

# Intellectual Property Forum

## Issue 119

Journal of The  
Intellectual Property  
Society of Australia  
and New Zealand Inc.

March 2020

Co-Editors  
Fiona Phillips  
Fiona Rotstein



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# Intellectual Property Forum

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## The Journal of The Intellectual Property Society of Australia and New Zealand Inc ABN 056 252 558

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Fiona Phillips  
Fiona Rotstein

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- Articles written for Intellectual Property Forum are to be approximately 5,000-10,000 words, typed in double space with footnotes at the end of the article.
- The article is submitted by a contributor for publication on the basis that:
  - the article has not been previously published
  - the article is an original work of the contributor.
- The contributor is responsible for the accuracy of the article including citations and references.
- The following information must be included with the article:
  - the contributor's name, title, contact details: address, facsimile, telephone and/or e-mail details
  - a summary of the article (50-100 words).
- The article is to be supplied in electronic form.
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### Submission Dates for Contributions:

Journal Issue	Submission Dates
June 2020	before 1 May 2020
September 2020	before 1 August 2020
December 2020	before 1 November 2020
March 2021	before 1 February 2021

The Intellectual Property Society of Australia and New Zealand Inc is an independent society whose principal objectives are to provide a forum for the dissemination and discussion of intellectual property matters.

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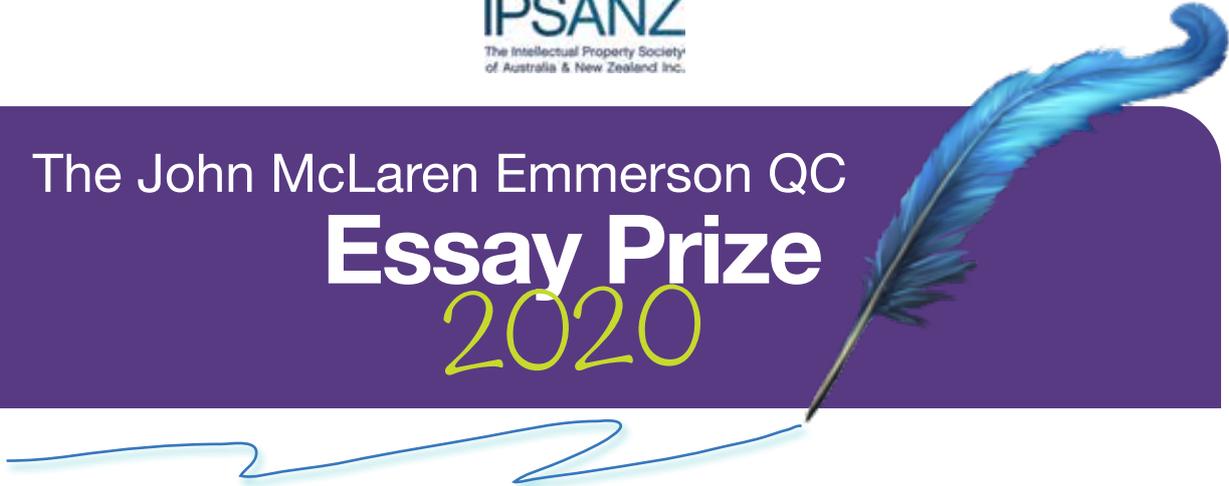
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# The John McLaren Emmerson QC Essay Prize 2020



The Intellectual Property Society of Australia and New Zealand Inc. is pleased to announce its 2020 competition for an essay on a topic of the author's choice regarding intellectual property.

**1st Prize** of the John McLaren Emmerson QC Essay Prize will comprise the sum of AU\$5,000 plus complimentary registration at the IPSANZ 34th Annual Conference scheduled to be held over the weekend of 11–13 September 2020 including 2 nights' accommodation at the Park Hyatt, Melbourne, Victoria and a return economy airfare from within Australia or New Zealand to the conference.

**2nd Prize** will comprise the sum of AU\$2,000 plus complimentary registration at the IPSANZ 34th Annual Conference, including 2 nights' accommodation at the Park Hyatt, Melbourne, Victoria.

**3rd Prize** will comprise the sum of AU\$1,000 plus complimentary registration at the IPSANZ 34th Annual Conference, including 2 nights' accommodation at the Park Hyatt, Melbourne, Victoria.

It is intended that the Prize winners will be announced and presented at the Conference. The winning entry will be published in Intellectual Property Forum, the official journal of IPSANZ.

## COMPETITION RULES

- Entries must be unpublished essays, which are the original work of the author. Entries should be between 5,000 and 10,000 words (including endnotes).
- Entries should be substantive works displaying original thinking in an area of intellectual property of the author's choice. A maximum of two co-authors is permitted for entries. In the case of co-authors, the prize is to be shared between the authors. A maximum of two entries per author or pair of co-authors is allowed.
- Endnotes must appear at the end of the essay. Entries should include a summary of the essay (50-100 words).
- The decision of the judging panel will be final and no correspondence will be entered into. The judging panel will retain the discretion not to award the Prize.
- Entries should be submitted electronically (in Word format and double spaced), accompanied by a separate page giving the author's name and contact details and a short biography. No identification of the author should appear on the entry itself.
- Airfares, accommodation and entry to the IPSANZ Conference are non-transferable and not redeemable for cash. In the case of a winning entry from a country other than Australia or New Zealand a monetary contribution representing the cost of a return economy airfare from Sydney to the capital city in which the conference is to be held, will be made.
- **Closing date for entries is Friday, 15 May 2020.**

### Entries should be sent to:

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## Editorial – Fiona Phillips and Fiona Rotstein

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Photo by Claus Huttenrauch 2018

**Fiona Phillips**  
Co-Editor



Photo by James Grant 2018

**Fiona Rotstein**  
Co-Editor

**W**elcome to the first issue of *Intellectual Property Forum* for 2020. This issue has a strong Trans-Tasman theme, exploring similarities and differences between New Zealand and Australian copyright, designs, patent and trade mark laws.

We begin with a profile of Professor Graeme Austin of Victoria University, Wellington and the University of Melbourne. In a candid conversation with Fiona Phillips, Professor Austin not only discusses his own career path and the differences between intellectual property (“IP”) law and practice in Australia and New Zealand, but what inspires his scholarship.

When asked about the big IP issues of the moment, Professor Austin replied:

*I think that’s the wrong question. Instead, we should be focusing on what the big issues are for society – and then thinking about how IP can contribute.*

Somewhat presciently given the catastrophic bushfire season Australia has experienced (the conversation took place in November 2019) he listed the environment as one of those issues. He also highlighted the role that IP could play in the advancement of human dignity. This response is characteristic of what has made Professor Austin one of the leading IP scholars today.

We move from profiling a current leading light in IP to honouring one of the greats. In a moving obituary, Stephen

Stern and Warwick Rothnie pay tribute to Professor James Lahore, who passed away on 16 September 2019. Professor Lahore’s work as a practitioner, academic and policy maker had a profound influence on the global IP community as well as a personal influence on many readers of *Intellectual Property Forum* whom he taught, mentored and inspired.

One of the achievements for which Professor Lahore is remembered is chairing the Australian Law Reform Commission’s Inquiry into Designs in the mid-90s. It is therefore fitting that this issue features an article by Clive Elliott QC, *The Triumph of Purism Over Principle*, which compares the approach to the protection of three-dimensional designs in New Zealand and Australia. Elliott suggests that the copyright/design overlap law in Australia (which dictates that designs that are “industrially applied” lose their copyright protection) is illogical and contrary to public policy. He goes on to suggest that Australia should look to the New Zealand “design copyright” regime as a model for reform. This proposal provides food for thought, given current free trade agreement negotiations between Australia and the European Union (“EU”) which may require amendment of Australia’s law in relation to copyright/design overlap.

We continue the comparative law theme, with Alexia Mayer's article *Manner of Manufacture – Increasing Trans-Tasman Harmony or Increasing Difference?* Following on from Anna Harley's article on the Australian approach to patentability of computer-related invention in the last issue, Mayer considers how this matter should be dealt with in New Zealand. She commences with an overview of the current New Zealand statutory regime and its similarities and differences from Australia. She then comments on how the New Zealand courts should approach the manner of manufacture test before focusing on software-related inventions, such as those the subject of the *Encompass*<sup>1</sup> and *Rokt*<sup>2</sup> decisions in Australia.

The final article in this issue also addresses the encroachment of machines on traditional IP norms. In *Machine Authors: What Happens When the Humans Leave?* by Alan Ford, we take a look at artificial intelligence ("AI") from the perspective of copyright law and the challenges that it presents for the fundamental concept of authorship. The author examines a variety of possible solutions to attributing authorship in the case of material created by AI. In the end, Ford concludes that the problem does not lend itself to a bright line rule and that a flexible approach is to be preferred.

The issue also features a number of reports. Completing the Trans-Tasman theme is *Same Same but Different: Key Differences between New Zealand and Australian Trade Mark Practice* by Sheana Wheeldon. In this report, Wheeldon highlights some of the key differences in trade mark practice between New Zealand and Australia which may present traps for young (and not so young) IP players.

Kate Haddock also reports on the Australian Government's Response to the Australian Competition & Consumer Commission ("ACCC") *Digital Platforms Inquiry Final Report*. The Response was published on 12 December 2019

and does not accept the ACCC's recommendation for a mandatory code of conduct for the removal of infringing copyright material from digital platforms. As Haddock notes, the solution to this long-debated issue continues to elude policy makers.

Finally, Fiona Phillips reviews the second edition of *Copyright in the Information Society: A Guide to National Implementation of the European Directive*, edited by Brigitte Lindner and Ted Shapiro. The volume provides valuable context to European copyright law and a detailed explanation of the copyright laws of each EU Member State as at June 2018.

We round the issue out with updates from Australia and New Zealand as well as China and Hong Kong, Japan, Singapore, the EU, France, Germany, the United Kingdom ("UK") and Canada on current developments in case law and legislation. In keeping with some of the themes explored in this issue, the EU update looks at the European Patent Office's approach to patent applications for AI inventions. And the UK update looks at how the Court of Justice of the European Union's decision in *Cofemel v G-Star Raw* in relation to copyright protection for designs is likely to be applied there. As always, we are grateful to our correspondents for their contribution to the journal.

It has certainly been a dramatic few months since our last issue, with natural disasters impacting both sides of the Tasman. We hope that our readers are safe and well and we look forward to better things for the remainder of 2020.

1 *Encompass Corp Pty Ltd v InfoTrack Pty Ltd* (2018) IPR 387.

2 *Rokt Pte Ltd v Commissioner of Patents* (2018) 139 IPR 1.



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# In Conversation with Professor Graeme Austin

Fiona Phillips

Late in 2019, Fiona Phillips interviewed Professor Graeme Austin about his career and his views on intellectual property in Australia and New Zealand. What followed was a wide-ranging discussion which highlighted the importance of collaboration in Professor Austin's career and the importance of the law in effecting social change.



©Victoria University of Wellington 2016

Professor Graeme Austin

**Q:** What made you want to study law?

**A:** I do not come from a legal background and I was the first in my family to get a tertiary degree. When I was about 22, I was at drama school at the Victoria College of the Arts in Melbourne. I soon discovered that it was not for me. So, I took myself to Melbourne University's bookstore and I bought some books about other possible areas of study. One of the books I bought was Lloyd's *Introduction to Jurisprudence*. I sat down and read it, and I thought "this is pretty interesting". I went home to New Zealand and enrolled in Law at the University of Wellington. Very quickly, I was hooked.

**Q:** And what drew you to intellectual property ("IP") law? Was it your background in acting?

**A:** Not really, although I've always been interested in the relationship between law and creative work. I was teaching at the University of Auckland and had become interested in private international law. The implications of the internet for cross-border IP issues were just surfacing. I began to do research in that area.

On the strength of that work, Jane Ginsburg accepted me into the doctoral program at Columbia University, and she gave me a fellowship, which made it affordable. Jane was, and continues to be, a wonderful mentor: generous, rigorous and very patient. She opened up the whole area of IP for me, particularly copyright and trade marks. I didn't look back after that.

**Q:** You took leave from the University for a while and worked as a solicitor in a large commercial firm. Why did you ultimately decide to make your career as an academic?

**A:** It was a hard decision. I enjoyed private practice. The quality of the work was very high, and I enjoyed the law firm environment. But at exactly the point when

I had to decide whether to stay in practice, I was offered a professorship at the University of Arizona. That changed my life. If that hadn't come up, I don't know where I would be now.

**Q:** You were a tenured professor in the United States of America ("USA") for nearly a decade before returning to Australasia. Tell us about your experience in the USA?

**A:** I was very lucky. Out of the blue I was offered a job at a terrific law school, in a beautiful part of the USA. For a New Zealander, being somewhere where the "the great outdoors" was all around made it a very good place to land. I had wonderful students and my academic colleagues were extraordinary. I was also fortunate to have a brilliant and gifted Dean, Toni Massaro: one of those truly inspiring role models who change one's life in profound ways. A leading constitutional law scholar herself, Toni encouraged all of us to achieve that crucial synergy between scholarship, teaching, and public service.

Toni wanted me to develop the IP program. At about the same time, we also appointed a young scholar, David Adelman (who is now at the University of Texas) in the IP area. David and I had a seamless collaborative relationship and we became very good friends. David is also one of the smartest people I know: I learned a huge amount from him. We were given what we needed to develop a very strong IP program. I was especially proud of one course we developed: on entrepreneurship and the law. We enrolled law, business and science students and put them together in the same room. A key aim was to help the students form life-long professional relationships. This was a very positive time for me.

**Q:** Your scholarship spans many subjects. I note that one of your current research interests is the intersection of privacy and copyright. Tell us about that.

**A:** I have always been interested in the relationship between human dignity and law. It's also reflected in the work I've done on the interface between international human rights law and IP. Privacy can enhance human dignity. Privacy also intersects with creativity because it is in those private moments that we can genuinely experiment with new ideas. What we want from copyright are artistic productions of all kinds that are expressions of the individual human creator. And so, we need to think about how to encourage people to produce work that is genuinely reflects who they are. Privacy achieves many things, but one of them is to give people the freedom to be themselves, and to be genuinely creative.

**Q:** What, in your view, are the other big issues in IP right now?

**A:** I think that's the wrong question. Instead, we should be focusing on what the big issues are for society – and then thinking about how IP can contribute.

Obviously, environmental issues are critically important. How is IP connected to the big questions for our survival on the planet? What are the IP levers that will encourage the development and transfer of green technology? How do we balance incentives against the dangers of monopolies? Our survival depends on getting this right.

David Adelman and I recently published some work we did together on how trade mark law can contribute to positive environmental outcomes. Here, certification standards – key vehicles for private governance – are key. Trade marks are crucial for connecting consumers to ethical sources of products and services. It's very important that these standards are rigorous, and that sloppy trade mark law does not encourage races to the bottom in environmental standard setting. The "right to repair" is another area of interest.

And we're also seeing IP issues come up in the context of the algorithms that increasingly control our lives – what we read, the ideas to which we're exposed, the products that are recommended to us. We're just beginning to see how IP has a role in developing accountability standards.

In the copyright area, and returning to the dignity theme, we have some hard choices in front us. For example, are we committed to ensuring that creative workers have dignified lives and are able to earn a living, or are we going to accept the current drive towards amateurism?

The deeper point behind this is that IP must serve positive social outcomes. I think we need to look beyond the prevalent preoccupation with the role of IP in achieving marketplace efficiency. That's important, but for me, the real question is: what are the big issues we're confronting now – as a society, on this planet – and how can IP contribute to solving them?

**Q:** In addition to your Chair at Victoria University of Wellington, you also have a position at Melbourne University, and teach in the Masters program there. Are there any major differences in how Australia and New Zealand approach IP?

**A:** The University of Melbourne has a very strong law program. I have been teaching there for over 15 years. It has great students, and, as in Wellington, I have very inspiring colleagues there.

Australia and New Zealand are closely connected marketplace economies. There is much in common in the IP area. There are, however, some important differences. It is disappointing, for example, that the Australian *Copyright Act 1968* (Cth) and the New Zealand *Copyright Act 1994* are so different from each other. There could be greater emphasis on aligning these laws in the interests of the trans-Tasman market.

An area where there is an important difference is New Zealand's commitment to achieving a partnership between the government and Māori. Partnership practices and partnership aspirations influence policy, law, and policy debates in ways that could be surprising, and, I hope, encouraging, to Australians.

And perhaps because of its small size, debates around IP in New Zealand are very civil. In a small society, there is a sense that we're in it together. When we are developing IP policy, we must get along.

**Q:** You have now been teaching for two decades. What do you think is important in training future generations of IP professionals?

**A:** The same things that are important in all areas of the law and legal practice: a combination of technical proficiency, insight, knowledge, a service ethic, and an appreciation of the bigger picture. Interdisciplinarity is also increasingly important. We need to understand more about the application of IP laws in context.

**Q:** Your University profile states that you are the University of Wellington's first out gay law professor. Why was it important for you to include that fact in your profile?

## In Conversation with Professor Graeme Austin

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**A:** Many reasons, but I guess the main one is to try to encourage richer discussions of diversity questions in institutional and legal contexts.

New Zealand's *Homosexual Law Reform Act* came into force in 1986. I started my law degree at around the time that my country decided that I was no longer a criminal. Being treated as a criminal by your own country really does draw attention to a lot of questions about the law and its impacts on people's lives – in highly personal ways.

And when I started out there were no gay role models in any senior positions in the legal profession: virtually nobody in practice, policy or academia. Much has changed for this generation of course, but there are still issues for younger people. So visibility remains important. And for many international students, it

could be the first time that they've seen anyone, – not just a law professor, *anyone* – comfortable enough about the legal regime where they live to put “gay” in their biography.

We have come a long way, but there is still a lot of work to do to fully accommodate LGBTQI+ people in many areas of life.

**Q:** Do you have any hobbies?

**A:** At the moment, I'm doing a lot of singing. I go up to the New Zealand School of Music every week where a leading singing teacher, Margaret Medlyn, has bravely taken me on as a student. I'm not very good – but I enjoy it. And I am relieved that Mozart, Puccini, and Donizetti don't have any enforceable moral rights!

# Obituary: James Campbell Lahore

MA, BCL (Oxon), LL.M (Penn), LL.D (Melb)

1 December 1934 – 16 September 2019

Stephen Stern  
Warwick Rothnie

On 16 September 2019, Professor James (“Jim”) Lahore passed away at the age of 84, having led a vibrant and remarkable life around the globe, and having been an international leader in the field of intellectual property.

One of the remarkable aspects of Jim’s career is that it is impossible to describe his career in a sequential manner – he held so many roles and posts and was doing so many things in the intellectual property field at the same time that any attempt at a purely chronological order is impossible. He was a practising lawyer, an academic, an author and a member of various government committees all at the same time. The beneficiaries of all of his efforts were thousands of law students whom he taught, lawyers whom he mentored and with whom he worked and the intellectual property community generally for whom his publications became the leading Australian texts on intellectual property.

Jim’s legal career started in 1960 at the law firm Moule Hamilton and Derham (now known as Herbert Smith Freehills) where he became a partner in 1962. From there, Jim went into academia at Monash University in 1969, where his intellectual property career started. Jim can be credited with having been the first Australian university lecturer who taught intellectual property law, which he did at Monash University in about 1970. At that time, there were not even any Australian text books on any intellectual property topic.

Jim then spent from 1973 to 1975 as a counsellor at the World Intellectual Property Organisation in Geneva, at a time when most Australian lawyers still had little idea about what the term “intellectual property” even meant. In 1975, Jim was a visiting fellow at the University of Southampton, England where he set up its first intellectual property courses.

He returned to Melbourne and to Monash University in the mid-1970s and helped to give the Law Faculty a reputation at the top end of Australian academic institutions. Jim was undoubtedly one of the students’ favourite lecturers. His lectures were always full, and indeed the faculty had to impose limits on the number of students who were allowed to enrol into his classes. The consensus at university was that he was an outstanding lecturer, who was always incredibly clear and concise, friendly, caring and had a genuine fascination and interest not only in education but also in the subjects he taught.

In 1977, Jim published his work entitled *Intellectual Property Law in Australia: Copyright*. This was Australia’s

first comprehensive text on Australian copyright law, and for which he was awarded a doctorate of laws from the University of Melbourne.

Jim stayed in Monash University’s law faculty until 1980 when he was appointed the foundation Herchel Smith Professor at the University of London’s Queen Mary College. There he established the Intellectual Property Unit which, by the time Jim left at the end of 1985, was offering a wide range of intellectual property subjects for students from the United Kingdom, Europe and around the world.

Jim was also the founding General Editor of the *Intellectual Property Reports* in 1982; a role he continued in until his death.

On his return to Melbourne in 1986, Jim joined Mallesons Stephen Jaques (now known as King & Wood Mallesons) where he was a partner until 1996 and then a special counsel until his retirement from the firm in 2004. Jim then joined Corrs Chambers Westgarth as a consultant to its intellectual property team for a couple of years.

However, Jim was incapable of only doing one thing at a time. From 1989 to 1992 he was the General Counsel of the Australasian Performing Right Association Ltd and from 1990 until 2004 he was a professorial fellow as the Faculty of Law at the University of Melbourne. In this latter role, he worked with Professor David Allen, Ann Dufty and others to set up an extensive intellectual property postgraduate program at the University of Melbourne.

In 1988 Jim republished his copyright work *Intellectual Property Law in Australia: Copyright* as a loose-leaf service and published a second work (together with Jim Dwyer, John Garnsey and, of course, Ann Dufty) entitled *Intellectual Property Law in Australia: Patents, Trade Marks and Designs*.

