft-quoted misconception that European patents law prohibits the patenting of computer programs. In fact, the exclusion from patentability is to the extent that the invention relates to the subject matter “as such”. This proviso does not prohibit software and computer-related inventions from patent protection where there is a relevant technical effect. However, the case law in the United Kingdom demonstrates that this test is not always easy to satisfy.

This article sets about reviewing and comparing the patents law regimes in Australia as well the UK (and Europe). Although Australia does not have an express exclusion in its patent legislation, there are nevertheless some similarities to the UK regime, where computer-implemented inventions may be patentable on the satisfaction of some further technical effect.

Australian patent law has developed on a different trajectory, with the common law test prevailing as to whether there is a “manner of manufacture”. Despite the divergence in the UK and Australian legislative position on patentability, Australian courts recognise international jurisprudence and British cases in deciding matters of fact for software and computer patentability.

The UK and European Position

The European Patent Convention, Article 52(2) excludes from patentability “programs for computers”, but only to the extent it relates to the subject matter “as such” (Article 52(3)). The exclusion and proviso are mirrored in s.1(2) of the UK Patents Act 1977. The exclusion has resulted in a commonly held misunderstanding that computer programs may not be patented in Europe.

Despite this wording, computer programs (in the understanding that they are pure software) are indeed being patented. By 2002, the European Patents Office (EPO) had granted some 20,000 patents for computer implemented inventions. A review of the EPO website shows that there are hundreds of patents that appear to be for computer implemented inventions. Some authors comment that many of these are dependent solely on software for their operation:

"In commercial practice, it is exclusively through a computer program that such "computer-related" subjects of patent claims will or can be used. It is true to say of them not only that they are capable of being implemented through software, but that they are capable of being implemented, indeed, only through software. And so custom and practice would justify a statement that "pure" computer programs are, in fact, patentable."  

Notwithstanding the legislation’s wording therefore, software is indeed being patented in Europe, and continues to be patented today. The question then arises as to how to interpret the “as such” exclusion of computer program patentability.

Development of the “Technical Effect” Test

The leading English authority on the applicable test is Aerotel Ltd v Telco Holdings. In Aerotel, the Court found that a device enabling the comparison of telephone call costs was patentable. The claim in this case was characterised as a “system” but in fact was a “physical device consisting of various components”. (para 51).

The main principle from this case was that the invention should make a technical contribution, although other principles of interpretation had until then been propounded. The Court of Appeal concluded that the “technical effect” approach was the most sound, and the necessary steps were to firstly construe the claim, to identify its contribution, and ask thirdly whether it fell solely within the excluded subject matter. If the invention passed the third test, then the fourth question would be “whether the actual or alleged contribution is technical in nature.”

In the same judgment, the Court rejected a patent claim to a process of automated company
formation. Given there was nothing technical about the invention apart from its requiring a computer program for its execution, the court dismissed the appeal.5

The “technical effect” approach was solidified and confirmed in the Symbian case,6 where the UK Court of Appeal reviewed an application for “mapping dynamic link libraries in a computer device”. Lord Justice Jacob here reasoned that the fact an application was related to a computer program was “plainly not determinative” of the question.7 What was important was the technical contribution made by the invention, being the fourth step in the Aerotel case.

The UK Intellectual Property Office’s practice note following Symbian makes it clear that it will apply the Aerotel test for a technical effect. The IPO confirmed that the “mere presence” of computer hardware does not of itself prove the relevant technical effect.8 However, an invention could be patentable if it could be shown to assist in a computer’s function and reliability:

5. …improving the operation of a computer by solving a problem arising from the way the computer was programmed – for example, a tendency to crash due to conflicting library program calls – can also be regarded as solving “a technical problem within the computer” if it leads to a more reliable computer. Thus, a program that results in a computer running faster or more reliably may be considered to provide a technical contribution even if the invention solely addresses a problem in the programming.

The EPO has followed the general focus on what is technical, following a decision of the Technical Board of Appeal in Vicom.9 The Board in this case found that a technical process “carried out under the control of a program (whether by means of hardware or software), cannot be regarded as relating to a computer program as such”. Ideas residing in an invention based on a mathematical process should be distinguished from the technical method by which they are carried out. It was the latter that was patentable.

Further cases of HTC Europe Co Ltd v Apple Inc10 and Lantana Ltd v Comptroller-General of Patents, Designs and Trade Marks11 have confirmed that although the exclusion is not absolute, computer implemented inventions must demonstrate a technical effect. In the former case, an application to solve the problem of multiple touches on a screen was upheld as it had the necessary technical effect. However, a method of file transfer between computers that did not require a continuous network connection was held to lack the relevant technical contribution in Lantana, given that data transmission by the use of the internet was “entirely conventional” and already part of the prior art.

The Australian Position

In contrast to UK and European legislation, Australian patents law differs in some respects. The Patents Act 1990 (Cth) is the federal legislation governing patents and is administered by IP Australia. Like the UK Act, the test for novelty involves a comparison with the prior art base, and for an inventive step this involves the test of obviousness “to a person skilled in the relevant art” (s.7).

Australian law requires for patentability that an invention be a manner of manufacture that is novel, involves an inventive step, and is useful.12 The term “manner of manufacture” confirms that an invention must belong to the useful arts, rather than the fine arts. “Inventions” themselves are defined as a “manner of new manufacture” within the meaning of s.6 of the Statute of Monopolies.

However, unlike the UK and European position, there is no express provision excluding the patentability of computer programs. At the suggestion of the Intellectual Property Advisory Committee (IPAC), the Australian legislature did not follow the British formulation in formulating the 1990 law. In considering whether to introduce an express exclusion on computer programs and other categories, the IPAC made the argument that the existing law was more flexible than introducing a codification of exclusions:

We consider that the existing concept operates quite satisfactorily. It has the advantage of being underpinned by an extensive body of decided case law which facilitates its application in particular circumstances. At the same time it has, in the past, exhibited a capacity to respond to new developments. To replace it with a codification would be likely to produce far more problems, with attendant costs, than it would solve.13

The NRDC Case and Patentable “Methods of Manufacture”

The Committee’s mention of the flexibility of case law is a reference to the test developed in the 1959 High Court case of NRDC.14 In that case, Australia’s highest court confirmed that the correct interpretation was to ask whether an invention was a proper subject for letters patent in accordance with the Statute of Monopolies (at 269). The NRDC case is authority for the principle that subject matter must result in an “artificial effect” or “an artificial state of affairs”. A method of manufacture would be patentable if “a process produces, either immediately or ultimately, a useful physical result in relation to a material or tangible entity”. (at 268).
The High Court advised against any rigid interpretation of what the word “product” must mean. The Court discouraged any fixation on a tangible item made by machine or man, just because this was its everyday meaning. Justice Dixon advised against interpreting a “product” as a thing in the sense of a physical item, stating that:

*It is a mistake which tends to limit one's thinking by reference to the idea of making tangible goods by hand or by machine, because 'manufacture' as a word of everyday speech generally conveys that idea.* (at [14]).

These comments were later echoed many years later in the 2006 UK case of *Aerotel*. The English Court of Appeal’s comments in this landmark case were that nothing turned on the fact that the invention was a physical product. Pre-1977 UK case law is considered persuasive in Australia and even after enactment, the English technical effect test has been quoted in Australian judgments.

UK law was reviewed in the 2013 case of *Dynamite Games*. In considering whether gaming machine programs were patentable, Emmett J confirmed what was important was any tangible effect that the application produced:

*For claimed computer programs, it is necessary to look to the application of the program to produce a practical and useful result. The method of a claimed invention will not be patentable if it does not produce an artificial state of affairs, in the sense of a concrete, tangible, physical or observable effect. Even if there is not a physically observable end result, in the sense of a tangible product, a claimed invention may be patentable if it involves an application of an inventive method, where part of the invention is the application and operation of the method in a physical device.* (at [165]).

Justice Emmett went on to clarify that a physical effect or phenomenon was required, but it could occur if a component or a machine’s state or information was affected. This judgment was upheld by the Full Federal Court on appeal.

In the 2014 case of *Research Affiliates*, the Federal Court considered the patentability of a financial index generating application that built investment profiles for management by brokers or advisers. The Court found that although this required the use of a computer, the invention was an index itself. Making reference to *Aerotel*’s “technical effect” test in reaching its conclusion, the Court decided:

*There is no technical contribution to the invention or artificial effect of the invention by reason of the intervention of the inventors. To take the words of NRDC at 268, the process does not produce “either immediately or ultimately, a useful physical result in relation to a material or tangible entity”.* (at [114]).

In earlier cases involving IBM patents, it can be seen that despite differences in wording, both European and Australian courts have held the manufacturer’s software related inventions as patentable. In its 1991 Australian litigation over an application to produce a curved image on a screen, IBM was successful given that the invention produced a “commercially useful effect”. Burchett J found the program made a new application of a mathematical method to a computer, and therefore:

*This is said to involve steps which are foreign to the normal use of computers and, for that reason, to be inventive. The production of an improved curve image is a commercially useful effect in computer graphics.* (at [16]).

Meanwhile in Europe, the two *IBM* decisions of 1999 demonstrate the application of the “technical effect” test to approve applications for things such as windowing environment displays. The Board found the relevant software patentable where the technical contribution brought about went “beyond the ‘normal’ physical interactions between the program (software) and the computer (hardware) on which it is run”. In *Ccom Pty Ltd v Jiejing Pty Ltd*, the Australian Federal Court rejected an argument that a word processing program for Chinese language included a search function and thereby had tried “to claim all computers present and future possessing that characteristic”.

The appellants had established the High Court test in *NRDC* requiring an end result artificially created and belonging to the useful arts (at 128). In reaching this conclusion, the Court considered pre-1977 British case law to be persuasive. However the *Ccom* and *IBM* cases are authority in Australia that software that produces a commercially useful effect will be patentable.

The *Grant* case involved the proposed patenting of a financial and legal process to limit financial liability, which involved establishment of trust entities. The claim was not patentable, with the Full Court drawing comparisons to computer programs:

*For claimed computer programs, the courts looked to the application of the program to produce a practical and useful result, so that more than "intellectual information" was involved.* (at [24]).
Relevance of International Developments

In 2001, the Federal Court considered in Cattley the validity of smartcard technology used for storing information on loyalty programs. Confirming that there was no requirement for there to be a physically observable effect, the Court found something more than just a pure business method. It was concluded there was an artificial effect that satisfied the test in NRDC; hence patentable subject matter.

The Court recognised the similar objective and purpose of patent laws in other jurisdictions, despite differences in legislative history. It found the State Street Bank & Trust Co. v Signature Financial Group case to be persuasive despite US law having no reference to the Statute of Monopolies. This was due to the common purposes that patent law serves in both Australia and the US:

In both countries, in similar commercial and technological environments, the law has to strike a balance between, on the one hand, the encouragement of true innovation by the grant of monopoly and, on the other, freedom of competition.2

The High Court in Apotex also recognised similarities in patent law, despite divergences in laws in Europe and the UK. The purpose of patent legislation everywhere was essentially the same. In Australia’s case, this was aimed at harmonising its laws with its trading partners and ensuring compliance with its obligations under the TRIPs agreement.23

Conclusion

Despite differences in legislative formulation, the position on computer program patentability in Australia and the UK is broadly on par. The main difference is that the legislature in Australia chose not to codify exclusions from patentability, but to instead rely on the common law to adapt to changing technology and developments.

In doing so, the British authority of Aerotel remains persuasive, with some Australian cases quoting the technical effect test as relevant in finding a useful technical effect.24 Thus, it was that some authors have regarded the Australian approach in NRDC as “robust enough to address diverse and evolving technology”.25

On the other hand, the misconception prevails in Europe that software and other computer implemented inventions are not patentable. At least in the UK, the case law remains consistent in requiring a technical effect in order to pass the legislative threshold. It may be that further legislative measures (such as the failed Computer Implemented Inventions Directive) would revive interest in a clarification of the exclusion, if business investment is deemed a worthy motivator of change.

3 Apotex Pty Ltd v Techo Holdings Ltd & Ors Rev 1 [2006] EWCA Civ 1373 (27 October 2006).
4 Aerotel, n 5 at para 40.
5 In doing so, it proposed possibly helpful questions for an Enlarged Board of Appeal, given that the British application derived from a PCT application. The Court suggested the following questions to be examined (amongst others): “(a) is an operative computer program loaded onto a medium such as a chip or hard drive of a computer excluded by Art 52(2) unless it produces a technical effect, if so what is meant by ‘technical effect’; and (b) what are the key characteristics of the method of doing business exclusion?” [at 76].
7 Symbias, n.6, at 48.
9 T 208/84 (OJ 1987, 14).
12 Sections 18(1) and 18(1A), Patents Act 1990 (Cth).
15 Dynamite Games Pty Limited v Aruze Gaming Australia Pty Limited [2013] FCA 163.
16 Dynamite Games Pty Ltd v Aruze Gaming Australia Pty Ltd and Aruze Gaming America Inc. [2013] FCAFC 96.
19 The IBM cases - Computer Program Product I (T1173597) and Computer Program Product II (T093597).
20 See n 19, (T093597), at 13.
24 Cattley, n.23, at 129 per Heerey J.
How Does Patent Opposition in Australia Compare with Opposition in Europe?

Patent opposition is available in both Europe and Australia. This article looks at the similarities and differences between patent opposition in these two jurisdictions and is set out in the following sections:

1. Types of opposition
2. Before or after grant?
3. Relationship of opposition and infringement?
4. Opportunity to file a divisional application?
5. Grounds of opposition
6. Expert evidence
7. Procedural differences
8. Opportunity to amend during opposition
9. Restrictions on amendment during opposition
10. What happens if an opposition is withdrawn?
11. What happens in the event of lapse or surrender?
12. Appeal?
13. Conclusion

1. Types of opposition

In Europe, the only available type of opposition under the European Patent Convention (EPC) is an opposition in respect of a granted patent, by which any person may obtain the limitation or revocation of a wrongly granted patent. More types of opposition are available in Australia. Substantive oppositions are possible (i.e. oppositions to grant of a standard patent or an innovation patent), but procedural oppositions also exist, in which the allowance of an amendment, the grant of an extension of term, the grant of an extension of time or the grant of a licence may be opposed.

This article focuses on comparing opposition at the European Patent Office (EPO) with opposition to grant of a standard patent in Australia.

2. Before or After Grant?

In Europe, a patent can be opposed within a nine month window of opportunity triggered by publication of the mention of grant in the European Patent Bulletin. In contrast, a Notice of Opposition in Australia can be filed during the shorter three month window starting with publication of the Notice of Acceptance in the Official Journal. Consequently, whereas opposition in Europe takes place post-grant, opposition to the grant of a standard patent in Australia is a pre-grant procedure.

3. Relationship of Opposition and Infringement?

Legal proceedings for patent infringement can only be commenced after grant. The fact that European patent opposition is a post-grant procedure means that proceedings for infringement in Contracting States (subject to validation) can be instigated before or during a patent opposition. The EPC contains specific provision for “intervention” where an assumed infringer can become involved in the opposition proceedings. In contrast, since Australian patent opposition occurs pre-grant, no infringement proceeding can begin before the opposition has been finally determined and the patent granted.

In both jurisdictions, patent opposition may be used as a tool by an infringer or potential infringer as a cheaper and quicker alternative to litigation in court.

Introduction

This article contemplates the similarities and differences between patent opposition in Europe and Australia. For Australia, it focuses on substantive opposition relating to the grant of a standard patent whilst acknowledging that substantive opposition relating to the grant of an innovation patent and procedural oppositions are possible. The article compares aspects in Europe and Australia including the pre-grant / post-grant nature of opposition, the available grounds and procedural differences. It also discusses the need for expert evidence in Australia.
4. Opportunity to File a Divisional Application?

In Europe, there is no opportunity to file a divisional application based on a patent that has been opposed because a divisional application can only be based on a pending application and, as mentioned above, patent opposition in Europe takes place post-grant.

However, the end of the three month opportunity for filing a Notice of Opposition in Australia coincides with the last opportunity for filing a divisional application. Thus, it is in theory possible to file a divisional application after an opposition has been filed against the parent application. Nonetheless, in practice this would be unusual because Notices of Opposition are generally filed at the last moment.

5. Grounds of Opposition

Unsurprisingly, the law in both jurisdictions provides for opposition on the basis that the invention is not a patentable invention. This includes lack of novelty and lack of inventive step. A European patent can be opposed on the ground that the claimed invention is not susceptible of industrial application and, similarly, an Australian patent application can be opposed on the ground that the claimed invention is not useful.

There are also grounds for opposition in each jurisdiction relating to excluded subject matter and exceptions from patentability.

Regarding exclusion from patentability, a European patent can be opposed on the ground that it relates to excluded subject matter (i.e. is not regarded as an invention), specifically: (a) a discovery, scientific theory or mathematical method; (b) an aesthetic creation; (c) a scheme, rule or method for performing a mental act, playing a game or doing business or a computer program or; (d) presentation of information. Patentability is only excluded, however, to the extent that the patent relates to such subject matter or activities as such.

Comparing this ground in Europe with the law in Australia, it appears to most closely correspond to the ground of opposition for non-patentable subject matter, in the specific context that patentable subject matter is required to be a manner of manufacture within the meaning of s.6 of the Statue of Monopolies. Although the legislation does not give specific meaning to this requirement, case law provides interpretation of its meaning and this has changed over time as technology has developed. In general, it tends to be interpreted as a descriptor for the whole class of subject matter for which patents may be granted in accordance with the developed principles of patent law. By and large, this excludes subject matter similar to that which is excluded under the EPC, for example: (a) a discovery with no means of putting it into effect, a mere idea, a mere scheme or plan, a scientific theory or mathematical algorithm; (b) fine arts; (c) a computer implemented scheme or business method as such; and (d) presentation of information characterised solely by the content of that information; but also (e) a mere working direction (i.e. a mere variation in the working of an existing apparatus or process to produce an identical product).

In Europe, a patent can also be opposed on the ground that it concerns subject matter which represents an exception to patentability, i.e.: (a) an invention the commercial exploitation of which would be contrary to order public or morality; (b) plant or animal varieties or essentially biological processes for the production of plants or animals; (c) or methods for treatment of the human or animal body by surgery or therapy and diagnostic methods practised on the human or animal body. Under these provisions, exceptions include processes for cloning human beings, uses of human embryos for industrial or commercial purposes and the human body at the various stages of its formation and development.

For comparison, in Australia, a patent application can be opposed on the ground that it claims human beings, and the biological processes for their generation, because these are not patentable inventions. Plant varieties, on the other hand, are inherently patentable in Australia. The Australian Patents Act also states that an application or grant of an application may be refused (a) for an invention the use of which would be contrary to law or (b) on the ground that the specification claims as an invention (i) a substance that is capable of being used as food or medicine (whether for human beings or animals and whether for internal or external use) and is a mere mixture of known ingredients; or (ii) a process producing such a substance by mere admixture. Whilst these criteria are not specifically laid down as being grounds for opposition to the grant of a standard patent, it is significant that the legislation specifies that grant may be refused on these grounds because, as noted above, opposition in Australia is a pre-grant procedure.
Further, both a European patent and an Australian patent application can be opposed on the ground that the specification does not disclose invention in a manner sufficiently clear and complete enough for it to be carried out by a person skilled in the art.43,44 In Europe, a further ground of opposition is added matter, i.e. the subject matter extends beyond the content of the application as filed.45,46 Indeed, the EPO’s approach to added matter is notoriously strict. The Australian provision which most closely corresponds to the EPO’s prohibition of added matter47 states that an amendment of a complete specification is not allowable if, as a result of the amendment, the specification would claim or disclose48 matter that extends beyond that disclosed in the complete specification as filed taken together with other prescribed documents (if any).49 However, this provision itself is not a ground for substantive opposition50 in Australia.51

Comparing the European requirement forbidding added matter with the Australian grounds for substantive opposition, it most closely maps onto the Australian ground of support by matter disclosed in the specification.52 In practice, the difference in Australia between “support by matter disclosed in the specification”53 and “disclosure of matter that extends beyond that disclosed in the complete specification as filed taken together with other prescribed documents (if any)”54 is subtle and the two criteria are very closely related. Nevertheless, it is worth noting that a European patent cannot be opposed on the ground that the claims are not supported by description (unless it is also argued that the claims are so broadly worded that the description in the specification does not sufficiently disclose the subject matter).55

Lack of clarity is a ground of opposition in Australia.56 In contrast, in Europe, although lack of clarity is not a possible ground of opposition it may become relevant during opposition proceedings if the granted patent is amended. The extent to which lack of clarity becomes relevant is, however, quite limited; lack of clarity of the amended claims may be examined only when, and then only to the extent that, the amendment introduces non-compliance with the requirement for the claims to be clear, concise and supported by the description.57,58

Lack of entitlement is also a ground of opposition in Australia59 but not in Europe.60 European law does, however, provide for the circumstance wherein the Proprietor is not entitled by enabling a stay of opposition proceedings if a third party provides evidence that entitlement proceedings have been instituted by it.61 The third party may replace the previous Proprietor in some or all of the Contracting States.62

Further grounds of opposition in Australia are that the specification does not disclose the best method known to the Applicant of performing the invention63 and secret prior use.64 Lack of unity is not a ground of opposition in either jurisdiction.

6. Expert Evidence

Patent opposition in Australia relies heavily on expert evidence, which forms the basis for the legal arguments made at the hearing. The role of the expert is ultimately to assist the court65 (or the hearing officer at patent office level), not to act as an advocate for the party which has engaged him. The evidence takes the form of statutory declarations from persons skilled in the relevant art. Preparation of expert evidence for patent opposition purposes in Australia can be onerous. Extensive evidence should be provided and it should be carefully prepared in a piecemeal fashion so as to ensure the evidence carries weight.66 Adversely, this involves the steps of (i) establishing the expert's position as a technical expert in the field and setting out the expert's common general knowledge, then (ii) showing the expert the patent application, and subsequently, (iii) showing the expert prior art raised by the Opponent. Such a step-wise process is intended to avoid contamination of evidence by the effect of hindsight.

Preferably, statutory declarations by at least one Australian expert are submitted as evidence by the Opponent(s) and the Applicant. Historically, the focus has been on Australian experts. However, following entry into force of the “Raising the Bar” provisions,67 for patent applications examined under the new law68 the common general knowledge of the skilled person is no longer restricted to Australia.69 This means that emphasis on an expert located within Australia at the relevant time (i.e. at the priority date) will diminish. The requirement for expert evidence in Australia differs significantly from the requirements in Europe. In addition, the need for expert evidence in Australia and its piecemeal preparation has a major impact on the cost of an opposition.

In Europe, a technical expert (often one of the
inventors if on behalf of the Proprietor) may assist a European patent attorney in preparing submissions to the EPO and may accompany a European attorney to the opposition hearing to provide technical input.

7. Procedural Differences

Linked to Australia’s requirement for reliance on expert evidence, there are significant procedural differences between patent oppositions in Europe and Australia.

In Australia, the Opponent has three months from filing the Notice of Opposition to file a Statement of Grounds and Particulars followed by three months (from filing the Statement of Grounds and Particulars) to file Evidence in Support. The Applicant then has three months (from notification by the Commissioner that all of the Evidence in Support has been filed) to file its Evidence in Answer before the Opponent has a further two month period (from notification by the Commissioner that all of the Evidence in Answer has been filed) to file its Evidence in Reply. In practice, these timescales can be challenging to comply with, bearing in mind the time it can take to identify and engage suitable expert(s) and the time-consuming nature of evidence preparation. Further, extensions of time for filing evidence in Australia have become significantly more difficult to obtain, following the entry into force of “Raising the Bar”. Extensions of time are available but only if the relevant party has made all relevant efforts to meet the deadline and, despite acting promptly and diligently at all times to ensure the evidence is filed within the period, is unable to do so; or there are exceptional circumstances. This expert evidence in Australian oppositions is distinct from legal submissions and its purpose is to provide the basis for the legal arguments which will be made later.

In Europe, the absence of the requirement for expert evidence means that there are no evidentiary periods. Assuming the Notice of Opposition is deemed to have been filed and is admissible, the Proprietor is invited to file a Statement of Grounds and Particulars followed by three months (from filing the Statement of Grounds and Particulars) to file Evidence in Support. If the Proprietor files amended documents with his observations, where applicable as part of an alternative request, the Opponent is invited to submit observations within a specified period (usually four months). If the Opposition Division considers that observations are called for in the course of the further procedure, a separate invitation is issued and a period is fixed (normally four months).

In short, the Opposition Division invites the parties, as often as necessary, to file observations on communications from another party or from itself and, where appropriate, to adduce evidence in respect of matters under dispute. If oral proceedings are needed, the Opposition Division issues a summons, drawing attention to and explaining points which, in its opinion, need to be discussed for the purposes of taking the decision. A preliminary, non-binding opinion of the Opposition Division is usually included.

Legal submissions in Australia are filed shortly before the hearing; the Opponent’s deadline is at least 10 business days before the hearing and the Applicant’s deadline is at least five business days before the hearing. Further submissions in Europe are also permitted in advance of oral proceedings. The submissions deadline is usually at least one month before the date of the hearing. However, if the evidence should have been put forward at an earlier stage, the Opposition Division will consider whether evidence is to be admitted.

The form of the hearing differs between Australia and Europe. Whilst in Australia the hearing is chaired by a single hearing officer, in Europe oral proceedings are heard by an Opposition Division which usually consists of three members.

8. Opportunity to Amend during Opposition

In Europe, a Patentee may request maintenance of the patent based on a claim set referred to as the “Main Request” (which may optionally be the same as the claims of the patent as granted) and may also submit one or more alternative claim sets, termed “Auxiliary Requests”, for consideration in the event that the Main Request is found not to be allowable by the Opposition Division. If there are multiple Auxiliary Requests, the Auxiliary Requests are considered by the Opposition Division in the sequence chosen by the Patentee. This is different from the procedure in Australia.