In 1994 Jim took back his role as the Herchel Smith Professor at the University of London’s Queen Mary College and spent several months each year in London running and teaching in that university’s intellectual property courses.

Jim was appointed by the Australian Minister for Industry, Technology and Commerce to chair a committee of inquiry



James Campbell Lahore

Photo supplied by Ann Dufty

## Obituary: James Campbell Lahore, MA, BCL (Oxon), LLM (Penn), LLD (Melb)

following the 1989 amendments to the *Copyright Act* 1968 (Cth) and the *Designs Act* 1906 (Cth). The Committee published its findings and recommendations in 1991 entitled *Inquiry into Intellectual Property Protection for Industrial Designs*. As a result, Jim was appointed a part-time Commissioner of the Australian Law Reform Commission to manage an inquiry into the designs law. The Government accepted most of the recommendations that resulted from this inquiry which resulted in the repeal of the *Designs Act* 1906 (Cth) and its replacement by the *Designs Act* 2003 (Cth).

From 2001 to 2005, Jim served as the Chair of the Australian Attorney -General's Copyright Law Review Committee, completing two reports: *Copyright and Contract* and *Copyright and the Crown*.

Throughout most of his professional life, Jim was also an active member of the Intellectual Property Committee of the Business Law Section of the Law Council of Australia.

Partner of leading law firms, Professor of Law at leading universities, Chairman of Government advisory committees – each of those alone would be a great achievement of which most would be proud, but Jim was all of those, and more. He was a passionate teacher who students just loved, he was vibrant, extremely intelligent, he had a wicked sense of humour and was a fascinating man.

Those who knew him will miss him. Our thoughts go out to Ann Duffy, his wife and his partner in so much of Jim's professional life.



## 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.

### Some of those who have been profiled include:

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The late Rt. Hon. Sir Thomas Munro Gault KNZM, QC  
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# The Triumph of Purism over Principle

Clive Elliott QC<sup>1</sup>

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In New Zealand three-dimensional designs are protected under copyright as artistic works. I refer to this as “design copyright” or “industrial design”. This has been the case since the mid-1970s. The law has evolved and been refined since then. A number of design copyright cases have been decided and the area is of considerable importance to the business community.

The legal protection afforded to industrial designs around the world can produce a complex and confusing tangle. Design rights have been described as “An Expensive, Confusing, and Ineffective Suit of Armor” when it comes to the intellectual property (“IP”) protection of emerging fashion designers in the digital age.<sup>2</sup> It is difficult for artists, designers and owners to know what their rights are and what action can be taken to protect and stop infringement of those rights.

## Design Protection in Australia

I don’t propose to discuss the legal position in Australia in any detail. That path is sufficiently well trodden. In a detailed review, Alexander Bates compares the copyright/design overlap in Australia and New Zealand.<sup>3</sup> Bates argues that design protection in Australia is inadequate and the low level of protection is illustrated by the High Court decision in *Firma Group Australia Pty Ltd v Byrne & Davidson Doors (VIC) Pty Ltd*.<sup>4</sup> Bates submits that New Zealand has a better regime for the protection of IP rights arising from artistic works which are industrially applied, saying that “the execution of the Australian policy of denying copyright protection to artistic works which have been industrially applied may have left a hiatus in the law and that by examining the New Zealand counterpart a means may be discovered to cover the gap”. This is described as a quick and cost-effective solution.

## Conceptual Difficulties

Before analysing whether New Zealand might provide Australia with a quick and cost-effective solution to the copyright/design overlap conundrum it is necessary to address the conceptual underpinnings of the different approaches adopted in New Zealand and Australia.

In order to do so I will examine some of the underlying issues which bedevil this topic.

Registered design practitioners in countries such as Australia, New Zealand, the United Kingdom and Canada, assuming for argument’s sake there are some general principles applicable to this area of the law, have agonised for many years over whether copyright is a suitable vehicle for protecting design copyright at all. This is probably the biggest issue of principle which separates New Zealand and Australia.

Another vexed issue is whether an industrial design is dictated solely by utilitarian function, and if so whether this should prevent an article from being registered as a registered design, or if registered, its validity. This rule is complicated, however, because in certain countries, for example Canada, functional features of an industrial design may be registered, provided the features are also visually appealing.<sup>5</sup>

In Australia, functional designs can be registered, even if all the visual features of the product are dictated by function. However, if an alleged infringer’s design performs the same function but looks different, infringement will not arise.

The practical difficulty is for a court or tribunal to assess whether features are genuinely functional or not. A good illustration of this is a Canadian design decision where the Federal Court had to assess whether an imitation of CROCS footwear incorporated functional or aesthetic features.<sup>6</sup> CROCS are well known for their highly functional chunky look. In terms of assessing whether the pattern of the openings in the footwear was functional or aesthetic, the question arose whether certain apertures in the shoe were for aesthetic appearance or for purely functional reasons, i.e. ventilation and comfort.

The Court found that while the openings were functional, it was not clear whether the pattern of openings was functional or aesthetic. The Court therefore grappled with the distinction between the openings and the pattern or configuration of the openings and whether they had a different purpose.

The question might be asked, why should it matter? Unless the openings were purely functional, some would argue that protection should reside in a feature which has both form and function, whether in equal parts or not.

As noted above, in Australia, while functional designs are registrable, if an infringer’s design performs the same function but looks different, infringement will not arise. As I illustrate below, that is also the position under New Zealand design copyright law. So, to that extent, the two countries’ laws are consistent. What then separates New Zealand and Australia?

### Unity of Art

In my view, at a fundamental level, what separates Australia and New Zealand on this issue are two questions of principle: what exactly is design copyright? And how should industrial design rights be accommodated within the cluster of traditional IP rights?

In order to understand why, we need to step back and examine the “form over function” dichotomy. It rests on a number of assumptions. The first is that form is more at home and deserves greater recognition and protection under copyright law, than function. The rationale for this is that copyright is concerned with form i.e. expression, whereas patent law is concerned with inventive concepts and function. The demarcation between form and function and between copyright and registered designs is a longstanding one in Commonwealth jurisprudence. It is one which Australia has maintained but one which New Zealand, for all intents and purposes, disavowed some 50 years ago, on the basis that the distinction between form and function is a nuanced one and that a practical common-sense solution was needed.

Some commentators labelled this a case of pragmatism over principle. I am not sure that is the case. The French have long adhered to the “unity of art” theory, which posits that, on proper analysis, there is no principled distinction between pure art and industrial/applied art. Under this theory, copyright protection is afforded to all forms of art, whether they could be defined as masterpieces of fine art or modest and amateurish efforts. It does so on the basis that the distinction between pure and applied or high and low art is necessarily subjective. It is also illusory and ultimately futile to try to identify a meaningful point where high meets low.

The “unity of art” concept should not be confused with the “unity in art” principle. Unity in art refers to harmony, which is one of the guiding principles of good design and which, if properly executed, gives the artwork or design cohesion and coherence. In the case of a painting, it creates a sense of proportion, wholeness or completeness, whereby all parts of the composition are tied together to create a pleasing whole.

Unity “of” and “in” art, are conceptually similar insofar as the whole is greater than the sum of its parts. Once combined, the relevance of the parts diminishes relative to the whole. This raises the question, whether the preoccupation in copyright and design law between form and function and aesthetics and utilitarianism, is justified and whether a greater emphasis on the whole is needed.

Take, for example, a two-dimensional (“2-D”) work of fine art, an oil painting created by a great artist. No-one would dispute that the paint residing on a relatively thin substrate of canvas is a two-dimensional artistic work, susceptible

to copyright protection. If the painting is the result of significant skill and effort, it would be original and would attract a high degree of protection.

However, if the artist decides to not only sell the original painting but make 100 numbered prints, which are sold at a fraction of the price, essentially mass-produced copies, should those numbered prints be treated any differently? Of course, the artist has moved from the realm of fine bespoke art into mass production. Should each numbered print be viewed any differently under copyright law? I suggest not. The work has been exploited by the author in a manner of his or her choosing and I would argue that the wide dissemination of this great work of art to the masses is in the public interest; the artist makes a living and more members of the public gain access to a fine painting.

In Australia, the prints would still retain copyright insofar as they are two-dimensional works. However, what happens if the painting depicts an object, say a chair, and the artist then decides to make 100 numbered limited-edition chairs modelled on the chair in the painting using a three-dimensional (“3-D”) printer? In New Zealand the copyright in the three-dimensional object would be recognised (regardless of the number of chairs made) but not in Australia. Why, one may ask, is the painting of the chair treated differently to the chair itself? In our hypothetical, both are works of considerable artistic merit produced by the same author; it is just that they are produced in a different medium and form.

### The Need for Reform

I contend that in Australia the unequal treatment of the same work, depending on the dimension in which the work is represented is illogical and contrary to the public interest.

Designers, creators or owners of copyright need to make a decision as to whether they rely on copyright for their artistic works or if they are produced in three dimensions for commercial purposes, whether they should seek design protection. The problem is that it is widely accepted that in Australia the copyright/design overlap provisions have grown increasingly Byzantine in their complexity and are notoriously difficult to apply. The Advisory Council on Intellectual Property (“ACIP”) itself acknowledged that “the rules on the copyright/design overlap are contentious and unsatisfactory”.<sup>7</sup>

The Arts Law Centre of Australia (“Arts Law”), in its response to ACIP’s design review, proposed modification of the regime. It argued that the effect of the overlap provisions is that an artist may make unlimited 2-D reproductions of their design and remain protected under copyright law. However, if they choose to make a small number of three-dimensional reproductions of the same design, copyright protection would be lost. As they point out: “if any artist

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does not register their design under the Designs Act before industrially applying it, they can lose both copyright and design protection”. That is hardly a desirable outcome for anyone.

Arts Law submits that the current overlap provisions are “increasingly outdated given the international trend towards protection of industrially-applied designs through copyright and technological development such as 3-D printing which allow artists to reproduce their works in larger numbers”.

In *Polo Lauren Co LP v Ziliani Holdings Pty Ltd*<sup>8</sup> the Full Court quoted a passage from the Australian Law Reform Commission’s report No. 74 *Designs* directed at the distinction between two and three dimensions.<sup>9</sup> The Commission discussed the right to copyright and design protection and observed that designs applied to the surface of products usually have an aesthetic purpose, while designs applied as the shape of products usually have an industrial purpose and that this dimensional criterion has by and large provided an objective and reasonably certain standard. It also notes that the “rough justice” of the distinction has largely achieved the policy objective of ss.74–77 of the *Copyright Act 1968* (Cth).

However, these observations do not explain why artistic works that have been applied as three-dimensional designs should generally be denied copyright, while artistic works that have been commercially exploited in basically two-dimensional form should continue to receive copyright protection as artistic works. Further, the distinction between surface design and shape provide an objective assessment tool in some situations but not in others. For example, the shape of the heel of a CROCS-type shoe may be primarily aesthetic (to look industrial and chunky) whereas the surface design might be largely if not entirely functional –to provide better traction for the sole of the shoe.

### Reasons for rejection of the Dual Protection Model in Australia

In Australia, in addition to the difference of opinion discussed above, other broad reasons have been advanced for not adopting a dual protection model for industrial designs.

First, there are concerns about the length of protection under copyright. These concerns are justified in relation to industrial designs. However, the solution is simple: shorten the term, as has been done in New Zealand. In New Zealand, for industrial designs protected under the *Copyright Act 1994*, the term of protection is defined by s.75. It is 16 years from the date of first industrial application anywhere in the world or 25 years in the case of a work of artistic craftsmanship.

New Zealand and the United Kingdom provide reciprocal protection for New Zealand copyright works under the unregistered design provisions of the *Copyright Designs and*

*Patents Act 1988*. Even though the period of protection in the United Kingdom is 10 years as opposed to 16 years in New Zealand, these reciprocal provisions have been relied upon by New Zealand entities/individuals enforcing their design rights in the United Kingdom.

The second and most significant concern relates to the innovative threshold required to secure registered design rights. The innovative threshold which warrants design protection under Australian law, so the argument goes, is set at a suitably high level and it would be undesirable to lower that threshold. ACIP articulates its concerns in the following way:<sup>10</sup>

*The difficulty is that in order to attract copyright protection, artistic works need not be ‘artistic’ in a lay sense: they do not need to be novel or creative, they do not need to be produced by visual artists and they do not have to have artistic qualities. Copyrighted artistic works may be extremely mundane and they may depict extremely utilitarian (and not designer) items. A drawing of a hammer, slightly varied from an existing drawing of an existing hammer, may attract copyright protection. There are good policy arguments against allowing a company manufacturing mundane hammers from a drawing a monopoly over their hammer for the life of the person who drew the hammer plus another 70 years.*

The following observations can be made:

- (1) The argument that artistic works don’t need to be “artistic” represents traditional “form over function” thinking, which I respectfully disagree with. The ACIP report recognises the difficulties around applying tests based on artistic intent as the High Court found in *Burge v Swarbrick*.<sup>11</sup> In my view, the same difficulties arise in drawing a distinction between artistic works which are “artistic” in the sense of having artistic merit, as opposed to those works which are artistic insofar as they comprise a sketch or drawing depicting the artist’s expression, but are simple or utilitarian in nature. Both are artistic, what differs is the purpose for which the works are designed and applied.
- (2) If it is accepted that as a matter of principle copyright works may cover the full spectrum, from highly creative artistic works to the most mundane, such as a hammer, it becomes a distinction without a difference.
- (3) As to the point that copyrighted artistic works may be extremely mundane and they may depict extremely utilitarian (and not designer) items, I suggest that on analysis this difficulty is more imaginary than real.
- (4) The real nub of the argument is that there are good policy arguments against allowing a company manufacturing mundane hammers from obtaining

a 70-year monopoly. I agree. The relevant question, however, is whether an original drawing of a hammer i.e. a work originating from the author and not a copy of any other work, should be entitled to some protection under copyright law, say for 10–16 years?

In terms of the argument that the threshold for originality under copyright law is too low, it is correct that novelty or creative skill is not necessary. However, even though the threshold for originality is low, the extent of the work's originality is highly relevant to the scope of copyright protection afforded. This important principle was explained by the New Zealand Supreme Court in *Henkel KGAA v Holdfast New Zealand Ltd*<sup>12</sup> a case involving design drawings for adhesive packaging.

First, the Court discussed the test for originality, indicating that:<sup>13</sup>

*The threshold for originality is a low one and it can be material for other purposes how original the work is; that is, how much skill and labour has gone into its creation. In general terms the greater the originality, the wider will be the scope of the protection which copyright affords and vice versa.*

Next, the Court observed that the originality lay in the way the design features were arranged, rather than the individual features themselves, and that:<sup>14</sup>

*The amount of skill and labour in effecting the arrangement was, in our judgment, relatively low. The amount of skill and labour required on Holdfast's part to effect a non-infringing departure from Henkel's arrangement should also be relatively low.*

Finally, the Court made a qualitative assessment of the respective packaging and concluded that:<sup>15</sup>

*In a field where the level of originality is low on both sides, we consider Holdfast's work is sufficiently distinct that it cannot fairly be said to be a copy of a substantial part of Henkel's work. The level of similarity between these two works of low originality is such that, despite the opportunity to copy, we are not persuaded that there has actually been a copying by Holdfast of the essence of Henkel's copyright work.*

*Henkel* therefore stands for the proposition that while the threshold for originality is low, an inference of copying will be more readily drawn where there is a high degree of originality, even where the degree of similarity is less. The originality threshold in copyright, whether for fine or applied art is relatively low. However, the New Zealand courts are astute to this issue. Questions of originality and infringement directly inform each and create proportionality between originality and the ability to enforce the copyright against alleged infringers.

I would argue that this principle squarely addresses the potential misgivings about a modified drawing of a hammer attracting unwarranted copyright protection. Even though the work might attract copyright the effective protection would be limited or even extremely limited, depending on the level of originality; thereby balancing the rights and interests of the author and any potential infringer.

The third main concern is that copyright creates uncertainty, which includes not knowing at the time copying occurs, whether copyright protection has expired or not. Unlike with a registered design right, potential infringers are unable to ascertain whether they are infringing a right. I acknowledge that any registration right allows members of the public to conduct a search to ascertain what the right is and whether it might be infringed. However, the reality is that many people fail to conduct searches prior to making potentially infringing use.

Further, I am not sure whether in reality this is a significant drawback. Copyright infringement requires copying and copiers know when they have copied. Innocent parties are able to mount a defence, based on independent design. If there are genuine concerns about this issue, the Australian legislature could introduce a provision requiring marking on the product itself to identify that copyright exists in the article, the name of the owner of the copyright and any exclusive licensee, and the year that the article was first made available to the public.<sup>16</sup>

### Reform Options

In my assessment, there are three broad options available. First, to maintain the status quo, i.e. the distinction between two-dimensional and three-dimensional industrially applied works; secondly, to modify that rule to allow three-dimensional works having some aesthetic or artistic quality to be recognised as copyright works; or thirdly to abandon the current policy entirely and treat two- and three-dimensional works equally, subject to limiting the term of industrially applied copyright works to say 10 or 16 years.

In this article I argue in favour of the third option and contend that Australia should abandon its overlap provisions in favour of the broad industrial design policy adopted in countries such as New Zealand and the United Kingdom.

The impression I have, based on discussions with colleagues in Australia, is that the copyright/design overlap provisions have become too complicated, and the registered design regime is underutilised and needs updating.

The current industrial designs regime in New Zealand has been in place for about 50 years. The question of potentially overlapping protection was considered by the Dalglish Committee, as far back as 1959. At the time, very few registered designs were registered in New Zealand, in the order of 200–300 per year. The *Dalglish Report* recommended

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that all artistic works, regardless of their form should be protected under copyright law.

The situation has not changed much since the 1960s. The New Zealand Intellectual Property Office (“IPONZ”) statistics show that in the calendar years 2006–18 the number of design registrations per year has gone from 1266 in 2006 to 1362 in 2018. The IPONZ data also shows that New Zealand applicants make up just 38 per cent of total applications.

A recent example of a registered design which was successfully enforced in New Zealand is in *Watkins Manufacturing Corporation v Prestige Pools Ltd*<sup>17</sup>. The plaintiff in this case established that the defendant had infringed the design of its spa pool cabinet. However, very few registered designs are enforced in New Zealand, the trial judge observing that “[t]here is little New Zealand caselaw on registered design infringement.”<sup>18</sup> The overwhelming reason is because copyright provides such an effective remedy.

I researched the number of copyright cases in New Zealand since 1985. I chose this date because it was in 1985 that the recommendations of the Industrial Property Advisory Committee were adopted, and amendments made to the

*Copyright Act 1962 (NZ)* and the *Designs Act 1953 (NZ)* enshrining the current design copyright regime. In short, the right to conversion damages was removed and copyright in industrial/mass produced items reduced to 16 years.

According to my research, since 1985 a total of 244 copyright cases have been tried. Of those, 125 cases related to design copyright and 119 to other forms of copyright. In the case of design copyright, looking only at final rulings and excluding interim injunctions or other applications,<sup>19</sup> 34 claims representing 71 per cent of cases were successful. This shows that a relatively large number of design copyright cases were determined by the courts and in a large majority of the cases the plaintiff was successful.

I also looked at the proportion of non-design copyright cases to assess the number of cases that were successful. The results showed that 25 (81 per cent) of these claims were successful, which is an even higher percentage.

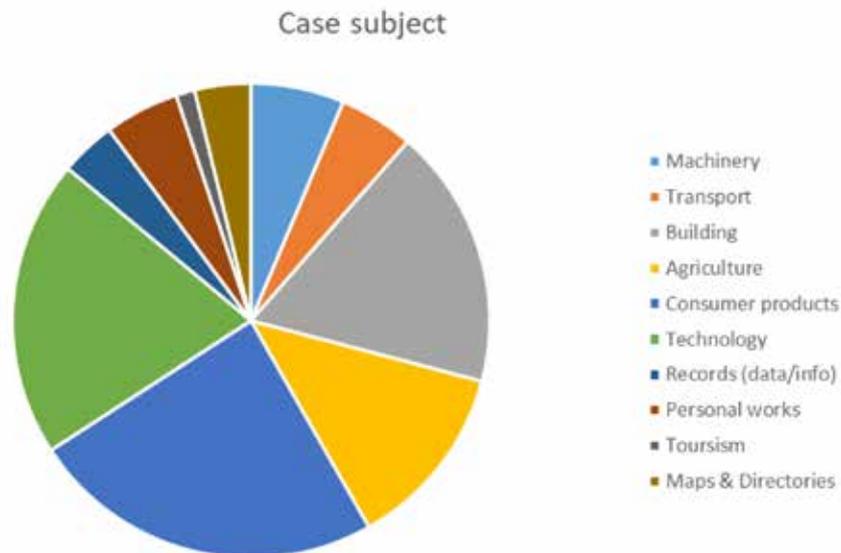
I then looked at the types of works which made up the category of design copyright cases. This revealed an interesting mix of subject matter, represented as follows:

CATEGORY	SUB-CATEGORY (where applicable)	TOTAL
Machinery		5
Transport		4
Building	– Construction	3
	– Interior/Design	11
Agriculture		10
Consumer products	– Clothing	7
	– Foodstuff	5
	– Health	2
	– Other	5
Technology	– Hardware	2
	– Software	6
	– Entertainment	8
Records (data/info)		3
Personal works		4
Tourism		1
Maps & Directories		3
<b>Total</b>		<b>79</b>

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This is represented in the following pie chart.



This research shows that a large range of design copyright cases have come before the New Zealand courts and that a diverse range of products have been protected and copyrights enforced.

The Intellectual Property Committee of the New Zealand Law Society, of which I am a member, made submissions to the Ministry of Business, Innovation and Employment (“MBIE”) in response to its *Review of the Copyright Act 1994: Issues Paper* published in late 2018. The Law Society strongly supports the retention of the current design copyright regime. In its submission it pointed out that for New Zealand businesses there are valuable benefits from the current overlap between copyright and registered designs. Further, it pointed out that rights had been enforced in a large range of areas including:

- farm gates;
- kiwifruit pocket packs;
- advertising leaflet designs;
- steel filling cabinets;
- plastic tie straps;
- fashion garments;
- workwear garments;
- knitted jerseys;
- caravan parts;
- 3-D engravings of coins;
- children’s shoe designs;
- industrial digger attachments;

- chainsaw parts;
- bottle designs;
- lavatory pan connectors; and
- toilet seat designs.

Reliance was also placed by the New Zealand Law Society in its submission on MBIE statistics from 2017, which indicated that about 97 per cent of all New Zealand businesses are SMEs – which contribute 30 per cent of the country’s GDP. It submitted that when the statistics of the small number of registered designs being filed in New Zealand is taken into account relative to the number of SMEs, it is reasonable to draw an inference that many SMEs are not relying on the registered design regime to protect their IP.

In New Zealand and Australia, many designers work in small enterprises with limited resources. It is common in many industries for designs to be updated on a regular basis and the cost of filing registered designs for each iteration would be prohibitive for many. Further, in the case of start-ups, many businesses don’t protect their early designs, thereby leaving them at risk in the future, if and when the business become successful and competitors copy their products.

The fashion industry is a good example. It is well recognised that fashion changes constantly – from season to season and even within seasons. This means that to succeed, fashion designers have to update and redesign their garments and ranges constantly. Change is the constant reality. A skilled and successful fashion designer (whether working individually or as a team) is usually going to be hands-on

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and closely involved in the design and creation of their work product. Even so, these industries operate in a fluid and ever-changing commercial environment, making it notoriously difficult to protect their designs, regardless of how original and innovative they are. In the fashion industry it is neither practicable nor affordable to seek registered design protection for each new design.

In New Zealand, fashion designers can of course protect their designs through a registered design and some do but for those that don't, copyright provides a cheap and cost-effective option.

To conclude, my research indicates that even though New Zealanders have the choice of registering a design or relying on copyright, in the industrial designs area copyright is the go-to remedy. Given the ease, simplicity and cost effectiveness of relying on copyright and given also the proportion of successful copyright claims brought in this area, this is hardly surprising.

### Is Copyright a suitable Vehicle for Protecting Design Copyright?

In my view, copyright law is well suited to deal with the issues I have identified and to distinguish between a feature which is purely functional and one which is partly functional and partly aesthetic. This is best done by treating the work as a combined work, subject to different influences and weighing up the relevance and importance of individual features in creating the whole, rather than on arbitrary distinctions such as the dimension the work takes.

I contend that the Australian copyright/design overlap provisions, as they have evolved, have become an example of the triumph of purism over principle. In the case of sections 74 to 77A of the Australian *Copyright Act* 1968 and the various efforts to deal with industrially applied artistic works, the legislature has attempted, on more than one occasion, to apply logical and rational principles, but with mixed results. Given that the underlying principles of the overlapped provisions are being reassessed, I would suggest that now is the time for change.

Vincent Porter writes by reference to the *Copyright Designs and Patents Act* 1988 (UK), upon which the New Zealand *Copyright Act* 1994 is based, that the principles which underlie the law of copyright are purely theoretical.<sup>20</sup> He asserts that copyright law is not derived from one overarching principle, but from the negotiation of a series of contradictory premises, which include three separate interests, those of the author, the publisher and the public.

This view is echoed by Patrick Atiyah QC, who argues that English (and therefore, I suggest, based on our common tradition, Australian and New Zealand) judges base their decisions on practical experience and precedent, rather than on logical or rational principles and that the common law's

preference is for pragmatism over principle, rather than a systematic development of rights.<sup>21</sup> Further, he argues that the result of this is that in the common law world statute law is often poorly conceived and drafted.

My argument is that the New Zealand regime would provide Australia with a workable and cost-effective solution, but in addition one which, on fuller analysis, is sound in principle.

In New Zealand, while design copyright applies to both functional and aesthetically pleasing designs, purely functional and commonplace designs are accorded limited protection. Likewise, the distinction between principles and ideas, the normal province of patent law, and the expression of a design, remains important.

The recent *Sealegs* litigation is a good illustration of the way the New Zealand courts deal with the intersection of different intellectual property rights; in this particular case, patents, registered designs and copyright. The litigation involved the plaintiff, Sealegs International Ltd's (Sealegs') assertion that it owned copyright in models in the form of prototypes of its arrangement of known mechanical components. These comprised the wheel assemblies of an amphibious system externally located on the hulls of boats. These wheel assemblies were retractable but remained visible and external to the hull of the craft.

Sealegs had a New Zealand and United States patent and a New Zealand design registration. The patent claim was not pursued at trial. In the High Court, Sealegs' registered design cause of action failed, Davison J finding that the wheels on the alleged infringing boat when retracted remained entirely visible and that even though the overall impression was broadly similar, the two craft were not substantially the same in appearance.<sup>22</sup>

Sealegs was, however, successful in its copyright claim in the High Court. While a large number of copyright works were pleaded, Sealegs ultimately asserted that their copyright related to the particular order in which the known components were assembled. Davison J accepted this argument, describing the copyright work as a combination, arrangement, collocation and pattern.

The High Court judgment was overturned by the Court of Appeal (leave to appeal that decision was subsequently declined by the Supreme Court). On appeal, the junction between ideas and expression and patent and copyright law came into sharp focus. The appellants contended that the judgment fundamentally misconceived the law of copyright and that as a result Sealegs had been granted an unprecedented monopoly in a collocation or arrangement of known functional components, untethered to any visual expression.<sup>23</sup>

The Court of Appeal dealt with the underlying premise upon which copyright law relies:<sup>24</sup>

*... the law of copyright rests on a very clear principle: that anyone who by his or her own skill and effort creates an original work of whatever character has the exclusive right to copy it for a limited period. So too in New Zealand the lower threshold applies. The recognition of originality and its extent will be a reflection of the skill and labour expended in the creation of the particular work. However originality is a question of degree. The greater the extent to which the creation of the copyright work is dictated by functional constraints, the less original the work is likely to be.*

The Court of Appeal found that the first instance judge had wrongly conflated the utility of the Sealegs system with aesthetic considerations and overemphasised the “solution” that Sealegs arrived at in designing its system. It concluded that the Judge was wrong to find originality in the idea/function embodied in the system, rather than the effort and skill that went into the expression of the idea in the particular copyright work.

The Court of Appeal noted that Sealegs should have relied on the detailed drawings annexed to the statement of claim. Instead, it relied on a collocation of unoriginal features, essentially making a patent infringement allegation by virtue of the selection and sequence of known components and features, appearing in prototypes. In doing so, it rested its case on copyright of a confined nature, which had not been infringed.

In the final analysis, the copyright claim failed because the trial judge erroneously approached the issue of originality in the collocation of common features by reference to the criteria for patentability, rather than copyright.

Finally, the Court of Appeal found that the trial judge was wrong to carry out a visual comparison without taking into account the extent to which the claimed copyright work was commonplace or dictated by functional constraints.<sup>25</sup>

This, in my view, is a good illustration of the way design copyright works are approached in New Zealand and the way in which the different intellectual property rights are taken into account. It is another example of a complainant failing in its registered design case but initially succeeding in copyright. This would have been cold comfort for the plaintiff, given the outcome on appeal. Nevertheless, it illustrates that the fundamental distinctions between registered designs, copyright and patents remains important in New Zealand and that if litigants ignore or try to fudge these distinctions they will be taken to task by the courts.

What about the raw materials forming an essential part of a work? Raw materials in their original form would normally be excluded from copyright and registered design protection. However, the relationship between materials and the resultant work is a complex one. Often, the materials utilised will have an influence on the design and ultimately the form in which

the work takes. Coming back to our earlier example, even in the case of a painting, the artist may decide to use a particular type of canvas or board to paint on. Artists typically apply a ground, a surface coating such as gesso, which is applied to a support, such as canvas, to receive the paint. The artist may decide to use a particularly absorbent, porous ground and a particular colour to emphasise certain aspects of the painting. This will then have a direct influence on the work itself. Does the ground form part of a copyright work? Arguably, yes, because it may influence the form in which the painting takes, for example creating greater luminosity or texture.

Assume, in our example, that the painting is copied, and the copy has the same luminescent quality and texture as the original. In a copyright infringement action, the question will then arise, how did you achieve these particular effects? The alleged copier would then need to explain. If the particular effects in issue were arrived at independently of the original, then the allegations of copying may fail. However, the issue of the underlying materials and how and why they were used would be relevant, at least insofar as allegations of copying are concerned. To that extent, the issue of materials, form and function are all relevant, each in their own right.

Notwithstanding the reservations expressed by the Court of Appeal about the way in which Sealegs pleaded and ran its case, copyright may still provide a suitable mechanism to deal with non-aesthetic features and adornment, and even to some extent purpose and function; as Edwards J pointed out in relation to aftermarket car parts in *Dodson Motorsport Limited v Logiical Performance Ltd.*<sup>26</sup>

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

### The Policy Perspective

In 2018 MBIE released an Issues Paper in relation to a significant review of the *Copyright Act 1994*.<sup>27</sup> In its paper, MBIE proposed that the *Copyright Act* should explicitly state what the Act's purposes are and what copyright is seeking to achieve. The proposed objectives are set out below, followed by my comments. I submit that these comments insofar as they relate to design copyright are, in the main, applicable to the situation in Australia.

#### ***1. Provide incentives for the creation and dissemination of works, where copyright is the most efficient mechanism to do so***

The copyright protection for industrial designs provides incentives for the creation and dissemination of works insofar

# The Triumph of Purism over Principle

as copyright protection is automatic, regardless of whether the work is created or adapted in two or three dimensions. Copyright is the most efficient mechanism to do this because there are no registration and renewal costs.

## **2. Permit reasonable access to works for use, adaption and consumption, where exceptions to exclusive rights are likely to have net benefits for New Zealand**

The industrial design regime treats all copyright works equally, depending on the level of originality and therefore protection and reasonable access is permitted.

## **3. Ensure that the copyright system is effective and efficient, including providing clarity and certainty, facilitating competitive markets, minimising transaction costs, and maintaining integrity and respect for the law**

This, in my view, is a big plus for the industrial design regime in New Zealand. The system is effective and efficient, as shown by the statistics. The system provides both clarity and certainty, insofar as all works, regardless of their dimension are protected and without authors and owners having to get legal advice on copyright/design overlap issues as they do in Australia. Competition is maintained, insofar as works can still be used for purposes of inspiration as long as substantial copying is not undertaken. Transaction costs in terms of securing protection are kept to a minimum. Integrity and respect for the law is maintained because the law is simple to understand, absent complex legal theories as to what is in and out, and for this reason respect for the law is maintained.

## **4. Meet New Zealand's international obligations**

The industrial design regime meets New Zealand's international obligations and reciprocal rights are provided to certain countries, such as the United Kingdom.

## **5. Ensure that the copyright system is consistent with the Crown's obligations under the Treaty of Waitangi**

I see no reason why the industrial design regime would be contrary to the terms of the *Treaty of Waitangi*.

## **Conclusion**

In my view, the comments I make about the New Zealand dual protection regime meeting the bulk of the policy objectives identified by MBIE can be applied equally to Australia. For the reasons I have articulated, I suggest the New Zealand design copyright regime is a successful exercise in practical lateral thinking and hopefully before too long we will see a more coherent and consistent design copyright approach in our two countries. Indeed, as has been pointed out,<sup>28</sup> Australia and New Zealand have obligations under the *Closer Economic Relations Treaty* ("CER") to harmonise their business laws. Arguably, there has been a failure to do so, insofar as the disparity between copyright and design laws means that the sale of non-infringing goods in Australia may infringe rights of a copyright owner in New Zealand.

This is exactly what happened in *Jeanswest Corporation (New Zealand) Ltd v G-Star Raw C.V.*,<sup>29</sup> where an Australian

company, Jeanswest, which designed and sold a range of denim jeans in Australia without complaint was found to infringe copyright in New Zealand, having exported the jeans to New Zealand for sale by its New Zealand affiliate.

For these reasons, I contend that the design copyright solution adopted in countries such as New Zealand and the United Kingdom is not just pragmatic in nature, but sound in principle and I welcome the day when the law in this area is better harmonised.

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- 2 Janssens & Lavanga, 'An Expensive, Confusing, and Ineffective Suit of Armor: Investigating Risks of Design Piracy and Perceptions of the Design Rights Available to Emerging Fashion Designers in the Digital Age' (26 October 2018) *Fashion Theory*, Taylor & Francis Online <<https://www.tandfonline.com/doi/full/10.1080/1362704X.2018.1515159>>.
- 3 Alexander Bates, 'Artistic Works Industrially Applied: A Comparison of Copyright/Designs Law in Australia and New Zealand'; (1993) 17(2) *University of Queensland Law Journal* 247.
- 4 *Firma Group Australia Pty Ltd v Byrne & Davidson Doors (VIC) Pty Ltd* [1987] HCA 37, (1987) 180 CLR 483, 61 ALJR 495.
- 5 *Zero Spill Systems (Int'l) Inc v Heide* 2015 FCA 115.
- 6 *Crocs Canada Inc v Hole Soles Holdings Ltd* 2008 FC 188.
- 7 ACIP, *Review of the Designs System: Final Report*, March 2015, p.3.
- 8 *Polo Lauren Co LP v Ziliani Holdings Pty Ltd* [2008] FCAFC 195 (18 December 2008), (2008) 80 IPR 531 at [50].
- 9 Australian Law Reform Commission, *Report No. 74: Designs*, August 1995 at [17.7].
- 10 ACIP, *Review of the Designs System: Final Report*, March 2015, p. 34.
- 11 [2007] HCA 17.
- 12 [2007] 1 NZLR 577.
- 13 at [38].
- 14 at [48].
- 15 at [52].
- 16 Sections 27A(1) and (2), *Copyright Amendment Act 1985* (NZ).
- 17 *Watkins Manufacturing Corporation v Prestige Pools Ltd* [2018] NZHC 709 Jagose J.
- 18 at [19].
- 19 If copyright infringement was found but later overturned on appeal, only the final appeal was included.
- 20 Vincent Porter, 'The Copyright Designs and Patents Act 1988: The Triumph of Expediency over Principle' 16 *J.L. & Soc'y* 340 (1989).
- 21 PS Atiyah, *Pragmatism and Theory in English Law: The Hamlyn Lectures, Thirty-Ninth Series*, Stevens & Sons (1987).
- 22 *Sealogs International Ltd v Zhang* [2018] NZHC 1724 at [470].
- 23 at [72].
- 24 at [93].
- 25 at [136].
- 26 *Dodson Motorsport Limited v Logiical Performance Ltd* [2019] NZHC 918 at [46].
- 27 Ministry of Business, Innovation & Employment, *Review of the Copyright Act 1994: Issues Paper*, November 2018. Submissions in response to the Issues Paper closed in April 2019 and were made public some months later. At the time of writing, the review is still ongoing <<https://www.mbie.govt.nz/business-and-employment/business/intellectual-property/copyright/review-of-the-copyright-act-1994/>>.
- 28 Devita Pathi, 'The copyright/design overlap – will it ever come into fashion?: a discussion of the current trend in the law in Australia and New Zealand' 78 (September 2009) *Intellectual Property Forum* 14.
- 29 *Jeanswest Corporation (New Zealand) Ltd v G-Star Raw C.V.* [2015] NZCA 14, (2015) 13 TCLR 787.

# Manner of Manufacture – Increasing Trans-Tasman Harmony or Increasing Difference?

Alexia Mayer<sup>1</sup>

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## I Introduction

New Zealand intellectual property lawyers and patent attorneys have been following Australian case law developments in the controversial area of manner of manufacture with considerable interest, not least because of the paucity of New Zealand case law on the requirements for patentable subject matter under *Patents Act* 2013 (NZ) (the “NZ Patents Act”).

The extent to which New Zealand and Australian law on patentability differs is unclear, because the New Zealand courts have yet to interpret the relevant provisions of the 2013 Act and have yet to be asked to apply *Myriad*<sup>2</sup> or recent Australian cases on computer-implemented inventions. At present, we are left to glean guidance from the New Zealand Intellectual Property Office (“IPONZ”) *The Patent Examination Manual* (the “Manual”), IPONZ’s approach as evidenced by Examination Reports, accepted patent applications, and the opinions of legal commentators.

This article will provide an overview of the current New Zealand statutory regime before commenting on similarity and divergence between the laws of New Zealand and Australia<sup>3</sup> in this area. I will comment on how the New Zealand courts could or, in my opinion, should, approach the manner of manufacture test under the NZ Patents Act. As the NZ Patents Act has a specific exclusion relating to inventions for computer programs “as such”, I will separately consider how the New Zealand courts could approach software-related inventions, such as those the subject of the *Encompass*<sup>4</sup> and *Rokt*<sup>5</sup> decisions in Australia. I will provide some examples of the types of software-related inventions which IPONZ has accepted under the NZ Patents Act.

## 2 Introduction to the New Zealand statutory provisions

The NZ Patents Act finally replaced the *Patents Act* 1953 (NZ) (the “1953 Act”) after a long period of debate over several decades.

Under s.13 of the NZ Patents Act, a patent may be granted for an invention only if it is a patentable invention. Under s.14(a) of the NZ Patents Act, among other things, to be a patentable invention, the invention, so far as claimed in any claim, must be a manner of manufacture within the meaning of s.6 of the *Statute of Monopolies*. The invention must also not be excluded from being a patentable invention under s.15 or s.16.

That is, the definition of “patentable invention” is very similar to the definition of that term in the *Patents Act* 1990 (Cth) (the “Australian Patents Act”),<sup>6</sup> except for the references to the exclusions in s.15 and s.16.

The exclusion in s.15 is of inventions the commercial exploitation of which is contrary to public order or morality.

The exclusions covered by s.16 are:

- human beings, and biological processes for their generation;
- an invention of a method of treatment of human beings by surgery or therapy;
- an invention of a method of diagnosis practised on human beings; and
- plant varieties.

Under the 1953 Act, the only statutory bar to patentability was that the Commissioner could refuse to grant a patent application if he or she deemed that the use of the invention would be contrary to morality.<sup>7</sup> Under the common law, various types of subject matter (such as methods of treating disease or illness in humans,<sup>8</sup> for example) were found to be unpatentable on that basis.<sup>9</sup>

For inventions involving computer programmes, there is an initial hurdle to be met under the NZ Patents Act. Section 11 provides that:

- (1) *a computer program is not an invention and not a manner of manufacture for the purposes of this Act;*
- (2) *Subsection (1) prevents anything from being an invention or manner of manufacture for the purposes of this Act only to the extent that a claim in a patent or an application relates to a computer program as such.*
- (3) *A claim in a patent or an application relates to a computer program as such if the actual contribution*

*made by the alleged invention lies solely in it being a computer program.*

- (4) *The Commissioner or the court (as the case may be) must, in identifying the actual contribution made by the alleged invention, consider the following:*
- (a) *The substance of the claim (rather than its form and the contribution alleged by the applicant) and the actual contribution it makes;*
  - (b) *What problem or other issue is to be solved;*
  - (c) *How the relevant product or process solves or addresses the problem or other issue;*
  - (d) *The advantages or benefits of solving or addressing the problem or other issue in that manner;*
  - (e) *Any other matters the Commissioner or court things relevant.*

That is, claims which arguably relate to a computer program “as such” are treated differently to other claims, because an assessment is required of whether they are excluded from the definition of “invention”.

The wording of s.11 is curious, in that such inventions are said to be “not an invention *and* not a manner of manufacture”.

Section 11 purportedly codifies the test set down in the English *Aerotel*<sup>10</sup> case, but, as I will discuss later on, the s.11 provision differs in some regards from that test.

If an invention which involves a computer program gets over the hurdle of s.11 and is found not to be excluded from the definition of “invention”, that is not the end of the matter; the invention must still be a “patentable invention” within the meaning of s.14.

### 3 Similarity and difference between New Zealand and Australia

#### 3.1 Patentability of particular types of inventions

##### 3.1.1 New use of a known product

The New Zealand courts, in *Wellcome Foundation Ltd v Commission of Patents*<sup>11</sup> (“*Wellcome*”) and *Ballance Agrinutrients Ltd v Ravensdown Fertiliser Co-operative Ltd*<sup>12</sup> (“*Ballance*”), have followed *NRDC*<sup>13</sup> in holding that the new use of known product is a manner of manufacture. Although both those decisions were under the 1953 Act, there is no reason to believe that the same does not apply under the NZ Patents Act.

##### 3.1.2 Methods of medical treatment

Unlike the position in Australia, under the 1953 Act, methods of medical treatment were held not to be patentable in New Zealand,<sup>14</sup> although some methods of treating humans for something other than an illness or medical condition (such as cosmetic treatments or

contraceptive treatment) were regarded as potentially patentable.<sup>15</sup>

Section 16 of the NZ Patents Act excludes methods of treatment of human beings by surgery or therapy, and method of diagnosis practised on human beings, as permitted by art.27 of *TRIPS*.<sup>16</sup> Section 16 is very similar to the equivalent exception in the *Patents Act 1977* (UK) (the “UK Patents Act”), except that unlike in the United Kingdom (“UK”) it only covers methods of treating humans.