In Australia, the Commissioner must not refuse an application for a standard patent unless the Applicant has been given a reasonable opportunity to amend the specification for the purpose of removing any ground of opposition and the Applicant has failed to do so. The Applicant may apply for leave to amend during opposition and if this is during the Applicant’s evidentiary period the application for leave to amend is
commonly accompanied by an application for stay of proceedings. If the Commissioner considers that the amendments are allowable, the Opponent is given the opportunity to comment on the proposed amendments. The amendments are then advertised for a period of two months, during which time the amendments may be opposed (by the Opponent or a third party). If no opposition is filed during the advertisement period, the amendments are allowed and incorporated into the specification. Alternatively, a separate, procedural, opposition regarding the amendment may commence. The substantive opposition to grant of the patent may be stayed until the proposed amendments are allowed, refused or withdrawn.

9. Restrictions on Amendment during Opposition

Looking at restrictions on possible amendments, there are parallels between allowable amendments in Europe and allowable amendments in Australia, although the European restrictions are more stringent.

As well as the provision forbidding amendment in such a way that a patent contains subject matter which extends beyond the content of the application as filed (added matter), the EPC specifically prohibits amendment of a patent in such a way as to extend the protection it confers (extended protection). Likewise, as well as not allowing amendment of a complete specification if, as a result of the amendment, the specification would claim or disclose matter that extends beyond that disclosed in the complete specification as filed taken together with other prescribed documents (if any), the Patents Act in Australia does not permit amendment of a specification after acceptance if, as a result of the amendment, a claim of the specification would not in substance fall within the scope of the claims of the specification before amendment.

In Europe, the strict approach to added matter results in potential conflict between the added matter and extended protection provisions of the EPC. A situation in which this conflict can only result in revocation of the patent is sometimes referred to as the infamous “inescapable trap”. In such a situation, the Patentee is unable to maintain the granted claim language because of a problem with added matter but is also unable to amend the specification in a way which removes the added matter without extending the scope of protection. This may arise if an undisclosed disclaimer was added during prosecution but it is subsequently found that the undisclosed disclaimer should not have been allowed because it amounts to added matter. This “inescapable trap” does not appear to be a feature of Australian patent law in any significant way because Australian patent law tends to take a more relaxed approach to undisclosed disclaimers and added subject matter in general.

European law further restricts allowable amendments during opposition. Amendments may be made, provided that they are occasioned by a ground for opposition (even if that particular ground has not been invoked by the Opponent). What this means is that amendments are only admissible if they are required to meet any ground for opposition. Opposition proceedings cannot be used merely to tidy up and improve the disclosure in the specification and the mere addition of new claims to the claims as granted is inadmissible. However, if the Proprietor proposes amendments to address the grounds of opposition, and the Opposition Division proposes to maintain the patent in amended form pursuant to those grounds, other amendments not related to the grounds of opposition (e.g. corrections or clarifications) may be allowed if the patent thus amended still fulfils the requirements of the EPC and the amendments are considered necessary and appropriate. Again, in this respect the law in Australia seems to be slightly more relaxed.

10. What Happens if an Opposition is Withdrawn?

A patent opposition in Australia may end as a result of the Applicant and the Opponent reaching a settlement agreement, in which the opposition is withdrawn. Nonetheless, the Commissioner may decide to re-examine the complete specification before grant.

In contrast, the EPO can continue an opposition of its own motion. This is in the spirit of the EPO’s desire to grant quality patents. Circumstances in which the EPO can continue an opposition of its own motion are in the event of death or legal incapacity of an Opponent or when an Opponent withdraws its opposition.

Re-examination in Australia, or continuation of an opposition by the EPO of its own motion, could be viewed as a disadvantage for Patentees because it could lead to refusal of the application (in Australia) or revocation of the patent (in
Europe) despite withdrawal of the opposition by the Opponent. However, it could alternatively be seen as an advantage for Patentees if the patent is maintained (with or without amendment) because it could lead to a higher presumption of validity.

11. What Happens in the Event of Lapse or Surrender?

The EPO can also continue an opposition at the request of an Opponent after surrender or fully lapsing of the patent. The significance of this provision is that if the patent is surrendered or if it lapses, the surrender or lapse has effect ex nunc (i.e. patent protection ceases on the date of surrender or lapse), but if the outcome of the opposition is revocation of the patent, the effect is ex tunc (i.e. the patent is deemed never to have had effect). This is important from the point of view of an infringer because claims relating to infringement preceding the date of surrender may subsist. This aspect of the European provisions is another consequence of the post-grant nature of European patent opposition. It is not a consideration in Australia where substantive patent opposition is a pre-grant proceeding (remembering, as mentioned above, that legal proceedings for patent infringement can only be commenced after grant).

12. Appeal?

Decisions relating to European and Australian oppositions can both be appealed.

In Europe, any party adversely affected by a decision may appeal. An appeal relating to a decision made by an Opposition Division at the EPO is considered by the EPO’s Board of Appeal, which consists of three or more members. It is not possible to appeal against a decision of the Board of Appeal, although a party to appeal proceedings adversely affected by the decision of the Board of Appeal may file a petition for review of the decision by the Enlarged Board of Appeal on very limited grounds, such as a procedural violation. The role of the EPO’s Enlarged Board of Appeal is not to provide a further instance but to decide on points of law referred to it by Boards of Appeal, give opinions on points of law referred to it by the President of the EPO and to decide on petitions for review of decisions by the Enlarged Board of Appeal.

In Australia, an appeal relating to a decision made by the Commissioner is considered by a single judge of the Federal Court. The Federal Court may admit further evidence orally, or on affidavit, or otherwise and can permit examination and cross-examination of witnesses, including witnesses who gave evidence before the Commissioner. Experts may give evidence concurrently, in a so-called “hot tub”. The complete specification may be amended during appeal proceedings before the Federal Court.

If leave of the Federal Court is granted, a further appeal lies to the Full Court of the Federal Court against a judgment or order of a single judge of the Federal Court.

13. Conclusion

There are similarities between patent opposition in Europe and patent opposition in Australia but there are also significant differences.

In Europe, the only available type of opposition is an opposition in respect of a granted patent, by which any person may obtain the limitation or revocation of a wrongly granted patent whereas the law in Australia provides for both substantive and procedural oppositions.

In the context of substantive patent opposition, opposition in Europe takes place post-grant but opposition in Australia occurs pre-grant. As one would expect, lack of novelty and lack of inventive step are key grounds for opposition in both jurisdictions. However, there is not complete overlap in terms of the available grounds. The most notable difference between patent opposition in Europe and opposition to grant of a standard patent in Australia is Australia’s reliance on expert evidence.

1 EPO Guidelines for Examination (November 2014), D-I, 1.
2 Patents Act 1990 (Cth), s 59.
3 ibid., s 101M.
4 ibid., s.104(4)
5 ibid., s.75
6 ibid., s.225(b)
7 Patents Regulations 1991, Reg 22.21(3)
8 EPC, Art 99(1)
9 Patents Regulations 1991, Reg 5.4(1) and Patents Act 1990 (Cth), s.49(5)(b) and s.222
10 EPC, Art 105
11 Implementing Regulations to the EPC, R 36(1)
12 The last opportunity for filing a divisional application is thus the day before publication of mention of grant in the European Patent Bulletin (see EPO Guidelines for Examination (November 2014), A-IV, 1.1.1.1)
13 Patents Regulations 1991, Reg 6A.1(1)(b)(i)
14 EPC, Art 100(a)
15 Patents Act 1990 (Cth), s.59(b)
16 EPC, Art 100(a), Art 54 and Art 55
17 Patents Act 1990 (Cth), s.59(b), s 18(1)(b)(ii) and s 7(1)
18 EPC, Art 100(a) and Art 56
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19 Patents Act 1990 (Cth), s.59(b), s.18(1)(b)(ii) and ss.7(2) and (3).
20 EPC, Art 100(a) and Art 57.
21 Patents Act 1990 (Cth), s.59(b), s.18(1)(c) and s.7A.
22 EPC, Art 52(2).
23 ibid., Art 52(3).
24 Patents Act 1990 (Cth), s.59(b), s.18(1)(a).
26 A particularly important decision in respect of a test for "manner of manufacture" is National Research Development Corporation v Commissioner of Patents [1959] 102 CLR 252.
27 ibid., [2110].
28 IP Australia Patent Examiners Manual, 2.9.2.5.
29 ibid., 2.9.2.4.
30 ibid., 2.9.2.7.
31 ibid., 2.9.2.8.
32 ibid., 2.9.2.12.
33 EPC, Art 53.
34 EPC, Art 53(a).
35 ibid., Art 53(b). This provision does not apply to microbiological processes or the products thereof.
36 EPC, Art 53(c). This provision does not apply to products, in particular substances or compositions, for use in any of these methods.
37 Implementing Regulations to the EPC, R 28(a).
38 ibid., R 28(c).
39 ibid., R 29(1).
40 Patents Act 1990 (Cth), s.59(b) and s.18(2).
41 ibid., s.50(1)(a).
42 ibid., s.50(1)(b).
43 EPC, Art 100(b).
44 Patents Act 1990 (Cth), s.59(c) and s.40(2)(a).
45 or, if a divisional application or a new application under Art 61 (new application in respect of the invention by the person adjudged in a final decision to be entitled to the grant of a European patent), beyond the content of the earlier application as filed.
46 EPC, Art 100(c) and Art 123(2).
47 ibid.
48 This section of the Patents Act 1990 (Cth) was updated on the coming into force of “Raising the Bar” on 15 April 2013. Pre-Raising the Bar, s.102(1) read as follows: “An amendment of a complete specification is not allowable if, as a result of the amendment, the specification would claim matter not in substance disclosed in the specification as filed.”
49 Post-Raising the Bar, s.102(1) reads: “An amendment of a complete specification is not allowable if, as a result of the amendment, the specification would claim or disclose matter that extends beyond that disclosed in the following documents taken together: (a) the complete specification as filed; (b) other prescribed documents (if any)?”.
50 Patents Act 1990 (Cth), s.102(1).
51 ibid., s.59.
52 It is, however, a ground for a procedural opposition to an unallowable amendment under Patents Act 1990 (Cth), s.104(4).
53 Patents Act 1990 (Cth), s.59(c) and 40(3).
54 ibid., s.40(3).
55 ibid., s.102(1).
57 Patents Act 1990 (Cth), s.59(c) and 40(3).
58 EPC, Art 84.
59 Decision G3/14 (EPO Enlarged Board of Appeal).
60 Patents Act 1990 (Cth), s.59(a)(i) and (ii).
62 Implementing Regulations to the EPC, R 78.
63 EPC, Art 99(4).
64 Patents Act 1990 (Cth), ss.59(c) and 40(2)(a).
65 ibid., s.59(b) and 18(1)(d): More specifically, secret prior use relates to secret use in the patent area before the priority date of that claim, by, or on behalf of, or with the authority of, the patentee or nominated person or the patentee’s or nominated person’s predecessor in title to the invention. The “patent area” is defined in Schedule 1 of the Patents Act 1990 (Cth) as: (a) Australia; (b) the Australian continental shelf; (c) the waters above the Australian continental shelf; and (d) the airspace above Australia and the Australian continental shelf.
68 Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth).
69 i.e. examination requested on or after 15 April 2013.
70 The pre- “Raising the Bar” legislation referred to “common general knowledge as it existed in the patent area before the priority date of the relevant claim”. The “patent area” is defined in Schedule 1 of the Patents Act 1990 (Cth) as: (a) Australia; (b) the Australian continental shelf; (c) the waters above the Australian continental shelf; and (d) the airspace above Australia and the Australian continental shelf. In contrast, the post- “Raising the Bar” legislation common general knowledge as it existed (whether in or out of the patent area) before the priority date of the relevant claim. (See changes to the Patents Act 1990 (Cth), s.7(2) in the context of inventive step).
71 Patents Regulations 1991 (Cth), Reg 5.5(1).
72 ibid., Reg 5.8(1)(b).
73 ibid., Reg 5.8(2).
74 ibid., Reg. 5.8(4).
75 The post- “Raising the Bar” provisions allow substantive opposition commenced on or after 15 April 2013; and any opposition commenced before 15 April 2013 where the period for filing Evidence in Support, Answer or Reply commenced on or after 15 April 2013.
76 Patents Regulations 1991 (Cth), Reg 5.9(2)(a).
77 EPO Guidelines for Examination (November 2014), D-IV, 1.2.1.
78 ibid., D-IV, 1.2.2.
79 Implementing Regulations to the EPC, R 77(1) and R77(2).
80 EPO Guidelines for Examination (November 2014), D-IV, 5.4.
81 For any communication raising a matter of substance, a request for extension, even if filed without reasons, is normally allowed if the total period set does not thereby exceed six months. EPO Guidelines for Examination (November 2014), E-VII, 1.6.
82 In particular on facts, evidence and arguments submitted.
83 Implementing Regulations to the EPC, R 79(1) and R 81(5) and EPO Guidelines for Examination (November 2014), D-IV, 5.2.
84 Implementing Regulations to the EPC, R 79(3).
85 EPO Guidelines for Examination (November 2014), D-IV, 5.4.
86 For any communication raising a matter of substance, a request for extension, even if filed without reasons, is normally allowed if the total period set does not thereby exceed six months. EPO Guidelines for Examination (November 2014), E-VII, 1.6.
87 EPC, Art 101(a).
88 Implementing Regulations to the EPC, R 81(2).
89 EPO Guidelines for Examination (November 2014), D-VI, 3.1.
EPC, Art 19(2) indicates that an Opposition Division shall consist of three technically qualified Examiners, at least two of whom shall not have taken part in the proceedings for grant of the patent to which the opposition relates. However, if the Opposition Division considers that nature of decision so requires, it shall be enlarged by the addition of a legally qualified examiner who shall not have taken part in the proceedings for grant of the patent.

EPO Guidelines for Examination (November 2014), H-III, 3.1 and 3.4.

Patents Act 1990 (Cth), s.60(3B).

Patents Act 1990 (Cth), s.102(1).

Patents Regulations 1991 (Cth), Reg 10.2(7).

Patents Act 1990 (Cth), s.104(4) and Patents Regulations 1991 (Cth), Reg 5.10(1).

EPC, Art 123(2).

ibid., Art 123(3).

Patents Act 1990 (Cth), s.97(1).


Implementing Regulations to the EPC, R 84(2).

Implementing Regulations to the EPC, R 75.

Patents Act 1990 (Cth), ss.60(4) and 154.

ibid., s.156.

ibid., s.156.

ibid., Art 112a(1).

ibid., Art 112a(2).

ibid., Art 22(1).

Patents Act 1990 (Cth), s.60(4) and 154.
The ability to share information has grown exponentially with the advent of the internet, but alongside the benefits that such information sharing might bring, come breaches of private information. In one recent example, unknown hackers posted naked pictures of a woman after accessing her email and Facebook accounts. In another, a man posted on his Facebook page private pictures of a sexual nature of his ex-girlfriend. In the former, the woman did not obtain a financial remedy but in an effort to deal with the feelings of powerlessness, had a friend take artistic topless photos of herself and posted these online along with an essay about consent. In the latter the woman took a more traditional course and sued her ex-boyfriend for, among other things, a breach of confidence.

This case note considers the resultant decision in *Wilson* which confirms that lower courts in Australia are willing to give a remedy of equitable compensation for breach of confidence where the damage suffered is embarrassment, anxiety and distress. The remedy is ostensibly a flexible one, although its development as compensation for non-economic loss for breach of confidence is recent. As recently as 2005, Broderick noted that although, "a fiduciary relationship is traditionally necessary for equitable compensation, there are expansionist suggestions that a breach of any equitable obligation may permit an award of equitable compensation". This note summarises the decision before discussing some of the potential issues with the result.

**Facts of Wilson**

The claim related to public disclosure of personal information of an explicit nature. The plaintiff, Wilson and the defendant, Ferguson met at work and began a relationship. During the course of that relationship certain explicit images were shared between the parties. This was in the form of photographs and videos and done via mobile phone. The Court accepted evidence that the images were shared on the basis that they would be kept private and not shown to other people. Unfortunately, the relationship ended badly and Ferguson published a number of the images on his Facebook page and informed Wilson of this fact. The images were posted for approximately half a day before the Ferguson responded to Wilson's requests to remove them.

His Honour Mitchell J made a number of inferences; that the images were posted out of anger, that the images were private and that the defendant wished to cause "extreme embarrassment and distress" by publishing the images. There was evidence that the images were seen by a number of work colleagues of the plaintiff.

Mitchell J then reviewed the principles for a breach of confidence and found that the images were private and confidential and therefore protectable by such a claim. As was noted by his Honour the usual remedy to such a claim is to stop publication or further publication of the private or confidential material and accordingly an injunction was warranted in the current circumstances. However, the plaintiff had also claimed equitable compensation for losses as a result of the breach. While his Honour noted that equitable compensation is a remedy for a breach of confidence what was more problematic was determining what types of losses would allow for such a remedy. As Mitchell J noted:

> … the question which arises in the present case is whether equitable compensation can be awarded to compensation a plaintiff for non-economic loss comprising the embarrassment and distress occasioned by the disclosure of private information in breach of an equitable obligation of confidence.

As noted by his Honour the problem with making such an award is that, at common law, granting damages for anything less than a diagnosed psychological or psychiatric injury is very limited. Further, in equity, equitable compensation had historically been awarded only for economic loss. His Honour then considered the decision in *Giller,* noting it was the only Australian superior court decision to consider these questions. Importantly for Mitchell J, *Giller* provided
authority for the principle that “monetary compensation for emotional distress caused by the release of confidential personal information was available” as part of the court’s exercise of its equitable jurisdiction. His Honour also noted that decisions of such appellate courts should be followed by trial and other appellate courts unless the decision-maker considers that the decision is “plainly wrong.”

Mitchell J accepted that the decision in Giller had developed the law in Australia and that such a development was not plainly wrong. This point was reiterated by his Honour who agreed with extending the relief available “to include monetary compensation for the embarrassment and distress resulting from the disclosure of information (including images) of a private and personal nature”. Mitchell J specifically noted that these legal developments were influenced by “‘recent technological developments’ and specifically the phenomenon of ‘sexting’.”

In determining the quantum of equitable compensation for the damage suffered, his Honour noted that account should be taken of “the fact that the impact of the disclosure on the plaintiff was aggravated by the fact that the release of the images was an act of retribution by the defendant, and intended to cause harm to the plaintiff.” However, no psychiatric injury had been sustained the quantum “should not be disproportionate to amounts commonly awarded for pain, suffering and loss of amenity in tortious personal injury cases.” Ultimately, his Honour awarded the plaintiff $35,000.

As noted by his Honour, sexting is sending of messages or photographs of a sexually explicit nature, essentially “sexy texts”. While the sending of sexually explicit material to another is not a new phenomenon, the advent of technology has made it simpler and faster, with the potential for photos or texts to “go viral” (that is, to be spread and be shared to a large number of people, including people unknown to the original parties). As a result of decisions such as Giller and Wilson, the Australian courts have shown themselves to be willing to apply equitable doctrines and remedies to respond to the risks that such technological advances pose. So, while an injunction provides no remedy in circumstances where the images or texts have been disseminated and cannot be recalled, the relief for breach of confidence can also include “monetary compensation.” In such circumstances, his Honour noted, that relief for Mitchell J highlighted the flexibility of equitable compensation to provide a suitable remedy particularly in these circumstances where an injunction would not assist. His Honour limits his decision to such a remedy being available to breach of confidence cases only. That is, the use of equitable compensation to provide a remedy in non-economic circumstances is a logical but limited development of the remedy even where the non-economic loss does not extend to a psychiatric illness but rather is limited to “significant embarrassment, anxiety and distress.”

Wilson revisits many of the issues addressed by the Giller case in 2009 and adopts the same reasoning in allowing for a remedy of equitable compensation for anxiety and distress. In Giller, the Victorian Court of Appeal held that equitable compensation could be awarded as the remedy for unauthorised disclosure of personal information (in that case the publication of a video-tape showing sexual activity) and where the damage suffered was distress, anxiety and embarrassment.

Identification and Discussion of Issues

Morally the granting of a legal remedy to plaintiffs such as Wilson and Giller seems fair and reasonable. However, there are two legal concerns with the granting of such awards. Firstly, there are residual issues surrounding the cause of action itself. It has been described as being “purely equitable in character and origin.” There are competing arguments that the basis of the action is in property law. Alternatively, breach of confidence has been described as a sui generis form of action which has a combined jurisdictional basis. The problem with the ongoing uncertainty is that it creates associated issues about the availability of various forms of remedies. Having said this, the protection of the sort of private information sent by Wilson to Ferguson would appear to fall into a category of information that is protectable by the doctrine of confidentiality.

However, as Megan Richardson points out, the extension of the doctrine to protect personal information or private communications was not solely only about protecting the privacy of the information; it was also about protecting the right of the creator of the information to become the public disseminator of that information whether for profit or other reasons. Richardson uses the classic cases of Prince Albert v Strange and Abernethy v Hutchinson to make her point. In these early cases the appropriate remedy was injunction relief because it allowed for later disclosure by the author/
Case Note – **Wilson v Ferguson** [2015] WASC 15 – Remedy of Equitable Compensation for Breach of Confidence where the Damage Suffered is Embarrassment, Anxiety and Distress

creator. Dr Abernethy planned to publish his lectures on his own account and Prince Albert was a public figure, engaged in promoting the arts and sciences, and as such might well seek to show the private etchings at some future date. Clearly what was being protected here was something more than just the privacy of the plaintiff bringing the action. In contrast, situations such as Wilson are arguably solely about protecting the plaintiff’s privacy. In these situations an injunction offers no real remedy if the images have already been disseminated as had occurred in *Wilson*.

Secondly, there is a lack or theoretical rigour supporting the expansion of the remedy of equitable compensation to award non-economic loss. The remedy had originally available for breaches of fiduciary duty and was limited to responding to economic loss. The award of equitable compensation then expanded to respond to breaches of other equitable duties, including a breach of confidence. This development has naturally occurred differently in various jurisdictions. This makes judicial decision-making by analogy somewhat problematic. For example, the Court in *Giller* held that such an award was supported both in principle and by English authority.

It should be noted, however, that members of that court did note the lack of explanation of the basis for such awards in the English cases. However, as Tanya Aplin notes, the English breach of confidence doctrine is now a very different beast as a result of the introduction of the Human Rights Act 1988 (UK) and the European Convention for the Protection of Human Rights and Fundamental Freedoms. The result is that the test for breach of confidence claim in the UK has changed significantly. The UK decisions have also evolved to award damages for hurt feelings, however there is also an unsatisfactory theoretical basis given for the granting of these awards.

Ultimately, the basis for the award appears to be judicially justified by equity’s ability to make such awards. For example, in *Giller* Ashley JA set out a number of factors that supported the awarding of equitable compensation including that; the conduct was intentional and in bad faith, an injunction would have been awarded if the breach had been anticipated and injustice would result if there was no remedy available as an alternative to injunctive relief. His Honour also drew an analogy to remedies in defamation cases where damages for distress were available. In *Wilson*, Mitchell J stated that the “compensation award should take account of the fact that the impact of the disclosure on the plaintiff was aggravated by the fact that the release of the images was an act of retribution by the defendant, and intended to cause harm to the plaintiff”.

**An Equitable Form of Exemplary or Aggravated Damages?**

Given the focus on the bad faith of the respondent in *Wilson* (and *Giller*) is equitable compensation awarded for anxiety or distress as some sort of equitable form of punishment? However, Rickett points out there is no place for punishment within the scope of the remedial responses available in equity. The correct response for breaches of equitable duties is “compensation and/or disgorgement/restitution”. In determining the quantum of that response, Kearsley has stated that: “it could be argued that the only correct method of assessment of pecuniary relief is that of restitution. In other words, the defendant is liable to give restitution to the plaintiff sufficient to restore the plaintiff to the same position he would have been in if the breach of duty had not occurred.”

So, are the courts granting equitable compensation as a form of aggravated damages? Or, by analogy, to other common law damages awarded for stress or anxiety? It certainly appears so. Aggravated damages are available at common law where the damage suffered by the plaintiff has been exacerbated by the defendant’s conduct. Contract law damages can be awarded for distress, pain and suffering as long as the damage suffered is not too remote. For example, in *Boncrisciano v Lohmann*, damages were awarded for breach of contract for “inconvenience, disappointment and stress flowing from the breach of contract by the builders”. Also, a successful plaintiff can be compensated for feelings of distress and anxiety in defamation cases.

**Legislative Responses to the Issue**

There have also been legislative responses, at least in the criminal sphere, to try and deal with the sort of conduct evidenced in *Wilson*. For example, in Victoria laws have been passed which protect the sender of such material from the recipient distributing it to a third party without consent. It is now an offence to distribute or threaten to distribute such images. There are similar provisions in South Australia. The sending or receiving of such images involving children under the legal age may offend child pornography laws even if the sender and recipient are of similar age. In the civil sphere, there have been calls to
introduce a statutory cause of action for breach of privacy. This would allow for clear enunciation of the rules and protections available. Unfortunately there has been no action to date.

In the absence of any statutory framework, Wilson suggests that Australian lower courts continue to be willing to grant remedies in such circumstances. Equitable compensation looks like becoming the remedy of choice when courts are faced with breaches of equitable duties and there is no other option available. However, as the analysis above suggests, uncertainty will continue as to whether the use of breach of confidence and equitable compensation are suitable vehicles for such development.

2 ibid., 27.
5 Wilson, above, n.3, [1].
6 ibid., [22].
7 ibid.
8 ibid., [23]-[24].
9 ibid., [27]-[31].
10 ibid.,[32].
11 ibid., [33]. The defendant entered a defence but did not attend at trial.
12 ibid., [34]-[37]. The defendant had a large number of Facebook friends, many of whom worked at the same place as the parties.
13 ibid., [43]-[55].
14 ibid., [60]-[67].
15 ibid., [67].
16 ibid., [68]-[69].
17 ibid., [71].
18 ibid., [72].
19 ibid.
20 Giller v Procopets (2008) VSCA 236 (‘Giller’).
21 Wilson, above, n 3, [73].
22 ibid.
23 ibid., [75].
24 ibid., [76] and [83].
25 ibid., [83].
26 ibid., [78]-[79].
27 ibid., [85].
28 ibid.
29 ibid., there was also an award of approximately $13,000 for economic loss.
30 ibid., [80]-[82].
31 ibid., [83].
32 ibid., [84].
33 ibid., [85].
34 For an overview of the issues surrounding the basis of the cause of action see Andrew Stewart et al, Intellectual Property in Australia (LexisNexis Butterworths, 4th ed, 2010), 85-91.
In recent years, there has been an emerging plethora of substantive works on Australian intellectual property law – whether in the form of historical text, current commentary, legal analysis of case law and legislative developments, or a combination of all three. This reflects the continuing and burgeoning interest in and importance of IP law as it affects rights owners (existing and potential) and IP practitioners.

The most recent publication of *Intellectual Property – Text and Essential Cases* by professors Rocque Reynolds, Natalie Stoianoff and Alpana Roy is yet another welcome addition to this rich corpus of Australian IP literature.

This trio of scholars is particularly well-placed to undertake the task of authoring the fifth edition of this voluminous text. Each author has well-known expertise, at both the academic and practical levels, in various specific areas of intellectual property law.

The general layout of *Intellectual Property – Text and Essential Cases* is in fairly standard, traditional format. The main body of the text, preceded by a list of entries and tables of cases and statutes, is divided logically into five discrete major parts: an introduction; copyright and neighbouring rights; patents; passing off, trade marks and related actions; and designs, plant breeder’s rights, circuit layouts and confidential information. Of particular note, there is an extended coverage of resale royalty rights for visual artists.

At the outset, the authors explain that the approach and underlying ethos adopted in this book as focuses on “[a] number of themes which we believe are important to a full understanding of intellectual property law. First, in so far as intellectual property is a form of personal property, the law protects it in a way which some people will find acceptable. Secondly, intellectual property law is conducted in an international context and this is reflected in Australia’s domestic law. This means that international and bilateral treaties commonly impose minimum standards for intellectual property protection and may require Australia to extend protection for intellectual property to citizens and nationals of other party states. … Finally, the relationship between technology and intellectual property law is a constantly changing and fascinating one. Not only does changing technology pose challenges for law reformers and drafters but it also opens up new possibilities and challenges for intellectual property owners.”

As also rightly pointed out by the authors in their introduction to the work: “One of the features of this textbook is that it contains extracts of essential cases at the end of each chapter. In most cases, the extracts have been chosen because they are the leading or authoritative statement of the legal point in issue. However, in some cases, an extract might have been selected because it provides an excellent statement of the legal principle or because it provides a history or an overview of the authoritative case law.”

*Intellectual Property – Text and Essential Cases* especially functions as a most helpful and accessible introductory text on intellectual property law that should allow the student to select both the IP area of study of particular interest. The text should also assist tyro IP associates commencing practice, as well as the more seasoned IP practitioners that rely on a comprehensive reference book in their practice.

As Australian intellectual property law is constantly changing and developing, it is vital that updated texts of this kind which not only traverse the wide range of IP fields but also report on the latest significant cases, legislative amendments, and policy reports are available to IP students and practitioners. With respect to the latter, for example, there is excellent coverage of the Australian Law Reform Commission’s report on fair use in *Copyright and the Digital Economy*.

*Intellectual Property – Text and Essential Cases* more than fulfils that demand and fits the bill. The text is based on the law as at 1 January 2015. The index provides a comprehensive and useful adjunct to the text.
Changes in PCT Fees
6 March 2015
In accordance with the directives adopted by the PCT Assembly at its Fortieth Session (held from 22 September to 1 October 2009), new equivalent amounts in AUD will be established with effect from 1 April 2015, as follows:

International PCT Fees
1. Transmittal Fee: $200
2. International Search Fee: $2200
3. International Filing Fee: $1848
If the application contains 30 Pages or less including the request form
Electronic filings filed in PDF format via PCTSAFE and ePCT: $278
Electronic filings filed in XML format via PCTSAFE and ePCT: $417
PLUS
For each page in the application in excess of 30 Sheets: $21
4. Cost of Preparing Certified Copy of Basic Document: $100 per document

International Preliminary Examination Fees
1. International Preliminary Examination Fee If the International Search was performed by IP Australia: $590
   If the International search was not conducted by IP Australia: $820
2. International Preliminary Handling Fee: $278

Trade Marks
New e-filing System for Trade Marks filed in Australia under the Madrid Protocol
Australian trade mark holders can now apply online to protect and manage their marks using the Madrid e-filing service.
Benefits for trade mark applicants include:
• Data entry validation based on national records – this helps to reduce irregularities and “unable to certify notices”, and speeds up processes.
• Payment of applicable fees in Swiss francs in one single transaction using a WIPO current account or a credit card.
• Streamlined processing at the office of origin – IP Australia.
• Immediate transmission to WIPO – no time is lost in communication between the office of origin and WIPO.
• Online monitoring of applications and portfolios – electronic notifications and critical processing dates allow live tracking of registrations.

Amendments to the Trade Marks Office Manual of Practice & Procedure
Part 14 – Classification of Goods and Services: Annex A3 (Registered words which are not acceptable in specifications of goods and services) has been amended to:
• Include KEVLAR and CRONUT.
• Delete AIRTEX, APPLE, DUCO, and FORMICA.

Part 27 – Overcoming Grounds for Rejection under Section 44: Annex A1 (an example of a letter of consent) has been amended to and the reference to REDSKIN removed.

Part 28 – Honest Concurrent Use, Prior Use or Other Circumstances: Part 28 has been amended to delete Shanahan references of a general nature.

Part 30 – Signs that are Scandalous and Contrary to Law: Part 30 has been updated to include:
• A link to APRA.
• The list of authorised persons for the AFC Asian Cup Australia 2015.
• The ICC Cricket World Cup 2015.

Part 31 – Prescribed and Prohibited Signs: Part 31 has been reviewed and updated, with information included on Coat of Arms and the Australian Flag.

Part 32A – Examination of Trade Marks for Plants (in Class 31): Part 32A has been amended to reword the Shanahan references and add references to the relevant edition.

Part 46 – Opposition to Registration - Grounds and Defences: Part 46 has been amended to delete Shanahan references of a general nature.
Part 47 – Procedures for Opposing an Application for Registration: Part 47 has been updated to add new statement of grounds and particulars guidelines.

Part 49 – Procedures for Opposing an Application for Registration: Part 49 has been updated to add new statement of grounds and particulars guidelines.

Part 55 – Costs: Part 55 has been reviewed, with minor grammatical changes made.

Part 60 – The Madrid Protocol: Part 60 has been reviewed, with updated information on colour claims, clarification on opposition, s.39 and endorsements included.

SOUTH AUSTRALIA, VICTORIA and WESTERN AUSTRALIA

Peter Heerey AM, QC, Tom Cordiner and Alan Nash
Barristers
Correspondents for South Australia, Victoria and Western Australia

Note: Where any of us was involved in a case reported below and the matter is still running, or potentially so, the other correspondents have taken the role of reporting that case.

In this edition, we see what should be the last instalment in the Britax baby-seat patent dispute and a case about pipe connectors. And we report on an electrifying tax case (always a sign of a slow news quarter) that suggests that those acquiring businesses with substantial intangible assets are well advised to consider an appropriate apportionment of the purchase price to reflect the value of those assets.

Commissioner of Taxation v AusNet Transmission Group Pty Ltd

[2015] FCAFC 60
6 May 2015

Income tax – deduction of capital expenditure – cost of acquiring copyright – no allocation of purchase price between tangible and intangible assets – whether Commissioner entitled to determine a nil value for the cost of acquiring copyright – significance of implied licence

In 1997, the first respondent (SPI Powernet) acquired certain electricity transmission assets in Victoria. The assets acquired included the copyright in drawings, plans, procedural and instructional documents, and software relating to the transmission system, but in the asset sale agreement the purchase price of $2.5 billion was not allocated between any particular assets. Between 1998 and 2006, SPI Powernet claimed deductions for the cost of acquiring that copyright, and thereafter those deductions were claimed by the second respondent as the head company of the tax consolidated group of which SPI Powernet became a member.

Under the Income Tax Assessment Act 1936 (Cth) (1936 Act), a taxpayer is entitled to deduct the cost of a “unit of industrial property” (UIP) such as copyright or rights under a patent over the effective life of the UIP where it is used to generate income, and subject to other conditions. Of note, s.124R(5) of the 1936 Act provides that where no separate price is allocated to a UIP upon purchase (as was the case here), the relevant “cost” of the UIP is to be determined by the Commissioner for Taxation.

In the present case, in what presumably was a shock to the respondents, the Commissioner determined that no part of the $2.5 billion purchase price was to be allocated to the copyright acquired by SPI Powernet (that is, he made a “nil” determination).

SPI Powernet sought review of the subsequent notice of assessment issued by the Commissioner on the ground that the assessment was “excessive” (effectively because SPI Powernet argued that a “nil” determination was not open to the Commissioner). At first instance, SPI Powernet led expert evidence as to the independent value of the copyright works, and lay evidence to the effect that use of the copyright works was essential to the operation of the acquired business. In contrast, the Commissioner led expert evidence to the effect that the copyright had no separate value outside of that business itself. In finding for SPI Powernet, the trial judge held that s.125R(5) “assumes that some part of the purchase price for the total assets has paid for the unit of industrial property”, and in a case such as the present the independent value of copyright was a necessarily relevant (but not determinative) consideration. The trial Judge also held that it was relevant that if copyright had not been acquired, SPI Powernet would (at considerable expense) have had to create a non-infringing set of documents that conveyed the same information as was imparted by the relevant documents.

All three members of the Full Court rejected the proposition that s.125R(5) operates on any presumption that some (non-zero) amount of a
total purchase price must be taken to have been allocated to the purchase of a UIP. As Justice Kenny observed, the section “leaves open the possibility that no part of the undifferentiated purchase price is attributable to the purchase of the unit of industrial property”.

The appeal also sparked the question as to the extent to which SPI Powernet was entitled to challenge the Commissioner’s determination at all, a matter on which the Full Court was divided (Justices Kenny and Greenwood holding that it was, and Justice Edmonds finding to the contrary and allowing the appeal primarily on that basis), but all three considered that SPI Powernet had failed to discharge its burden of proof in demonstrating that the assessment was excessive. For Justice Edmonds (Justice Kenny agreeing), this was because under the terms of the asset sale agreement, it was not possible to allocate any part of the purchase price to any particular asset. Indeed, the language used in the agreement made clear that the purchase price was fixed notwithstanding the collective value of the assets sold.

Justice Greenwood (Justice Kenny agreeing) also allowed the Commissioner’s appeal, primarily because in his Honour’s view a nil valuation for the relevant copyright was correct, or at least not proven by SPI Powernet to be wrong. Accepting that SPI Powernet was entitled to challenge the Commissioner’s determination, the issue was whether there was a proper, objective foundation for that determination. In other words, what was the objectively ascertainable portion of the purchase price the taxpayer must be taken to have paid for the UIP in the circumstances of the particular transaction?

The parties’ experts had directed their opinions only to the question of what was the separate value of the relevant copyright. That was the wrong inquiry, however, and the separate valuation of copyright was not a proper analogue for that part of an “un-dissected” purchase price attributable to its acquisition. The experts should have been asked to speak to the objectively identifiable considerations going to the proper method for allocating a non-separate price to copyright subsisting in the various categories of works.

Further, to the extent that the value of the copyright informs that allocation, any such valuation must take into account the circumstances of the transaction. Notably, SPI Powernet took ownership (as a separate asset class) of the many thousands of physical and electronic business records the contents of which were protected by copyright (a different asset class) and was thereby in an “unconstrained position to use the documents as it may choose in the conduct of the transmission undertaking”. Hypothetically, if SPI Powernet had not acquired that copyright as a separate asset, then it nevertheless plainly would have enjoyed an implied licence to exercise that copyright to the extent necessary to use those documents and, contrary to the trial Judge’s findings, would not have needed to create a new set of documents to convey the same information. Against that background, the part of the purchase price to be attributed to the acquisition of legal ownership of the copyright (as opposed to the business records themselves) seemed to his Honour to be nil.

The authors note that in asset sale agreements “business records” and any “intellectual property” subsisting in such records (and other materials) almost invariably are treated as separate assets. Justice Greenwood’s analysis implies that it will be difficult to allocate anything other than a nominal value to the latter where an asset sale includes the former (as is usually the case). Section 124R(5) is enlivened only where no separate price is allocated to a UIP, however, so purchasers wishing to avail themselves of Division 10B of the 1936 Act ought to consider allocating the purchase price between assets. Of course (to a tax lawyer), parties to an asset sale transaction also may need to consider s.124R(3), which deals with non-arm’s length purchases.

Blueport Nominees Pty Ltd v Sewerage Management Services Pty Ltd

[2015] FCA 631
24 June 2015

Patents – pipe connectors – meaning of authorise – joint tortfeasorship

Blueport alleged that SMS infringed its patent for a “Pipe Connector”. Blueport also alleged that Mr Chappell, as a director of SMS, should be held liable for the act of authorising SMS’s conduct, and as a joint tortfeasor in respect of the infringement. The respondents denied that their admitted conduct infringed the patent and Mr Chappell denied the authorisation and joint tortfeasor claims. Validity of the patent does not appear to have been issue, although Mr Chappell asserted it was invalid in correspondence exchanged between the parties before the litigation commenced and that may have led to the patent claims being amended prior to the case commencing (though that is not clear).
Due to amendment of the claims of the patent, it was necessary for Justice Barker to consider infringement before and after amendment, though the parties agreed that the issues relevant to construction of the claims were relevant to both versions of the claims.

The claims of the patent relevantly required a pipe connector to have a joining portion with “a port” for connecting to a first pipe and a wall which could be bored in order to have a second pipe bonded to it. SMS’s products had at least two ports and it argued that the term “a port” in the claims meant that the claimed device could not have more than one port. His Honour did not accept that argument, instead holding that “a port” meant “one, some, any (used when referring to something for the first time in a text or conversation)” and so the presence of “additional ports” was irrelevant as to whether SMS’s pipe connectors infringe claim 1.

SMS also argued that the reference to a “second pipe” in the claims meant a pipe that is connected to the wall “second in time” and that their products instead had a third or fourth pipe bonded to the wall. His Honour did not consider this to be correct because the pipes of the claim are not limited by the order of connection – term “second pipe” is used to distinguish it from the first pipe; this does not mean that it has to be connected to the wall “second in time”. The presence of another pipe is neither required nor precluded. Similar arguments on construction by SMS were rejected by his Honour. The products were thus found to have infringed the various claims of the patent, both before and after amendment.

However, Barker J rejected Blueport’s argument that Mr Chappell authorised SMS’s infringing conduct or was a joint tortfeasor in that conduct.

On that point, while Mr Chappell was found to have been involved in the various aspects of the infringing conduct, Barker J concluded that, if there was any “sanctioning, approval or countenancing” of the infringement, for the purposes of authorising exploitation under s.13(1) of the Act, the authorisation was given by SMS and not by Mr Chappell.

Justice Barker observed that, the mere fact that a director participates in the decision making of a company is not sufficient to draw the conclusion that the director authorised the act – it is necessary to show actions that demonstrate that the director sanctioned, approved or countenanced the act of infringement. His Honour also observed that “it is suggested that if the director has knowledge that the infringing acts would occur and had the power to prevent the company from committing those acts, but did not take any steps to prevent the acts, then the director may be taken to have authorised the act.”

His Honour rejected the contention that Mr Chappell “made himself a party to the act of infringement”, which is conduct that s.13 would embrace: see Kimberly-Clark Australia Pty Ltd v Arico Trading International Pty Ltd (1998) 42 IPR 111 at 129. His Honour also distinguished the case of Inverness Medical Switzerland GmbH v MDS Diagnostics Pty Ltd (2010) 85 IPR 525. In Inverness, Bennett J found that the director, Dr Appanna, knew the infringing act of the sale of the devices would occur, had the power to prevent those acts and had some duty to interfere. Barker J observed the factual difference between Dr Appanna and Mr Chappell was that, at material times, Mr Chappell (with two of his brothers), was one of three shareholders and directors of SMS. Due to his background, he had the responsibility for taking steps to have the SMS product approved by the governing authority and that such steps did not go beyond work that he as a director was expected to do. Finally, Barker J observed that it was not at all clear that Mr Chappell by himself could necessarily have prevented the infringement complained of, being but one of the three directors in a company whose business it was to pursue that line of activity – whilst Mr Chappell’s view may have been important, he was not a sole director.

Barker J also found that Mr Chappell was not a joint tortfeasor because for similar reasons:

*I do not consider that Mr Chappell did something more than acting as a director that made him an invader of the victim’s rights. I do not consider that*
he had that degree of close personal involvement in the infringing acts as a director that is required before he should be held liable. He did not, in my view, stand apart from the affairs of the company so as effectively to adopt its wrong. In no way can it be said that the company was merely the alter ego of Mr Chappell. He was but one of the three shareholders and directors of SMS at material times engaged in the business of the company.

Although the case does not appear to have been brought to his Honour's attention, the conclusion on authorisation accords with the finding of Beach J in Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd [2014] FCA 1366 that (in that case) a Mr Saint, being the director most responsible for the infringing conduct, did not have power to prevent the infringing conduct because he was one of a board of three directors and therefore did not authorise the infringing conduct of Artcraft Urban Group.

Britax Childcare Pty Ltd v Infa-Secure Pty Ltd (No 4) [2015] FCA 651 30 June 2015

Avid followers of this dispute will recall the first substantive judgment of Middleton J, where his Honour limited his reasons to the construction of various integers of the claims of nine innovation and one standard patent (Construction Judgment). His Honour did not determine any issue of validity or infringement, in part because the parties' submissions had not dealt with those issues on the basis of his Honour's construction of the claims.

For the Construction Judgment, the parties had identified specific terms and phrases for interpretation by the Court. However, it appears that, following the Construction Judgment, the parties went on to identify further terms and phrases as being in issue. Indeed, it seems that Britax sought to have his Honour reconsider its construction of some of the terms ruled upon in the Construction Judgment, although that did not ultimately affect Britax's case.

The Court ordered that the Construction Judgment should be provided to the expert witnesses, and that those witnesses should be asked to provide further evidence by way of a Further Joint Expert Report as to the presence or absence of the claimed patent integers in the allegedly infringing Infa products. The expert witnesses conferred in a supervised conference in the presence of a Registrar of the Court and the solicitors for the parties. Thereafter, the expert witnesses provided the Court with the Further Joint Expert Report. A further hearing was to be held with the experts in attendance to deal with the remaining issues on infringement set out in their report.

Just prior to that hearing, Infa provided Britax and the Court with four tables of conclusions it said arose from the Construction Judgment and sought leave to cross-examine the experts about matters in the Joint Expert Report to the extent that they conflicted with Infa's tables. In a further twist, Infa applied to treat its own witness as an "unfavourable witness" pursuant to s.38 of the Evidence Act. The hearing was, unsurprisingly, adjourned to allow Britax time to deal with Infa's reframed case. Further interlocutory disputes and steps over the next two years were numerous and varied. Notwithstanding its s.38 application, Infa then sought to file and serve a further affidavit of its expert where the expert (after a discussion with Infa's lawyers) expressed his concerns with the conclusions set out in the Joint Expert Report.

That extraordinary turn of events understandably was the subject of much criticism by Britax. While Middleton J was sympathetic to Britax's concerns, ultimately his Honour observed that Infa's expert was under an obligation to inform the Court of his changed position. His Honour did observe, however, that Infa's expert's changed position did impact on the Court's confidence in his opinion. Ultimately, Middleton J considered that Britax's expert, Mr Hunter, in comparison to Infa's expert, displayed a practical, common sense approach to the working of the relevant claims of the patents in suit.

Justice Middleton observed that Infa had taken an overly literal view of the terms of the claims in each patent, where such an approach is inappropriate in the context of each claim in each Patent. Ultimately, his Honour generally adopted the Joint Expert Report and Mr Hunter on issues relevant to infringement and Infa's products were found to infringe.

Justice Middleton also considered Infa's various attacks on the validity of the patents. This case note focuses on some parts of the decision which may be of interest and, necessarily, cannot address all matters addressed by his Honour in his lengthy reasons for judgment.

On some aspects of invalidity, Infa sought to rely upon the evidence of Mr Hunter, the expert witness called by Britax. His Honour observed that there was no obstacle to such an approach –
if in cross-examination Mr Hunter gave evidence on invalidity issues which was favourable to Infa, then Infa could rely upon such evidence, provided that Britax is accorded procedural fairness.

However, Middleton J observed that:

... an expert being cross-examined must be directed to the appropriate context or issue, so that he or she can focus his or her mind and answer accordingly. For example, whilst Infa (as cross-examiner) was entitled to canvass various matters going to infringement, I do not consider it fair to Britax or Mr Hunter to take various answers made solely in that context and rely on those answers for invalidity purposes where Mr Hunter was not directed to the relevant issue.

His Honour also observed that Infa’s expert was not called upon to give evidence on many aspects of validity and, accordingly, “the fact that a party chooses not to lead evidence from an expert conversant with a relevant issue would indicate that the party has deliberately chosen such a course, and that the witness would not have been of assistance to that party.”

His Honour found that the patents did not lack external fair basis. Middleton J observed that the Court must look to the claimed priority specification as a whole when determining whether there is a real and reasonably clear disclosure to found fair basis, focussing on the matter disclosed therein – the task is not limited to isolating only the essential features of the priority disclosure and asking whether they correspond to the integers of the later claim. Infa had argued that Mr Hunter did not approach the question of external fair basis because he was not asked to first read the Parent Application and to give his opinion as to what were the inventions disclosed in the Parent Application, as required by s.79B of the Patents Act. His Honour concluded that the evidence of Mr Hunter was of assistance and enabled the Court to consider the extent of disclosure in the Parent Application and the claims in the Innovation Patents: “Although Mr Hunter was directed to specific aspects of the Parent Application, he provided an opinion on the disclosure “in a general sense” of the Parent Application and then considered the claims in the Innovative Patents.” Generally, it appears that Infa took too narrow an approach to the disclosures in the earlier priority documents.

On the question of internal fair basis, Britax relied on the following statement in each of the innovation patents, which is commonly found in patent specifications:

Although a number of embodiments of the present invention have been described in the foregoing detailed description, it will be understood that the invention is not limited to the embodiments disclosed, but is capable of numerous rearrangements, modifications and substitutions without departing from the scope of the invention. Modifications and variations such as would be apparent to a skilled addressee are deemed within the scope of the present invention.

Infa submitted this statement suffers from the fatal defect that it does not disclose anything and, accordingly it does not identify what the patentee in each case considers is the “invention” and it does not disclose the nature of any rearrangements, modifications or substitutions which might be made without departing from the scope of the invention. His Honour concluded that the “modifications statement” above was able to be interpreted by a person skilled in the art. Necessarily, it could provide fair basis for claims which relied on that statement. After detailed analysis, his Honour rejected Infa’s various assertions of lack of internal fair basis.

On the question of anticipation by prior art acts, his Honour referred to the Full Court decision of Damorgold Pty Ltd v JAI Products Pty Ltd (2015) 318 ALR 483 (which readers will recall overturned an earlier decision of his Honour) and concluded that anticipation by an act requires an “enabling disclosure” of the invention by the prior conduct and that a skilled addressee may use “available investigation techniques to analyse samples of product and glean the information that could be so gleaned”, but without direct evidence of what a skilled addressee takes from observation of the act, the Court should be reticent to find a lack of novelty.

Justice Middleton observed that, in the absence of contemporaneous objective supporting evidence, the Court requires a high level of proof of an alleged anticipatory act, due to the ease of reconstruction or fabrication of evidence. Importantly, his Honour held that the Patents Act does not permit anticipation by prior use to be made out by combining evidence of a prior public use with a prior art document to obtain the combination of the claimed invention. Therefore, whilst there were various prior art documents (including catalogues and instruction manuals) in evidence, none of those documents could be usefully combined with the evidence of alleged
prior use to prove that the relevant prior use occurred before the priority date. Finally, many of the prior art acts relied on by Infa occurred many years ago, and Infa’s expert who gave evidence as to much of those acts, gave very confused evidence and readily acknowledged his inability to recall events accurately, even events which took place as late as 2010.

On one particular prior art use, the witnesses gave evidence of a particular arrangement of hooks and bolts used for child safety seats (pigtail hooks and bolts). However, that evidence was largely confined to the detail of the connection arrangement at the anchorage location of the vehicle, and did not provide detail as to the features of that connection arrangement in combination with the child safety seat. Thus, the evidence was not sufficient to establish anticipation of the claimed combination. Furthermore, in seeking to establish that the prior art acts anticipated, Infa combined evidence of those acts with prior art documents, but without establishing that the person skilled in the art would treat both as a single source of information.

Infa’s assertions of lack of innovative step and inventive step also failed. It appears that Infa did not adduce any compelling evidence in support of these grounds of invalidity. Similarly, for one of its lack of utility claims, Infa appeared to rely on submissions as to the inability of the claimed apparatus to meet the promise of the invention or work, but did not adduce any expert evidence in support. As to another claim of inutility regarding the use of a tether strap, while the experts agreed that a particular claimed tether strap arrangement would be impractical (in the sense that consumers had little patience and would give up after one or two attempts if there were difficulties in installing a safety seat and tether strap correctly), his Honour did not consider that this showed inutility. This was because the patent did not promise the practicability or ease of adjustment of the tether strap.

Finally, as to lack of clarity, his Honour observed that it was not sufficient for Infa to contend, as it did, that the impugned terms of the claims lacked clarity on account of the substantial discord between the parties and the experts as to interpretation of the claims when considering whether the Infa products infringed. Notwithstanding that discord, none of the experts had any difficulty giving meaning to the terms (though that meaning differed) and the Court was able to construe the terms as it did in the Construction Judgment.

In the Construction Judgment, his Honour expressed the hope that his conclusions as to construction of the patents would lead to a resolution of the dispute. The failure of that judgment to do so was perhaps a failing more of the parties to properly identify all the terms and phrases of the claims in dispute rather than a failing of the idea of giving a pre-trial determination on construction akin the US Markman hearings. Nevertheless, this attempt to determine the matter early by way of the Construction Judgment has had the unfortunate effect of significantly prolonging of the litigation. It will be interesting to see whether anyone will attempt such a course in Australia in future and, if so, what lessons will be learned from this case.