The Manual provides guidance on the scope of exception, commenting that the exclusions in s.16(2) and s.16(3) of the 2013 Act essentially codify the New Zealand Court of Appeal’s decision in *Pfizer Inc v Commissioner of Patents*<sup>17</sup> that methods of medical treatment of humans were not an invention under the 1953 Act.<sup>18</sup>

It is clear from the Manual that IPONZ considers that certain methods of treating humans which were held to be patentable under the 1953 Act (such as cosmetic treatment or where the human is not ill) remain patentable under the 2013 Act,<sup>19</sup> which would appear likely if relevant UK authorities on this issue are followed by the New Zealand courts.<sup>20</sup>

##### 3.1.3 Swiss-type claims

As in Australia, Swiss-style claims (e.g. The use of [known compound X] for the manufacture of a medicament for the treatment of [new therapeutic use]) may be patentable in New Zealand. The key decision is *Pharmaceutical Management Agency Ltd v Commissioner of Patents*,<sup>21</sup> in which the Court of Appeal found that such claims are patentable subject matter if the claims are made in an acceptable format (and provided that all other requirements, such as novelty, are met).

The patentability of Swiss-style claims has subsequently been affirmed by the New Zealand High Court in *Merck & Co Inc v Arrow Pharmaceuticals (NZ) Ltd*<sup>22</sup> and in *Ballance*.<sup>23</sup> Again, there is no apparent reason why the principles in those cases would not also apply under the NZ Patents Act.

##### 3.1.4 Genetic material

There is no specific exclusion of inventions relating to novel genetic material in the NZ Patents Act and gene patents have been granted in New Zealand under both the 1953 Act and the NZ Patents Act. It remains to be seen whether the New Zealand courts will be influenced by the High Court’s reasoning in *Myriad*, which is discussed further below.

##### 3.1.5 Microbiological processes

The NZ Patents Act does not expressly exclude microbiological process and the products of such processes, but s.16 excludes biological processes for the generation of human beings.

### 3.1.6 Business methods

Under the 1953 Act, business methods were patentable if they achieved an artificially created state of affairs that had utility in the field of economic endeavour.<sup>24</sup> Typically, the patentability of such business methods has depended on the business method interacting with a tangible apparatus.<sup>25</sup>

As in Australia, there is no explicit statutory exclusion of business methods from patentability under the NZ Patents Act, but in practice, many will fall foul of the computer program exclusion in s.11 of the NZ Patents Act or, if not, fail to constitute a manner of manufacture under s.14 of the NZ Patents Act.

### 3.1.7 Computer programs

As will be discussed in detail below, s.11 of the NZ Patents Act is a specific exclusion for alleged inventions relating to computer programs as such. There is no equivalent provision in the Australian Patents Act.

### 3.1.8 Maori Advisory Committee

An interesting difference between the law in NZ and Australia is that the 2013 Act established a Maori Advisory Committee to advise the Commissioner (on request) whether an invention claimed in a patent application is derived from Maori knowledge or indigenous plants and animals and, if so, whether the commercial exploitation of that invention is likely to be contrary to Maori values.<sup>26</sup> The Commissioner is required to consider that advice but is not bound to follow it.<sup>27</sup>

## 3.2 New Zealand manner of manufacture case law

Historically, aside from the divergent views taken by New Zealand and Australian courts on the patentability of methods of medical treatment, there has been considerable harmony between Australia and NZ on the fundamental principles of “manner of manufacture”.

The key New Zealand case on what constitutes a “manner of new manufacture” within the meaning of s.6 of the *Statute of Monopolies* is *Swift & Co v Commissioner of Patents*<sup>28</sup> (“*Swift*”), which affirmed both *GEC’s Application*<sup>29</sup> (the case in which the so-called “Morton’s Rules” were enunciated) as interpreted in *NRDC*, and *NRDC* itself.

In applying *NRDC*, Barrowclough CJ praised the flexible approach to manner of manufacture set out in that judgment:<sup>30</sup>

*If I may respectfully say so, [NRDC] is a masterly review of the development of the legal concept of the word “manufacture” and must result in a more enlightened and less restricted approach to the question of patentability in the modern world. It is an approach which must be of enormous public benefit and which must encourage the practical use of the startling discoveries of present-day scientific research. It*

*is a gratifying feature of our law that it is flexible enough to have adapted itself in the past and apparently to be able to adapt itself in the future to the inevitable progress of human knowledge.*

Since *Swift*, *NRDC* has been the bedrock to assessing “manner of manufacture” in New Zealand.

In my view, the test in *NRDC*, as affirmed in *Swift*, should continue to be the keystone for the assessment of manner of manufacture under s.14(a) the 2013 Act, given that the key consideration for determining patentability remains whether the invention is a “manner of manufacture” within the meaning of s.6 of the *Statute of Monopolies*.

What remains to be seen, however, is the extent to which New Zealand courts will follow the more recent Australian case law, including the High Court’s decision in *Myriad*.

As mentioned, earlier, gene patents have been granted under the 1953 Act and the NZ Patents Act, with IPONZ accepting the patentability of isolated nucleic acid sequences. However, to date there has not been any judicial consideration in New Zealand of whether claims for such inventions are patentable.

## 3.3 Should the New Zealand courts follow *Myriad*?

In the absence of New Zealand case law on point, the High Court’s judgment in *Myriad* is likely to be considered highly persuasive by the New Zealand courts. However, in my opinion, the New Zealand courts should decline to follow the *Myriad* High Court decision, both specifically in relation to claims to an isolated nucleic acid, and generally (i.e. the High Court’s broader reasoning regarding special considerations for claims which may be said to be on the boundaries of the established confines of the concept of manner of manufacture).

In relation to claims to claim to an isolated nucleic acid, my reasoning is as follows.

First, the NZ Patents Act explicitly excludes certain subject matter from patentability (e.g., an invention of a method of treatment of human beings by surgery or therapy).<sup>31</sup> Despite having been the subject of reports and considerable public interest prior to the NZ Patents Act being enacted, the New Zealand Parliament chose not to include a general exception for gene patents or an exception for isolated nucleic acid sequences,<sup>32</sup> whereas a specific provision for computer-implemented inventions was included. If such inventions are to be excluded from patentability on the basis of public policy,<sup>33</sup> in my view, that is more appropriately a matter for Parliament.

Secondly, like the Australian Patents Act,<sup>34</sup> the NZ Patents Act includes a research and experimentation defence to infringement,<sup>35</sup> the importance of which should not be overlooked and which goes some way to addressing the High

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Court of Australia's fears expressed in *Myriad* of a "chilling effect" on legitimate innovative activity.<sup>36</sup>

Thirdly, in my view, whether a particular gene patent or patent application claims patentable subject matter is capable of being determined under the orthodox considerations of whether it claims a manner of manufacture within the s.6 of the *Statute of Monopolies* as interpreted in *NRDC*.

Fourthly, the High Court of Australia's focus in *Myriad*<sup>37</sup> characterisation of the information contained in the product as an essential element of the claimed invention seems to me to be problematic, as it could have ramifications for the patentability of any product which replicates naturally occurring information. In contrast, the Full Court characterised the subject matter of the claims as a compound, not information.<sup>38</sup>

On the broader issue of whether the New Zealand courts should adopt the *Myriad* approach for assessing manner of manufacture in relation to claims which arguably lie on the boundaries of the established confines of that concept (whether related to isolated DNA or not), again, I would respectfully argue that they should not.

How to determine, first, that the invention satisfies the *NRDC* principles but nonetheless lies outside the accepted classes of manner of manufacture and, secondly, whether the concept of manner of manufacture should be extended to cover a claimed invention, is not entirely clear. From the judgment of the plurality in *Myriad*, it appears that there are numerous policy factors which *may* be important to the second issue. The High Court introduced this apparently non-exhaustive list with the words:

*When a new class of claim involves a significant new application or extension of the concept of "manner of manufacture", other factors including factors connected directly or indirectly to the purpose of the Act may assume importance.*<sup>39</sup>

Factors on the High Court's list, include, for example:<sup>40</sup>

- the extent of monopoly and potential "chilling" effects on innovation outside the formal boundaries of the monopoly;
- whether the extension of manner of manufacture to the class of claim would enhance or detract from the coherence of the law relating to inherent patentability;
- whether international obligations or the differently framed patent laws of other jurisdictions support the conclusion that the class of claim should be included in the concept of manner of manufacture; and
- whether to accord patentability to the class of invention claimed would involve law-making of a type better left to the legislature.

Applying the High Court of Australia's reasoning as to whether the concept of manner of manufacture should be extended may prove to be a complex and difficult exercise for the courts, examiners, or for patent attorneys and lawyers advising clients in relation to the patentability of inventions which are arguably on the edge of the current concept of manner of manufacture. This would lead to increased uncertainty.

In my opinion, the unanimous decision of the Full Court of the Federal Court of Australia in *Myriad*<sup>41</sup> provides a better model for New Zealand to follow. The Full Court applied the well-established principles of *NRDC* in finding that *Myriad*'s invention was a manner of manufacture because the isolated nucleic acid was in an artificial state of affairs (having been removed from the genome and the cell),<sup>42</sup> was not the exactly the same as the gene comprising the nucleic acid sequence in nature (being chemically, structurally and functionally different),<sup>43</sup> and that the isolation of the nucleic acid lead to an economically useful result (the treatment of breast and ovarian cancer).<sup>44</sup>

Of course, New Zealand could also turn to the UK for guidance on determining patentable subject matter, as it has done specifically in respect of inventions which involve a computer program (discussed below). However, doing so would not be straightforward because under the UK Patents Act manner of manufacture within the meaning of s.6 of the *Statute of Monopolies* is no longer the basis for determining patentability in the UK. Nevertheless, adopting an approach consistent with the outcome under UK and European law – that purified and isolated DNA is more than a mere discovery and is patentable – would be desirable, in my opinion.

### 3.4 Inventions relating to computer programs

#### 3.4.1 Section 11

To recap, under the NZ Patents Act, inventions involving computer programmes must pass the initial hurdle contained in section 11 (set out above), which brings us to the topic of differences and similarities between inventions involving a computer program in New Zealand and Australia.

##### 3.4.1.1 Origins of section 11 – the 1977 Act and *Aerotel*

The NZ Patents Act takes inspiration from s.1 of the UK Patents Act in its exclusion from the definition of "invention" of claims relating to a computer program "as such". Section 1 of the UK Patents Act implements art.52(2) and art.52(3) of the *European Patent Convention*, although somewhat different wording is used in the UK Patents Act.

Whilst similar to the UK provision on which it is based, there are important differences between s.11 of the NZ Patents Act and s.1 of the UK Patents Act:

- Section 11 only relates to computer programs as such, whereas there are various exclusions in the equivalent UK provision.
- Unlike the 1977 Act, the NZ Patents Act provides guidance on how to determine whether the claim relates to a computer program as such, namely determine whether the actual contribution made by the alleged invention lies solely in it being a computer program. The section also provides criteria for identifying the actual contribution. These criteria have been adapted from the UK *Aerotel*<sup>45</sup> case.
- Importantly, unlike in the UK, if an alleged invention passes the s.11 hurdle, it must still be demonstrated to be a manner of manufacture under s.14 of the NZ Patents Act. In the UK, the claim must be capable of industrial application.<sup>46</sup>

In *Aerotel*, the Court adopted the Comptroller's proposed four-step test for assessing whether a claim relates to a program *as such*, namely:

- (1) Properly construe the claim.
- (2) Identify the actual contribution.
- (3) Ask whether it falls solely within the excluded subject matter.
- (4) Check whether the actual or alleged contribution is actually technical in nature.

In New Zealand, there is no express requirement to construe the claim (as opposed to the paragraph (a) requirement to consider the “*substance of the claim (rather than its form and the contribution alleged by the applicant) and the actual contribution it makes*”). There are diverging views of the significance of this. IPONZ takes the view in the Manual<sup>47</sup> that in order to decide whether an alleged invention relates to a computer program as such, examiners must first construe the claim in accordance with the established rules of claim construction set down by the New Zealand Supreme Court in *Lucas v Peterson Portable Sawing Systems Ltd*,<sup>48</sup> so the first step in *Aerotel* is required despite not appearing in s.11(3). On that view, paragraph (a) to (d) of s.11(4) of the NZ Patents Act codify the second step of the *Aerotel* test. However, others have expressed concern that the effect of paragraph (a) is that the established rules of claim construction do not apply to software-related inventions.<sup>49</sup>

The third step of the *Aerotel* test is codified in s.11(3). That is, whether the contribution identified consists of a computer program as such. The fourth step in *Aerotel* (i.e. checking whether the contribution is “technical”) has not been adopted in s.11.

### 3.4.1.2 Comments on s.11

In my view, it is unfortunate that s.11 was enacted, for the following reasons. First, I see no reason why inventions involving a computer program should be subject to a different level of assessment to other types of inventions. Secondly, the UK and European provisions from which the New Zealand legislature has drawn inspiration have been notoriously difficult to construe and apply, with the result that there is considerable inconsistency in the approach adopted.<sup>50</sup> Thirdly, to the extent to which s.11 requires claims to be construed in a manner different to the established principles of claim construction (as some have argued), that is undesirable. Fourthly, to the extent that s.11 requires or permits a consideration of the state of the prior art and expert evidence to be filed and considered regarding the prior art, that is also undesirable, as this blurs the distinction between inventive step and manufacture as separate steps of invalidity.

Furthermore, the convoluted s.11 analysis does not even resolve the issue; the court would still have to consider whether there is a manner of manufacture under s.14(a) of the NZ Patents Act.

### 3.4.2 How could or should the New Zealand courts approach inventions relating to computer programs?

To date, there are no New Zealand court decisions on s.11. Under the 1953 Act, computer software patents were held to be patentable, first in *Clarks Ltd v Commissioner of Patents*<sup>51</sup> (in which the Commissioner expressed reservations about whether it was patentable subject matter but allowed it in any event) and in *Re Hughes Aircraft Co's Application*<sup>52</sup> (“*Hughes*”). In the *Hughes* case, the Commissioner noted the lack of New Zealand case law (other than the non-binding previous decision of the Commissioner in *Clarks*) and turned to Australian and UK case law for guidance.<sup>53</sup> The Commissioner adopted the test formulated by Burchett J in the *IBM* case,<sup>54</sup> namely, that for computer software to be patentable it must have: (i) embodied a novel concept; and (ii) had a commercially useful effect.

The invention in *Hughes* involved computer programs for calculating conflict alert status in aircraft and was held to be patentable because it resulted in improved air traffic control, which the Commissioner regarded as a commercially useful effect.

How could or should the NZ courts approach software-related inventions? It is apparent that interpreting s.1 of the UK Patents Act and art.52 of the European Patent Convention has proved difficult, as noted by the UK Court of Appeal in *Aerotel*.<sup>55</sup> The Court commented that the decisions of the European Patent Office (“EPO”)

Boards of Appeal are mutually contradictory, and that there are at least four differing points of view on how the “as such” gloss is to be determined.<sup>56</sup> The Court wryly remarked that:<sup>57</sup>

*It is clear that a whole range of approaches have been adopted over the years both by the EPO and national courts. Often they lead or would lead to the same result, but the reasoning varies. One is tempted to say that an Art.52(2) exclusion is like an elephant: you know it when you see it, but you can't describe it in words. Actually, we do not think that is right – there are likely to be real differences depending on what the right approach is. Billions (euros, pounds or dollars) turn on it.*

In considering how a New Zealand court would approach such inventions, there are two aspects to be considered:

How would the court construe s.11?

If the s.11 hurdle is passed, what approach would the court take to assessing whether there is a manner of manufacture under s.14(a)?

Some guidance on the first of these issues can be gained from the examples contained in the section itself. Examination reports issued by IPONZ Examiners provides some guidance on both issues.

### 3.4.2.1 Examples in s.11(3)

Subsection 11(3) itself provides an example of a computer program related invention which is patentable:

#### ***A process that may be an invention***

*A claim in an application provides for a better method of washing clothes when using an existing washing machine. That method is implemented through a computer program on a computer chip that is inserted into the washing machine. The computer program controls the operation of the washing machine. The washing machine is not materially altered in any way to perform the invention.*

*The Commissioner considers that the actual contribution is a new and improved way of operating a washing machine that gets clothes cleaner and uses less electricity.*

*While the only thing that is different about the washing machine is the computer program, the actual contribution lies in the way in which the washing machine works (rather than in the computer program per se). The computer program is only the way in which that new method, with its resulting contribution, is implemented.*

*The actual contribution does not lie solely in it being a computer program. Accordingly, the claim involves an invention that may be patented (namely, the washing*

*machine when using the new method of washing clothes).*

Section 11(3) also provides an example of a process that is not an invention:

#### ***A process that is not an invention***

*An inventor has developed a process for automatically completing the legal documents necessary to register an entity.*

*The claimed process involves a computer asking questions of a user. The answers are stored in a database and the information is processed using a computer program to produce the required legal documents, which are then sent to the user.*

*The hardware used is conventional. The only novel aspect is the computer program.*

*The Commissioner considers that the actual contribution of the claim lies solely in it being a computer program. The mere execution of a method within a computer does not allow the method to be patented. Accordingly, the process is not an invention for the purposes of the Act.*

Examples in the Act have the status of being illustrative only and do not limit the provision. If an example and the provision to which it relates are inconsistent, the provision prevails.<sup>58</sup>

### 3.4.2.2 Guidance from IPONZ

The Manual includes a detailed section on computer programmes.<sup>59</sup> The Manual states that in determining the contribution, the examiner does not have to accept what the applicant says the contribution is, and is entitled to determine whether the alleged contribution is known or obvious, typically by performing a search.<sup>60</sup> However, the examiner is not required to conduct a formal search.<sup>61</sup> The Manual also states that this means the examiner's knowledge of the prior art will play a role in identifying the contribution.<sup>62</sup>

Despite noting that the UK and EPO requirement that the subject matter be “technical” or make a “technical contribution” has not been adopted in New Zealand law, and that care must therefore be taken in applying UK decisions under the NZ Patents Act,<sup>63</sup> IPONZ states in the Manual<sup>64</sup> that some UK decisions relating to the “as such” gloss may be useful, including *AT&T Knowledge Ventures v Comptroller General of Patents*.<sup>65</sup> (“AT&T”). In that case, five “signposts” – framed in terms of “technical effect” were set out. Those signposts are reformulated in the Manual as:<sup>66</sup>

- (i) Whether the computer program, when run, has an effect on a process which is carried on outside the computer;
- (ii) Whether the program, when run, operates at the level of the architecture of the computer; that is to say whether the effect produced by the program is produced irrespective of the data being processed or the applications being run;
- (iii) Whether the program, when run, results in the computer being made to operate in a new way;
- (iv) Whether the program, when run, makes the computer a better computer in the sense of running more efficiently and effectively as a computer;
- (v) Whether the perceived problem is overcome by the claimed invention as opposed to merely being circumvented.

A review of a number of examination reports relating to inventions involving computer programs suggests that:

- IPONZ examiners generally follow the approach outlined in Chapter 11 of the Manual.
- When s.11 issues are raised, s.14(a) issues are often also raised.
- When raising issues under section 14(a), examiners often cite both *NRDC* and *Research Affiliates*.
- Examiners sometimes refer to prior art documents cited for inventive step when assessing the actual contribution (for example, in determining that the actual contribution is solely the use of a computer program to perform a method or system known in the prior art, or in determining that hardware features of the claims are conventional or generic, so the actual contribution lies solely in the method that is performed by the computer program).

Although the *AT&T* “signposts” as reformulated in the Manual are said to be intended as guidelines only rather than a definitive list, it appears from examination reports that at least some examiners appear take the view that to avoid the section 11 hurdle an invention is *required* to pass at least one of these signposts.

Some examples of computer-program related inventions which have been accepted by IPONZ (sometimes by overcoming objections under s.11 and s.14(a), and sometimes without such objections having been raised) are set out below:

- 702007 – claiming methods and systems of modifying radio frequency transmitter design and transmitter systems.

- 702006 – claiming methods and systems for analysing interference susceptibility of a radio receiver design.
- 733184 – Apparatus and method for monitoring preparation of a food product.
- 736332 – Occupancy or vacancy indicating system (i.e. such as in a car park, showing where there are empty spaces).
- 739938 – Methods and systems for dynamic control of flow of alert messages in mobile networks. The invention relates to public alert systems and, more specifically to controlling the flow of alert messages during an alert event (e.g. earthquake; launch of government schemes) in a mobile network.
- 740156 – User equipment, mobile communication system, and cell selection method.
- 742352 – Method for transmitting data from at least one secondary station to at least one primary station along a segmented path, wherein two abutting segments are respectively connected by a node and wherein the path has at least three segments having at least two nodes. (Relates to cable-car installations.)

### 3.4.2.3 Likely approach of the NZ Courts to computer program related inventions

One issue which is not addressed in the Manual is the meaning of “computer program” in s.11, which is not defined in the New Zealand Patents Act. In *Aerotel*, the Court considered that “computer program”, on a narrow view, could mean just the set of instructions as an abstract thing albeit they could be written down on piece of paper.<sup>67</sup> On a wider view, “computer program” covers also the instructions on some form of media (e.g. CD or hard drive), which causes a computer to execute the program (i.e. a program that works).<sup>68</sup> There Court noted that there are EPO Board decisions which have adopted the narrow view, but found that such an approach is wrong.<sup>69</sup> Such an argument could be run in New Zealand, but, in my view, it is highly unlikely that the New Zealand courts would adopt a narrow interpretation of the s.11 exclusion. The example in s.11(3) itself of a process which would fall within the exclusion refers to data being stored in a database and to the use of conventional hardware.