And in other news:

- The providers of various accounting, financial, advisory and legal services under the business name and registered trade mark “COLLINS HOUSE” failed to persuade Justice Mortimer that an interlocutory injunction should be granted to prevent the respondents from marketing a residential property development being built in Collins St, Melbourne by reference to “COLLINS HOUSE” or “COLLINS HOUSE MELBOURNE” (also to be the name for the development itself). Justice Mortimer held that there was a lack of overlap between the respective parties’ services. Her Honour was not satisfied that the key respondent (GAS) provides any advisory services at all, nor services that relate to commercial personal or business activities with others (in contrast to the applicant); GAS’s activities are promotional in nature and directed to the specific Collins St development. Further, GAS’s use of COLLINS HOUSE is entirely descriptive. To the extent the evidence suggested that “as an incident” of its activities GAS might pass on information from third party financial advisers, brokers and similar professionals, such conduct was to “advance its own interests ... rather than to build a client base”, and did not create any real risk of confusion. Similar considerations led her Honour to reject the existence of a prima facie case based on the applicant’s consumer
law and passing off claims. Her Honour also noted the countervailing level of financial and reputational harm that would be visited upon the respondents if forced to rebrand the development, the likelihood that the marketing would shortly cease once all of the apartments to be built were sold, and the availability of damages as an appropriate remedy: *Collins House Pty Ltd v Golden Age Sunrise Development Pty Ltd* [2015] FCA 724.

- Andrew Garrett, a well known winemaker in the 1980s and 1990s, has failed to have set aside summary judgment and vexatious litigant orders made against him in his long running dispute against Treasury Wine Estates Vintners Ltd (TWE) and its licensees. That dispute stemmed from Mr Garrett’s development of a number of brands that incorporated his signature (but not registered as trade marks in his name), and the eventual acquisition of those brands by TWE, then known as Mildara Blass. TWE’s acquisition and management of the “Andrew Garrett” brands evidently caused him to see red, and proceedings were issued in 1996 in the South Australian Supreme Court. These were settled by a deed executed in 2000. Justice Beach observed, however, that Mr Garrett “appears never to have accepted the terms of that compromise as binding upon him”, with the result that Mr Garrett has issued at least 12 separate (and unsuccessful) proceedings to revisit the increasingly vintage bargain struck in 2000 and/or adverse findings made against in successive proceedings. Unsurprisingly, his Honour found no error in the trial Judge’s finding that the present proceedings were an abuse of process and ought to be summarily dismissed: *Garrett v Make Wine Pty Ltd* [2015] FCA 593.

- An architectural service firm (Architecture HQ) has failed to persuade Justice Bromberg to issue a *Mareva* injunction against the third respondent (Summerhill) to secure amounts alleged to be owing by the first respondent (Propertylinc). Propertylinc used those plans to obtain a permit to build the shopping centre. Summerhill purchased the relevant land from a company associated with Propertylinc, and then used the plans to have another firm draft a modified set of plans for use in seeking an amendment to the permit. On 2 June 2015, Summerhill agreed to sell the land to another party. Although satisfied that the applicant has a good, arguable case, Justice Bromberg held that there was insufficient evidence from which it could be inferred that there was a real risk that Summerhill would dissipate its assets (effectively the sale proceeds); a mere possibility is not enough: *Architecture HQ Pty Ltd v Propertylinc Pty Ltd* [2015] FCA 686.

NEW SOUTH WALES

Simon Reynolds

Davies Collison Cave
Correspondent for New South Wales

*Reckitt Benckiser Healthcare (UK) Ltd v Glaxosmithkline Australia Pty Ltd (No 5)*

[2015] FCA 486

**Patents – construction of claims, omnibus claims, patent infringement, invalidity, manner of manufacture, false suggestion, entitlement, fair basis**

**Background**

Reckitt Benckiser Healthcare (UK) Ltd (Reckitt UK) is the registered owner of Australian Patent No 2003283537 (the patent). Its Australian related company, Reckitt Benckiser (Australia) Pty Ltd (Reckitt Australia), is the exclusive licensee of the patent. The patent is directed toward a dispensing apparatus including a bottle, a bottle neck liner and a flat-nosed syringe. The apparatus enables dispensing of liquids, including liquid medicine, either through the flat-nosed syringe or by pouring it out of the bottle.

In March 2013, GlaxoSmithKline Australia Pty Ltd (Glaxo) launched a new version of Children’s Panadol Colourfree Suspension 1-5 years with a new dosing device that comprised an apparatus using a flat-nosed syringe that Reckitt UK and Reckitt Australia (collectively Reckitt) contended infringed the patent.
Rares J granted an interlocutory injunction on 28 May 2013, until later proceedings, restraining Glaxo from marketing the product Children’s Panadol 1-5 years when incorporating a liquid dispensing apparatus comprising a bottle, bottle neck liner and a flat-nosed syringe (the first Glaxo product).

The first Glaxo product
Glaxo substituted the syringe for an alternative syringe having a smaller nose section which would fit into the bottle neck liner (the second Glaxo product).

Rares J granted a further interlocutory injunction restraining Glaxo from using the alternate syringe on 17 July 2013. However, on 2 September 2013, the Full Court discharged the further interlocutory injunction because it did not consider that Reckitt had a sufficiently strong prima facie case of infringement of claim 1 of the patent to justify the restraint, and the balance of convenience did not favour it.

Reckitt sought permanent injunctions restraining Glaxo from using the first and second Glaxo products and damages for infringement of claims 1-6 and 9 of the patent. Glaxo denied that it was liable for any infringement and sought an order that the patent be revoked on the following grounds: the invention claimed was not a method of manufacture; lack of an inventive step; the patent had been obtained by false suggestion or misrepresentation; the patentee was not entitled to the patent; and claims 1-6 and 9 were not fairly based on the matter described in the specification.

Infringement
Claim 1 specified that the liner had an outer cylindrical body that would sealingly engage with the inside of the bottle neck such that liquid could not flow therebetween. Glaxo’s expert asserted that the phrase “sealingly engaged” imported a requirement that there be a firm interference fit between the liner and the bottle neck. As Glaxo’s liner was not a firm interference fit with the bottle, it could not be expected to provide sufficient frictional engagement with the bottle neck to prevent the liner coming out of the bottle when the syringe was removed. Furthermore, Glaxo’s liner included a tapered portion that was said to not be cylindrical. As such, Glaxo submitted that the cylindrical body of claim 1 was not present in the liner of the first or second Glaxo product.

Rares J rejected Glaxo’s argument stating that it was clear that the Glaxo liner prevented liquid flowing between the liner and the bottle. Furthermore, Rares J concluded that the phrase “sealingly engaged” should not be construed to require an interference fit. Rather, this phrase should be interpreted in relation to the end result of preventing leaking between the liner and the bottle. His Honour noted that whilst part of the liner was tapered, there was another portion that was not tapered and thus was cylindrical. This cylindrical portion of the liner sealed with the bottle and prevented liquid flowing between the liner and the bottle. Thus, Rares J concluded that the Glaxo liner included this feature of claim 1.

Claim 1 also specified that the liner included a sleeve with a flared portion that the distal end of the syringe barrel passed. Glaxo’s expert contended...
Current Developments – Australia

that the Glaxo liner did not intentionally include a flared portion to act as a lead in for the distal end of the syringe as the designer actually provided a fillet radius to reduce machine stress when the two parts forming the injection mould were separated. However, Reckitt’s expert submitted that the fillet radius was located in a different portion of the liner and that the liner clearly included a flared portion to provide a lead in for the distal end of the syringe. Rares J preferred the evidence provided by Reckitt’s expert and concluded that the Glaxo liner had taken this feature.

Based on the above conclusions, Rares J concluded that first Glaxo product infringed claims 1-6 of the patent.

In relation to the second Glaxo product, claim 1 specified that the barrel of the syringe terminated at its distal end in a generally flat face having a diameter corresponding to the diameter of the syringe barrel. Glaxo contended that the barrel of the syringe should be interpreted as being capable of including portions of varying diameters. Rares J concluded that a skilled addressee would understand that the barrel shape as required by claim 1 would have a generally uniform diameter along its length and would not have varying diameters. As the second Glaxo product included a syringe that changed in diameter due to the smaller nose section, Rares J concluded that the second Glaxo product did not infringe claims 1-6 of the patent.

Claim 9 of the patent was an omnibus claim, which was relevant to both the first and second Glaxo products. Rares J concluded that the omnibus claim should be given a construction that reflected its use of the word “substantially” in a manner that the claim extends to the substantial idea disclosed by the specification and shown in the drawings, but not limited to the exact expression or illustration of that idea in the patent. Rares J rejected Glaxo’s arguments. In particular, His Honour noted that the very limited disclosure of WO 02/085429 did not refer to any property of an assembly that provided a seal to prevent leaking, a flat, or any other, nose in the syringe with a plunger having the spherical tip or how that particular assembly might work to achieve the claimed invention of the patent.

Manner of Manufacture

The specification of the patent made reference in the background to another patent, WO 02/085429. Glaxo argued that the complete specification on its face disclosed that the three component parts of the claimed apparatus existed in WO 02/085429. Glaxo contended that as the three component parts of the claimed apparatus were disclosed in background of the complete specification, the claimed apparatus had no new practical utility and did not add to what was already known or help to solve a known problem.

Inventive Step

Glaxo argued that the claims of the patent lacked an inventive step having regard to the common general knowledge in Australia before the priority date. In particular, Glaxo presented evidence from Mr Evers-Buckland who was a regulatory affairs consultant, a former member of committees for developing Australian standards and, between 1986 and 2005, an employee of Becton Dickinson, a multinational medical device company.

Rares J stated that Glaxo’s reliance on Mr Evers-Buckland was misplaced. First, Mr Evers-Buckland was not considered by His Honour to be a person skilled in the art and that there was no evidence that he had ever invented or designed anything. Furthermore, despite being given the problem to solve, Mr Evers-Buckland did not come up with an invention or a drawing reflecting any of the claims in the patent. Moreover, his Honour indicated that Mr Evers-Buckland was prompted along the way by questions about how to achieve what the inventors of the claimed invention had actually conceived. As such, Mr Evers-Buckland evidence was not considered persuasive on the issue of inventive step.

False Suggestion

Glaxo contended that Reckitt had made a false suggestion as to the identity of the true inventor. Glaxo alleged that Gareth Pearce alone or with others from Hubert De Backer NV (HDB), a
Belgian producer of injection moulded syringes and accessories, were the inventor(s) of the patent. HDB had been in dispute with the original patent applicant, Boots Healthcare International Ltd (Boots) in 2005 in relation to the claimed invention prior to being acquired by Reckitt. Glaxo argued that the inventors listed on the patent, Ms Dallison and Mr Harrison, made no relevant inventive contribution to claims 1 or 9.

Rares J rejected Glaxo arguments. In particular, His Honour highlighted that the combination of a flat-nosed syringe co-operating with a bottle neck liner and a bottle in the form of the apparatus had nothing to do with Mr Pearce or HDB. Ms Dallison also had envisaged the features of that combination, being the way in which the flat-nosed syringe would co-operate with the liner, and, with Mr Harrison, the need for the liner to be adapted to suitably pour liquid contents from the bottle without mess. His Honour also highlighted that Boots had reached agreement with HDB in order to proceed with patent protection. His Honour also noted that both Mr Pearce and HDB have been aware of the current proceedings for some time yet neither had sought to assert that Mr Pearce was the true inventor. Based on these reasons, His Honour concluded that there was no false suggestion by Reckitt.

Entitlement
Glaxo argued that there was no evidence of the contribution made by Ms Dallison and Mr Harrison to the claimed invention. Glaxo contended that there was no evidence that Reckitt had derived any title to the invention, or that the two named inventors had conceived of the invention as claimed.

Rares J noted that the alleged lack of entitlement was a matter for Glaxo to prove and it was not incumbent on Reckitt to demonstrate positively that it was entitled to the patent. As such, his Honour concluded that the lack of entitlement ground had failed.

Fair Basis
Glaxo contended that if claims were construed so as to encompass the syringe of the second Glaxo product then the claims could not be fairly based on the complete specification. However, Rares J concluded that due to the construction given to the word “substantially” in relation to claim 9, claim 9 was fairly based on the matter described in the complete specification.

Conclusion
His Honour concluded that Reckitt was entitled to relief in relation to the first Glaxo product having infringed each of claims 1, 2, 3, 4, 5, 6 and 9 of the patent and the second Glaxo product having infringed claim 9 of the patent.
Case Law Developments

Drametech Designs & Productions Pty Limited v Clownfish Entertainment Limited

High Court of New Zealand, Auckland, Woolford J, 27 May 2015

[2015] NZHC 1143

Interim injunction – copyright – works of artistic craftsmanship – whether plaintiff’s attraction in which visitors walk through a series of “maze-like” rooms, each filled with varying special effects and illusions was capable of being a work of artistic craftsmanship – whether copyright was infringed

Passing off – s.9 Fair Trading Act 1986 – whether misrepresentations that the defendants’ business was connected with plaintiff’s attraction

This case dealt with the copyright category of work of artistic craftsmanship and whether a tourist attraction in Queensland called Infinity Attractions could qualify as such a work.

Facts

The plaintiff operated a business on the Gold Coast in Australia, called Infinity Attraction. Visitors walked through a series of “maze-like” rooms, each filled with varying special effects and illusions. The plaintiff described its attraction as “multi-sensual environments filled with unique special effects, emotive atmospheric sound fields, sensuous aromas, ultra groovy music and amazing spectacular illusions”.

The plaintiff sought an interim injunction against the first defendant (Clownfish) and its two directors and shareholders. Clownfish had begun operating two businesses in Auckland and Queenstown known as Odyssey Sensory Mazes. Visitors walked through a series of rooms which Clownfish’s website described as having “darker challenging spaces, quirky physical obstacles and challenges, illusions, lighting effects, scents, sound effects and strange sensations”.

The Clownfish directors admitted to having visited the plaintiff’s Infinity Attraction in Australia and then designing Odyssey in just six months following that visit.

The plaintiff alleged that the defendants had infringed its copyright in a work of artistic craftsmanship. It argued that the creator of its Infinity Attraction had created a series of unique artistic environments unconstrained by functional considerations to provide an entertainment and leisure experience featuring immersive art.

The plaintiff also alleged both passing off and a breach of s.9 of the Fair Trading Act. It claimed that there was reputation and goodwill in New Zealand associated with its Infinity brand due to visitors from New Zealand and its advertising here. The misrepresentation alleged was an implied representation that the defendants’ Odyssey business was connected with the plaintiff’s Infinity Attraction.

Decision

(1) Copyright: Work of Artistic Craftsmanship

There was fundamental disagreement between the parties as to whether the Infinity Attraction was capable of being considered a work of artistic craftsmanship. The defendants alleged that Infinity consisted of many different types of works each of which required separate consideration.

Woolford J noted that the category work of artistic craftsmanship had been seen by commentators as specifically bridging the category of designs and models; also that it might allow the court to look at works of artistic craftsmanship as a whole and then to determine “whether such part as may have been taken by the defendant is a substantial part of the plaintiff’s work”.

Woolford J noted that giving consideration to the overall work was most logical in relation to artworks which often consisted of linked, disparate objects. He noted that it could be significantly disadvantageous to artists if they had to prove every aspect of the work’s components was copyrightable based on objections by defendants.

The Judge held that there was a serious question to be tried that the Infinity Attraction was a work of artistic craftsmanship capable of being a copyright work.

(a) A series of spaces with differing “environments” that viewers could experience could be considered to have some artistic qualities. “Given the
existing practice of many contemporary artists who create similarly immersive experiences in their art, through which visitors can walk, the view that there is objective artistic quality to creating immersive spaces is not unreasonable. The fact that people had to walk through Infinity to experience the spaces and rooms does not alter the ability of the particular ordering of the rooms, arrangement of the experiences to evoke an artistic experience.” The commercial element to Infinity was not a sufficient factor to suggest that there was not a serious question to be tried [31].

(b) As to whether the creator was an artist and craftsman, there was evidence that the creator took pride in his workmanship in relation to Infinity. The creation of Infinity had required skill in making it and conceptualising its construction and the overall experience. Infinity appeared to have sufficient “aesthetic appeal” based on the photographs and its popularity with visitors to sustain defining the creator as an artist [32].

(2) Originality
As to originality, the evidence provided as to the development of Infinity had detailed the design and development process. This suggested that the work had originated from the creator and there had been no suggestion that it was copied from another work [36].

(3) Infringement of Copyright
There was a serious question to be tried as to infringement. A preliminary assessment supported that the overall schema of Odyssey was very similar to Infinity with the shared theme of walking through immersive spaces, in conjunction with the similarities between those spaces (e.g. their entry tunnels both having rooms of bouncy swiss balls, with infinite recession spaces, with mirrors and lights to create single “star-gazing” illusions, with elastic/bungee cords stretched throughout the room). These similarities combined with the similarities in the approach to displaying the attraction (entry video, gloves, similar colouring in the shop-front and advertising) created objective parallels between them [40]. There was therefore a reasonable case to be answered as to the overall similarities between the attractions.

The visit by the defendant directors to Infinity Attraction and the speed of the subsequent creation of Odyssey was significant enough to suggest a sufficient causal connection to sustain an inference of copying could be made out on the facts at trial [41].

As to whether the alleged infringement was of a substantial part of the plaintiff's work, any conclusion at the interim injunction was necessarily speculative as to what would be considered to have been copied. However, if the overall schema of Infinity, in conjunction with sufficient identifying features – for example, the colour schemes, language use and large portions of the presentation of the attraction – were found to be copied then those would comprise a substantial part of the work [42].

(4) Passing Off and Fair Trading Act Infringement
As to goodwill in New Zealand, there was evidence of the plaintiff having goodwill in Australia and the close relationship between New Zealand and Australia could be said to extend that goodwill into New Zealand [49]. While more evidence would be necessary, there was a reasonable premise for the plaintiff to claim that goodwill existed [49]. There was also a tenable claim that misrepresentation “the similarities between the businesses could give rise to a conclusion that they are linked in some way, which implies a similar standard” [49]. There was therefore a serious question to be tried on these causes of action as well.

(5) Balance of Convenience
Overall, however, Woolford J refused the interim injunction. Of particular significance on this issue was that the plaintiff had no competing attraction in New Zealand and as yet had not provided any evidence relating to actual confusion or loss of business. Its concern appeared primarily focused on the future loss to it of a franchising opportunity. That pointed in favour of the defendants as it suggested that no damage (which would be irreparable in future) was currently occurring to the plaintiff's business. Damage to a future franchisee could be remedied by eventual closing or modification of Odyssey or through damages equal to the loss of the franchise value. An interim injunction would be highly likely to ruin the defendants’ business entirely. The terms of the injunction sought would pose a significant barrier to any ongoing trading by the defendants [56].
Burden v ESR Group (NZ) Limited
High Court of New Zealand, Auckland, Muir J,
14 July 2015
[2015] NZHC 1649

Copyright – border protection measures – border enforcement notices based on copyright in furniture items - Notices of Determination – application to court that items detained be released – approach to take to applications – “foregone conclusion” or interim injunction principles – relevance of balance of convenience – s.141 Copyright Act 1994 (NZ)

This case dealt with border enforcement notices and the principles to apply where the importer seeks to mount a challenge that the detention of goods by Customs pursuant to such a notice is improper.

Facts

The first plaintiff (Mr Burden) was the managing director of the second and third plaintiffs (Plantation Grown Timbers (International) Ltd and Plantation Grown Timbers (Vietnam) Ltd).

The first defendant was ESR Group (NZ) Ltd, a furniture importer and retailer. The second defendant was Morrow Marketing Management Ltd, a furniture supplier registered in the British Virgin Islands. The third defendant was Mr Morrow, a former employee of the first and third plaintiffs. The fourth defendant, Galaxy Home (Vietnam) Ltd, was a wholly owned subsidiary of the second defendant. Both the second and fourth defendant were controlled by the third defendant. The fifth defendant was the Chief Executive of Customs, who abided the decision of the Court.

On 20 May 2013, the solicitors for the first and second plaintiffs filed border enforcement notices with the Chief Executive of Customs pursuant to s.136 of the Copyright Act 1994, claiming ownership of copyright in certain furniture items labelled with particular brand names. The second plaintiff claimed to be exclusive licensee of the works.

Between July and October 2014, the first defendant imported into New Zealand items of furniture from Vietnam. These items were detained by Customs upon arrival on the grounds that they were pirated copies of works in which the first plaintiff owned copyright. The Chief Executive of Customs wrote to the first defendant informing it of the detention.

In September and October 2014, the Chief Executive of Customs issued Notices of Determination in which she accepted the plaintiffs’ claim that the items appeared to be pirated copies of copyright works in which the first and second plaintiff claimed protection.

Following the notices of determination, the plaintiffs commenced proceedings against the defendants alleging copyright infringement and breach of the Fair Trading Act 1986. The statement of claim sought, amongst other relief, a declaration that the imported items were pirated copies and imported for other than the defendants’ private and domestic use.

The first defendant brought an interlocutory application seeking an order under s.141(2) of the Copyright Act for the release of the detained furniture. The substantive proceedings had not been determined at that time.

The first defendant argued that the detention of the items was improper because the first plaintiff was not the owner of the copyright in the works referred to in the s.136 notice on which the detention was based. He argued that copyright (if any) reposed in either the second or third plaintiff and was not enforceable in New Zealand under s.232 of the Act because these were respectively BVI and Vietnamese registered companies. Further, the first defendant argued that the s.136 notice was deficient in that the first plaintiff claimed copyright ownership in an unrealistic number of items and that the images provided to Customs were of insufficient detail for Customs to properly identify infringing copies.

The first defendant submitted that an application under s.141(2) invited an approach akin to that followed in an application for an interim injunction.

The plaintiffs submitted that such an approach was not appropriate and that the first defendant’s application was based on factual assumptions which would be properly tested in the substantive proceeding which were then pending. The plaintiffs also submitted that despite the British Virgin Islands and Vietnam not being listed in the Copyright (Application to Other Countries) Amendment Order 2000, they were entitled to reciprocal copyright protection by virtue of the Berne Convention and TRIPs Agreement.

Held, declining (but not dismissing) the application:

(1) The primary purpose of s.141(2) (and its equivalent provisions in the Trade Marks
Act 2002) was to provide a vindication of an importer's rights and to obtain release of the detained goods if the copyright proprietor had failed to act in time to bring proceedings or give appropriate notice or had brought proceedings in time but had since abandoned them. Other potential grounds would not be excluded, for example, lack of any seriously arguable case that there was a copyright infringement or lack of any seriously arguable case the importation was for other than private and domestic use, or something in that nature [24].

(2) There was no material difference between the absence of a seriously arguable case and other tests such as the “foregone conclusion test” (and analogy with a defendant's summary judgment). A hopeless case should not result in continued detention of seized goods and there was no reason in terms of principle or procedure why that could not be tested by way of an interlocutory application brought in s.141(2) proceedings [27].


(3) The proposition that, in such an application under s.141(2), the Court should invoke the principles relevant to an application for an interim injunction, including a balance of convenience analysis, went beyond what had been contemplated and was not supported by the legislative framework [28].

(4) Resolution of the factual disputes contained in the affidavits filed in support of and in opposition to the interlocutory application was not possible within the context of an application under s.141(2). The obvious procedure for dealing with those disputes was a full civil action [31].

G Success Co Ltd v Chief Executive Officer New Zealand Customs Service (supra) followed.

(5) It was unlikely that signatories to the Berne Convention and TRIPs Agreement, (in this case Vietnam and BVI) who were not listed in the Copyright (Application to Other Countries) Amendment Order 2000, were to receive reciprocal protection for copyright works in New Zealand [45]. Sections 18(2) and 232 of the Copyright Act, read together, contemplated a requirement that any foreign national seeking to uphold copyright in a New Zealand Court would be either a citizen, resident or incorporated in a country recognised by the Order [45]. Regardless, the plaintiffs' primary submission was that the first plaintiff, an Australia citizen, was the owner of copyright, Australia being recognised in the Order [46]. This submission was not so completely untenable that the first defendant's application should be resolved against the plaintiffs at this stage of the proceedings. All of these issues were appropriately to be considered in the context of the imminent trial [57].

(6) The issues that a court could consider in its discretion under s.141(2) did not necessarily exclude a review of the notice on which the detention was based. Under s.141(2), no order could be made discharging the notice, but if a court nevertheless came to the view that the notice was invalid, there was no reason why it should be precluded from considering that issue in the context of a release (of detained goods) application. However, where there were extant infringement proceedings running under s.141(3), a clear case of invalidity would need to be shown [62]. The “foregone conclusion” test had not been made out [67].

If the Court was incorrect in its finding that balance of convenience considerations were not invoked on a s.141(2) application, it would have found that the balance of convenience favoured the plaintiffs [68]. This was mainly because of the proximity of the trial. If the plaintiffs failed at trial but then appealed, a new application could be filed under s.141(2). For this reason, the application was declined, but not dismissed [69]. Other relevant balance of convenience factors were that the first defendant's lost sales were readily calculable in damages [70], whereas the plaintiffs' damages would be difficult to quantify [71].
New Zealand Institute of Chartered Accountants v The Chartered Institute of Management Accountants

High Court of New Zealand, Auckland, 23 February 2015, 23 April 2015, Brown J

[2015] NZHC 818

Trade Marks – hearings before Commissioner – request to cross examine witness – appeal from decision allowing cross examination - whether decision to permit cross-examination subject to general appeal or discretionary appeal approach – observations on considerations relevant to cross examination – s 160(2) Trade Marks Act 2002 (NZ)

This case sets out helpful guidance on the principles to apply where there is a request to cross-examine a witness in proceedings before the Commissioner.

Facts

The Chartered Institute of Management Accountants (the respondent) applied for the trade mark THE CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS. The New Zealand Institute of Chartered Accountants (the appellant) opposed the application.

In the context of that opposition, the respondent made an application for a direction under regulation 31 of the Trade Mark Regulations 2003, requiring the production by the appellant of a copy of an agreement that the respondent considered to be significant to the dispute. The application was granted. However, general counsel for the appellant stated that he had been unable to locate the agreement. The respondent then filed a request under s.160 of the Trade Marks Act 2002 for a direction permitting the appellant’s general counsel to be cross examined in respect of two particular matters. An Assistant Commissioner granted the request to cross examine following a hearing. The appellants appealed.