I consider it likely that despite the difference between New Zealand and UK law, the New Zealand Courts will take guidance from UK case law, including the five “signposts” from *AT&T*, which IPONZ commonly applies in a modified form. Interestingly, in *Research Affiliates*,<sup>70</sup> the Full Court also considered UK jurisprudence such as *Aerotel* on the statutory

exclusion of computer programs “as such” to provide useful guidance in the context of considering the distinction to be drawn in Australia between unpatentable business methods and a claimed invention which may be patentable if it results in an artificial effect.<sup>71</sup> The Full Court said:<sup>72</sup>

*It must of course be remembered that these decisions were made in the context of a statutory exclusion and that what is excluded from patentability is, relevantly, a business method “as such”. However, it is apparent that applying a test of “technical contribution” has similar flexibility and, in the area of technology can be useful in an analysis of an “artificial effect”.*

The Full Court in *Research Affiliates* set out the signposts from *AT&T*, but did not expressly endorse those signposts.<sup>73</sup> The Court noted that Australia’s approach to patentable subject matter for patents relating to computer programs was consistent with outcomes in the UK and the US.<sup>74</sup>

Just as the Australian courts have commented that UK jurisprudence on the “as such” gloss to be potentially useful in analysing “artificial effect”, there is a good argument that in addition to UK case law, Australian case law on assessing “artificial effect” in relation to computer implemented inventions, such as in *Research Affiliates*, *Commissioner of Patents v RPL Central Pty Ltd* (“RPC”),<sup>75</sup> *Encompass* and *Rokt*, could assist New Zealand courts grappling with the “actual contribution” of such inventions.<sup>76</sup>

However, the Australian software cases can be hard to reconcile with one another, and it is questionable just how much the Australian case law, in its present state, would assist a New Zealand court. It was widely hoped that the *Encompass* appeal judgment would clarify the position in Australia (and perhaps provide useful guidance for New Zealand) but, disappointingly for practitioners, the Full Court took the view that the case did not raise any significant question of principle, or “provide the occasion for the Court to set out the metes and bounds of patentable computer-implemented inventions”.<sup>77</sup> Since the *Encompass* appeal judgment, the difficulties for patentees of computer-implemented inventions have again been illustrated in the decision of McKerracher J in *Repipe Pty Ltd v Commissioner of Patents*.<sup>78</sup> The hopes for clarity on the Australian position now rest with the upcoming Full Court appeal judgment in *Rokt*.<sup>79</sup> The appeal was heard by Rares, Nicholas and Burley JJ on 10 and 11 February 2020, and judgment is reserved. Justice Burley’s judgment in another computer-implemented invention case, *Aristocrat Technologies Australia Pty Ltd v Commissioner of Patents*, is also expected later this year.<sup>80</sup>

Another aspect of potential convergence between the position in Australia and New Zealand, despite the clear divergence in the very different statutory provisions, is the focus on substance rather than form of the claims. This is expressly mandated by s.11 of the NZ Patents Act. In Australia, the courts have also looked at the substance of the claims, as is made clear in the *Research Affiliates*, *Rokt* and *Myriad* decisions, for example.

Arguably, a significant difference between the law in New Zealand and Australia is the role which consideration of the prior art may play in assessing patentable subject matter. The requirement in s.11 of the 2013 Act to consider the “actual contribution” arguably invites a comparison between the claims and the prior art which has the potential to blur the boundaries between patent eligibility and inventive step. In Australia, the High Court has emphasised that the grounds of novelty, inventive step and manner of manufacture are conceptually distinct grounds (*Lockwood Security v Doric Products*<sup>81</sup>) and that manner of manufacture is assessed on the face of the specification alone (*NV Phillips Gloeilampenbarieken v Mirabella International Pty Ltd*<sup>82</sup>). The Full Court of the Federal Court held in *CCOM Pty Ltd v Jiejieng Pty Ltd* (“CCOM”) that:<sup>83</sup>

*... manner of manufacture, novelty, inventiveness and utility are stated as distinct requirements of a patentable invention. Thus whilst a claim for the ballpoint pen now would fail for anticipation and obviousness, it would still be a claim for a manner of manufacture.*

However, despite clear authority for the propositions just outlined, at present there appears that the Australian Patent Office and, to a lesser extent, the Australian courts have brought prior art into the assessment of patent eligibility in certain cases.<sup>84</sup> Furthermore, in *Encompass*, the Full Court accepted that the trial judge might have impermissibly blurred considerations of manner of manufacture with other, conceptually distinct elements of patentability, but nonetheless found no error in the primary judge’s conclusion.<sup>85</sup>

As to whether s.11 does require or permit a comparison between the claims and the prior art, and a blurring of s.11 considerations with those of novelty and inventive step, that is not necessarily the case. It could be argued that the requirement in s.11(4) to consider the substance of the claims, the problem addressed and the solution, arguably do no more than mandate a consideration of those matters *as disclosed in the body of the specification*. However, references to “problem” and “solution” clearly conjure up notions of inventive step, and s.11(4) expressly counterposes the

contribution made by the claims with the contribution alleged by the applicant. It therefore seems likely that a court might bring in inventive step considerations to an assessment of s.11.

Of course, for alleged inventions which clear the s.11 hurdle, the New Zealand courts will need to go on to consider s.14(a). IPONZ has been applying *NRDC* and *Research Affiliates*. New Zealand case law such as *Hughes* (decided under the 1953 Act) have also been referred to. It seems likely that the New Zealand courts will affirm that the *NRDC* approach (as accepted in *Swift*) remains the basis of the law in New Zealand under the NZ Patents Act, and that they are likely to regard more recent Australian case law as providing guidance, as was the case in manner of manufacture cases under the 1953 Act (for example, the reliance on *IBM* in the *Hughes Aircraft* case discussed above).

In assessing whether the claimed invention is a manner of manufacture under s.14(a), in my opinion, a court should:

- Approach the question based on *NRDC* and on the basis that there is no formula to be mechanically applied;
- Focus on whether a claimed combination *as a whole* a manner of manufacture is, rather than focusing on individual steps; and
- Not follow Australian software case law to the extent to which it suggests that consideration of novelty or inventive step form part of the enquiry.

#### 4 Conclusion

In conclusion, although manner of manufacture has traditionally been assessed under very similar principles both sides of the Tasman (methods of medical treatment aside), New Zealand's adoption of the "as such" test for software patents is a significant departure from the legal principles which applied previously to software-related inventions, and the regime which still applies to assessing patent eligibility of other inventions. Nevertheless, it appears that as IPONZ, the Australian Patent Office and Australian courts have grappled with the patentability of software-related inventions, they have been prepared to take guidance from other jurisdictions even where the statutory regimes are different. It remains to be seen how the New Zealand courts will address manner of manufacture generally, and the software exclusion in particular.

- 1 Senior Associate, James & Wells, Christchurch, with thanks to Gemma Smith, Solicitor, James & Wells, Auckland, for research assistance. This article is based on a paper given by the author as part of a co-presentation with David Shavin QC at the 33<sup>rd</sup> IPSANZ Annual Conference in Noosa in September 2019, updated in light of the Full Federal Court of Australia's judgment in *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* (2019) 372 ALR 646; (2019) 145 IPR 1 ("*Encompass*").
- 2 *D'Arcy v Myriad Genetics Inc* (2015) 258 CLR 334.
- 3 Some knowledge of Australian manner of manufacture case law is assumed.
- 4 *Encompass Corp Pty Ltd v InfoTrack Pty Ltd* (2018) IPR 387.
- 5 *Rokt Pte Ltd v Commissioner of Patents* (2018) 139 IPR 1 ("*Rokt*").
- 6 *Patents Act* 1990 (Cth), Schedule 1; s.18(1).
- 7 *Patents Act* 1953 (NZ), s.17.
- 8 *Wellcome Foundation Ltd v Commissioner of Patents* [1983] NZLR 385 (CA). In the subsequent decision of *Pfizer Inc v Commissioner of Patents* [2005] 1 NZLR 362 (CA), the Court of Appeal confirmed that methods of medical treatment are not patentable in New Zealand, but based its decision on the definition of "invention" in s.2 of the 1953 Act, rather than on the s.17 statutory exception to patentability.
- 9 For further details, see Ian Finch (Ed.), *Intellectual Property Law in New Zealand*, Third Edition (2017, Thomson Reuters New Zealand Ltd), [2.5.1.]–[2.5.3].
- 10 *Aerotel Ltd v Telco Holdings Ltd* [2006] EWCA CIV 1371.
- 11 [1983] NZLR 385 (CA).
- 12 HC Auckland CIV-2009-404-2171, 4 March 2011.
- 13 *National Research cDevelopment Corporation v Commissioner of Patents* (1959) 102 CLR 252 ("*NRDC*").
- 14 *Wellcome Foundation Ltd v Commissioner of Patents* [1983] NZLR 385 (CA).
- 15 *Re Handleman's Application* PO P02/1993, 23 February 1993; IPONZ practice note issued in March 1996.
- 16 Agreement on Trade-Related Aspects of Intellectual Property Rights, 15 April 1994, *Marrakesh Agreement Establishing the World Trade Organization*, Annex 1C, 1869 U.N.T.S. 3; 33 I.
- 17 [2005] NZLR 362.
- 18 IPONZ, *The Patent Examination Manual*, Section 16: Other Exclusions, [19].
- 19 IPONZ, *The Patent Examination Manual*, Section 16: Other Exclusions, [40] and [48].
- 20 See, e.g. *Joos v Commissioner of Patents* [1973] RPC 59.
- 21 [2000] 2 NZLR 529.
- 22 HC Wellington CIV-2006-485-817, 29 September 2006.
- 23 *Ballance Agri-Nutrients Ltd v Ravensdown Fertiliser Co-operative Ltd* HC Auckland CIV-2009-404-2171, 4 March 2001 at [135]–[144].
- 24 See Ian Finch (Ed.), *Intellectual Property Law in New Zealand*, 3<sup>rd</sup> Edition, 2017, Thomas Reuters New Zealand Limited, [2.4.11].
- 25 See Ian Finch (Ed.), *Intellectual Property Law in New Zealand*, 3<sup>rd</sup> Edition, 2017, Thomas Reuters New Zealand Limited, [2.4.11].
- 26 See *Patents Act* 2013 (NZ), ss.225-228.
- 27 See *Patents Act* 2013 (NZ), s.227.
- 28 [1960] NZLR 775 (SC).
- 29 (1943) 60 RPC 1.
- 30 *Swift* at 779.
- 31 See, e.g. *Patents Act* 2013 (NZ), s.16(2).
- 32 The Full Court of the Federal Court of Australia made this point in relation to the Australian situation in its judgment in *D'Arcy v Myriad Genetics Inc* (2014) 107 IPR 478 at [161].
- 33 As David Shavin QC points out in his paper *Manner of Manufacture – Does Myriad Encompass the Space between a Rokt and a Hard Place?* At [19], presented at the IPSANZ Conference in Noosa in September 2019, it appears to have been accepted by the High Court that to the extent that *NRDC* identified a two-step test (i.e. an artificially created state of affairs and economic utility), the claims in *Myriad* satisfied that test.
- 34 *Patents Act* 1990 (Cth), s.119C.

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- 35 *Patents Act* 2013 (NZ), s.143. There is also a defence for the use of a product for the purpose of obtaining regulatory approval: *Patents Act* 2013 (NZ), s.145.
- 36 *D'Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 at [28], [29] and [93].
- 37 *D'Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 at [89]–[93].
- 38 *D'Arcy v Myriad Genetics Inc* (2014) 107 IPR 478 at [210].
- 39 *D'Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 at [28]. Beach J confirmed in *Sequenom Inc. v Ariosa Diagnostics Inc* (2019) 143 IPR 24 at [348] that these factors do not need to be considered if the court is not dealing with “a new class of claim involving a significant new application of or extensions to the concept of ‘manner of manufacture’”.
- 40 *D'Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 at [28].
- 41 *D'Arcy v Myriad Genetics Inc* (2014) 107 IPR 478.
- 42 *D'Arcy v Myriad Genetics Inc* (2014) 107 IPR 478 at [166]–[167].
- 43 *D'Arcy v Myriad Genetics Inc* (2014) 107 IPR 478 at [[184], [190], [191], [194] and [213].
- 44 *D'Arcy v Myriad Genetics Inc* (2014) 107 IPR 478 at [214].
- 45 *Aerotel Ltd v Telco Holdings Ltd* [2006] EWCA CIV 1371 at [41].
- 46 *Patents Act* 1977 (UK), s.1(1)(c).
- 47 IPONZ, *The Patent Examination Manual*, Section 11: Computer Programs at [9].
- 48 [2006] 3 NZLR 721 (SC) at [25] to [28].
- 49 Doug Calhoun, Editorial, ‘Patents Bill Software Exclusion: If hard cases make bad law – so does mass hysteria’ (2013) 6 *NZIPJ* 1011 at 1012.
- 50 See *Aerotel Ltd v Telco Holdings Ltd* [2006] EWCA CIV 1371 at [24].
- 51 PO P12/1993, 30 June 1993.
- 52 PO P03/1995, 3 May 1995.
- 53 *Re Hughes Aircraft Co's Application*, PO P03/1995, 3 May 1995.
- 54 *International Business Machines Corporation v Commissioner of Patents* (1992) 22 IPR 417.
- 55 *Aerotel Ltd v Telco Holdings Ltd* [2006] EWCA CIV 1371 at [24].
- 56 *Aerotel Ltd v Telco Holdings Ltd* [2006] EWCA CIV 1371 at [25].
- 57 *Aerotel Ltd v Telco Holdings Ltd* [2006] EWCA CIV 1371 at [24].
- 58 *Patents Act* 2013 (NZ), s.5(5).
- 59 IPONZ, *The Patent Examination Manual*, Section 11: Computer Programs.
- 60 IPONZ, *The Patent Examination Manual*, Section 11: Computer Programs at [13].
- 61 IPONZ, *The Patent Examination Manual*, Section 11: Computer Programs at [16].
- 62 IPONZ, *The Patent Examination Manual*, Section 11: Computer Programs at [14].
- 63 IPONZ, *The Patent Examination Manual*, Section 11: Computer Programs at [35].
- 64 IPONZ, *The Patent Examination Manual*, Section 11: Computer Programs at [36].
- 65 [2009] EWHC 343 (Pat).
- 66 IPONZ, *The Patent Examination Manual*, Section 11: Computer Programs at [37].
- 67 *Aerotel Ltd v Telco Holdings Ltd* [2006] EWCA CIV 1371 at [31].
- 68 *Aerotel Ltd v Telco Holdings Ltd* [2006] EWCA CIV 1371 at [31].
- 69 *Aerotel Ltd v Telco Holdings Ltd* [2006] EWCA CIV 1371 at [31].
- 70 *Research Affiliates LLC v Commissioner of Patents* (2014) 316 ALR 135.
- 71 *Research Affiliates LLC v Commissioner of Patents* (2014) 316 ALR 135 at [36].
- 72 *Research Affiliates LLC v Commissioner of Patents* (2014) 316 ALR 135 at [36].
- 73 *Research Affiliates LLC v Commissioner of Patents* (2014) 316 ALR 135 at [29].
- 74 *Research Affiliates LLC v Commissioner of Patents* (2014) 316 ALR 135 at [59].
- 75 (2015) 328 ALR 458.
- 76 For a discussion of Research Affiliates and its relevance to New Zealand, see Doug Calhoun's article: “Research Affiliates: A Bridge Over Troubled Waters or Just Another Brick in the Wall?” (2014) 7 *NZIPJ* 167.
- 77 For further detail on the decision of the Full Court of the Federal Court of Australia in *Encompass*, see Alexia Mayer, ‘*Encompass* appeal: the latest word on manner of manufacture and computer-implemented inventions’, *James & Wells Law Update*, 17 September 2019, <<http://www.jamesandwells.com/law-update/encompass-appeal-the-latest-word-on-manner-of-manufacture-and-computer-implemented-inventions/>>.
- 78 [2019] FCA 1956 (22 November 2019).
- 79 *Commissioner of Patents v Rokt Pte Ltd*, Federal Court Proceeding No. NSD 66 of 2019.
- 80 Federal Court Proceeding No. NSD 1343 of 2018. The matter was heard in September 2019 and early February 2020. Judgement is reserved.
- 81 (2004) 217 CLR 274 at [46].
- 82 (1995) 183 CLR 655 at 663-5.
- 83 (1994) 122 ALR 417 at 446-7.
- 84 For a detailed exposition on this issue, see Mark Summerfield, ‘Will an Expanded Full Bench of the Federal Court Bring Sense to Australian Law on Computer-Implemented Inventions?’, *Patentology*, <[blog.patentology.com.au](http://blog.patentology.com.au)>, 25 September 2018; and Mark Summerfield, ‘Computer-Implemented Inventions and the ‘Ball Point Pen Principle’ – Why the Australian Law on Patent Eligibility is a Mess’, *Patentology*, <[blog.patentology.com.au](http://blog.patentology.com.au)>, 19 June 2018.
- 85 *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* (2019) 372 ALR 646; (2019) 145 IPR at [112].

# Machine Authors: What Happens When the Humans Leave?

Alan Ford<sup>1</sup>

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## Introduction

When I was a child, I would sit in my room and feverishly draw. I graduated to painting and went on to receive an art scholarship at high school, and then to formally study fine art. Although I eventually moved on to law, I have always had what many would call a creative spark. I believed that spark was a uniquely and innately human attribute that no one or thing could ever replicate. It seems I was wrong. As technology has surged ahead, computers are doing things that many humans not only can do but also what we cannot do or do quite as well. Google's *AlphaZero*, for instance, taught itself how to play chess in a mere four hours and defeated a champion chess playing program called *StockFish*.<sup>2</sup> Another computer program recently painted a new Rembrandt after analysing and teaching itself the Dutch master's painting style and techniques. This was done entirely autonomously without human involvement.<sup>3</sup> These two examples draw attention to the distinction between computer-generated works and computer or machine-assisted works. A photograph is an example of the latter with the photographer using the camera as a tool in the creative process to produce an original work. The photograph does not originate from the camera, but from the photographer. A computer-generated work, on the other hand, is created solely by a computer program written to autonomously teach itself a particular skill or learn about a subject for the purpose of achieving some goal be it to play chess, produce a painting in Rembrandt's style, or write a melody.

In such cases, the program is performing functions ordinarily performed by human authors and, therefore, copyright will not subsist in such works.<sup>4</sup> Copyright subsists in an author's original literary, dramatic, musical or artistic work by virtue of ss.32(1) or (2) of the *Copyright Act 1968* (Cth) ("the Act"). Originality and authorship are correlatives,<sup>5</sup> in the sense that a work must originate from an author. Despite the Act not defining "author", the word has been interpreted to refer to a human being and only a human being.<sup>6</sup> This leaves computer-generated works unprotected under the Act.

Those involved in making the arrangements necessary to produce computer-generated works are, therefore, at risk of having no protection despite their sometimes enormous efforts. Although this gap in copyright protection was not created by the High Court of Australia ("High Court") in *IceTv v Nine Network Australia* ("*IceTv*"),<sup>7</sup> it most certainly emphasised it, and its approach has been vigorously followed in subsequent cases.<sup>8</sup> This gap in copyright protection into which computer-generated works fall risks becoming a canyon filled with unprotected cultural material due to the growing prevalence of sophisticated computer programs and artificial intelligence ("AI") and the works they generate. There are ways, however, to bridge that gap and avoid the

results that flow from it. This article explores some of the ways that have been proposed to overcome what is perceived as an unsatisfactory state of copyright law in the digital age.

The article starts with a broad introduction to several theoretical justifications for copyright law. The theories underpinning copyright inform the bases for agitating for legislative change and may go some way to explaining the uneasy visceral feeling of finding creativity in a machine. These theories find their way into different aspects of the discussion and should be recalled when assessing the value of the various solutions explored.

As noted above, original works must emanate from a human author. Originality and authorship are central to copyright subsistence and will be explained in their historical context to provide an understanding of what these legislatively undefined terms mean, particularly with reference to the gap they have created in protection for computer-generated works. Once the justifications and core principles of copyright subsistence have been introduced, several proposals for bridging the gap can be explained and their advantages and disadvantages assessed. The most obvious question, however, is whether computer-generated works need protection at all?

Why do computer-generated works need protection when in reality no author exists? Avoiding the potential double monopoly that protecting computer-generated works may cause is a relevant consideration. If protection is not strictly necessary, perhaps it is to be avoided.

A second solution may be to confer authorship on the true author: the computer program. The vehicle by which this could be achieved is the separate legal entity principle borrowed from company law. For copyright purposes, a computer program could be a legal entity with the ability to sue and be sued. This solution at least acknowledges the reality of the situation, rather than attempting to fictionalise an author.

The next possible solution is to introduce a provision into the Act that confers authorship on the person or people who undertake the arrangements necessary for the creation of the work. The United Kingdom (“UK”) has adopted this approach.<sup>9</sup> Although there is limited judicial application of such a provision, the case set out in this article shows the likelihood of a deeming provision resulting in sensible and common-sense decisions. However, the *Copyright, Designs and Patents Act 1988* (UK) (“the UK Act”) does not have the same Part III works and Part IV subject matter distinction as our Act. Part IV subject matter is authorless, suggesting it is an appropriate place for authorless computer-generated work or material. Although the Act has been criticised for being overly complex,<sup>10</sup> perhaps retaining this distinction suits computer-generated material well. There are, of course, some drawbacks with this approach, which will be assessed below.

Courts have also noted Australia’s lack of sui generis legislation similar to the European Database Directive.<sup>11</sup> This could be introduced to complement amendments to the Act or could stand alone like the *Circuit Layouts Act 1989* (Cth). The details of this approach are beyond the scope of this article, but an outline of it is provided. If the Act is to remain the same, this may be the only viable solution for answering the question of who would or should be the author of computer-generated works or material. The final section of this article discusses the relative strengths and weaknesses of the two most likely candidates: the programmer of the relevant computer program and the user of it, and the possibility of joint authorship between them.

### The Theories of Copyright

What are the theoretical justifications for copyright and how do they impact this discussion? Law must be justified whether morally, economically, socially, historically or naturally. Recognising the theoretical reasons for copyright law informs our understanding of the impact copyright has on cultural production. This understanding is essential for recognising uncertainties or inadequacies in copyright and how that might affect cultural and societal imperatives.

Just like all intellectual property, copyright is a proprietary right, reflecting notions of freedom, security, independence and privacy.<sup>12</sup> However, copyright confers property in a personal creation, as opposed to a tangible good. The real value to the author of a copyright protected work is the reflection and development of his or her personality within the particular work or subject matter.<sup>13</sup> The expression of the individual’s creativity that permeates copyrighted content justifies copyright protection from the putative author’s perspective.<sup>14</sup>

There is also a social benefit or public good justification underlying copyright. Copyright creates a “social contract” pursuant to which authors receive a limited monopoly against copying (ordinarily the author’s life plus 70 years)<sup>15</sup> in exchange for making a work publicly available.<sup>16</sup> The benefits associated with copyright are “intended to motivate the creative activity of authors ... by the provision of a special reward and allow the public access to the products of their genius after the limited period of exclusive control has expired”.<sup>17</sup> This theoretical underpinning can be traced right back to the first and ubiquitous copyright legislation: The *Statute of Anne* of 1709.<sup>18</sup> The balance between promoting creation with just rewards and “the public interest in maintaining a robust public domain in which further works are produced” was the intention the *Statute of Anne* first captured and has continued to contemporary copyright law.<sup>19</sup> Arguably, then, the expected public benefits flowing from copyright protection should be the primary consideration when determining what should and what should not be protected.<sup>20</sup>

Beyond the “social contract”, copyright is morally justified because it protects against the “grievous injustice” of misappropriating another’s skill, labour and expense.<sup>21</sup> The moral imperatives entwined in society dictate that the expression of one’s own personal creative thought should be vigorously protected, perhaps more so than tangible, exchangeable assets because of the intangible bond between the work and the creative power pushing it to the fore.<sup>22</sup>

Moral justifications for copyright are indeed important, but economic theories have gained more significance as technology has progressed. This is partially because digital technologies have disrupted existing business models causing a greater focus on the economic role of copyright, and partially due to the very low cost of reproducing works in the digital age, leaving authors vulnerable and warranting robust rights and enhanced protection.<sup>23</sup> The potentially enormous cost involved in researching and developing this technology only exacerbates the problem. Failing to protect the fruits of expensive programs that carry just as much if not more social utility as conventional works risks leaving the public’s interest in encouraging cultural production unsatisfied.<sup>24</sup> Indeed, there may be more reason to economically incentivise computer-generated works than conventional works. Imagine, for example, Fyodor Dostoyevsky writing

*The Brothers Karamazov* or Vincent Van Gogh painting *The Starry Night*. Both were compelled to create not due to economic incentives, but due to their natural passion, desire and, perhaps, even a primal need, to exercise their genius. But very few people share such motivation, and perhaps even less so do programmers and users of programs since few would be manic artists. The way to effectively energise the creative process and ensure the dissemination of the product of that process may very well depend on whether the humans behind that product can expect the economic benefits that copyright holders enjoy.<sup>25</sup>

If copyright's objective is dissemination and progress of cultural content driven by incentivising the producers of such content, it is achieved whether the producer is a computer, humans collaborating with computers, or humans alone. The monolithic and romantic image of the starving artist or the impecunious writer can still remain at the core of copyright, but perhaps it is time to recognise that works deserving of protection may be produced under different circumstances.<sup>26</sup>

### Authorship and Originality

The theories and principles explained in the previous section inform the following discussion of authorship and originality, and why both are central to Part III of the Act. Sections 32(1) and (2) of the Act require literary, dramatic, musical or artistic works to be original and the author to be a "qualified person"; that is, an Australian citizen.<sup>27</sup>

Neither original (or originality) nor author (or authorship) are defined in the Act save for the author of a photograph who is "the person who took the photograph".<sup>28</sup> Likewise, *the Statute of Anne* has no definitions, let alone for "author", but only human authors could have been envisaged in 1709, which reflected the invention of printing and the technical possibilities for producing text without any collective effort.<sup>29</sup> The *Berne Convention for the Protection of Literary and Artistic Works* of 1886 ("Berne"), which is the most significant international agreement on copyright, also does not define author. It specifies author only indirectly as "it shall be sufficient for his name to appear on the work in the usual manner".<sup>30</sup> Berne does not, however, strictly state whether that name must belong to a human being,<sup>31</sup> but only a human being could have authored a literary or artistic work in 1886.<sup>32</sup> The human requirement is further reinforced by the fact that reference to a human underpins several of Berne's provisions, such as Article 1 referring to the need to protect "the right of authors in their literary and artistic works", and the term of protection defined by reference to the author's life.<sup>33</sup>

Despite the focus on traditional works and human beings, copyright spread beyond the confines of works fitting within the paradigm of creative authorship and spanned various contested techniques.<sup>34</sup> As the use of cameras, for

instance, became more prevalent, copyright stretched to envelop the product of mechanical labour, and the debates in the UK leading to the *Fine Arts Copyright Act* 1862<sup>35</sup> assumed copyright protected not just creative labour, but also mechanical labour.<sup>36</sup> The way copyright overcame the mechanical labour issue with photographs was to view the camera as a tool that the photographer used to express his or her consciousness, sensibilities and, ultimately, personality in the form of a photograph.<sup>37</sup> The human being behind the camera was therefore the author whom simply used a tool, just as the painter uses a paintbrush, or the writer a pen.

Given the Act implements Berne, it is no surprise that key provisions of Part III of the Act demonstrate that an author must be a human being, such as the requirement for an author to be a "qualified person";<sup>38</sup> the author's death fixing the duration of copyright protection;<sup>39</sup> and copyright being conferred on an author subject to any employment or contractual arrangement pursuant to which the author works.<sup>40</sup> Identifying the author is also of paramount importance because he or she will be the deemed owner of the copyright.<sup>41</sup>

Despite the importance of identifying the author, the lack of a definition in the Act means the question of who or what is an author is one of fact and degree with the overriding consideration being who expended sufficient effort of a kind relevant to the particular type of work subjected to inquiry,<sup>42</sup> with the ultimate intention to protect the individual's or collection of individuals' work.<sup>43</sup> Identifying that person generally requires finding the person who conceptualised and directed the development of the work,<sup>44</sup> but who was more than a "mere scribe".<sup>45</sup> Conceptualising and directing a work places mind over muscle,<sup>46</sup> but neither literary or artistic merit nor novelty or inventiveness as understood in patent law is required.<sup>47</sup> This is primarily because merit as understood in the arts is not the same as legal authorship since the judge may be unable to apprehend the nuanced details in a creatively meritorious work.<sup>48</sup> All that is required for legal originality and authorship is that the work originate with the author or joint authors from some independent intellectual effort in the sense that it has not been copied.<sup>49</sup>

However, originality and authorship must occur at a particular time, being the point at which the work is fixed in material form. This highlights the idea/expression dichotomy, which provides that copyright will not protect ideas, but only the material form of an idea that has originated with the author.<sup>50</sup> Thus, the person who thinks of an idea is not yet an author.<sup>51</sup> The merging of the idea with a method of expression in a manner in which one can say is a material form that originated with the author will give rise to true original authorship.

Although the essential source of original works remains the activities of authors,<sup>52</sup> technological advancements continue to challenge the paradigm of the author, particularly

when computers are used in the evolutionary process of developing works.<sup>53</sup> This became particularly apparent when the correlative nature of originality and authorship was emphasised by the High Court in *IceTv*,<sup>54</sup> and subsequently by the Full Federal Court in *Telstra Corp Ltd v Phone Directories Co Pty Ltd* (“*Telstra*”).<sup>55</sup> The High Court in *IceTv* did not find originality in the time and title information of the weekly schedules there under inquiry.<sup>56</sup> The Court said that the time and title information was inseparable from, and co-extensive with, its expression.<sup>57</sup> Given the particular form of expressing the time and title information was essentially dictated by the information itself, and did not originate with an author, the employees required minimal skill and labour to express it in the way in which they did.<sup>58</sup> In *Telstra*, the Court said that the directories were compiled by the Genesis computer system, rather than originating from an individual or group of individuals.<sup>59</sup> The Court said that individuals were involved in collecting data and controlling the software, but the computer software itself shaped or directed the material form of the work.<sup>60</sup> The human input into the work was too antecedent to the moment of fixation to be authorial.<sup>61</sup> Although these cases were correctly decided, they demonstrate the concern that, perhaps, the place of the romantic author at the core of copyright obscures the contemporary reality of the collective nature of authorship and misrepresents the pragmatic process of developing and expressing ideas.<sup>62</sup>

Before *IceTv*, however, some courts seemed to have assumed that new technologies could fit into the current law by applying similar principles as that applied to the use of cameras. For example, in *Coogi Australia v Hysport International*<sup>63</sup> the Federal Court found a computer technician to be the author of machine-knitted fabrics. The computer technician had written a computer program and had refined it to produce fabric according to the design team’s objectives. The Court said that “he can ... be fairly described as having used the computer-controlled knitting machine ... as a tool to enable him to realise ... the creative idea developed by the Coogi design team, including himself”.<sup>64</sup> Additionally, in *Nominet UK v Diverse Internet*,<sup>65</sup> copyright was held to subsist in a domain registration database even though a software tool named as the Automaton had generated and maintained the information in the database.

Following *IceTv* and *Telstra*, however, courts will find that copyright will not subsist in works that are computer-generated or do not otherwise originate from a human author. An example is *Acohs Pty Ltd v Ucorp Pty Ltd*<sup>66</sup> (“*Acohs*”) which was a complex case, relating to material safety data sheets (“MSDS”) that were computer-generated. A MSDS is a document setting out health and safety information about dangerous products, or hazardous substances or chemicals. Acohs and Ucorp were competitors in an industry that developed a certain way of producing MSDS. Acohs maintained a database that contained the data required to generate any one of 200,000 potential MSDS. Once a user

required access to a particular MSDS, the software would get the necessary data from the database and present it on the user’s screen as the particular MSDS requested. Justice Jessup did not see any problem with the source code being described as a literary work, but the issue was whether the source code was an original literary work. His Honour said, “the problem is ... that the source code as a work ... was not written by any single author. It was generated by a computer program”.<sup>67</sup> Justice Jessup’s analysis is consistent with *IceTv* and *Telstra*, which gave the Act a liberal interpretation but did not depart from its language and principles simply to protect technological advancements which were neither contemplated nor understood at the time the Act was enacted.<sup>68</sup>

Although some of the earlier cases appear to suggest that the judiciary assumed the legislative framework may be able to accommodate technological advancements, cases such as *IceTv*, *Telstra*, and *Acohs* demonstrate the gap in copyright protection for computer-generated work because those decisions shifted the inquiry away from a concern to protect the interests of a party who has contributed labour and expense in producing a work to the authors’ independent intellectual effort.<sup>69</sup> The Copyright Law Review Committee (“CLRC”) examined this issue in a 1998 report in which it expressed concern about:

*The extent to which the current legislation accommodates the increasing, indeed almost ubiquitous, use of computers in the creation of copyright subject matter. The Act currently requires the identification of a human as the author of Pt III work. While a majority of the Committee recognises there is an ongoing need for copyright legislation to connect a work with a human, it is concerned that the current requirement of authorship may preclude the grant of protection to material that is deserving of protection, simply because the extent to which a computer was utilised in its creation exceeds a particular (currently uncertain) level.*<sup>70</sup>

To fully understand these concerns it is necessary to provide an explanation of computer-generated works and the AI from which they come.

### The Technology

A common thread among AI technology is that it is capable of performing tasks that would normally require human intelligence, such as recognition, decision-making, creation, learning, evolving, and communicating.<sup>71</sup> Contemporary AI systems are called “neural networks” because they operate like human brains by absorbing information and distributing processing capacity to groups of receptors that function like neurons and recognise patterns and similarities in the processed data.<sup>72</sup> Neural networks can learn how to paint, write, or compose and generate work without any human intervention,<sup>73</sup> and may even exhibit learned skills the creator could not possess or anticipate the system could possess.<sup>74</sup> AI systems have the capacity to do what we once considered intrinsic to the human mind’s creativity,

and can develop with new inputs, making their output unpredictable.<sup>75</sup> Computer-generated paintings have even been displayed in exhibitions around the world, for example Trevor Paglen's exhibition, *A Study of Invisible Images*.<sup>76</sup> In the musical context, Stephen Thaler's Creativity Machine autonomously composed music and developed new works consistent with English language rules. The machine apparently created a database of one million tunes, but Thaler only registered 11,000 for copyright in the United States in light of musicians' protests.<sup>77</sup>

Modern computers continue to rapidly grow in speed and capability, leading to AI securing a prominent position as a driver of innovation in areas such as computer-generated software production, satellite and aerial imaging by weather bureaux and mapping services, surveillance photography, and sophisticated databases that rely on computer software to collect and process the information within them and generate reports.<sup>78</sup> We can even see AI becoming part of our everyday lives. AI doctors exist, as do AI therapists, driverless cars, AI lawyers, automated alternative dispute resolution services, and automated contracts. AI systems have influenced the fields of finance, weapons, espionage, and social policy making.<sup>79</sup>

Coming back to the copyright context, the creative process is becoming less and less human as machines become more and more autonomous with the result that a growing number of works will be left without protection.<sup>80</sup> Allocating authorship and the consequent proprietary rights not only motivates the creation of works, but it also incentivises bringing those works into the public domain. The person who uses AI systems to create computer-generated work will have little incentive to release this work into the public domain without contingent rights.<sup>81</sup> Further, social benefits are surely realised with computer-generated works just as much as with conventional works with copyright's purposes being served notwithstanding a computer's intermediation.<sup>82</sup> The social benefits of conferring protection to computer-generated works may even be amplified given the efficiency of AI systems, which means labour otherwise allocated to creating traditional copyright works can be saved and directed to producing more and even better works.<sup>83</sup>

As noted above, a work need not be meritorious to be original with the only requirement being that a work originate from an author, suggesting that the thing being protected is not so much the intellectual effort involved in producing a work, but the product of that effort itself – works.<sup>84</sup> If that is right, there seems little if any policy basis for denying protection for computer-generated works. If protection is denied, however, copyright subsistence may be hotly contested, which risks increasing litigation costs and may mean copyright owners are reluctant to assert their rights given the inherent uncertainty of whether copyright subsists and the associated financial risk of arguing it.<sup>85</sup> If the authorship of a computer-generated work is contested, the alleged author would need

to show that at least parts of the work were the result of his or her creative contribution. The particular individual would have to show the court that the work bears the marks of his or her own intellectual effort. The alleged author might, for instance, adduce evidence showing he or she determined the rules to which the AI system operates, or that the particular colours the AI system used can be traced back to his or her choices.<sup>86</sup> But imagining how difficult that will be in practice highlights the effect of such a gap in the law, and the stifling effect this may have on the production of innovative and meritorious works.

On the other side of the coin, copyright subsistence is not only a question of benefits arising from such a finding but is also a question of accountability for using it with consideration for other humans' and entities' rights.<sup>87</sup> As computers become more autonomous, there is a risk that computer-generated work might infringe the copyright in another work, but no one can be held accountable or curtail its dissemination because it has no copyright.<sup>88</sup> This may sound far-fetched, but it must be recalled that we once thought that human creativity and originality was unpredictable and uncontainable. AI systems are beginning to overtake us. The romantic view of authorship prevents us from confronting the fact that the nature of human creativity is very much based on rules whereas machine production may very well be unruly and creative in ways that we could never have imagined.<sup>89</sup>

Clearly, these autonomous machines generate works without any human intervention which, following *IceTv*, will leave them without copyright protection under our current Act.

So, what are the options? The next section will discuss various options that may or may not solve this issue.

### No Author

The logical answer to who should own the copyright in a computer-generated work is either the programmer or the user of the program. This will be discussed further below. But suffice it to say now that doing so may lead to a double reward. The programmer, for instance, will obtain the economic benefits pursuant to the copyright he or she will have in the computer program itself and, perhaps, patent protection over the machine.<sup>90</sup> The user will have the opportunity to add his or her personal touches to the computer-generated work and thereby expend intellectual effort sufficient for the work to have originated with her or him, or at least those parts of the work to which he or she contributed.<sup>91</sup> Further, the user would be motivated to generate the work otherwise he or she would have wasted the money he or she spent to purchase or otherwise use the program.<sup>92</sup> If the most proximate parties to a computer-generated work are both incentivised and rewarded, then the question becomes whether monopoly rights are necessary at all.<sup>93</sup>

Monopolies tend to increase price and reduce production but are justified in the copyright context because they encourage cultural creations which do not necessarily lessen competition.<sup>94</sup> But if that encouragement has already been achieved through motivation, reward and opportunity, then additional property rights would not contribute to internalising externalities and would simply produce interlocking prohibitions.<sup>95</sup> If that is correct and the creation and dissemination of cultural production is not hindered by a lack of protection, a rich public domain of knowledge might be built to which all can resort without the biases inherent in the risk of copyright infringement.<sup>96</sup>

That is a big if, however, and leaving culturally valuable works open to appropriation curtails the progress of cultural and economic development. There is no guarantee the minds behind this remarkable technology will continue along their merry way towards advancement if they do not receive what they must view as just rewards for their extraordinary efforts. Further, the copyright justifications discussed above dictate against ill-reward for effort. Our entire proprietary system rewards commercial and cultural production with commercial rewards that reflect the morality behind protecting creations.

This is no different for computer-generated works.

### Can a Computer be an Author?

Most if not all computer-generated works would attract copyright protection if they originated from a human being, rather than a computer. The computer program itself creates original works in a material form, so what reason is there to deny the computer copyright in its works?

Some AI systems are so advanced they are said to experience conscious and unconscious states, learning, memorising, predicting, self-awareness, language, will, instinct, pattern recognition and sensation.<sup>97</sup> By recognising characteristics in machines that were once thought to be solely human attributes, we can see that computers are more akin to human beings than corporations which have legal personality, but computers do not.<sup>98</sup> Conferring legal personality on a computer for the purposes of copyright may seem unrealistic, but at least doing so would recognise the true author, and allow interested parties to determine their rights and claims via negotiated contracts, as opposed to arbitrary rules that may not reflect reality.<sup>99</sup>

For a computer to enforce or negotiate its rights, however, it would have to engage someone to sue or negotiate on its behalf in a similar way a corporation does. Indeed, a company is a separate legal entity, but behind its corporate veil are very real human beings, making the decisions for the company. There may not be any human being behind a computer that was solely designed to generate works, rather than conduct business.

There is something far more organic about the law of corporations that cannot be easily transferred to different areas. Company law is still directed towards the human beings behind the company, such as directors' duties, shareholder rights, and employment law, for instance. Perhaps, conferring the amount of power that legal personality attracts onto an autonomous computer without the restraint company law has over human beings behind companies would carry unforeseen and unsatisfactory consequences. The law of AI is about understanding how humans exercise power through technology and mediating that by directing such laws to human beings, just as company law is directed to restraining the power legal personality confers on corporations.<sup>100</sup>

Transferring principles from a very distinct area of law that has developed over a significant period to a relatively new one is simplistic and might lead to unforeseen and dangerous results. Although computers have cut an impressive technological path, they still do not possess the undefinable and innate aesthetic sensibility that allows a human being to understand and connect with the subject matter of particular output and decisions that reflects some internal comprehension of the world in which that human being is situated.<sup>101</sup> The furthest we might be able to go is to argue that a computer system be a joint author of the work it generates.<sup>102</sup> But joint author with whom? That takes us right back to the underlying question: from whom does computer-generated works originate?

### Sui Generis Legislation

The courts have suggested that complimentary or sui generis legislation may assist if the centrality of human authorship renders other options untenable.<sup>103</sup> In *Telstra v Phone Directories*,<sup>104</sup> Gordon J emphatically urged Parliament to "expand protection consistent with that set out in the [European Database] Directive", and to do so "without delay". Justices Gummow, Hayne and Heydon in *IceTv* suggested that the European Database Directive is a possible solution to the lacuna created by that decision. Their Honours said, "it is significant for the issues on the present appeal that the Australian legislation has no counterpart to the European Database Directive".<sup>105</sup> Their Honours added that "in the absence of implementation of laws analogous to the kind described in the Directive, the matters now in issue cannot be resolved by concluding, as did the Full Court ... that Ice appropriated the fruits of Nine's skill and labour".<sup>106</sup> Additionally, in *Telstra's* unsuccessful application for special leave to appeal the Full Federal Court's decision in *Telstra*, Gummow J recommended "agitating the legislature" to remedy the gap in protection.<sup>107</sup> His Honour added, "I think your client really needs something like a Database Directive which you do not have at the moment".<sup>108</sup> Enacting sui generis legislation similar to the European Database Directive would only be necessary if the legislature is unwilling to amend the Act to sidestep the human requirement for authorship. The policy rationale would then be to encourage

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creation through the protection of investment directed to the production of work by defining originality in terms of substantial investment.<sup>109</sup>

Despite some judicial support for a *sui generis* solution, there is another alternative, namely, a deeming provision like the UK's, which would prevent further legislation in an already complex legal landscape such as copyright.