The grounds of appeal were that the Assistant Commissioner of Trade Marks:

(i) Erred in law in determining the appropriate test for whether cross-examination should be permitted in proceedings opposing an application for a trade mark under the Trade Marks Act 2002.

(ii) Erred in fact and in law by permitting cross-examination of the appellant’s general counsel in respect of the two particular matters.

(iii) Erred in law by permitting cross-examination in the absence of good or compelling reasons, where there were no contradictions going to the heart of the matter and where cross-examination in trade mark proceedings should be permitted rarely.

The appellant submitted that the appeal was a general appeal and the approach in Austin, Nichols & Co Inc v Stichting Lodestar [2008] 2 NZLR 141 SC should apply. The respondent submitted that a decision under s.160(2)(b) permitting cross-examination was a discretionary decision to which the Austin Nichols approach did not apply.

Held, dismissing the appeal:

A Approach on Appeal

(1) The legislative provisions governing evidence and cross examination in s.160 of the Trade Marks Act 2002 were essentially similar to the previous provisions in s.68 of the Trade Marks Act 1953 [26]. As to appeal rights, s.170 of the 2002 Act made provision for all appeals against the Commissioner’s decision in a single section (incorporating the notion of an aggrieved person as the requirement for access to the appeal regime) [30]. The fact that all appeal rights were in one statutory provision was not determinative of the nature of the appeal. While decisions of the Commissioner on substantive matters such as opposition to registration will plainly be subject to general rights of appeal, it did not follow that this applied to procedural appeals [37]. The Commissioner’s powers to allow cross-examination under s.160 should be viewed as discretionary for a number of reasons.

(a) The first was because a decision to allow or refuse cross-examination was appropriately viewed as a part of a tribunal’s case management function in relation to which appellate courts traditionally exercised restraint [39].

Knauf Insulation Ltd v Tasman Insulation New Zealand Ltd (2013) 21 PRNZ 535; Ashmore
v Corporation of Lloyd's [1992]
1 WLR 446 (HL); Badger v
Whangarei Commission of Inquiry
[1985] 2 NZLR 688 (HC);
Hokochemie GmbH v Hokko
Chemical Industry Co Ltd 0-158-
08, 9 June 2008 referred to.

(b) Appellate restraint was
appropriate in relation to
decisions of the Commissioner
under s.160(2) because of the
nature of the hearing process
before the Commissioner; and
the fact that cross-examination
is for the Commissioner's benefit
[43]. The degree of control
which the Commissioner was
empowered to exercise over
the nature and conduct of his
or her determination process
strongly suggested that his or
her procedural determinations
should be viewed as discretionary
in nature [47]. The decision
whether or not to permit cross-
examination would turn on the
Commissioner's view of whether
he or she was likely to be assisted
by cross-examination in the
substantive matter for decision
[48]. This element of personal
appreciation was significant
[49]. The scope of personal
appreciation was substantial
where the determinant for
allowing cross examination was
whether it would be of material
assistance to the Commissioner
[50].

B Whether the Assistant Commissioner
Committed Errors
(2) The Assistant Commissioner had not
provided an exhaustive statement of when
cross-examination should be allowed.
She had agreed with the observation in
Alliance that it was not possible to give an
exhaustive statement of the circumstances
in which cross-examination would be
allowed and had listed principles which
she considered relevant to the exercise
declaration under s.160(2)(b) [52].
There was no error by the Assistant
Commissioner as her statements were
not intended to be determinative of the
“appropriate test” [55].

As the Court had concluded that the
Assistant Commissioner’s decision was
discretionary, it was necessary to approach
the appeal with reference to the May v
May principles [63]. It could not be said
that the Assistant Commissioner acted on
a wrong principle or was plainly wrong in
making her decision [66]. The Court was
not entitled to set aside the decision [70].

May v May (1982) 1 NZFLR 165 applied;
Novartis New Zealand Ltd v Aktiebolaget
Hasle [2004] 2 NZLR 721 (CA) referred to.

C Matters Relevant to Exercise of Discretion
(4) It was not a pre-requisite for cross-
examination being permitted on
contradictions in written evidence that
such contradictions “go to the heart of the
matter”. The question of the relevance of
the matters for cross-examination to the
issues in the substantive proceeding is a
matter of degree [75].

DB Breweries Ltd v Society of Beer
Advocats, Inc [2011] NZIPO T M 19
referred to.

Observed:
(a) Applications for permission to cross-
examine in proceedings before the
Commissioner were likely to be
more frequent in the future than had
traditionally been the case. A reason for
this was the recognition given to the
rule in Browne v Dunn which had been
codified in s.92 of the Evidence Act 2006
[78]. In Aqua Technics, the Supreme
Court had not opined on the frequency of
cross-examination [82]. Analogy with the
approach in judicial review proceedings,
where leave to cross-examine was rarely
granted because of a rule of practice
grounded in the nature of judicial review
as a relatively simple, untechnical and
prompt approach, was not appropriate in this context [83].

*Browne v Dunn* (1894) 6 R 67 (HL); *World Brands Ltd v Tripp Ltd (EXTREME Trade Mark)* [2008] RPC 2; *Aqua Technics Pool and Spa Centre New Zealand Ltd v Aqua-Tech Ltd* [2007] NZCA 90; *Aqua Technics Pool and Spa Centre New Zealand v Aqua-Tech Ltd* [2007] NZSC 52; *Association of Dispensing Opticians of New Zealand Inc v Optician Board* [2000] 1 NZLR 158 (CA); *Zoggs International Ltd v Sexwax Incorporated* [2013] NZHC 1494 referred to.

(b) A second reason that cross-examination was likely to become more frequent was because of the inclusion in s.17(2) of bad faith as an absolute ground for refusal to register a trade mark [85]. However, even when allegations of bad faith were made, cross-examination would not necessarily be permitted [86].

*DAAWAT Trade Mark* [2003] RPC 187; *Alliance & Leicester Plc’s Trade Mark Application* [2002] RPC 29 referred to.

(c) It would not be useful for the Court to proffer some new epithet in an endeavour to convey the anticipated frequency of cross-examination in future. Cross-examination would only occur when the Commissioner was persuaded that he or she would be materially assisted in the task of reaching a substantive decision [87].

1 And therefore within the category of “literary work” under the New Zealand Act. However under the Act the definition of “compilation” can specifically comprise combinations of different types of copyright work, e.g. artistic, literary, sound recordings and films.

Lost in Translation: The Uphill Battle for Foreign Brand Owners to Protect Chinese Trade Marks in China

In April 2015, the Guangdong Intermediate People's Court delivered a judgment against New Balance, an American footwear manufacturer, for trade mark infringement. New Balance was found to have used, knowingly and without prior authorisation from the trade mark owner, the mark “新百伦” (pronounced Xin Ba Lun, a Chinese transliteration from English words “New Balance”) in connection with offers for the sale of New Balance shoes on Chinese online platforms and promotional campaigns.

New Balance was ordered by the Court to pay an unprecedented sum of 98 million Yuan in damages to the trade mark owner plaintiff – a businessman in Guangzhou trading in shoes and apparel bearing the mark “新百伦” – and to make a public announcement on its official website to eliminate any negative influence it may have caused to the plaintiff’s mark.

“First to file” Wins

Unlike in many Commonwealth jurisdictions where registration of a trade mark depends on and must be coupled with evidence of use, the trade mark registration system in China operates on a “first to file” basis. Whoever first obtains a trade mark approval in China, owns the rights in the trade mark, even if the successful registrant turns out not to be the official trader of the branded products or services. The race to gain ownership to a trade mark has become more intense in recent years given the escalation of trade mark squatting in China.

The Inevitability of Multiple Translated Marks

The unfortunate reality in China is that the majority of Chinese consumers do not speak a foreign language. By necessity, Chinese consumers will, sooner or later, devise their own Chinese version of a foreign brand instead of referring to the original Latin script for the sake of convenience.

Since the transliteration of Latin script can develop different versions of Chinese characters with the same pronunciations, consumers will inevitably be confused by the existence of multiple versions representing or sounding like the same brand.

In the New Balance case, the Court found that on occasions an alternative mark “纽巴伦” (Niu Ba Lun) was used by New Balance throughout the course of its trading activities in China. Having multiple versions of the same Chinese brand that is not consistently marketed will inevitably dilute the distinctiveness of a brand image.

It is therefore prudent for foreign brand owners to retain control of their own brand image and not only register, but take initiative to promote a consistent, official Chinese version of their brand.

The Dangers of Oppositions

New Balance had actually opposed the mark’s registration in December 2007, but without success. The Court found bad faith on New Balance’s part by continuing to use the mark “新百伦” despite having knowledge that its earlier opposition against the mark’s registration was not upheld.

Under the new Trade Mark Law (effective from 1 May 2014), material changes were made to streamline the opposition process intending to curb unmeritorious claims. One such amendment is the ban of any appeals by unsuccessful opponents to the Trademark Review and Adjudication Board. Instead, the mark in question will immediately proceed to registration with the China Trademark Office (CTO). If a brand owner loses its first instance opposition before the CTO, the only other recourse it has is to proceed through invalidation of the registered mark, a new process introduced under the new law.

This change highlights the fact that brand owners now need to put more thought into their claims at the opposition stage, and submit evidence showing sufficient use or well-known status, because the consequences of an unsuccessful opposition may be dire and can actually be used against a brand owner as evidence of bad faith, as illustrated in the New Balance case.

An Unorthodox Award of Damages?

Perhaps the most commented aspect of the New Balance case was the fact it resulted in the highest damages award in the history of trade mark infringement in China, of 98 million Yuan (US$15.8 million).

It is now possible under the new Trade Mark Law,
if it is “difficult to determine the amount of actual losses” caused by the infringement (as happened to be the case in the New Balance case) that the amount of damages is to be determined based on an account of profits. This decision is being appealed by New Balance, and it remains to be seen whether the Court’s reasoning on the award of damages will be upheld.

**Lessons Learned**

The New Balance case serves as an important reminder for any foreign brand owners with plans to trade in China to act early, and the sooner the better.

Where no official Chinese transliterated mark has been devised, in order to retain control of one’s brand within the Chinese market, companies should adopt and register an official Chinese mark that appropriately reflects their brand before the Chinese public creates their own version. To avoid confusion between an official Chinese mark and the multiple renditions that inevitably already exist in the market, foreign brand owners should conduct consistent and distinctive marketing strategies of their registered Chinese mark. Use of any trade mark without registration can result in undesirable consequences.

**SINGAPORE**

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Societe Des Produits Nestle SA and another v Petra Foods Ltd and another is the first Singapore case where the Court has explored the treatment of the factors in s.7(3) of the Trade Marks Act, more commonly known as the “Nature Exception”, the “Technical Result Exception” and the “Substantial Value Exception”. While the judgment covers several issues in trade mark and copyright infringement, this article will focus on the particular issue of the application of s.7(3) of the Trade Marks Act.

**Brief Summary**

The plaintiffs in this case were Societe Des Produits Nestle SA and Nestle Singapore (Pte) Ltd, who are the proprietors and/or distributors of the chocolate-covered wafer product known as KIT KAT. The defendants belong to the Petra Foods group of companies, who are the proprietors and/or distributors of the chocolate covered wafer product known as TAKE-IT.

The plaintiffs had made several claims against the defendants for trade mark infringement and copyright infringement. With regard to the trade mark infringement claims, the plaintiffs relied on the following shape mark registrations in Singapore.

- **Plaintiff’s registered Two Finger Shape Trade Mark (”Two Finger Shape Mark”)**

- **Plaintiff’s registered Four Finger Shape Trade Mark (”Four Finger Shape Mark”)**

The plaintiffs’ claims included, *inter alia*, claims that the defendants’ product and product packaging had infringed the Two Finger Shape Mark as well as the Four Finger Shape Mark. In their defence, the defendants counterclaimed, *inter alia*, that the plaintiffs’ Two Finger Shape Mark and Four Finger Shape Mark should be revoked as they:

1. Consisted exclusively of a shape which results from the nature of the goods themselves.
2. Consisted exclusively of a shape which is necessary to obtain a technical result.
3. Consisted exclusively of a shape which gives substantial value to goods.

**Application of Section 7(3) of the TMA**

The Court in making its assessment drew from several contemporary cases from the Court of Justice of the European Union (CJEU).

**Essential Characteristics**

The first step was to determine the essential characteristics of the Two Finger Shape Mark and the Four Finger Shape Mark. In determining this, the Court considered the various findings in corresponding litigation held in relation to the Two Finger Shape Mark and Four Finger Shape Mark worldwide. The defendants submitted that the essential features in the present case were as follows:

1. The rectangular “slab” shape of the Two Finger Shape Mark and the Four Finger Shape Mark
as they appear on the form of the registrations, including the relative proportions of length, width and depth.

2. The presence, position and depth of grooves arranged along the length of the bar, which divided the bar into detachable fingers.

3. The number of such grooves which, together with the width of the bar, determine the number of fingers.

In contrast, the plaintiffs submitted that the essential features were:

1. Two/four straight fingers wherein each shape was an elongated trapezoid.

2. Joined on a base.

3. Characteristic overall dimensions of the Two Finger Shape Mark and the Four Finger Shape Mark.

4. A plinth surrounding the base on all sides.

The Court agreed with the defendants’ submissions. In particular, the Court was mindful that the important factor was whether an alleged essential characteristic would make any real impact on the average consumer. For this reason, the Court was of the view that the defendants’ characterisation of the overall basic rectangular slab shape was a feature that would have a pronounced visual impact, and that the grooves which are eye catching (and following from this, the number of grooves) would also be an essential feature. It is also for this reason that the Court did not accept the plaintiffs’ submissions, including those in relation to the “plinth” which although may be considered to alter the original shape, would not likely be noticed by consumers as an essential feature.

Section 7(3)(a) of the TMA – The Nature Exception

The Court found that the essential features do not result from the nature of the goods in question. The Court took guidance from the case of Hauck GmbH & Co KG v Stokke A/S, Stokke Nederland BV, Peter Opsvik and Peter Opsvik A/S [Case C-205/13], and appeared to approach this issue by applying the following steps:

1. Determining what the goods are as an article of commerce.

2. Determining whether the goods are natural goods or standardised products.

3. Determining whether the goods consisted exclusively of characteristics ordinarily attributed to such good.

4. Determining whether the essential characteristics derive from the function of the goods.

Here, the Court found that the goods in this case would be defined as “chocolate coated bars and wafers”, and found that they are not natural goods or standardised products, and that they did not consist exclusively of characteristics ordinarily attributed to such goods. The Court then considered the function of the goods, which it is for consumption, and determined that to be consumed the only characteristic is that it taste good and be appetizing. Accordingly, while the Court was prepared to accept that the “slab” shape was a natural shape for chocolate bars, the presence of grooves were not inherent to the function of such chocolate coated products. Accordingly, the Court was not prepared to hold that the essential characteristics result from the nature of these chocolate products.

Section 7(3)(b) of the TMA – The Technical Result Exception

The Court found that the essential characteristics were all functional and necessary to achieve a technical result. It accepted evidence that the essential characteristics were necessary for a technical result in the manufacturing of the product, as well as for use (consumption) of the product. The plaintiffs had mounted an argument that the exception should be confined to functionality from a “user perspective” as opposed to functionality from a “manufacturing perspective” as the provision was not intended to be construed in such a manner, and that such a reading would mean that no shape was registrable as all shapes were capable of manufacture. The Court disagreed and noted that the policy for unregistrability of shape marks is directed at “potential misuse of shape marks to combat competition from rival goods, which incorporate similar technical solutions and functional characteristics”. The Court reiterated that trade mark law should not be used to unjustifiably set up additional barriers of entry and impede freedom of competition by forcing competitors to resort to more expensive or less efficient manufacturing processes and technical solutions.

Section 7(3)(c) of the TMA

The Court found that the essential characteristics did not add substantial value to the goods. It found that the value in question relates to the aesthetic appeal of the shape, and not the value that may be added due to the shapes trade mark function. Despite the plaintiffs’ submissions that the original design of their product was of high artistic value (as it was designed in the Art Deco style in the 1930s), the Court found that at the relevant time of registration (in the year 2000), the artistic value would merely be regarded as functional as opposed to artistic. However, it is noted that the Court
did appear to accept that substantial value may be found in the form of economic value added by the shape by enhancing the goods' taste and feel, but did not make a ruling on this as insufficient evidence for such a finding was produced. The Court further acknowledged that this may result in an overlap with the Technical Result Exception.

**Overlap**

In closing, the Court considered whether there was a requirement that the three factors in s.7(3) be considered cumulatively or if they may be considered independently of each other. Having regard to the European cases dealing with a similar issue, it was found that, on a purposive interpretation of the provisions, s.7(3) as drafted appears to rule out cumulative application of all three grounds, and that it was not unduly restrictive to apply them separately from each other.

**Lisbeth Enterprises Limited v Procter & Gamble International Operations SA [2015]**

**Brief Facts**

The applicant, Lisbeth Enterprises Limited (the applicant), is the registered proprietor of various registered trade marks in Singapore comprising of the word “INSPIRE”. For instance, TM No. T0721117F for “” in classes 3, 5 and 35. On 29 October 2008, the applicant applied to register INSPIRE as a plain word mark in class 3 under TM No. T0721116H-03. However, the Registrar cited “”, (the Subject Mark) as an objection.

The registered proprietor of the Subject Mark is Proctor & Gamble International Operations SA (the proprietor). The Subject Mark is registered in class 3 in respect of “Eau de Cologne, perfumes, essential oils, non-medicated toilet preparations, cosmetics, anti-perspirants, soaps, dentifrices and preparations for the hair”. The Subject Mark was registered on 1 June 1981 and the date of completion of registration is 25 May 1984.

To overcome the Registrar’s objection, the applicant commenced proceedings to revoke the Subject Mark. The applicant claimed that the Subject Mark should be revoked on the grounds of non-use for a continuous period of five years, whether from the completion of registration or in the five years preceding the application for revocation. On the other hand, the proprietor claimed to have used the Subject Mark on a fragrance line endorsed by American celebrity singer, Christina Aguilera:

**Decision**

The applicant succeeded in revoking the Subject Mark as from 26 May 1989, which is the first day after the five-year period following completion of registration. The Principal Assistant Registrar (the Registrar) found that the revocation succeeded under ss.22(1)(a) and (b) of the Trade Marks Act (the Act):

22. (1) The registration of a trade mark may be revoked on any of the following grounds:

(a) that, within the period of 5 years following the date of completion of the registration procedure, it has not been put to genuine use in the course of trade in Singapore, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;

(b) that such use has been suspended for an uninterrupted period of 5 years, and there are no proper reasons for non-use;

(c) that, in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for the product or service for which it is registered;

(d) that, in consequence of the use made of it by the proprietor or with his consent in relation to the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services.

(2) For the purposes of subsection (1), use of a trade mark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, and use in Singapore includes applying the trade mark to goods or to materials for the labelling or packaging of goods in Singapore solely for export purposes.

In determining whether the Subject Mark should be revoked, the Registrar considered the following issues:
Issue 1: “Where” – Whether the Evidence Pertained to Use in Singapore
To show that the Subject Mark was used in Singapore, the proprietor submitted a wide range of evidence, including internet printouts showing the “Christina Aguilera INSPIRE” fragrance on sale on eBay and Amazon.com websites.

The proprietor cited various decisions in Singapore (including two Court of Appeal cases) which have held that evidence of an “active step” is required to show that the evidence submitted pertains to use in a certain area. On the facts of this case, the Registrar held that the proprietor did not demonstrate any “active step” in relation to the Singapore market beyond web listings per se on the eBay and Amazon.com websites. Although the eBay website reflected a “Singapore” country code top-level domain, the Registrar held that it did not necessarily follow that there had been an “active step” taken to attract custom from Singapore, beyond listing the fragrance on the website.

The Registrar also highlighted that the sellers appeared to be opportunistic ones from outside Singapore. The Registrar thus concluded that evidence showing that the “Christina Aguilera INSPIRE” fragrance was sold on eBay and Amazon.com websites did not amount to use “in Singapore”. The Registrar reiterated the importance, from a practical perspective, of adducing clear evidence of “active steps” taken when dealing with internet use, if a registered proprietor wished to defend the registration of their trade mark.

Issue 2: “When” – Whether the Evidence Pre-dated the Application for Revocation and if so, Whether it Could Still be Regarded if it Took Place within Three Months before the Application for Revocation
The Registrar found that the use of the Subject Mark commenced in September 2008, when the fragrance line “Christina Aguilera INSPIRE” was launched in the month preceding the application for revocation filed on 16 October 2008.

Under s.22(3) of the Act, read with s.22(4), any use within the period of three months before the application for revocation “shall be disregarded unless preparations for the commencement or resumption began before the proprietor became aware that the application might be made”. To avail themselves of this saving provision, the proprietor claimed that preparations for the commencement of use took place from 2007, before they were aware that the application was filed. The Registrar found in the proprietor’s favour as the proprietor had submitted evidence of various email discussions in October 2007 detailing the potential use of INSPIRE on a fragrance to be endorsed by Christina Aguilera.

Issue 3: “Which” – Whether the Evidence of Use Pertained to the Goods Claimed
The proprietor’s case was that they had used the Subject Mark on a fragrance line endorsed by Christina Aguilera. However, the Registrar noted that the Subject Mark is registered in respect of a wider specification, namely “Eau de Cologne, perfumes, essential oils, non-medicated toilet preparations, cosmetics, anti-perspirants, soaps, dentifrices and preparations for the hair”. As such, the Registrar stated that even if the evidence showed genuine use of the Subject Mark in Singapore in the relevant time period, there would still be a partial revocation in respect of “essential oils, non-medicated toilet preparations, cosmetics, anti-perspirants, soaps, dentifrices and preparations for the hair”.

Issue 4: “Who” – Whether the Evidence of Use Supported a Finding of Use by the Proprietor or with the Proprietor’s Consent
The Registrar considered the various items of evidence submitted by the proprietor to determine if each item supported a finding of use by the proprietor or with the proprietor’s consent.

In particular, the Registrar highlighted that although the proprietor purported to rely on evidence of use which showed that the “Christina Aguilera INSPIRE” fragrance was offered for sale on third party websites (e.g. www.perfumehypermart.com, www.safafragrance.com, www.ebay.com.sg, www.amazon.com), the proprietor did not demonstrate that such “use” was with their consent. The Registrar also indicated that there were no circumstances from which to imply such consent. As such, the Registrar stated that any use pertaining to these third party websites above would not be relevant for the purpose of defending the registration of the Subject Mark.

However, it is worth noting that this issue surrounding “consent” may be developed further by the courts in Singapore as a recent case discussing this issue, Romanoon Co., Ltd v Festina Lotus, S.A. [2015] SGIPOS 3 (Festina), is currently on appeal to the High Court in Singapore.

Issue 5: “What” – Whether it is the Subject Mark that was Used
The Registrar held that genuine use of a mark, “INSPIRE”, amounted to use of the Subject Mark, “INSPIRE”, as the general public is likely to perceive “INSPIRE” and “INSPIRE” as substantially of the same distinctive character.
The Registrar was also of the view that the use of “Christina Aguilera INSPIRE” would suffice as genuine use of “INSPIRE”. However, the Registrar also noted that her findings were based in the context of an application for revocation on the grounds of non-use (as opposed to in the context of whether a registered mark has been infringed if it is used together with other more dominant marks by the alleged infringer).

In conclusion, the Registrar held that as the revocation succeeded under s.22(1)(a) and (b) of the Act, the registration of the Subject Mark would be revoked from 26 May 1989, which is the first day after the five-year period following completion of registration.

The Polo/Lauren Company, L.P. v United States Polo Association
[2015] SGIPOS 10

This was the latest skirmish in the worldwide battle between the United States Polo Association (the applicant), and the Polo/Lauren Company (the opponent).

The opponent had lodged an opposition against the applicant’s trade mark application for

![USPA](image)

(the Application Mark) on the basis of its earlier mark for

![single horseman](image)

(the Single Horseman Mark). Both marks were registered or had been applied for registration in class 9 for, inter alia, eyewear and eyewear frames.

Prior to these proceedings, both parties had been involved in litigation in Singapore in the early 2000s. However, the action there concerned a different set of marks and was decided under the repealed Trade Marks Act 1992. Both parties had also been involved in litigation outside of Singapore.

The opponent proceeded upon two grounds of opposition: the first was under s.8(2)(b) of the Trade Marks Act (the Act) for being similar to an earlier trade mark and applied for goods identical or similar to those for which the earlier trade mark is protected, leading to a likelihood of confusion on the part of the public. The second ground of opposition was under s.7(6) of the Act, for the Application Mark having been registered in bad faith.

The opponent failed under both grounds of opposition.

Section 8(2)(b)

In summary, the learned Registrar found that while the goods in question were identical, there was only a very low degree of visual similarity between the marks. That, coupled with the fairly high degree of care and attention that the average consumer would pay when purchasing eyewear, resulted in there not being a likelihood of confusion between the contesting marks.

Visual Similarity between Marks

The Registrar found only an extremely low degree of visual similarity between the contesting marks. The opponent had argued that the “double horsemen” device element of the Application Mark was the dominant component of the trade mark as it possessed inherent technical distinctiveness in that it was the one which the public perceived as a badge of origin. In contrast, the opponent alleged that the “USPA” word element of the Application Mark was “much smaller in font size” and hence made the device element stand out.

However, it was an argument which the learned Registrar rejected. She found that the “USPA” word element was not “much smaller” than the device element, and that the position of the “USPA” word element was not subordinate to the “double horsemen” device as they lay side by side, equal to each other.

Further, since the word “USPA” was meaningless, that meant that the word element possessed inherent technical distinctiveness as well, and therefore could not be completely subordinate in importance or distinctiveness to the “double horsemen” device element.

As a consequence, the learned Registrar found that there was no dominant component in the Application Mark. She therefore had to compare the Single Horseman Mark with the Application Mark as a whole, without giving special regard to either the device or the word element in the Application Mark.

In that comparison, she found that whilst there was a small degree of similarity between the devices, the presence of the “USPA” word element in the Application Mark significantly reduced the
similarity, resulting only in an extremely low degree of visual similarity between the contesting marks.