### The United Kingdom's Approach

The *Copyright, Designs and Patents Act* 1988 (UK) (the "UK Act") defines an "author", in relation to a work, as the person who creates it.<sup>110</sup> In the case of computer-generated works, the author is deemed to be the person by whom the arrangements necessary for the creation of the work are undertaken, and is analogous to Part IV subject matter further discussed below.<sup>111</sup> The UK Act defines a "computer-generated work" as a work "generated by computer in circumstances such that there is no human author of the work".<sup>112</sup> Section 12(7) reduces the term of protection from the usual 70 years from the end of the calendar year in which the author died under s.12(2) to 50 years from the end of the calendar year in which the work was made. Pursuant to the *Interpretation Act* 1978 (UK), the deemed author may be a body of persons whether corporate or unincorporated.<sup>113</sup>

The deeming provision assumes there is no authorial contribution to computer-generated works, with its rationale being based on conferring ownership on a relevant person, rather than rewarding the intellectual effort required for originality.<sup>114</sup> The provision does not assume the existence of a human author where there is none but creates a legal fiction that vests copyright in an author-in-law, not an author-in-fact.<sup>115</sup> The UK's common-sense approach reflects the understanding that a lack of human authorship due to technological advancements should not impede protection for works that have no doubt taken considerable human effort to produce.<sup>116</sup> The section is deliberately aimed at the person standing a step away from the actual fixation of the work in material form to whose conduct was relevant to making the arrangements necessary for fixation to occur because a person who shapes the form of the output will not be the deemed author but the actual identified author.<sup>117</sup>

"Necessary arrangements" is not defined, so the words can be assumed to carry their dictionary definition and mean indispensable preparatory measures for the creation of the work.<sup>118</sup> Given the flexibility inherent in these words, the relevant person could be the user of the software, the user's trainer or instructor, the team manager, the owner of the program or the programmer her or himself, or another person as the case may be.<sup>119</sup> As such, each case will be fact-specific with relevant considerations being the intention to create the work, who commanded the software to run, who invested, and whose conduct was most proximate to the fixation of the work in a material form.<sup>120</sup>

Leaving it to the judiciary to decide who made the necessary arrangements on a case-by-case basis respects the complex relationship between such conduct in the particular case and the conduct of the particular program in generating the particular work.<sup>121</sup> However, the deeming provision remains a way to circumvent the incorrect notion that a computer is a mere author's tool, and, therefore, must be applied carefully lest a person with a weak claim be deemed the author.<sup>122</sup>

The deeming provision was applied in *Nova Productions Ltd v Mazooma Games Ltd*<sup>123</sup> ("Nova") which concerned copyright in a videogame and shows the sensible approach the judiciary might take when applying the deeming provision. The composite frames in the videogame were held to be artistic works.<sup>124</sup> The Court found that the programmer, Mr Jones, or the program he wrote created those frames.<sup>125</sup> Mr Jones was found to have made the arrangements necessary for the creation of the computer-generated frames because he "devised the appearance of the various elements of the game and the rules and logic by which each frame is generated and he wrote the relevant computer program".<sup>126</sup> Although the player's choices to press particular buttons at precise times prompt the frames the program will project on the screen, the player is not an author because he or she has done nothing of an artistic nature, his or her skill and labour is not of an artistic kind nor has he or she undertaken any arrangements necessary to create the frames, but has simply played a game.<sup>127</sup> Indeed, flexible legislative provisions may result in absurd or confusing decisions, but the approach in *Nova* demonstrates the potential such a deeming provision has for protecting works deserving of protection from misappropriation.

Several jurisdictions around the world have also mirrored the UK's approach, such as New Zealand,<sup>128</sup> Ireland,<sup>129</sup> Hong Kong,<sup>130</sup> and India.<sup>131</sup> The CLRC, likewise, supported a similar approach being introduced into the Act.<sup>132</sup> The High Court in *IceTv* also noted the absence of such provisions in Australia.<sup>133</sup>

The provision could also easily apply to complex productions involving many people making necessary arrangements and joint authorship by virtue of s.23(b) of the *Acts Interpretation Act* 1901 (Cth) which would deem the reference to the singular "person by whom ..." to also include the plural "persons by who".

Further, any issue with moral rights attaching to a deemed author whose contribution is not bound up in his or her personality can be overcome by legislative amendment, such as ss.79 and 81 UK Act, and ss.97(2)(b) and 100(2)(b) *Copyright Act* 1994 (NZ).

In addition, unlike the UK Act, given the Australian Act retains the distinction between Part III works and Part IV subject matter, we could have either "computer-generated works" in Part III or "computer-generated material" in Part IV and thereby avoid any potential conflict with Berne.<sup>134</sup>

### Part IV Subject Matter

Part IV of the Act may be appropriate for such a deeming provision because Part IV subject matter does not require human authorship for copyright subsistence.<sup>135</sup> As part of its *Simplification Report*, the CLRC recommended establishing computer-generated material as a new category of Part IV subject matter.<sup>136</sup> The CLRC agreed with the Australian Copyright Council's ("ACC") submissions that computer-generated works are not properly a category of works given materials around the world that are protected as works have a human author.<sup>137</sup> The CLRC also noted that this treatment of computer-generated material would accord with the principles embodied in Berne.<sup>138</sup> The CLRC went on to state that one of the features of computer-generated material is that it has no identifiable human author but would be original if it did.<sup>139</sup> This also reflects the fact that Part IV subject matter is protected not only due to its technology but also because authorship of most such subject matter is often very difficult, if not impossible to determine.<sup>140</sup> The CLRC considered this material to be worthy of protection and should attract similar protection to neighbouring rights; that is, the protection extended to performers, phonogram producers and broadcasting organisations, which emerged in response to new techniques of disseminating cultural materials.<sup>141</sup> The CLRC recommended the Act be amended to include a provision almost identical to s.178 of the UK Act defining "computer-generated", in relation to computer-generated material, as "material generated by computer in circumstances such that there is no human author of the material".<sup>142</sup> These recommendations were, however, never implemented.

The owner of computer-generated material could be the person who *made* the subject matter and, therefore, have some congruence with sound recordings in s.22(3)(b) of the Act.<sup>143</sup> There would, of course, be fewer rights: such as, no publication right, and adaptation, reproduction and performance being replaced by limited rights to make a copy and cause it to be heard or seen in public.<sup>144</sup> This approach would also reflect the more entrepreneurial nature of computer-generated material, similar to cinematograph films, broadcasts and sound recordings. When compared to Part III works, which seem much more personal and individual, Part IV seems like the more appropriate place for computer-generated material. Part IV acknowledges that the particular subject matter is authorless, rather than fictionalising an author. Accordingly, Part IV avoids the confusing conflation of authorship and ownership and the warnings that an unrelenting equation of the two leads to considerable incoherence.<sup>145</sup> This is particularly pertinent in the light of the fact that much computer-generated material will involve multiple parties, which raises complex authorship issues, but may otherwise be original, and therefore share features with other Part IV subject matter.<sup>146</sup> To be consistent with other Part IV subject matter, the owner should be the maker,<sup>147</sup> or the commissioner,<sup>148</sup> which

reflects a policy objective of rewarding investors irrespective of who is the maker and allows an employer to own the copyright in material generated by an employee.<sup>149</sup> This would also be consistent with some judicial comment. For example, Lindgren J in *Seven Network (Operations) Ltd v TCN Channel Nine Pty Ltd*<sup>150</sup> agreed with the argument in Lahore<sup>151</sup> and that of Professor Ricketson<sup>152</sup> that the relevant person is "generally the producer who makes the financial or administrative arrangements for the production ..." and the "things necessary for the production ... could include the business and financial 'things' that are necessary".

Guidance as to who is the maker could likewise be gained from the case law. For example, who instigated the making of the material,<sup>153</sup> who paid to have it made other than a mere bank,<sup>154</sup> with the key being financial responsibility for the making of the material,<sup>155</sup> and whether there would have been material but for the instigation and conduct of the person the subject of inquiry.<sup>156</sup>

However, given the pervasiveness of computers in many industries, "computer-generated material" might be too broad a term.<sup>157</sup> Although the focus is on protecting material that would be original and protected under Part III if there were a human author, such a broad definition risks affording protection to information, facts, or material with no originality, and material that was created without substantial investment.<sup>158</sup> The consequence might be unfair competition, high social and commercial costs and restrictive trade practices, especially with respect to accessing information.<sup>159</sup>

Additionally, the question of whether material is computer-generated might be vigorously contested if the rights for authored Part III works are more advantageous than the rights for authorless Part IV material, such as the duration of protection. Whether material is or is not computer-generated might be difficult to prove, and only slight human touches could lead to authorship given the low level of originality required for Part III protection.<sup>160</sup> The question then becomes whether computer-generated material should be defined by its means of production, rather than the type of work it is, such as literary, musical, artistic or dramatic in Part III.<sup>161</sup> If a computer generates work that neatly fits into one of the Part III categories of works, then this suggests that Part III is a more appropriate place for such works. Perhaps, the rights attaching to computer-generated material that would be considered Part III work but for the lack of a human author should be the same as Part III works. This would then reduce litigation costs and afford some consistency. However, this would then eviscerate the whole underlying point that the personality present in works that is lacking in Part IV subject matter, perhaps, deserves different rights.<sup>162</sup>

Again, from a sentimental perspective, works reflecting a human's personality should get different rights regardless of the inherent difficulties in separating what could potentially be identical output but for the use of a computer. This is

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because the law should hold onto the distinction between a human's use of his or her mind and own two hands, rather than letting a computer do the work, especially as computers and AI become more pervasive and advanced.

No matter which approach is taken, the question remains to be determined who should enjoy the exclusive rights attaching to copyright? The primary options that will be explored below are the programmer and the user, and the potential for joint authorship between them.

### Programmer and User

As the Act currently stands, neither the programmer nor the user can be considered authors. Justice Jessup in *Acohs*, for instance, rejected the argument that the authors of computer-generated code were the programmers of the software that generated it. His Honour said that "it would be artificial to regard the programmers as involved in the task of writing the source code ... merely because they wrote, and amended, the program which, when prompted would put together a selection ... of source code".<sup>163</sup>

Although the Court in *Telstra* said that if the computer software dictates the material form of a work, the obvious inclination is to accredit authorship to the humans responsible for selecting that software, the users' conduct was ultimately dismissed as non-authorial because "the form of the compilation does not originate with the individual who engages the mechanical processes to produce the compilation".<sup>164</sup> *Telstra's* issue was that it could not identify the true designers and thus its selection and customisation of the software was held to be too far removed from the actual compilation.<sup>165</sup> The argument was probably best put, however, in *Telstra's* application for special leave to appeal to the High Court. Neil Young QC argued that there was "human intellectual effort in choosing, customising, setting out specifications and formulating rules as to the operation of a computer system which effected the selection and arrangement in material form",<sup>166</sup> and that "the actual selection and arrangement, albeit done by a computer program, is a computer program that has been chosen and customised and then operated according to rules devised by human intellectual effort of a specific purpose of creating these published works."<sup>167</sup> Ultimately, however, the argument could not be fully agitated because the application was unsuccessful.

Those decisions are undoubtedly correct but highlight the unsatisfactory nature of the current law since the creative process of computer-generated output inevitably has some level of human action involved, which should be protected.<sup>168</sup> Recognising the user or programmer as author, deemed or otherwise, tends to acknowledge the practical reality that humans still have some overarching control over the material form of complex productions notwithstanding the use of computers.<sup>169</sup> The following discussion looks at

whether the programmer or the user have a better claim to copyright whether under a deeming provision similar to the UK's or otherwise.

The programmer is essentially the author of the author because he or she creates the program that generates the relevant output. Transitive logic suggests that the owner of the copyright in the latter output should be the author of the author of that output,<sup>170</sup> since the work would not exist but for his or her creativity.<sup>171</sup> Although the programmer may not know the precise output at the time he or she writes the program, he or she has nevertheless supplied the necessary rules and information by which the program is to generate such output.<sup>172</sup>

However, both the user and the programmer could argue that the output would not have been generated but for them. The programmer's role, in some cases, might be more analogous to a manufacturer, with the user likely using a different program if the one used was either unavailable or expensive.<sup>173</sup> Accordingly, the programmer may be seen as having no more a claim to copyright in the output of his or her program than a parent has to a child's work, or than a piano manufacturer has to a virtuoso's melody.<sup>174</sup> This argument may not apply to all cases, such as the Rembrandt example given above. In that situation, the programmer must have written the program with the very clear intention and purpose of creating a program that is capable of generating an original but computer-generated painting in Rembrandt's style.

In other cases, the user may be in a similar position to traditional authors in two senses. First, the user will quite often not be the only person responsible for bringing the output to the market; marketing experts, packaging designers, publishers, and producers, among others, may all make significant contributions. Second, the user may be in the best position to take the initial step to get the output to the public because he or she is best situated to respond to incentives to disseminate output given her or his proximity to it.<sup>175</sup> Deeming authorship to users also seems consistent with the amanuensis doctrine which provides that a person can rely on another or a machine to fix particular output in material form, providing the person's mind directs and shapes the output.<sup>176</sup> Further, with judgment and discrimination being held to confer originality,<sup>177</sup> and selection and arrangement potentially amounting to authorial acts, providing they "select, order or arrange ... fixation in a material form",<sup>178</sup> it is not difficult to imagine cases in which users do just these acts through computers so as to attract deemed authorship.

However, in cases in which the output is entirely generated by way of pre-programmed rules so that the user has contributed nothing, he or she should not be considered the author.<sup>179</sup> This will likely become more common as computers become more sophisticated, and the user's role becomes simple and ministerial.<sup>180</sup> Such scenarios may be similar to *Nova* in which the programmer obtaining copyright in the particular

computer-generated material was appropriate. The choice there, however, was between a gamer and the programmer of the game. This choice is not a difficult one and may become far more complex where the programmer has expended effort in writing the program but cannot be said to have expended any to the final work. For example, a programmer who creates a program that writes stories has clearly expended tremendous effort and deserves copyright in the program. But those actions are distant to the actual content of the written story with the program being written, perhaps, years before the story is generated.<sup>181</sup> Intending to create a work that generates works is one thing but intending to create the *particular* work the program generates is quite another and the programmer will not have that intention in most cases due to the autonomous nature of these machines.<sup>182</sup> Notwithstanding the intuitively satisfying logic of deeming the programmer an author, doing so is facile. Artificially reducing the distance between the programmer and the output glosses over the origin of computer-generated works or material and the complex relationship between them and human creativity.<sup>183</sup> Authorship, deemed or otherwise, should not be given to the programmer simply because he or she knows that at some point, some unknown person might generate some work of the kind contemplated by the programmer.<sup>184</sup> Conceiving an idea and transforming that idea into a material form, whether by way of computer or otherwise, should remain central to copyright even when authorship is to be deemed.<sup>185</sup>

Additionally, the programmer in most cases will receive a double reward, inviting copyright stockpiling.<sup>186</sup> For example, the programmer of digital camera software would have copyright in that software as an original literary work. But the programmer cannot then claim copyright in the photographs taken with the use of that software. Doing so would disadvantage the public by enabling widespread and incongruous monopolisation over all future works created with that software, which the programmer could not have possibly anticipated.<sup>187</sup> Further to this, if the programmer is deemed to be the author rather than the user, the user would be unable to realise his or her reasonable expectation that he or she can use the very output he or she purchased the program to create.<sup>188</sup>

On the other hand, in cases in which the user's role in the production of the material is almost non-existent, there is a risk that the user, not the programmer, might engage in copyright stockpiling.<sup>189</sup> Presumably, creating computer-generated works or material will become cheaper and cheaper as the technology becomes prevalent and output increases, but the same rights would attach to each work created. The risk is that alleged authors will inundate the market with copyright material, rather than being incentivised to generate high-quality material, which is contrary to the purposes of copyright.<sup>190</sup>

The programmer might follow the argument in *Nova* and claim by analogy that the user is no more entitled to the program's output than a gamer is to the audio-visual output of the game.<sup>191</sup> This might be right in some cases. But in others it would overlook intention. The user is utilising a work or material-generating program for the very reason it was created: to generate works or material. Surely, the programmer would foresee that the user would get possession of a work generated by the program given that is the exact reason the programmer sold or licensed the program in the first place. A videogame designer's intention, however, is to create an enjoyable sensory experience for gamers, not for them to gain possession of copyrightable material. Indeed, the user would rightfully feel defrauded if he or she was forced to pay not only for the program, but also for the output of that program.<sup>192</sup>

From a more pragmatic perspective, allocating monopoly rights to the user seems to be the most efficient choice since his or her close proximity to the work or material's generation makes him or her the most effective and logical person to make decisions concerning the sale, use, or licence of the work or material, and also to be held accountable for infringements.<sup>193</sup> Accountability is so important because it encourages the careful use of this technology with the ultimate goal of promoting valuable cultural production.<sup>194</sup> The user will have the most control over the volume and quality of the output that reaches the public, aligning the economic incentives inherent in copyright with the public's interest in the dissemination of knowledge.<sup>195</sup>

As can be seen from this discussion, deciding who is the author is a fact-specific exercise that should depend on the particular circumstances of the particular case. The programmer, for instance, may envisage the exact output her or his program is to produce and write a program to do just that. Perhaps, in such a case the programmer's intellectual proximity to the output justifies deeming him or her the author. In cases such as that, deeming the programmer the author may be further bolstered if the user of the program simply pushes a button to run the program. Although the user would have considered the type of output the program will generate, his or her intellectual effort is evidently insufficient as being almost non-existent so as to amount to an authorial act, deemed or otherwise. If the user, however, turns her or his mind to desired output and invests time, money or some form of intellectual effort in making the arrangements necessary to produce that output, would there be any sound reason to deny her or him authorship while simultaneously finding authorship in a selfie snapped with an iPhone?

### Joint Authorship

If the programmer and user contribute to the relevant output, the output might satisfy the definition of a work of joint authorship under the Act.<sup>196</sup> A "work of joint authorship" is

“a work that has been produced by the collaboration of two or more authors and in which the contribution of each author is not separate from the contribution of the other author or the contributions of the other authors”.<sup>197</sup> Joint authorship will be found “where two or more people collaborate in the creation of a work and each contributes a significant part of the skills and labour protected by the copyright”.<sup>198</sup>

The prevalence of computers in today’s creative processes is especially problematic for satisfying the requirements of collaboration and non-separability. For example, *Telstra*<sup>199</sup> read 91 affidavits into evidence from individuals it claimed to be authors of its directories. Justice Gordon found that substantial parts of the directories did not have human authors and were automated to such an extent that human involvement was either minor or the identity of contributors could not be ascertained,<sup>200</sup> and, even to the extent that such contributors could be identified, such contributions appeared non-authorial.<sup>201</sup> Her Honour additionally found that those *Telstra* claimed to be joint authors undertook their work separately from and did not collaborate with one another.<sup>202</sup> The Full Court went on to uphold Gordon J’s decision.<sup>203</sup> Similarly, in *Acohs*,<sup>204</sup> Jessup J said that the computer programmers and the individuals who allegedly authored the data for each MSDS were not collaborators in producing the source code whose contributions were not separate from the contributions from the others. This was, likewise, upheld on appeal in *Acohs Pty Ltd v Ucorp Pty Ltd*.<sup>205</sup>

Establishing that a programmer and a user non-separately collaborate to produce a particular computer-generated work would be extremely difficult in most cases.<sup>206</sup> The user of a program may not be connected to the programmer other than via the fact of the program. Joint authors of conventional works have, at least, some aligned vision during the actual creative process that can be said to be non-separable collaboration in the production of a single work.<sup>207</sup> The programmer’s contribution in most cases would be directed at producing the relevant program. If the program is then sold as off-the-shelf software or otherwise falls into the hands of some unknown user, then the user and programmer have certainly not collaborated and even if they have, such contributions would be separated by time, distance and intentions.

The only situation in which a programmer and user could be considered joint authors is one where both are from the same work team developing the program. However, in that case, it seems likely that the programmer and user would be one and the same person. Even if the user was a different person in that scenario, the user would probably just be charged with pressing the start button to activate the computer’s process, which is highly unlikely to be considered authorial, deemed or actual.

### Conclusion

Although a bright line rule that gives consistent and predictable results would be convenient, the above discussion has demonstrated that a flexible and nuanced approach is more appropriate to accommodate the myriad cases that may arise many of which cannot be anticipated. This is particularly so in the digital age in which technological advancements are not only unpredictable but also occurring at break-neck speed. The law should accommodate these celebrated advancements in order to incentivise, rather than hinder them. These theoretical underpinnings of copyright do not need to be discarded but are indeed just as relevant in the computer age as they were centuries ago. Humans no doubt remain central to copyright. The approaches to overcoming the gap in protection discussed above reinforce the recognition of the humanity contained in computer-generated works, rather than trying to negate it. Copyright has and always will be confronted with technological change. When it is so confronted, copyright has shown that these technological developments are not malignant forces trying to usurp humans. Rather, the various technological advancements throughout history have been shown to be benign human developments that help us reach new levels of cultural production that can only be attained if appropriate protection and incentives are conferred. Computer-generated works are no different.