**Aural and Conceptual Similarity between Marks**

The Registrar found no aural similarity between the marks because there was no text in the Single Horseman Mark that could be used to compare against the “USPA” text in the Application Mark. However, the learned Registrar found that the contesting marks were conceptually identical, in that they both conveyed the idea of the game of polo. The presence of the “USPA” text in the Application Mark neither added nor subtracted from that idea, as there was no evidence that it held any meaning to the public in Singapore.

This was despite the applicant’s submission that there was no conceptual similarity because the idea evoked by the Single Horseman Mark was that of a single polo player, whereas the idea evoked by the Application Mark was not only the sport of polo but also the “US Polo Association”.

That argument as roundly rejected as the applicant had not adduced any evidence to show that the relevant public in Singapore was aware that “USPA” stood for “US Polo Association”.

Further, the Registrar cautioned that it was inappropriate to slice up an idea into fine layers and impute one layer of the idea (e.g. single polo player) to one mark, and the other layer of the same idea (e.g. polo association) to the other mark. In her opinion, that approach was too nuanced, and required a public who “over-thought”.

In summary, in finding that there was no likelihood of confusion on the facts, the Registrar highlighted the very low degree of visual similarity between the marks, and the fairly high degree of care and attention that the average consumer would pay when purchasing eyewear.

The latter factor was due to the following: (1) that consumers did not purchase eyewear on a regular or frequent basis; (2) that eyewear was usually bought through salespersons, particularly when they were sold in optical shops; and (3) eyewear would also command a higher degree of fastidiousness on the part of the consumer who was likely to inspect the product closely in order to decide if a particular frame fit well.

The opponent therefore did not succeed in their ground of opposition under s.8(2)(b) of the Act.

**Section 7(6)**

Nor did they succeed in their ground of opposition premised on s.7(6) of the Act, upon which a trade mark would be refused registration if or to the extent that the application was made in bad faith.

In pleading this ground, the opponent relied on an earlier global settlement agreement made between the parties or representatives for the parties which they alleged the applicant had breached. However, this particular settlement agreement was not adduced into evidence due to certain confidentiality clauses therein.

As a result, the Registrar noted that the opponent’s entire case of bad faith was based on inferences, and could not meet the high threshold to sustain a bad faith allegation. According to the Registrar, a bad faith claim must be distinctly proved, and this will rarely be possible by a process of inference.

As the opponent failed in both their grounds of opposition, the Application Mark was allowed to proceed to registration.

**JAPAN**

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**IGZO Trade Mark Invalidated by IP High Court of Japan**

In a trade mark dispute between a Japanese government agency and a major Japanese electronics company, the IP High Court of Japan confirmed that it was not in the public interest for a single company to be entitled to exclusive trade mark ownership of a well-known abbreviation of a source material that had been widely adopted in the electronics industry [see Sharp Corporation v. Japan Science and Technology Agency, Heisei (gyo-ke) 10089 dated 25 February 2015].

**Background Facts**

In 2004, with support from the Japan Science & Technology Agency, Professor Hideo Hosono of the Tokyo Institute of Technology, an expert in materials science discovered IGZO. IGZO is an abbreviation for amorphous oxides made from the elements indium (In), gallium (Ga) and zinc (Zn) which greatly contributed to the creation of new technologies for flat-panel displays that are more energy efficient and higher in definition. The Japan Science and Technology Agency (JST) is one of the core institutions responsible for the implementation of science and technology policy in Japan.

Sharp became the world’s first company to mass-produce display panels using the IGZO technology. Sharp uses the panels in smartphones and sells
them to other manufacturers. Sharp Corporation filed a trade mark application for the plain word mark IGZO on 24 June 2011 and it was registered by the Japan Patent Office on 18 November 2011 for the goods “telecommunication machines and apparatus; electronic machines, apparatus and their parts; batteries and cells; electric wires and cables; power distribution or control machines and apparatus and other goods in class 9” as Japan Trade mark Reg. No. 5451821.

On 13 July 2013, JST filed an invalidation appeal against Sharp’s TM Reg. No. 5451821 with the Board of Appeals of the JPO on the ground that IGZO is a trade mark that “consists solely of a mark indicating raw materials of goods in a common manner” as specified in s.3 (1)(iii) of Japan’s Trade mark Law and is therefore not registrable and should be invalidated. The JPO accepted JST’s argument that the term IGZO was widely recognized as the common name of a raw material by electronics companies and businesses, especially in the field of displays and semiconductors and therefore it did not possess any distinctiveness and the Board of Appeals issued an invalidation decision dated 13 March 2014.

Sharp appealed the JPO invalidation decision to the IP High Court of Japan on 10 April 2014 and the IP High Court denied Sharp’s appeal on 25 February 2015.

**IP High Court Decision**

Presiding Judge Ryuichi Shitara affirmed the JPO decision invalidating the registration of the trade mark “IGZO” on the grounds that the trade mark, which may be recognised by business operators as an indication of raw materials of the designated goods as of the time of the Examiner’s decision of registration of the trade mark and that the mark “IGZO” lacks the source-identifying function and that it would not be conducive to the public interest to allow any single person to exclusively use the trade mark.

The Court noted that the term IGZO was heavily used as a common name for the semiconductor material in patent publications, scientific literature and mass media. The Court therefore held that “the term ‘IGZO’ was, at the time of the Examiner’s decision of registration of the trade mark, widely recognised by business operators such as companies that belong to the electronics industry, especially in the field of displays and semiconductors, as a word referring to indium gallium zinc oxide (Oxide).”

Accordingly, since the Oxide “was considered to be a new raw material of semiconductor devices, which are indispensable components of modern electronic devices, and to be different from conventional materials in terms of performance, and to have attracted people’s attention as having a potential to improve the performance of not only displays but also a wide range of electronic devices in the future, the business operators who serve both as traders of the designated goods, and, in some cases, as consumers of such goods, would generally recognise that those designated goods contain, as a raw material, the Oxide indicated by the trade mark. Therefore, the trade marks may not be considered to have the source-identifying function in relation to the designated goods.”

The Court held that under s.3(1)(iii), a mark that indicates the quality of certain goods cannot be monopolised by an entity to indicate the origin of its own goods; such a trade mark should be used freely. The Court therefore concluded that the trade mark “IGZO” was a “trade mark that consists solely of a mark indicating raw materials of goods in a common manner” and therefore inherently unregistrable, thus the JPO’s invalidation decision was not unreasonable and should not be overturned.

**Comment**

On the merits, there is very little room to criticise the reasoning of the IP High Court in finding that IGZO was descriptive and non-distinctive in relation to the designated goods in question given the plethora of evidence and materials that the Court examined and proving the term’s usage as a common name in industry, mass media, science and technology.

Apparently, Sharp also recognised this when they publicly announced on 11 March 2015 that after, securitising the IP High Court’s decision, Sharp had decided to accept it and would not appeal the decision to the Supreme Court of Japan in view of the difficulties of succeeding on the merits. This IP High Court decision reinforces the importance of selecting a new mark that possess inherent distinctiveness. In Japan, marks that only describe a quality or characteristic of the products or services with which they are used in association are inherently unregistrable and it is a well-established principle of Japanese trade mark law that no-one should be able to appropriate for their own exclusive use such common word or words that describe the product or service with which they are used.
Intellectual Property and Indigenous People: A Major Challenge

Geneva, 23 June 2015

Protecting Indigenous peoples’ traditional knowledge and traditional cultural expressions across borders is among the most-challenging topics in the intellectual property field, participants heard at a recent seminar at WIPO.

In a video address, WIPO Director-General Francis Gurry hailed the “very good program”, which he said would address “important questions”.

Mr Gurry welcomed scores of participants to the “Seminar on Intellectual Property and Generic Resources, Traditional Knowledge and Traditional Cultural Expressions: Regional and International Dimension”.

In opening the proceedings, William Fisher of Harvard University Law School said: “The topic with which we will be grappling today is very difficult, perhaps the most-difficult issue in the law of intellectual property.”

“The question is to the extent, if any, to which unauthorised uses of traditional knowledge, traditional cultural expressions, or genetic resources should be restricted by governments more than they currently are,” he said at the 23-25 June 2015 conference held at WIPO headquarters in Geneva.

“Many serious legitimate concerns lie on both sides.”

Those advocating stricter restrictions say that indigenous groups are entitled to compensation for their knowledge, or at least attribution when the knowledge is used by others, according to Mr Fisher. Incentives are needed for Indigenous groups to preserve and disseminate knowledge, to prevent its disappearance, while protections may help offset long-term economic exploitation of indigenous groups, he summarised proponents as saying.

“So, very strong, competing arguments on both sides of the issue,” he said.

Mr Fisher moderated a roundtable on cross-border protection as part of a WIPO Seminar addressing several critical issues related to traditional knowledge, genetic resources and traditional cultural expressions.

The well-attended seminar provided a space for informal discussion of substantive topics and the sharing of actual experiences, complementing WIPO’s normative work on these issues.

Telecoms Firms Lead WIPO International Patent Filings

Geneva, 19 March 2015

Three telecoms giants from China and the United States led international patent filing activity via WIPO in 2014, a fifth consecutive record-breaking year amid overall growth in the organisation’s global intellectual property services.

Together, China and the U.S. accounted for 87% of the total growth in filings under WIPO’s Patent Cooperation Treaty (PCT), which saw some 215,000 applications in 2014, a 4.5% increase over the previous year. In a significant development, the US became the biggest filer of international trademark applications under WIPO’s Madrid System.

“The rapid growth in international patent applications underscores the increasing importance of intellectual property as it moves from the periphery to the centre of the global economic system,” said WIPO Director-General Francis Gurry on the release of WIPO’s annual review of its IP-filing and dispute resolution activities. “We are pleased that our filing services provide effective and efficient support for managing this trend.”

Huawei Technologies Co., Ltd of China, with 3,442 published PCT applications, overtook Panasonic Corp. of Japan as the largest applicant in 2014. US-based Qualcomm Inc. was the second largest applicant in 2014, with 2,409 published applications, while China’s ZTE Corp. took third
place with 2,179 PCT applications.

The United States was the primary country of origin for PCT filers in 2014, with 61,492 applications and 7.1% growth. Japan followed with 42,459 applications, representing a 3% decline on 2013. Applicants from China filed 25,539 applications – an 18.7% annual increase.

Europe showed signs of improvement as it strives to address a challenging economic environment. For the first time since 2007, the top three EU countries recorded growth in PCT filings, with strong growth coming from France and the United Kingdom.

**PCT System**

**PCT Filing Trends**

Among the top 10 PCT filing countries, China (+18.7%) is the only country that saw double-digit growth in 2014. The UK recorded the second fastest growth rate (+9%), followed by the US (+7.1%). In addition to Japan, Switzerland (-5.9%) and Sweden (-0.5%) are the two other countries among the top 10 with fewer PCT applications in 2014 than in 2013.

After China, India (1,394) is the largest user of the PCT system among BRICS countries, followed by the Russian Federation (890), Brazil (581) and South Africa (297). However, their growth rates differ, with Brazil (-11.6%), the Russian Federations (-25.3%) and South Africa (-15.4%) showing declines, while filings originating from India increased by 5.6%. Turkey (802), Malaysia (314) and Mexico (284) are other middle-income countries seeing considerable filing activity under the PCT.

**Top PCT Applicants**

The top three applicants have similar patent filing profiles, with digital communication accounting for the bulk of their total filings. Digital communication accounted for two-thirds of all PCT applications filed by Huawei, followed by computer technology and telecommunications, with each field accounting for 11% of the total. Qualcomm had a similar PCT filing profile to that of Huawei, with digital communication accounting for two-fifths of their total applications, followed by computer technology (18%), audiovisual technology (11%) and telecommunications (10%). As for ZTE, digital communication accounted for slightly over three-fifths of all filings, followed by computer technology (14%) and telecommunications (13%).

Among the top 50 applicants, Huawei (+1,332) saw the largest increases in PCT filings, followed by Tencent Technology Co. of China (+727) and Microsoft Corp. of the US (+652). In contrast, Panasonic Corp. (-1,157) and Sharp Kabushiki Kaisha of Japan (-612) saw the largest declines.

The University of California, with 413 published applications, is the top applicant among educational institutions followed by the Massachusetts Institute of Technology (234), the University of Texas System (154) and Harvard University (147). US universities occupy 9 of the top 10 positions among educational institutions.

The only non-US university in the top 10 is Seoul National University of the Republic of Korea – ranked in the tenth position.

**PCT Filings by Field of Technology**

Computer technology with 17,653 published applications – or 8.4% of the total – accounted for the largest share of PCT applications, followed by digital communication (7.7%) and electronic machinery (7.3%). Amongst the top 10 fields, computer technology saw the fastest growth (+19.4%), followed by medical technology (+17.1%) and digital communication (+14.5%). The share of computer technology filings in total applications has increased from 3% in 1990 to 8% in 2014. Similarly, the share of digital communications has increased from less than 1% in 1990 to 8% in 2014. Microsoft is the top applicant for computer technology, followed by Intel Corp. and Tencent Technology.

While pharmaceutical patent filings experienced an upward trend up to 2007, they have since stagnated. Relative to total applications, the share of pharmaceutical patenting via the PCT has continuously declined since 2007. Pharmaceutical patents represent the seventh largest field. Merck Sharp & Dohme Corp. is the largest filer with 171 applications, followed by Novartis AG (141), F. Hoffmann-La Roche AG (135) and the University of California (111).

Universities and public research organisations show a strong presence in this field, accounting for 26% of pharmaceutical PCT filings. This is in contrast to computer technology and digital communication where these entities accounted for 4.6% and 2.8%, respectively.
Distinctiveness of marks is more Easily Recognised before the Paris Court of Appeal

French and European law, in accordance with Article 15 of the TRIPs agreement, provides that a sign cannot be registered as a trade mark if it is descriptive of the goods and services designated in the application or cannot indicate a commercial origin. Article L. 711-2 of the Intellectual Property Code (IPC) provides that “signs or names which in everyday or technical language simply constitute the necessary, generic or usual designation of the goods or services, or which may serve to designate a feature of the product or service, particularly the type, quality, quantity, purpose, value, geographical origin, time of production of the goods or furnishing of the service” cannot be registered or, if registered, can be cancelled before Courts.

The French industrial property office or Courts’ assessment shall be conducted in relation to the designated goods or services. In some circumstances, marks having an inherently low distinctive character can remain valid, provided that they acquired distinctiveness by use.

In the past years, the Paris Court of First Instance has shown an increased tendency in cancelling trade marks for lack of distinctiveness, either inherently or should the proprietor not be in a position to demonstrate acquired distinctiveness by use. A precedent involving the cancellation of the mark “vente-privee.com” designating online sales services was already mentioned in this chronicle. The Paris Court of First Instance notably considered that such sign was the necessary designation of the service at stake and further considered that all evidence establishing the acquired distinctiveness of the mark by use did not relate to the trade mark and that only the figurative mark was distinctive.

In two other decisions, the Paris Court of First Instance cancelled the marks “L’Argus” for, inter alia, newspapers, online services or guides to car prices and “Giant” for, inter alia, sandwiches. The “L’Argus” mark was cancelled on similar grounds than the “vente-privee.com” mark, despite the fact that it was a well-known newspaper in France since 1927. First instance judges notably relied on dictionary definitions of the word “argus” and its somehow generic meaning in the common language. As for the mark “Giant”, the Judges held that it was an English term which would be perceived as a mere characteristic of the products by a French public (i.e. the size of the sandwich). Both proprietors failed to demonstrate acquired distinctiveness by use for similar grounds than for the “vente-privee.com” sign.

All such judgments were recently overturned by the Paris Court of Appeal. Regarding the “vente-privee.com” case the appellate judges considered that the sign was inherently descriptive of the service designated in the registration. The Court interestingly reinstated the opinion of the First Instance Court, being that the mere addition of the gTld extension “.com” to a descriptive sign could not render such sign distinctive. However, the Court considered that the “vente-privee.com” mark acquired distinctiveness through use, notably in light of the evidence provided by the proprietor. In that regard, it is worth noting that such evidence were not significantly different than those provided before first instance judges (invoices, surveys, market shares figures and the like). One could conclude that the Paris Court of Appeal is more lenient when it comes to analysing evidence gathered by proprietors to establish the acquired distinctiveness of their marks.

In its other rulings, the Paris Court of Appeal considered that the mark “Giant” was an evocation of a characteristic of the sandwiches and not a characteristic per se, which made the mark valid. As for “L’Argus”, the Court also considered that it was not the necessary designation of the goods and services covered by the registration, despite the existing dictionaries definitions.

Again, such decisions indicate how sensitive the assessment of the validity of a trade mark can be. For lawyers, such discrepancies amongst the case law does not make the law more foreseeable, which is regrettable whether it comes to prosecuting trade marks or defending them before Courts.

An Artist Inspired by a Prior Artwork or Just a Copyright Infringer? The French Supreme Court Searching for a Fair Balance between Freedom of Expression and Copyright

On 15 May 2015, the French Supreme Court (Cour de cassation) rendered a decision of great importance, setting a precedent in the realm of copyright and artistic expression.

The case involved a musician who created a new song inspired by a previous work, without obtaining permission from the original copyright holder. The musician, who had no prior knowledge of the original work, was accused of copyright infringement. The French Supreme Court had to determine whether the musician’s work could be considered a fair use, thus falling under the purview of freedom of expression, or whether it constituted an infringement of the original copyright holder’s rights.

In its ruling, the Court emphasized the importance of balancing the protection of intellectual property with the First Amendment rights of expression. It acknowledged the significance of the original work and the importance of protecting the rights of the copyright holder, but also recognized the role of artistic expression in a democratic society.

The Court’s decision highlighted the need for a nuanced approach in copyright law, particularly in the digital age. It underscored the importance of understanding the context in which artistic works are created and used, and the role of technology in facilitating creative expression.

This ruling serves as a reminder to both creators and copyright holders of the delicate balance between protecting intellectual property and promoting freedom of expression. It encourages a more flexible interpretation of copyright laws, allowing for a more nuanced approach in cases such as this one, where artistic inspiration and fair use are at play.

The decision also underscores the ongoing challenge of adapting copyright law to the rapidly evolving digital landscape, where the boundaries between original and derivative works can become blurred. It is a call for continued dialogue and innovation in the field of intellectual property, to ensure that both creativity and cultural heritage are preserved.

In conclusion, the French Supreme Court’s decision in this case is a significant step towards finding a balance between the protection of intellectual property and the promotion of artistic expression. It serves as a reminder of the complex nature of copyright law and the importance of considering the broader social and cultural implications of its application.
importance relating to the possibility for an artist to use in his artwork a prior work protected by copyright without authorisation of the author.7

In this case, the famous German artist living in France, Mr Peter Klasen, was sued for having included in his paintings, after transformation, several photos shot by the fashion photographer, Mr Alex Malka.

In the first instance,8 the Judges refused copyright protection to the fashion photographs by Mr Malka for lack of originality. However, they further specified that even if the photos would be considered original, the claim would still be rejected, since their use by Mr Klasen was consistent with the principles of the Figuration Narrative movement and expressed a message totally different from the one of Mr Malka's photos. While Mr Malka's fashion photos aimed at presenting women's faces in the most attractive way to provoke admiration and desire in the viewer's mind, Mr Klasen tended, by incorporating in his derivative works parts of said photos, to criticise the consumerist society which makes a woman a mere object of desire. For the Judges, such use of a prior work within a derivative work should be considered as falling within the parody exception set out in Article L.122-5 4 of the French Intellectual Property Code.

On appeal,9 the Court overruled the first instance judgment, recognised the originality of Mr Malka's photos and held Mr Klasen liable for copyright infringement for having used, within his derivative works, the prior works of Mr Malka without authorisation. Unlike the first Judges, the Court specified that the parody exception could only apply when a humoristic intention was identified in the derivative work, which was not the case in Mr Klasen's paintings.

In its decision, the French Supreme Court overruled the Court of Appeal's decision on the basis of Article 10 §2 of the Convention for the Protection of Human Rights and Fundamental Freedoms which strictly frames possible restrictions on freedom of expression. The French Supreme Court criticised the fact that the overruled decision had rejected the freedom of artistic expression argument raised by Mr Klasen and, as a consequence, had sentenced the latter to indemnify Mr Malka for copyright infringement, "without concretely explaining in what way the sentence pronounced by [the Court of Appeal] was justified so as to reach a fair balance between the rights at stake" (emphasis added).

By this decision, the French Supreme Court imposes on judges, before rendering a decision, to search for a fair balance between the protection of freedom of expression, on the one hand, and the protection of copyright, on the other.

Such guidance is certainly inspired by the European Court on Human Rights' recent case law. In its decision, Ashby Donald and others v France,10 the European Judges clearly insisted on the necessity to proceed with such “fair balance”, which there imposed on them to hold liable for copyright infringement the photographers having published on commercial websites images of a fashion show protected by copyright, despite the freedom of expression argument advanced in defence.

However, in the Peter Klasen case, which should now return to the appeal level to be reexamined, the solution could be different since, unlike the fashion photographers of the Ashby Donald case, the artist reusing prior works in its own creative activity was not animated by a commercial intention. Yet, the European Court insisted on the importance to be given to the nature (commercial, political, artistic or other) of the message for which the protection is sought on the grounds of freedom of expression.

It therefore remains uncertain whether the guidance given by the French Supreme Court will bring an opportunity to the appellate judges to make the freedom of artistic expression prevail over the copyright of the prior work's author.

1 This report reflects the personal views of the authors and should not be attributed to the authors' Firm or to any of its present and future clients.
3 Paris Court of First Instance, decision dated 28 November 2013.
4 Paris Court of First Instance, decision dated 24 October 2013.
5 Paris Court of Appeal decisions dated 31 March 2015 (vente-privee.com), 14 April 2015 (Giant), 12 May 2015 (L’Argus).
6 This report reflects the personal views of the authors and should not be attributed to the authors' Firm or to any of its present and future clients.
7 French Supreme Court, decision dated 15 May 2015.
8 Paris Court of First Instance, decision dated 31 January 2012.
9 Paris Court of Appeal, decision dated 18 September 2013.
10 ECHR, 10 January 2013, Ashby Donald and others v France.
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Second Medical Use Claims – Construction of Swiss Claims and Indirect Infringement

Warner-Lambert Company, LLC v Actavis Group PTC EHF & Others
[2015] EWCA Civ 556 (28 May 2015)
http://www.bailii.org/ew/cases/EWCA/Civ/2015/556.html

Introduction
In the previous issue of IP Forum, we reported on Arnold J’s refusal to grant Warner-Lambert interim relief against Actavis in the above proceedings which concern second medical use claims in the “Swiss form” (i.e. “the use of compound X for the preparation of a medicament for treating indication Y”). The Court of Appeal has overruled Arnold J’s decision at first instance on the construction of Swiss form claims and therefore the approach to determining whether such claims are infringed. The key points from the Court of Appeal’s decision are discussed below.

Factual Background
Warner-Lambert is the proprietor of a patent claiming the use of pregabalin for the preparation of a medicament for treating neuropathic pain. Patent protection for pregabalin itself has expired and Actavis has launched its own pregabalin product, whose product information leaflet excludes the patented indication (a so-called “skinny label”). However, it is inevitable that a significant portion of Actavis’ pregabalin product will be used to treat the patented indication since (a) the market for the patented indication is significant, (b) doctors are encouraged to prescribe by generic name and (c) pharmacists are not made aware of the indication for which a drug is prescribed. Warner Lambert commenced infringement proceedings against Actavis and applied to court for interim relief (requiring Actavis to take certain steps to ensure that its product would not be used for the patented indication). It was in this context that the court was called on to determine whether Warner-Lambert’s direct and indirect infringement claims against Actavis had a real prospect of success at trial.

In the proceedings before Arnold J, the parties were agreed that the word “for” in a Swiss form claim meant “suitable for and intended for”. There was no dispute about the suitability of pregabalin for treating pain. Accordingly, the issue to be decided was the meaning of “intended for”. Arnold J held that “intended for” referred to the subjective intention on the part of the manufacturer that the medicament in question will be used to treat the patented indication. Arnold J also struck out Warner-Lambert’s claims that Actavis was liable for indirect infringement. In the UK, indirect infringement requires, inter alia, the supply from one person to another of a means relating to an essential element of an invention for putting the invention into effect. In Arnold J’s view, Swiss form claims cannot be indirectly infringed. Inventions in the form of Swiss claims are put into effect by means of a manufacturing process. However, no manufacturing process takes place by customers of Actavis or anyone else further downstream in the supply chain.

Construction of Swiss Form Claims
The Court of Appeal adopted the usual approach to claim construction, namely what would the skilled reader understand the language of the claim to mean. Both parties agreed that a Swiss form claim must involve some form of mental element. If the meaning of “for” was limited to “suitable for”, the claim would not be novel over the prior art. The Court of Appeal agreed with the parties that it was not correct to start off by determining the meaning of the word “intention” in the abstract, or by reference to other areas of the law, and import that meaning into the claim.

According to the Court of Appeal, it is necessary to determine the category of the claim and its technical features. Together, these elements comprise the technical subject matter of the claim. The Court of Appeal noted that Swiss form claims are process claims and that in this case the technical feature of the claim concerned the ultimate purpose of the product, namely the intentional treatment of pain. In view of this, the subject matter of the claim was considered to be “making pregabalin for patients to whom it will be intentionally administered for treating pain”.

The Court of Appeal went on to determine the meaning of the word “for” on this basis, the most realistic possibilities being (a) foreseeability that the drug will intentionally be used for the patented indication and (b) a subjective intention to that effect. The Court of Appeal rejected Actavis’ submissions, and Arnold J’s finding, that the word “for” should
be construed by reference to subjective intention. The Court of Appeal saw “real difficulties” with the application of such a test since it would require patentees to prove the subjective intention of a manufacturer and would rob Swiss claims of much of their enforceability. The Court of Appeal held that the skilled person would understand the patentee to use the word “for” in the claim to require that the manufacturer knows (whether that knowledge is actual or constructive) or could reasonably foresee that some of its drug will intentionally be used for pain.

**Indirect Infringement**

The Court of Appeal agreed with Arnold J’s observation that indirect infringement of Swiss claims is difficult since there is no downstream event which, as a whole, can be regarded as putting the invention into effect.

However, the Court of Appeal held that it was arguable that the requirement to “put the invention into effect” in the context of indirect infringement may refer to the actions of two different people, for example, a combination of the manufacturer and user. It also noted that two EPC member states have held that Swiss form claims can be indirectly infringed in analogous circumstances. Accordingly, the Court of Appeal held that Warner-Lambert’s claims of indirect infringement should not be struck out and should be allowed to proceed to trial.

**Comment**

The Court of Appeal’s decision on the construction of Swiss form claims will no doubt be welcomed by patentees, particularly in view of the fact that the construction adopted by Arnold J would have significantly diminished the value of Swiss form claims in many cases. However, the decision does present generic companies with legitimate difficulties. In the circumstances of this case, patent protection for pregabalin itself has expired yet, due to the way in which drugs are prescribed and dispensed in the UK, Actavis could still be found to infringe notwithstanding that steps have been taken to reduce the likelihood of its product being dispensed for the patented indication.

Although the Court of Appeal considered a number of “hard cases” that gave rise to unfair results, it did not allow these to influence its decision on the construction of Swiss form claims. Floyd LJ suggested that “any perceived unfairness may lie in the relief to be granted” and that if Actavis was found to infringe at trial “it does not follow that unqualified relief will be granted”. However, if damages were to be payable by Actavis in respect of infringements, then in circumstances where Actavis can do little to avoid infringement (because of cross-label dispensing being a feature of the UK market beyond the control of generic manufacturers) and where Actavis’ profits on each sale are expected to be less than those of Warner-Lambert’s, an assessment on the usual basis may itself create unfairness and dissuade generic companies from entering the non-patent market. This might suggest that an alternative basis for assessing damages such as reasonable royalty would be more appropriate, but this would significantly water down the value of second medical use patents.

The Court of Appeal’s construction of Swiss form claims appears to have blurred some of the distinction between direct and indirect infringement since the mental element required in both cases is now quite similar (i.e. constructive knowledge or foreseeability). This is perhaps not all that surprising once it is accepted that the infringement of Swiss form claims must involve some mental element which is in contrast to most other types of claim where direct infringement is a matter of strict liability and requires no mental element. However, Arnold J’s construction requiring subjective intention did more to preserve the distinctions between these two types of liability.

**When is a Promise a Promise? Contractual Issues in IP Licences**

- **(1) Sony/ATV Music Publishing LLC (2) Sony/ATV Music Publishing (UK) Ltd v (1) WPMC Ltd (2) Iambic Media Limited (In Liquidation)**
  
  [2015] EWHC 1853 (Ch) (1 July 2015)
  
  [http://www.bailii.org/ew/cases/EWHC/Ch/2015/1853.html](http://www.bailii.org/ew/cases/EWHC/Ch/2015/1853.html)

- **(1) Motivate Publishing FZ LLC (2) Motivate Publishing v Hello Limited**
  
  [2015] EWHC 1554 (Ch) (4 June 2015)
  

**Introduction**

These two recent High Court judgments consider interesting issues of contract law, which arose in the context of disputes relating to the alleged existence of licences of intellectual property rights.

In particular, both decisions look at whether parties have reached an agreement and whether the remedy of proprietary estoppel is available in relation to intellectual property rights.
**Is there an Agreement?**

Whether parties have reached an agreement is to be assessed objectively. As the Supreme Court stated in *RTS Flexible Systems v Molkerei Alois Müller* [2010] 1 WLR 753 (at para. 45), it does not depend on the parties’ subjective state of mind, but “upon a consideration of what was communicated between them by words or conduct, and whether that leads objectively to a conclusion that they intended to create legal relations and had agreed upon all the terms which they regarded or the law requires as essential for the formation of legally binding relations”.

It is not necessary for all the terms to have been agreed. It is possible for the parties to be contractually bound even if certain terms have not been agreed, provided that “an objective appraisal of their words and conduct may lead to the conclusion that they did not intend agreement of such terms to be a precondition to a concluded and legally binding agreement” (RTS Flexible Systems, at para. 45).

This is particularly relevant in relation to pre-contractual negotiations. The key principles for the assessment were laid out by the Court of Appeal in *Pagnan Spa v Feed Products Ltd* [1987] 2 Lloyd’s Rep 601 at 619 (approved by the Supreme Court in *RTS Flexible Systems*, at para. 49):

1. One must look at the parties’ correspondence as a whole.

2. Even if the parties have reached agreement on all the terms, they may not intend to be bound until some further condition has been fulfilled (see, for example, “subject to contract” correspondence).

3. The parties may not intend to be bound until some further term or terms have been agreed.

4. The parties may intend to be bound immediately even though there are further terms still to be agreed or formalities to be fulfilled. If the parties fail to reach agreement on such terms, the existing contract is not invalidated unless the failure to reach such agreement renders the contract as a whole unworkable or void for uncertainty.

5. The parties must agree on the essential terms and it is only matters of detail which can be left over. “Essential” means a term without which the contract cannot be enforced. It is for the parties, not the Court, to determine which terms are important or unimportant.

With regard to “heads of agreement”, it is perfectly possible for the parties to agree to be bound immediately whilst deferring important matters to be agreed later.

In *Motivate v Hello*, Hello had licensed Motivate to publish the Middle East edition of the famous celebrity lifestyle magazine *Hello!*. The licence agreement provided for an initial term of five years, which could be extended by one or more further terms of equivalent duration by agreement of the parties to be reached no later than 12 months prior to expiration of the current term. The licence was renewed (and slightly amended by way of addendum) for an additional five-year term in 2010. However, Hello’s position was that the licence was not renewed again in 2015 and, in fact, Hello had found an alternative licensee to publish its magazine in the Middle East.

Motivate argued that a renewal of the licence had in fact been agreed and that it was entitled to an order for specific performance of the renewed licence by Hello. The Judge (Birss J) reviewed the email correspondence between Motivate’s managing partner and representatives of Hello to determine whether it could amount to a binding agreement. The Judge concluded that it did not. Whilst Hello’s key email was an offer capable of acceptance, Motivate’s reply did not constitute an acceptance of the same. Motivate had instead rejected certain terms and included a counter-offer in relation to others. The Judge did not believe that a reasonable person, considering Motivate’s email as a whole, would interpret it as an acceptance.

In *Sony/ATV v WPMC* (decided shortly after *Motivate v Hello*), the second defendant (Iambic) had acquired a copy of the master tape of the video of *The Beatles’* first US concert and planned to make a documentary of the concert. Subsequently, the rights to the tape were transferred to the first defendant (WPMC). The second defendant attempted to negotiate with the claimants a synchronisation licence to reproduce *The Beatles’* songs in the documentary, but no licence was signed at the end of the negotiations. The defendants argued that there was a collateral contract to grant a synchronisation licence, as a result of the correspondence between the director and sole shareholder of both defendants and representatives of Sony/ATV (in particular its Head of Synchronisation and Marketing). The Judge (Arnold J) concluded that there was no collateral contract because:
(1) The email identified as the defendant’s acceptance of Sony/ATV’s offer was in fact a further counter-offer.

(2) The negotiations were expressly “subject to contract”. Both negotiators were senior executives with considerable experience in licensing and were aware (i) that the licence would contain various detailed terms; and (ii) of the meaning of “subject to contract”. There was no reason to depart from the conventional meaning of the expression, particularly because Sony/ATV in certain cases expressly stated “subject to signed contract”, making it clear that there was no binding agreement until a contract was signed. In certain cases, it is however possible to depart from the conventional meaning of “subject to contract”, where objectively speaking “the parties’ intentions [take] a new turn at some stage such that they intend to be bound by the ‘final draft contract’ without the need for its formal execution” (RTS Flexible Systems, at para. 60).

(3) Sony/ATV also made the grant of the licence subject to approval of the final documentary, which had not taken place as the documentary had not been produced.

**Is Proprietary Estoppel Available in Relation to IP Rights?**

According to the classic description of the requirements for proprietary estoppel, “if A under an expectation created or encouraged by B that A shall have a certain interest in land, thereafter, on the faith of such expectation and with the knowledge of B and without objection by him, acts to his detriment in connection with such land, a Court of Equity will compel B to give effect to such expectation” [Taylors Fashions Ltd v Liverpool Victoria Trustees Co. Ltd [1982] QB 133 (at para. 144)].

While the existence of the remedy was originally recognised in relation to rights to or over land, both Judges in Motivate v Hello and Sony/ATV v WPMC recognised the availability of proprietary estoppel in relation to intellectual property rights. Although proprietary estoppel was in theory available, neither judge thought that the facts of the case entitled the relevant party to the remedy.

In Sony/ATV v WPMC, the Judge stated that it is “common ground that a defence of proprietary estoppel can be advanced in respect of intellectual property rights such as copyrights” (at para. 94), [emphasis added], and cited Motivate v Hello as authority. In Motivate v Hello, the Judge had in fact gone further and stated that he could “think of no reason in principle why a proprietary estoppel should not be available to the claimants to prevent the defendant from denying the existence of a licence” of intellectual property rights (at para. 61) [emphasis added].

Therefore, in Motivate v Hello, the judge recognised the use of proprietary estoppel in relation to intellectual property rights as a cause of action and not just as a defence. Hello argued that, when proprietary estoppel does not relate to real property, it does not create a cause of action and can only be used as a defence (the “shield not a sword” principle, see Combe v Combe, [1951] 2 K.B. 215, at para. 218 in relation to promissory estoppel). Counsel for Motivate referred to the decision of the then House of Lords in Yeomans Row Management Ltd & Anor v Cobbe [2008] UKHL 55 (at para. 14), in which it was held that “estoppel becomes a ‘proprietary’ estoppel – a sub-species of a ‘promissory’ estoppel – if the right claimed is a proprietary right, usually a right to or over land but, in principle, equally available in relation to chattels or choses in action”. Further, Motivate relied on Strover v Strover [2005] EWHC 860, in which the judge applied the doctrine of proprietary estoppel in relation to the benefit of an insurance policy in favour of the claimant.

The Judge’s analysis in Motivate v Hello (paras. 56 to 61) appears to focus on the availability of the remedy in relation to other property apart from land and clarifies that the remedy creates an equitable interest in intellectual property rights and can be used both as a “shield” and a “sword”.

A further point of interest in Sony/ATV v WPMC was that the defendants were not allowed to rely on the pre-contractual representations made by Sony/ATV as founding an estoppel because these were expressly “subject to contract”. Following Yeomans v Cobbe (at para. 25), the Judge found that a proprietary estoppel cannot ordinarily arise in relation to negotiations which are “subject to contract” because the “would-be purchaser’s expectation of acquiring an interest in the property in question is subject to a contingency that is entirely under the control of the other party to the negotiations” and “the expectation is therefore speculative”.

**Comment**

As well as being a useful reminder of fundamental principles of contract law, these decisions are also a cautionary tale on the importance of directness and precision in the course of pre-contractual negotiations. As “masters of their contractual fate”, the parties to a negotiation need to be wary of the risk of “making
assumptions” and of sacrificing clarity to the altar of “getting the deal through”.

In Motivate v Hello, Birss J confirmed that proprietary estoppel is available to enforce interests in intellectual property rights such as “goodwill, know-how, copyright and perhaps design rights”. The list does not refer expressly to registered intellectual property rights but it does not appear to be exhaustive, and there is nothing to suggest that proprietary estoppel could not be validly raised in relation to registered intellectual property rights as well. Both judgments demonstrate that it is in theory possible for a claimant to run a proprietary estoppel claim in parallel with a contractual claim in respect of interests in intellectual property rights. However, it is not clear whether in practice proprietary estoppel will “fill the gap”, should the contractual claim fail.

In Motivate v Hello and Sony/ATV v WPMC, the Judges found that the facts neither established the existence of a contract nor gave rise to an estoppel claim/defence. It is difficult to envisage a situation where the same factual matrix does not support a finding that there is a licence of intellectual property rights but warrants the finding that a claimant is entitled “to prevent the defendant from denying the existence of a licence of this kind”. Thus, while confirmation that a person claiming rights in intellectual property rights may rely on proprietary estoppel as a separate cause of action is to be welcomed, it seems unlikely that this development will change the outcome of many cases.

So Near and Yet So-fa: Genuine Use in the UK Insufficient to Prevent Revocation of Community Trade Marks

http://www.bailii.org/ew/cases/EWHC/IPEC/2015/1773.html

Introduction

Sofa Workshop Limited (Sofa Workshop) sued Sofaworks Limited (Sofaworks) for infringement of its registered Community trade marks (CTMs) for SOFA WORKSHOP and for passing off in the Intellectual Property Enterprise Court (IPEC). Sofa Workshop prevailed on passing off but, more controversially, its CTMs for SOFA WORKSHOP were revoked because, despite extensive use of the marks in the UK, such use was held not to be sufficient to satisfy the requirements for genuine use “in the Community”. This decision to revoke the CTMs is a surprising outcome in view of the earlier decision of the Court of Justice of the EU (CJEU) in ONEL (Leno Merken BV v Hagellruitis Beheer BV, Case C-149/11).

Background

Sofa Workshop and Sofaworks are both prominent on the UK high street as retailers of sofas and similar furniture. Sofa Workshop has operated in the UK under the “Sofa Workshop” brand since the 1980s. Sofaworks was previously known as CSL but rebranded as “Sofaworks” in 2013.

Sofa Workshop sued Sofaworks relying on its two CTMs for SOFA WORKSHOP covering the relevant goods and also upon its goodwill in SOFA WORKSHOP as a result of extensive trading history under that brand in the UK. Sofaworks denied infringement of the CTMs and passing off and counterclaimed for invalidity and revocation of both CTMs, respectively, on grounds of non-distinctiveness and non-use.

Sofaworks argued that Sofa Workshop’s use of the CTMs in the UK did not constitute genuine use “in the Community”. This raised the question of whether to satisfy the requirement for genuine use it is necessary to use the mark in more than one member state of the European Union (EU).

Decision

The most interesting and controversial aspect of Hacon HHJ’s decision concerns the revocation of the CTMs. The importance of territorial borders and their significance in evaluating genuine use in the Community was considered by the CJEU in Leno Merken BV v Hagellruitis Beheer BV (ONEL) (C-149/11) in 2013. This decision was widely thought to indicate that use in a single member state could be sufficient to meet the requirement for genuine use in the Community as the territorial extent and scale of use were not the only factors that needed to be considered in a proper evaluation.

However, having considered the ONEL decision, Hacon HHJ looked at the various arguments postulated by the parties in that case and found that it did not support Sofa Workshop’s contention that its use of the CTMs in the UK constituted genuine use in the Community. He went on to state that “an applicant for a Community mark must be taken to intend to use it outside one Member State and has five years in which to justify his presumed intention. Otherwise he risks having to make do with a national mark by conversion and leaving the sign in question free for use elsewhere in the Community”. 103
In the case of Sofa Workshop, they had clearly made genuine use of their marks in the UK but the market for the goods and services protected by their earlier registrations could not be seen as restricted to the UK (i.e. there was nothing UK-specific about their products). Sofa Workshop’s attempt to prove genuine use outside of the UK was limited to evidence that Sofa Workshop was referred to in magazine content that had been distributed to a large number of EU Member States, with sales restricted to a single hotel in Copenhagen in 2013. The magazine “advertorial” content provided telephone numbers that could be used by callers in the UK, email addresses and an invitation to readers to “pop into one of their shops”. When viewed objectively, Hacon HHJ said, these advertorials were not targeted at readers outside the UK and this was consistent with the mere single sale outside of the UK.

In respect of the invalidity claim based on non-distinctiveness of the CTMs, unsurprisingly, Hacon HHJ found that the words “sofa” and “workshop” designated characteristics of some of the goods for which the CTMs were registered. However, as a result of the extensive use that had been made of the SOFA WORKSHOP mark in the UK, he had to consider whether there was sufficient acquired distinctiveness to avoid a finding of invalidity. On this issue, he found the law to be relatively clear and, with support from the General Court’s decision in Liz Earle Beauty Co v OHIM (NATURALLY ACTIVE) (Case T-307/09, 9 December 2010), he found that although there was significant use and acquired distinctiveness of the SOFA WORKSHOP mark in the UK, because the acquired distinctiveness was confined to the UK, this was insufficient to save the CTMs.

Had the CTMs been valid, HHJ found that they would have been infringed, on the basis of the similarity of the marks and the evidence presented by Sofa Workshop that there had been some instances of actual confusion.

It is noteworthy that Sofa Workshop attempted to address the potential finding of invalidity or revocation by raising the possibility of converting the CTMs to national UK rights as permitted under the Community Trade Mark Regulation. Had this been allowed, then Sofa Workshop would have succeeded on the trade mark infringement claim. However, as a result of the extensive use that had been made of the SOFA WORKSHOP mark in the UK, Hacon HHJ found that there was protectable goodwill.

Finally, the Court considered passing off and, in light of the use and acquired distinctive character that had been established by Sofa Workshop in the UK, Hacon HHJ found that there was protectable goodwill. Further, in view of his findings on infringement of the CTMs, he had no difficulty in finding Sofaworks to liable for passing off.

**Comment**

Although the issue of genuine use in the UK did not ultimately determine liability in this case, Hacon HHJ’s decision to revoke the CTMs creates uncertainty as to the geographical extent of use that is required to withstand a claim for revocation for non-use. Many practitioners in the UK had previously interpreted ONEL as providing support for the view that the UK formed a sufficiently significant market within the EU meaning that use on a significant scale in the UK would usually meet the requirement for genuine use in the Community. However, this decision clearly shows circumstances where genuine use in the UK is not sufficient, and indicates that it may be wise to adopt a more cautious approach where genuine use of a mark has not been (or may not be) made in multiple EU Member States. In such cases, it may be preferable to protect trade marks nationally as well as before OHIM. This is especially the case given Hacon HHJ’s approach to Sofa Workshops request for conversion of the CTMs to UK national marks in this decision.

Immediately following publication of the decision, Sofaworks issued a full page advertisement in a free London newspaper poking fun at the decision and inviting others to contribute other similar non-confusing words under the Twitter hashtag #NealSaysWhat. On the other hand, Sofa Workshop’s own social media team did not publicise the favourable decision or respond to Sofaworks’ advertisement. The favourable press attention that Sofaworks has managed to generate despite the adverse decision and in circumstances where a rebrand might be expected provides a good example of how brand owners can turn a legal defeat into a PR success.

**Stop Press**

*Maier & Anor v Asos Plc & Anor*  
(29 July 2015)

Following the Court of Appeal’s decision in *Maier & Anor v Asos Plc & Anor* [2015] EWCA Civ 220 (1 April 2015) (reported in a previous IP Forum edition), the Supreme Court of the UK has refused permission to appeal. As previously reported, the Court of Appeal’s decision included a strong dissenting judgment that led many to believe that the application of the “own name defence” to trade mark infringement by the majority in that decision would be reconsidered by the Supreme Court. The press release explaining the Supreme Court’s Order to refuse permission to appeal can be found at https://www.supremecourt.uk/news/permission-to-appeal-decisions-29-july-2015.html.
Copyright and the Constitution (Bill of Rights)

Section 2 of the Constitution of the Republic of South Africa, 1996, provides that it is the supreme law of the country and that any law inconsistent with it is invalid. This provision creates the necessity to interpret the Copyright Act in a manner consistent with the Constitution at the risk of the Act, or particular provisions of it, being declared to be invalid. On the other hand, s.36 provides that the rights in the Bill of Rights (Chapter 2 of the Constitution, comprising ss.7-38, which detail the fundamental human rights) may be limited in terms of law of general application to the extent that the limitation is reasonable and justifiable in an open and democratic society based on human dignity, equality and freedom, taking into account all relevant factors. Specific factors to be taken into account are enunciated and these include the nature of the right, the importance of the limitation, its nature and extent, the relation between the limitation and its purpose, and any possible less restrictive means of achieving that purpose.

It is submitted that the fact that intellectual property is protected on a world-wide basis and had been comprehensively protected in South Africa for around a century prior to the adoption of the Constitution, and that South Africa is a member of, and is bound by, certain international conventions dealing with intellectual property which oblige it to grant protection comprising certain minimum standards, are relevant factors as contemplated in s.36. This provision is supplemented by s.39(1) in terms of which, when interpreting the Bill of Rights, a court must consider international law and may consider foreign law.

In the result, it is necessary that a balance must be achieved between the tenets of intellectual property law and the Bill of Rights which allows intellectual property law to be interpreted in accordance with the accepted principles of this branch of the law, as applied internationally, in a manner consistent with the Bill of Rights.

**IP as a Constitutional Right**

The fundamental human rights comprised in the Bill of Rights include the following rights which may be considered to play some role in applying intellectual property law: privacy (s.14); freedom of expression (s.16); property (s.25); and access to information (s.33).

The question arises whether intellectual property, and in particular copyright, enjoys protection under the South African Constitution as a fundamental human right or otherwise. Is intellectual property, or the right to hold it, a fundamental human right? If not, is intellectual property protected in some other way in the Bill of Rights. How does the Bill of Rights impact on the Copyright Act?

Article 27(2) of the Universal Declaration of Human Rights states: “Everyone has a right to the protection of the moral and material interest resulting from any scientific, literary or artistic production of which he is the author”. The Universal Declaration was a resolution of the General Assembly of the United Nations passed in 1948 and had no binding force on member countries in the sense that it did not create enforceable obligations on adherence to the declaration. It, however, gave rise to an international covenant, namely the International Covenant on Economic, Social and Cultural Rights, 1966, which is an international treaty binding on its members. The aforementioned article of the Universal Declaration is echoed in Article 15 of the International Covenant. Given the wide acceptance of the Universal Declaration and the International Covenant (together in addition with the International Covenant on Civil and Political Rights, 1966) as being the embodiment of fundamental human rights it can be argued that the right to hold intellectual property rights, and more particularly copyright, is a universally accepted fundamental right. While South Africa did not support the Universal Declaration, it is a party to the International Covenant.

When called upon to adjudicate upon the validity of the South African Constitution as part of the process of its adoption, and in particular upon the question of whether it provided for all universally acceptable fundamental rights, freedoms and civil liberties in the Bill of Rights (as it was mandated to do), the Constitutional Court – in the Certification case - held that the right to hold intellectual property was not universally accepted as a fundamental right and therefore did not require to be recognised in the Bill of Rights. The soundness of this decision is open to serious question. The Court sought to justify its decision by explaining that intellectual property is a form of “property” which is covered by s.25 of the Constitution and it was therefore not necessary for it to be dealt with separately in the Bill of Rights.

**IP as Property under the Constitution**

For the present purposes, the relevant part of s.25 of the Constitution reads as follows:
(1) No one may be deprived of property except in terms of a law of general application, and no law may permit arbitrary deprivation of property.

(2) Property may be expropriated in terms of law of general application

(a) for a public purpose or in the public interest; and

(b) subject to compensation, the amount of which and the time and manner of payment of which have either been agreed to by those affected or decided or approved by the court.

(3) ………

(4) For the purposes of this section –

(a) the public interest includes the nation’s commitment to land reform, and to reforms to bring about equitable access to all South Africa’s natural resources; and

(b) property is not limited to land.

It is apparent from a reading of the section that its primary focus is on immovable property (land) and more particularly the deprivation or expropriation of such property. The inclusion of s.(4)(b) appears to have been something of an afterthought as a catchall to include property in general within its ambit. No doubt the Constitutional Court had this provision in mind when it said that s.25 covered intellectual property. On this premise, the protection granted to intellectual property by the section is of a very limited ambit and is confined essentially to preventing the taking away of existing property. It places no obligation on the state to continue facilitating the creation of intellectual property in the future. The scope of the protection, such as it is, is rather unsatisfactory. Be that as it may, a basis was created for the argument to be advanced that intellectual property enjoys (a measure) of protection when it said that s.25 covered intellectual property. The protection granted to intellectual property falls within the concept of “property” as used in s.25 of the Constitution. In support of this acceptance, it must be pointed out that the case in the Constitutional Court was an appeal from a decision of the Supreme Court of Appeal and that that court had held that:

[trade marks are property, albeit intangible or incorporeal. The fact that property is intangible does not make it of a lower order. Our law has always recognised incorporeals as a class of things in spite of theoretical objections thereto.]

The Constitutional Court did not challenge this dictum and must be taken to have approved it. Judicial recognition was thus extended to the proposition that trade marks and other intellectual property rights, including copyright, constitute property for the purposes of s.25 of the Constitution. This principle has given rise to a claim that the statutory prohibition of the use of a registered trade mark would amount to depriving the proprietor of that registered trade mark of an item of property as contemplated in s.25 of the Constitution and that the legislation in question would be invalid.

The Gidani Case

The contention that the principles regarding the constitutional status of trade marks as property under the Constitution espoused by the Constitutional Court in the Laugh if Off case apply equally to copyright has recently been endorsed by the High Court in National Soccer League v Gidani (Pty) Ltd.

In the Gidani case, it was argued by the defendant that its unauthorised use of the copyright works that were the subject matter of the case (soccer fixture lists) was excused by reliance on the right of “freedom to receive or impart information or ideas” provided for in s.16(1)(b) of the Bill of Rights. The Court followed the approach of both the Supreme Court of Appeal and the Constitutional Court in the Laugh if Off case that the relevant provisions of the Copyright Act must be construed in the light of the Constitution and in a manner that does not unduly trample on the defendant’s right of freedom of expression; and that its right of freedom of expression must be weighed up against the copyright owner’s right to intellectual property. The Copyright Act must be interpreted in such a way that it is least destructive of free-expression rights. The Constitutional Court, in the Laugh if Off case, expressed this principle by saying that the Trade Marks Act should be viewed and understood “through the prism of the Constitution.”

In dismissing the defendant’s constitutional defence, the Court in the Gidani case found that:

The Laugh if Off Case

In Laugh if Off Promotions CC v The South African Breweries International (Finance) BV t/a Sabmark International (Freedom of Expression Institute as Amicus Curiae), the Constitutional Court held that the right to freedom of expression (enshrined in s.16(1) of the Constitution) and intellectual property rights (more especially trade mark rights, which were the subject matter of the case) enjoyed equal status under the Constitution. It is now generally recognised (against the background of the view expressed by the court in the Certification case) that intellectual property falls within the concept of “property” as used in s.25 of the
be defendant's conduct is not a form of freedom of speech or expression identified for protection by the Constitution. On the contrary all indications or pointers point or lead to the appropriation on an intellectual property asset belonging to the plaintiff, not for purposes of parody or lampooning or for other social purposes, but instead for no other purpose other than to generate commercial gain for itself. Section 16(1)(a) or (b) of the Constitution on any construction does not permit commercial exploitation of another's intellectual property under the guise of supposedly informing the public. 8

Constitutional Defence

In the Laugh it Off case, the Supreme Court of Appeal approached the appellant's freedom of expression defence on the following basis: it made a prima facie finding of trade mark infringement on standard trade mark principles. Having done so, it then examined whether the appellant's constitutional right of freedom of expression provided a defence. It held that such a defence did not avail the appellant and held that trade mark infringement had taken place. The Constitutional Court criticised this approach and said that the right of freedom of speech was not a defence which excused infringement but was rather a consideration that should be taken into account when determining whether infringement had occurred at all. In adopting this approach it interpreted s.34(1)(c) of the Trade Marks Act in a Constitutional friendly manner (through the prism of the constitution) and reached the conclusion that no infringement had been perpetrated.

It is submitted that this approach was all well and good in the case of trade mark infringement in terms of s.34(1)(c), which requires the court to decide whether conduct was unfair, and, thus, provided an opportunity for equitable considerations to be taken into account and a value judgment to be made. What, however, is the position where the criterion for infringement of a right is a purely logical deduction and does not inherently provide an opportunity for a weighing up of contrary interests (for instance, in the context of trade mark infringement, the unauthorised use of a mark identical to a registered mark in relation to the goods for which that mark is registered)? How should such a provision be interpreted so that it is consistent with the Constitution?

In this instance, it seems that the only alternative would be to view a counterbalancing constitutional right as a defence to a prima facie finding of infringement – the very approach which the Constitutional Court condemned. However, in the light of the pronouncement of the Constitutional Court in the Laugh it Off case, it would appear that a copyright infringer can get no solace from the Bill of Rights unless there is the possibility of interpreting the relevant provisions of the Copyright Act pertaining to the claim in a Constitution friendly manner that enables a reliance on a constitutional defence to be advanced. A constitutional defence cannot simply be mounted, as it were, out of the blue if there is no peg in the text of the Copyright Act on which it can be hung. A defensive argument which is not foreshadowed in the text of the Act cannot be raised. The court cannot, for instance, read into s.12 of the Copyright Act (dealing with exemptions form copyright infringement) a provision to the effect that the defendant is excused from infringement when relying on their constitutional right of freedom of expression, when no such provision exists. The defendant's only other recourse would be to launch a constitutional challenge to the Copyright Act, or the relevant provisions of it, on the grounds of non-compliance the Constitution.

It is likely that constitutional issues, particularly by way of counter arguments or defences to copyright infringement claims, are going to be increasingly raised in copyright litigation in the future. Jurists, litigants and the court will have to become adept at viewing and interpreting the Copyright Act through the prism of the Constitution.

1 In re Certification of the Constitution of the RSA 1996 1996 (4) SA 744 (CC) at p.799.
2 See O.H. Dean, “The case for Recognition of Intellectual Property in the Bill of Rights” 1997 (60) TDRHR, 109. In Laugh it Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International and Freedom of Expression Institute 2006 (1) SA 144 (CC), a case dealing with trade mark infringement by dilution, the Constitutional Court in effect gave equal status to a statutory trade mark right and the right of freedom of expression in terms of the fundamental rights under the Constitution. In this regard see O.H. Dean. “Trade Mark Dilution Laughed Off” 2005 (October) De Rebus 18.
3 2006 (1) SA 144 (CC). For a discussion of this case, see O.H. Dean "Trade Mark Dilution Laughed Off" (2005) October De Rebus, 18.
4 Laugh it Off Promotions CC v The South African Breweries International (Finance) BV t/a Sabmark International (Freedom of Expression Institute as Amicus Curiae) 2005 (2) SA 46(SCA) paras [10]-[11].
6 2014 JDR 0523 (GSJ), para [96].
7 Laugh it Off Promotions CC v The South African Breweries International (Finance) BV t/a Sabmark International (Freedom of Expression Institute as Amicus Curiae) 2006 (1) SA 144 (CC), para [43].
8 National Soccer League v Gidani, para [108].
Nice Classification System Coming To Canada

The Canadian Intellectual Property Office (CIPO) has recently announced that, starting in the Fall of 2015, it will be possible to file trademark applications which include Nice Classification goods and services descriptions and classes.

The online tools available to trademark applicants will be enhanced to provide a redesigned Goods and Services Manual to help applicants select the appropriate class and description of goods and services, as well as new and improved search capabilities which will allow for searches for marks within particular classes.

The CIPO is implementing these changes prior to the coming into force of the amended Trademarks Act and regulations which the CIPO has indicated will enable Canada to accede to the Singapore Treaty, Madrid Protocol and the Nice Agreement and will update many aspects of intellectual property law and practice in Canada and make it more consistent with internationally recognised practices. The amended Trademarks Act and regulations are expected to be proclaimed in force in late 2016 or early 2017, but the early implementation of the Nice Classification system is intended to help trade mark applicants with the transition from the current regime to the new one which will include the international classification standards which were established by the Nice Agreement and are administered by the World Intellectual Property Organization (WIPO).

The CIPO has indicated that it will be encouraging applicants to file applications using the Nice Classification because by classifying goods and services early, applicants will be accelerating the registration and renewal process for their marks when the new legislation is proclaimed in force.

Registered Trade Marks on Signage in the Province of Quebec, Canada

The Quebec Court of Appeal unanimously upheld the interpretation that the Charter of the French Language does not require that retailers add a descriptive French term to their trade marks on signage, provided that a French version of the trademark has not been registered and that the trade marks have been registered in English only or in another language.

In the Province of Quebec, the Charter of the French Language requires that commercial advertising, including public signs and posters, be in French. The legislation is intended to promote and protect the French language in Quebec and is administered by the Office québécois de la langue française (OQLF). An exception is provided in the regulations to the legislation, allowing that “public signs and posters and commercial advertising may be in another language only” when they depict “a recognised trade mark within the meaning of the Trade Marks Act unless a French version has been registered”.

For many years, the regulation was interpreted by the OQLF to allow the use of trade marks registered in English only to be used on public signs without the addition of generic French language. However, in 2010 the OQLF announced that its interpretation was changing and that since another regulation required a trade name not in French to include a generic French term, any business that used a non-French trademark on signage would be required to alter its trade mark to include a descriptive term in French.

In response to this change in policy, an application was filed with the Superior Court of Quebec by a group of international retailers including Best Buy, Costco, Guess, Old Navy, Gap, Toys ‘R’ Us and Wal-Mart. The retailers sought a declaration that their use of trademarks registered in English only did not violate the Charter of the French Language.

On 27 April 2015, the Quebec Court of Appeal upheld the decision of the Superior Court of Quebec in Quebec (Procureur general) v Magasins Best Buy Ltée et al, 2015 QCSC 747. The Quebec Court of Appeal decision rejected the argument that since the retailers use their trade marks as trade names, in order for their customers to be able to identify them, they are subject to the rules that apply to trade names. The Court of Appeal found that the use of English only trade marks on signage falls within the exemption for trade marks and that the Attorney-General’s assertion contradicted the plain language of the law which allowed for the exclusive use of a trade mark in a language other than French in certain circumstances. The Attorney-General of Quebec did not seek leave to appeal the decision to the Supreme Court of Canada.

On 17 June 2015, the Quebec Government announced a proposed change to the regulations to the Charter of the French Language that would require a more visible presence of the French language in trade marks on public signs. The bill is expected to provide retailers with several options such as adding a French generic name, descriptive term or slogan. Once the bill is tabled, interested parties will have 45 days to submit comments.

The new requirement will likely entail additional costs for businesses operating in the Province of Quebec, but it remains to be seen what the new requirement will be, whether it will be phased in gradually, and what the penalties will be.
Filing a Quick 101-Based CBM Petition

Picking Cherries at the PTAB – The Benefits of Correspondent for the United States

SNR Denton US LLP
Correspondent for the United States

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Current Developments – United States

for CBM post-grant review.2 This makes §101 Board (PTAB) decides whether to institute a trial sometimes even before the Patent Trial and Appeal Board (PTAB) decides whether to institute a trial for CBM post-grant review. This makes §101 challenges an attractive option in CBM petitions.

The effectiveness of §101 challenges continues to rise in view of recent Supreme Court jurisprudence and the Federal Circuit’s willingness to grant stays, sometimes even before the Patent Trial and Appeal Board (PTAB) decides whether to institute a trial for CBM post-grant review. This makes §101 challenges an attractive option in CBM petitions.

As a §101 analysis under Alice Corp. does not require the time and expense necessary to analyse prior art, swiftly launching a CBM petition that relies either solely or primarily on §101 challenges presents a cost-effective approach with good potential for success. This is especially true in view of the limited estoppel particular to CBM post-grant reviews, which would allow for subsequent challenges under §§102, 103 and 112, at the District Court. In addition, a CBM, unlike an inter partes review (IPR) is not required to be filed within one year after a District Court patent infringement suit is initiated. Note, however, that upon a final written decision, §325(e)(1) estoppel will still bar challenges that the petitioner “raised or reasonably could have been raised” in pending or future PTO proceedings, this is true even if the parties settle.

Versata Software Inc. v Callidus Software Inc. provides an example of this strategy. In Versata, the Federal Circuit reversed the district court’s refusal to stay an action in view of an initial set of CBM petitions that proposed only §101 grounds on a subset of claims [Appeal No. 2014-1468 (2014)]. After plaintiff Versata identified its asserted claims in the district court litigation, Callidus filed additional CBM petitions challenging the asserted claims not challenged in the initial petitions, again only under §101. After the PTAB instituted trials based on the initial set of petitions, the District Court granted a stay as to the patent having all claims challenged in the initial set of petitions, but denied a stay as to the remaining two patents. During the pendency of Callidus’ interlocutory appeal, the PTAB instituted trials based on the second set of petitions, which the Federal Circuit considered along with stay factors particular to CBM post-grant review.3

The Federal Circuit found that each of the CBM-specific stay factors favored a stay. For the first factor – simplification of issues – the Federal Circuit noted that petitioners need not address all invalidity defenses and claims in a first petition; simplification of any issues weighs in favor of a stay.4 The Federal Circuit found that the second factor – status of discovery – also weighed in favor of a stay because, even though discovery began, much remained.5 The third factor – undue prejudice or tactical advantage – weighed in favor of a stay because any advantage or prejudice was inherent in a stay; there was nothing unique to the facts of the case.6 Finally, if the CBM results in canceled claims, the litigation burden will vanish.7 Thus, each factor favoured a stay, and would often weigh similarly if you file the petition early in litigation.

While the §101-focused approach may be attractive when budget and time are at a premium, or when the goal is to facilitate settlement, it does bring risks. First, the PTAB may deny a follow-on prior-art-based CBM petition as redundant or otherwise unnecessary in view of the initial §101-based petition. Petitioners can reduce this risk by explaining that considering the follow-on petition is a just, speedy, and inexpensive method of resolving additional challenges. In any event, be sure to have a strong §101 challenge. Secondly, any follow-on prior-art-based petition will also be subject to the additional filing fees (e.g. in the range of $30,000 minimum), preparation fees, and prosecution fees. Additionally, some claims might not be as susceptible to a §101 challenge, in which case some prior-art-based grounds would be desirable.

Finally, the petitioner should consider the timing of the second petition to avoid being estopped from maintaining the second petition under §325(e)(1), but only for the claims at issue in the first CBM. Still, under the right circumstances, launching a §101-based CBM petition may prove to be a powerful and efficient weapon in the arsenal for challenging covered business method patents.

In summary, filing a quick §101-based CBM petition has many benefits. First, since it is not a
laborious prior art based petition, it reduces the amount of work and therefore shortens the time to filing and reduces costs by obviating the need to analyse prior art. At the same time, petitioners may continue developing a prior art defense strategy for litigation or a follow-on CBM petition. Secondly, given the additional incentive for the court to stay litigation based on a CBM in view of Versata, there is now a greater likelihood that a court will grant such stay. Thirdly, petitioners have an ability to launch CBM challenges outside of the one-year bar that is particular to IPR proceedings and retain many options due to the minimal estoppel of CBM post-grant reviews. 8

Finally, the PTAB has already shown willingness to accelerate a CBM post-grant review that solely relies on §101.9 This is but one of many methods to maximize the efficiencies of filing a CBM review petition under the AIA.

*Dimitry Kapmar is a senior managing associate in Dentons’ Chicago office. Kevin Greenleaf is a counsel in the firm’s Silicon Valley office. Mark Nelson is a partner in the firm’s Dallas office. The opinions expressed are those of the author(s) and do not necessarily reflect the views of the firm, its clients, or Portfolio Media Inc., or any of its or their respective affiliates. This article is for general information purposes and is not intended to be and should not be taken as legal advice.

1 CBM petitions apply to covered business method patents, such as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA §18(d)(1).

2 Courts often want to wait for the decision on institution, but California courts sometimes grant stays before institution. See, for example, Warsaw Orthopedic v NuVasive No. 12-cv-2738-CAB (SD Cal., Jan. 10, 2014). This may become more common if the PTAB institution and cancellation rate remains high.

3 AIA §18(b)(1).


5 ibid., at 10.

6 ibid., at 11–12.

7 ibid., at 13.

8 Additionally, under Fresenius v Baxter, accused infringers can get a “second bite at the apple” in the event of a loss at the District Court. Fresenius v. Baxter, 721 F.3d 1330 (Fed. Cir. 2013).

9 CBM2012-00001, paper 45.
Expressions of Interest
are invited from IP lawyers and writers
to contribute to the Profile Section of
*Intellectual Property Forum*

Since 1997, *Intellectual Property Forum* has featured regular interviews with a range of eminent persons who have made a significant contribution to the advancement of Intellectual Property Law in Australia and New Zealand.

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- Former Justice Peter Heerey AM, QC
- Former Justice Alan Goldberg AO, QC
- Former Justice Catherine Branson
- Former Justice Kenneth Raphael
- The Right Honourable Sir Thomas Gault QC
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- Clive Elliott QC
- Angela Bowne SC
- Anthony Franklin SC
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- Katrina Howard SC
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Initial enquiries or expressions of interest to contribute a Profile are most welcome, and may be directed to:

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Australia

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Facsimile: (+61 3) 97612899
Email Address: secretariat@ipsanz.com.au.
This year’s conference is to be held at the Fairmont Resort, Leura, Blue Mountains, situated on the edge of the Jamison Valley in the World Heritage-listed Blue Mountains National Park

18 – 20 September 2015

CONFERENCE PROGRAMME

For further information contact:
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c/- Trans-Tasman National Secretariat

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Melbourne Victoria 3001
Australia

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Facsimile: (61 3) 9761 2899

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Web-site address: www.ipsanz.com.au

Friday, 18 September 2015

3.30 - 6.30pm
Early Registration

4.00 - 5.00pm
ACCC Update Session
ACCC 2015 Enforcement Highlights
Speaker:
Mr. Grant Elliott -
Director, Enforcement Group – NSW, ACCC

5.00 - 5.30pm
Annual General Meeting

6.00 - 8.00pm
President’s Welcome Drinks
## Saturday, 19 September 2015

### 8.30 - 9.00am
Registration and arrival tea and coffee

### 9.00 - 10.30am **Session 1**
**International Guest Speaker:**
Mr. Henry Carr QC  
11 South Square, Grays Inn, London, England
**Chairperson:**
Mr. Andrew Goatcher -  
Partner, Cornwall Stodart, Melbourne

### 10.30 - 11.00am
Morning Tea

### 11.00 - 12.30pm **Session 2**
**Patentable Subject Matter in Australia:**
The Latest Developments in Gene Patents and Computer Software Patents
**Speakers:**
Ms. Katrina Howard SC -  
Barrister, New South Wales Bar  
Mr. Ian Horak -  
Barrister, Victorian Bar
**Chairperson:**
Ms. Sheana Wheeldon -  
Barrister, New Zealand

### 12.30 - 1.30pm
Lunch

### 1.30 - 3.00pm **Session 3**
**Life in the Real World:**
The Role of in-house IP Counsel and Expectations of Advisors to the Business
**Speakers:**
Mr. Batur Oktay -  
Director, Expert Senior Counsel, Starbucks Coffee Company, Seattle WA, USA  
Ms. Nicola Adams -  
Corporate Counsel, Pacific Brands Ltd, Melbourne
**Chairperson:**
Ms. Susan McMaster -  
Senior Legal Counsel, CSIRO, Melbourne

### 3.00 - 3.30pm
Afternoon tea

### 3.30 - 5.00pm **Session 4**
**Genericism : Death of a Trade Mark**
**Speakers:**
Mr. Julian Miles QC -  
Barrister, New Zealand  
Ms. Daisy Williams -  
Barrister, New Zealand  
Mr. Edward Heerey -  
Barrister, Victorian Bar
**Chairperson:**
The Honourable Justice High Court of New Zealand, Brendan Brown

### 6.00pm
President's Dinner  
**After dinner speaker:**
Cal Wilson

## Sunday, 20 September 2015

### 9.00 - 9.30am
Arrival tea and coffee

### 9.30 - 10.30am **Session 5**
**Judge’s Session :**
Through the Looking-Glass: A Career Volte-face  
A Perspective from the Bench on Various Aspects of IP and Other Litigation
**Speaker:**
The Honourable Justice Brendan Brown -  
High Court of New Zealand
**Chairperson:**
The Honourable Justice Annabelle Bennett AO -  
Federal Court of Australia

### 10.30 - 11.00am
Morning Tea

### 11.00 - 12.30pm **Session 6**
**You Don’t Own Me: A Case Study on the Limits of Property, Personality, Parody and Privacy**
**Panel Speakers:**
Ms. Julia Baird SC -  
Barrister, New South Wales Bar  
Mr. Andrew Brown QC -  
Barrister, New Zealand  
Professor Barbara McDonald -  
Faculty of Law, University of Sydney  
Professor Megan Richardson -  
Melbourne Law School, University of Melbourne
**Chairperson:**
Ms. Justine Munsie -  
Partner, Addisons, Sydney

### 12.30 - 2.00pm
Lunch and close
VICTORIA

Fiona Brittain
Davies Collison Cave
Victorian Committee

Those attending Christopher Sexton’s presentation regarding his interviews of IP Luminaries on 2 July were treated to an array of snippets drawn from his many interviews over the past 18 years, which provided some interesting food for thought.

Ben Fitzpatrick’s ever popular Patent Update is scheduled for 23 July, followed by a presentation on Preparing Patent Evidence for the Court and Patents Office from David Shavin QC and Kadri Elcoat, scheduled for 20 August. Warwick Rothnie will present his Copyright/Designs Update on 24 September.

Prior to that, we are looking forward to this year’s Annual Conference to be held in the Blue Mountains, New South Wales, over the weekend of 18-20 September.

NEW SOUTH WALES

Chris Williams
Gilbert + Tobin
New South Wales Committee

The NSW local Committee has hosted numerous presentations in the last quarter as our packed program for the year continues.

On 12 May, Katrina Howard SC presented at Corrs Chambers Westgarth on the patents topic “Myriad: After 20 Years of Controversy, Will the High Court Decide that Genes Can Be Patented?”. Katrina had been briefed on behalf of the Institute of Patent and Trade Mark Attorneys (IPTA), which sought to be heard as amicus curiae in the appeal against Myriad Genetics by Yvonne D’Arcy. Although the High Court ultimately denied leave for IPTA to be heard, IPSANZ members in Sydney were privileged to hear from Katrina a preview of IPTA’s creative constitutional argument in support of patentability.

On 27 May, Clive Elliot QC gave his ever-popular annual “NZ Roadshow” presentation at the offices of Baker & McKenzie. Once again, this was a well-attended and well-received twilight event that provided a welcome opportunity for members to catch up over a glass of wine afterwards.

On 4 June, Trevor Davies presented on behalf of both IPSANZ and IPTA at Allens Linklaters on ethics for patent attorneys. This proved to be a popular event for patent attorney members looking to comply with mandatory Continuing Professional Education requirements.

On 22 July, Nicholas Smith, barrister and WIPO UDPR Panellist, gave a very helpful and practical lunchtime talk at Norton Rose on “Resolving Domain Name Disputes”.

In upcoming events, we have scheduled the Journal’s Editor, Mr Christopher Sexton, to present at lunchtime at the offices of Gilbert + Tobin his paper “From the Editor’s Bar Table – A Panorama of Forensic Cross-Examination of IP Luminaries and their Hobby Horses (1997-2015)”.

On 3 September, The Honourable Justice Bennett of the Federal Court of Australia is scheduled to present at G+T in relation to the new National Court Practice Note for IP.

Finally, on 13 October, Dan Plane, Director of Simone IP Services (Hong Kong) is scheduled to present at Bird & Bird on the topic “Protecting Trade Marks in China under the New Regime”.

NSW Local Committee elections will be held at a meeting prior to this presentation and voting papers will be circulated in advance.

We always welcome the enthusiasm and fresh perspective shown by new members and encourage you to nominate if you are interested in joining the IPSANZ NSW Local Committee for 2016.

QUEENSLAND

Josh Henderson
Thomson Geer
Queensland Committee

On 30 July, Ed Heerey of the Victorian Bar and Ben Gardiner of the Queensland Bar gave their presentation on all things trade marks at the offices of Thomson Geer. The night was very well-attended, which meant a cozy fit inside the conference rooms. Queensland IP practitioners got to know their colleagues a whole lot better. There was a lot of discussion about coffee during the presentation and about wine after the presentation.

On 20 August, David Logan QC and Ben McEniery, both of the Queensland Bar, surveyed the year’s patent decisions, at the offices of Corrs
Chambers Westgarth. Everyone agreed that it was great to get this summary, without having to plough through some of the dense pharmaceutical patent cases.

Queensland IP practitioners are looking forward to catching up with their Southern colleagues at the IPSANZ Annual Conference in September in Sydney.

SOUTH AUSTRALIA

Matt Murphy
Thomson Geer
South Australian Committee

On 19 May, Clive Elliot QC presented his "NZ Roadshow" update to members of the South Australian Chapter of IPSANZ. Clive's presentation covered all of the latest developments in NZ IP law, which was highly informative and well-received by IPSANZ members.

On 29 July, Warwick Rothnie, Barrister, presented his copyright and designs update 2015 presentation to members of the South Australian Chapter of IPSANZ. Warwick's presentation covered the latest developments in online copyright infringement, an appeal in respect of architectural drawings and design disputes. The presentation was highly informative and well-received by IPSANZ members.

The next South Australian Chapter event will be a presentation by Gary Cornelius on issues regarding valuing IP in August.

WESTERN AUSTRALIA

Alastair Lagrange
Jackson McDonald
Western Australia Committee

The IPSANZ WA chapter has enjoyed a bright few months and is looking towards locking in some exciting presentations over the remainder of the year.

In May, we had the venerable Editor of this Journal, Mr Christopher Sexton, speaking on the various intellectual property luminaries he has interviewed over the past 18 years. Christopher's presentation shared some close insights into those figures' personal interests that we do not often have the opportunity to learn. It was an entertaining presentation, as Christopher enthusiastically spoke late into the evening.

We have also had a visit from Mr Clive Elliott QC, who spoke in Perth as a part of his "NZ Roadshow". As always, Clive's presentation was well-attended and well-received, and Clive stayed on afterwards to mingle and answer questions from the audience.

Over the next few months, we look forward to a visit from Mr Ed Heerey to update us on developments in the field of trade marks, and various Committee members are laying the groundwork to lure some members of the judiciary to share their insights with our members.

NEW ZEALAND

Rachel Colley
CreateIP
New Zealand Committee

The New Zealand seminar schedule is in full flow, with the Committee currently settling the schedule for the remainder of the year.

In late May, barrister Mark Kelly presented on ADR in IP cases. In July, members were spoilt for choice with two very different seminars. Forensic accountant, Jay Shaw of Forensic Advisory Services, spoke in early July at very well-attended events in both Auckland and Wellington on "Valuing Intellectual Property and Other Intangible Assets". Jay did a great job in untangling the intangible and provided some valuable insights into the process.

At the other end of the IP spectrum, this week we had the pleasure of Adelaide Dunn, a former law clerk at Baldwins, brilliant rapper, infamous Blurred Lines feminist parodist (https://youtu.be/tC1XtmRlPM) and shortly to be a LL.M student at NYU, presenting on "Art, Authorship and Integrity: Moral Rights in Practice". Her presentation was very well-received and provoked much debate among attendees.

Next up for New Zealand is Ed Heerey and his very popular update on Australian trade mark law and decisions in September with further sessions for October and November currently in the planning stages.
The Intellectual Property Society of Australia and New Zealand Inc

Contributions to the Journal

Contributions to Intellectual Property Forum are invited on intellectual property subjects and related issues dealing with commercial law, trade practice, licensing, innovation and technology transfer. Prospective contributors should write to: The Editor, Intellectual Property Forum, Intellectual Property Society of Australia and New Zealand Inc.

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Contributions submitted for publication will:

1. Be in English
2. Be in the form of a single-authored scholarly article
3. Be an original work of the contributor
4. Not have been previously published
5. Not have been submitted for publication elsewhere
6. Be approximately 5,000-10,000 words, typed in double space with footnotes at the end of the article.

Contributions are to be submitted by a contributor for publication on the basis that:

a. the article has not been previously published
b. the article is an original work of the contributor
3. the contributor is responsible for the accuracy of the article including citations and references
4. the following information must be included with the article: the contributor’s name, title, contact details, academic, financial, telephone and/or e-mail details
b. a summary of the article (50-100 words)
5. the article is to be supplied in electronic form
6. Extracts from the article may be reproduced on the Society’s website.
7. In consideration of the Society publishing the article in the Journal, the contributor agrees that any proceeds for such publication received from the Copyright Agency Limited (CAL) by the Society are to be retained by and vest in the Intellectual Property Society of Australia and New Zealand Inc

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