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# Same Same but Different: Key Differences between New Zealand and Australian Trade Mark Practice

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## Introduction

New Zealand trade mark law and practice superficially looks and feels the same as that of Australia. But there are important differences which on occasion trip up practitioners.

This paper highlights those differences from the New Zealand perspective and with a practical focus.

I deal first with two issues that arise at the trade mark filing and examination stage – honest concurrent use/prior use, and the qualifying criteria for series applications. Next I cover several general topics relating to trade mark proceedings at the New Zealand Intellectual Property Office (“IPONZ”) including the required standard of pleadings, evidence, extensions of time, hearings and appeals. Finally I discuss the provisions for invalidity actions, ownership as a ground of opposition and invalidity, and revocation for non-use.

## Issues at filing/examination level

### *Honest concurrent use/Prior use*

The relevant provision is s.26(b) of the *Trade Marks Act 2002* (New Zealand) (“Act”). This sets out exceptions to the prohibitions in s.25 on registration of identical or similar marks for identical or similar goods/services. Section 26(b) refers to the later mark as “trade mark A” and reads:

#### 26 Exceptions

The Commissioner must register trade mark A if–

...

(b) The Commissioner or the court, as the case may be, considers that a case of **honest concurrent use** exists, or **other special circumstances** exist, that, in the opinion of the court or the Commissioner, makes it **proper** for the trade mark to be registered subject to any conditions that the court or the Commissioner may impose (Emphasis added).

In evaluating evidence of honest concurrent use IPONZ’s past practice was to take into account only use by the applicant during the period the earlier cited mark has been registered.

In some cases this arbitrary position created unfairness – in particular, where both marks had coexisted in the market for many years but the cited mark had not been registered for long before the later mark’s application date. In this situation IPONZ would refuse registration if the period between the respective registration dates did not meet its guidelines, disregarding the lengthy co-existence.

IPONZ’s position appears to have mellowed. The author is aware of at least two cases where prolonged and tenacious argument about this point eventually achieved acceptance, apparently on the basis of “other special circumstances”, the other arm of s.26(b).

Unlike in Australia prior continuous use is not a basis for overcoming an earlier citation. This is despite the fact that “other special circumstances” is a broad enough term to encompass prior use.

There is now on the table a proposal to amend the Act to expressly provide for the Commissioner to register a mark if its prior continuous use makes it appropriate for the trade mark to be registered – that is, overcoming a citation with an earlier priority date. This proposal is included in a recent discussion paper, *Proposals for an Intellectual Property Laws Amendment Bill* (“Discussion Paper”).<sup>2</sup>

### *Series applications*

It is considerably easier in New Zealand than in Australia to register variants of a trade mark as a series. This can be put down to one important difference in the relevant provisions.

The definition of “series of trade marks” in s.5 of the Act reads:

**Series of trade marks** means a number of trade marks for the same goods or description of goods or the same services or description of services (as the case may be) that:

- (a) Resemble each other in their material particulars; and
- (b) Differ only in respect of 1 or more of the following matters:
  - (i) Statements of the goods or services for which they are, or are proposed to be, used;
  - (ii) Statements of number, price, quality, or names of places;
  - (iii) Other matters of a non-distinctive character that do not substantially affect the identity of the trade marks;
  - (iv) Colour (Emphasis added).

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The criteria for registration of series trade marks in Australia are in s.51(1) of the *Trade Marks Act 1995* (Cth). Sub-section 51(1) contains no equivalent to the broad provision, “Other matters of a non-distinctive character that do not substantially affect the identity of the trade marks”.

Examples of series accepted in New Zealand that would seem to be ineligible in Australia include:

- TM no. 1091279: iTrust; ITRUST;itrust.
- TM no. 1094951: LUX SOLAR; LUX-SOLAR; LUXSOLAR.
- TM no. 1099422: COGO; CoGo.
- TM no. 1109763: 

However there is a storm cloud on the horizon threatening the New Zealand series trade marks parade. The Discussion Paper includes a proposal to abolish series marks entirely. Reasons given include the fact 50 per cent of applications do not meet requirements, and the possibility of filing for “strategic” purposes without any intention to use all the marks. Practitioners do not favour this proposal.

### IPONZ proceedings – general topics

New Zealand procedure and practice for trade mark proceedings differ from those in Australia in several important respects. In this section I will describe the New Zealand position on standard of pleadings, evidence, extensions of time, halts, hearings and appeals.

#### *Standard of pleadings*

The standard for pleadings in New Zealand is high. As a starting point the *Trade Marks Regulations 2003* require oppositions, invalidity actions and revocation applications to specify the provisions of the Act relied on, as well as the grounds.

It is possible to amend pleadings during the course of a proceeding though this is subject to objection by the other party and can cause a substantial delay.

If an important ground is inadvertently omitted from a notice of opposition or other pleading, it is generally not possible to rely on that ground at the hearing. There is a useful review of the law on this topic in *Casama Group Pty Ltd v GMDF and Winebow Inc.*<sup>3</sup>

#### *Standard of evidence*

Evidence in IPONZ proceedings must meet High Court standards. In practice this means taking into account the requirements of the *Evidence Act 2006* (New Zealand). Hearings Officers frown on irrelevant or sub-standard evidence and can be pedantic on admissibility or irrelevance.

In recent times, unnecessary or irrelevant evidence has sometimes had an impact in formulating costs awards.

An example was *Monster Energy Company v Nutrition Fit 2004, Ltd*<sup>4</sup> which was notable for a 50 per cent uplift on costs awarded to Nutrition Fit. The basis for this was the unnecessary length of Monster’s evidence, including voluminous exhibits and a large amount of irrelevant material that Nutrition Fit’s counsel had to review. (That issue is one of several now under appeal).

#### *Evidence out of time*

The provision for filing evidence out of time in IPONZ proceedings is set out in regulation 34 which relevantly reads:

- (2) *A party to a proceeding must not file evidence after the prescribed time unless the party has applied to the Commissioner for permission to file it and the Commissioner allows it.*
- (3) *The Commissioner may allow the evidence to be filed only if—*
  - (a) *The Commissioner considers that there are genuine and exceptional circumstances that justify filing the evidence; or*
  - (b) *The evidence could not have been filed earlier.*

In practice this provision is interpreted strictly so it is relatively difficult to file evidence out of time.

#### *Extensions of time*

In all proceedings other than when filing oppositions:

- Up to three months of extensions are available if “reasonable in the circumstances”.<sup>5</sup>
- Beyond that, “genuine and exceptional circumstances” are required.<sup>6</sup>

Following the *Muir Electrical*<sup>7</sup> case “genuine and exceptional circumstances” was interpreted very strictly, essentially requiring circumstances such as fire, flood or sudden illness. However more recently a patent extension of time case, *Merial Inc. v Intervet International B.V.*<sup>8</sup> (“*Merial*”) has very likely changed that.

*Merial* concerned a one-day extension of time for filing a counterstatement in patent revocation proceedings, based on exceptional circumstances. If the extension were not granted the patentee Intervet would not have been able to file a defence and evidence in support of its patent.

IPONZ granted the extension and *Merial*’s appeal to the High Court was unsuccessful. The Court did not accept that *Muir Electrical* was authority for interpreting regulation 103(3) other than meaning “unusual, out of the common run”. The reasoning in *Merial* seems equally applicable in the trade mark context so this decision appears to lower the *exceptional circumstances* bar given the identical wording of regulation 32(2).

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## **Halts**

The provision governing halts (the New Zealand equivalent of stays) is regulation 28 of the Trade Mark Regulations 2003 (New Zealand) which reads:

- (1) *The Commissioner may halt a proceeding, if the Commissioner thinks it appropriate, on the application of a party or on the Commissioner's own initiative.*
- (2) *The Commissioner may halt the proceeding for the period and on the terms and conditions that the Commissioner thinks appropriate, but must not halt the proceeding for more than 6 months.*
- (3) *The Commissioner may halt the proceeding for further periods, but on each occasion for no more than 6 months.*
- (4) *The Commissioner may at any stage, while the proceeding is halted, recommence the proceeding.*

In practice, halts are relatively common. Occasionally IPONZ will unilaterally halt a proceeding although not always appropriately. For example one party may assert it is in negotiations with the other, but the other party may disagree in which case the halt will be lifted.

If one proceeding depends on the outcome of another then that proceeding may be halted pending the outcome of the other. Alternatively, it is common for parties to be in settlement discussions and if they agree then IPONZ will halt a proceeding to allow that process to run its course.

## **Hearings**

When a proceeding is ready for hearing the Hearings Office will ask the parties how they wish to be heard. The three options are on the papers filed, by filing written submissions only, or by filing written submissions and appearing at the hearing. Obviously there is a considerable advantage in appearing at the hearing to engage with the Hearings Officer as well as to address matters raised by the other party that may not have been evident in its written submissions.

IPONZ is currently offering in person hearings only in Wellington. Hearings by video conference are available, at least within New Zealand.

The Hearings Office will set a timetable for sequential filing of the parties' submissions. There is also now a requirement to file and serve a common bundle of documents and a casebook, as in court proceedings.

An IPONZ hearing is run formally and with rigorous respect for the rules of evidence. Hearings Officers do not permit evidence from the bar or any other informality.

Unfortunately there is currently a lengthy delay for hearings at IPONZ. Currently hearings are being allocated for cases that have been ready for hearing for over 12 months. This situation is due to Hearings Officers having resigned but not

replaced, but seems likely gradually to improve from early 2020.

## **Appeals**

Appeals from IPONZ decisions can be filed as of right. They are heard by the High Court on the original evidence as filed at IPONZ level.

One important practical impact of this standard procedure is that the original evidence cannot be seen as a dry run. Additionally, appeals are also generally far cheaper in New Zealand, with hearings usually taking no more than one day and based only on the written evidence.

On appeal there is provision to file further evidence but this is very limited and strictly interpreted. The relevant provision is High Court Rule 20.16 which reads:

- (1) *The court may grant leave only if there are special reasons for hearing the evidence. An example of a special reason is that the evidence relates to matters that have arisen after the date of the decision appealed against and that are or may be relevant to the determination of the appeal.*

This is similar to the provision in regulation 34 for filing evidence out of time at first instance and again in practice the threshold is difficult to meet.

## **Declarations of invalidity**

In New Zealand it is possible to attack the validity of a registered trade mark by filing an application at IPONZ for a declaration of invalidity. The grounds available are essentially the same as for an opposition. This is a key difference from the Australian situation both in the ability to file at IPONZ, and in the terminology used – that is, it is not a revocation. (Unfortunately, the revocation provisions are on occasion incorrectly invoked where an invalidity action would have been appropriate).

The relevant provision is s.73 of the Act which reads:

### **73 Invalidity of registration of trade mark**

- (1) *The Commissioner or the Court may, on the application of an aggrieved person (which includes a person who is culturally aggrieved), declare that the registration of a trade mark is invalid to the extent that the trade mark was not registrable under Part 2 at the deemed date of its registration.*

Part 2 of the Act comprises ss.9–30 inclusive.

The equivalent provision in Australia is s.88 (and specifically s.88(2)(a)) which allows, on the application of an aggrieved person, cancellation of a registration on “any of the grounds on which the registration of the trade mark could have been opposed under this Act”.

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Under s.73 the onus of proof is on the invalidity applicant, not the owner. (In contrast, the onus in a New Zealand opposition proceeding is on the applicant for registration to prove that the mark is registrable. So for the attacking party there is a real benefit in getting in at the opposition stage if possible).

In this context one must bear in mind s.75 which creates a presumption of validity after seven years from the deemed date of registration. However there are exceptions – that is if the registration was obtained by fraud, or the mark should not have been registered on any grounds set out in s.17(1) or (2), or if the registration may be revoked under s.66.

So, in summary, an action for invalidity may be a viable option for a party that somehow failed to oppose a mark it objects to prior to registration. The procedures, costs and timeframes for an invalidity action filed at IPONZ are comparable to those for an opposition.

### Ownership as a ground of opposition or invalidity

Ownership (or more accurately *non*-ownership) has always been recognised as a ground of opposition in New Zealand and more recently was confirmed as a ground of invalidity. The statutory origin of this ground is convoluted, and particularly so in the case of invalidity.

### Opposition

Somewhat confusingly the Act does not actually list the potential grounds of opposition, and ownership as a ground certainly does not leap out from the legislation.

The core provision relied on in pleading ownership is s.32(1) of the Act which reads:

*A person claiming to be the owner of a trade mark or series of trade marks may ... apply ... for the registration of the trade mark or series of trade marks used or proposed to be used in respect of [particular goods or services] (Emphasis added).*

Perhaps because the basis for this ground is so opaque, it is sometimes overlooked by less experienced practitioners. An example of this is in the *Casama*<sup>9</sup> decision mentioned earlier, in which an attack on ownership would have been a viable ground of opposition but was not pleaded.

### Invalidity

In the invalidity context the identification of ownership as a ground is even more difficult. Section 73(1) requires that a trade mark was not registrable *under Part 2*. Part 2 comprises ss.9–30 of the Act – i.e. *not* s.32.

Logically, if an opposition can be based on attacking the applicant's claim to ownership, it should also be possible to base an invalidity action on the same facts and ground.

That is what the Assistant Commissioner found in an invalidity decision that was then appealed to the High Court – *Chettleburgh v Seduce Group Australia Pty Ltd.*<sup>10</sup> In that case Woodhouse J did in fact uphold the Assistant Commissioner's decision, adopting the following rather circuitous reasoning:

- Registrability under Part 2 requires consideration of the matters stipulated in s.13(2), which of course *is* in Part 2.
- Under s.13(2)(a) “an application for the registration of the trade mark must be made in accordance with this Act”. Woodhouse J considered this to be central.
- Section 13(2)(a) requires consideration of the provisions governing the making of applications, most of which are in Part 3 (including s.32).
- “Reading ss 73, 13 and 32 in that sequence makes clear, in my judgment, that a s 32 claim to ownership can be considered on an application under s 73”.<sup>11</sup>
- “For these reasons I am satisfied, as a matter of statutory interpretation, that, on a s 73 application, the claim to ownership under s 32 can be considered and that there must be some substance in the claim to ownership”.<sup>12</sup>
- “... I am satisfied ... that the claim [to ownership] must be one that is capable of being established as valid”.<sup>13</sup>

So in invalidity proceedings as well as oppositions, ownership is available as a ground.

### Revocation for non-use

Revocation for non-use is covered by s.66(1)(a) of the Act which reads:

*The registration of a trade mark may be revoked on any of the following grounds:*

- (a) *that at no time during a continuous period of 3 years or more was the trade mark put to genuine use in the course of trade in New Zealand, by the owner for the time being, in relation to goods or services in respect of which it is registered.*

Section 66(1)(a) provides that the “continuous period” means “a period that commences from a date after the actual date of registration and continues uninterrupted up to the date 1 month before the application for revocation”.

Section 7 of the Act defines “use of a trade mark” and relevantly provides:

- (2) *References in this Act to use of a trade mark by the owner includes use by a person other than the owner if that use*

# Same Same but Different: Key Differences between New Zealand and Australian Trade Mark Practice

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*is authorised by, and subject to, the control of the owner.*

(3) *The use of the whole of a registered trade mark is also a use of **any registered component part** of a trade mark registered in the name of the same owner* (Emphasis added).

Currently the applicant for revocation must have aggrieved status, however the Discussion Paper proposes removing this requirement, bringing New Zealand into line with Australia.

Even if the owner does not defend the action, in order to succeed, the revocation applicant must still have proved its aggrieved status. (IPONZ will provide an opportunity to file evidence if it was not filed with the application).

The effective date of revocation may be earlier than three years and one month before the date of the revocation application, provided an earlier date has been pleaded and nonuse since that date proved.

Since the 2017 Supreme Court decision in *Crocodile International Pte Ltd v Lacoste*<sup>14</sup> there is no longer discretion in New Zealand not to revoke an unused mark. This is despite the wording “**may** be revoked” in s.66(1)(a) (emphasis added).

## Conclusion

Though the principles underlying both Australian and New Zealand trade mark law are similar, the specific ways in which they are codified in the respective legislation differ considerably. There are also numerous differences between the countries in their procedures and practices. This is the case in many different key areas.

For practitioners on either side of the Tasman there are real pitfalls in giving advice and running cases assuming that things are the same on the other side – attractive and logical though that assumption may be.

- 1 Sheana Wheeldon, Barrister, Auckland, New Zealand
- 2 See <<https://www.mbie.govt.nz/have-your-say/proposed-intellectual-property-laws-amendment-bill/>>.
- 3 [2018] NZIPOTM 33.
- 4 [2018] NZIPOTM 19.
- 5 Regulation 32(1).
- 6 Regulation 32(2).
- 7 *Muir Electrical Company Pty Limited v Good Guys Group Limited* [2011] NZHC 277 2010.
- 8 [2017] NZHC 2918.
- 9 [2018] NZIPOTM 33.
- 10 [2012] NZHC 2563.
- 11 at [31].
- 12 at [39].
- 13 at [40].
- 14 [2017] NZSC 14

# The Australian Government's response to the ACCC *Digital Platforms Inquiry Final Report*

Kate Haddock<sup>1</sup>

In June 2019, the Australian Competition & Consumer Commission (“ACCC”) delivered the Final Report of its Digital Platforms Inquiry, and the Report was released by the Government on 26 July in that year. Following a 12-week consultation period, the Government released its response on 12 December 2019.

In its Final Report, the ACCC recommended a “holistic approach”<sup>2</sup> to the complex competition, consumer and privacy issues created by the activities of the digital platforms.

One of the 23 recommendations made by the ACCC was that the Australian Communications and Media Authority (“ACMA”) develop a mandatory code for procedures for the takedown of copyright infringing content, that the ACCC felt would “address the significant detriments to content creators and media businesses caused by the difficulty, cost, and delay in enforcing intellectual property rights against overseas-based digital platforms.”<sup>3</sup> The ACCC had considered, in Chapter 5 of the Final Report, the issues facing “content creators and media companies (but particularly media companies) when “snippets” of content, and photographs, are reproduced and communicated on digital platforms. Essentially, those problems stem from the expense and complexity of copyright infringement proceedings. Rightsholder parties<sup>4</sup> had submitted that uncertainty in the laws relating to authorisation liability leaves little incentive on the part of the platforms to regulate infringing activity. Digital platforms submitted that they should be brought with in the safe harbour scheme set out in the *Copyright Act 1968* (Cth)<sup>5</sup> (“Copyright Act”) which limit the remedies available against carriage service providers that comply with the scheme (including by implementing notice and takedown procedures).

Noting that the Department of Communications and the Arts (whose functions are now administered by the Department of Infrastructure, Transport, Regional Development and Communications) had recently conducted a copyright modernisation review and had not recommended changes to the authorisation liability provisions of the Copyright Act, the ACCC likewise made no such recommendations.

Although the platforms have established procedures for the takedown of infringing material, rightsholders submitted that the varied nature of the procedures and in many cases their complexity and the cost of engaging with them, means that infringing material is able to be uploaded and remain online for a period of time that causes harm to rightsholders’ commercial interests. The fact that many platforms manage their takedown procedures from locations other than Australia can lead to delays, and this is particularly problematic where the infringing material is unauthorised streaming of live broadcasts.<sup>6</sup>

Because of these and other difficulties experienced by rightsholders,<sup>7</sup> including media companies,<sup>8</sup> the ACCC recommended<sup>9</sup> the implementation of a mandatory industry code to govern takedown processes for digital platforms. The

Code would be developed by the ACMA in consultation with industry, including rightsholders and the platforms.

The recommendation was not met with enthusiasm by the affected stakeholders. Submissions on the Final Report ranged from those of the Australian Digital Alliance which said that a takedown procedure would “add confusion and complexity”, to those of Music Rights Australia which submitted that a “one size fits all” takedown procedure would not solve the problems faced by rightsholders which require “dedicated consultation and review”.

The Government’s response to the Final Report contains an immediate commitment to address competition and consumer issues in the digital platform markets, to commence a “staged process” towards a platform-neutral media regulatory environment, and to strengthen privacy protections for consumers. However, the Government does not intend to implement Recommendation 8. Acknowledging the views of major copyright owner and user groups, the Government expressed the view that “more data and further consultation with a broader range of copyright stakeholders, digital platforms and consumer groups is needed to determine appropriate options for reducing the availability of infringing material on digital platforms.” The Government response refers to a planned review of the 2018 enforcement reforms in late 2020, and expresses the hope that industry groups will take the opportunities afforded by the unchanged laws and the effluxion of time, to work together on the problem of infringing online content. If history is any guide, this hope would appear to be a vain one.

By not adopting the ACCC’s recommendation for a mandatory takedown procedure for infringing websites, the Government has kicked the can down the road. There have been numerous inquiries in which industry groups have advocated for their strongly held and largely unchanging respective positions. At some point, a policy decision will need to be made, based on something other than who has the loudest voice.

1 Kate Haddock is a Partner at Banki Haddock Fiora

2 ACCC, *Digital Platform Inquiry Final Report*, June 2019 (“Final Report”) p.3.

3 Final Report p.276.

4 Including the Australian Copyright Council, of which the writer is Chair.

5 Part V, Division 2AA.

6 Final Report p.265.

7 See Final Report [5.5.2].

8 See Final Report [5.5.3].

9 Recommendation 8.

# Book Review

Fiona Phillips

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## *Copyright in the Information Society: A Guide to National Implementation of the European Directive, Second Edition*

Edited by Brigitte Lindner and Ted Shapiro

[Elgar Intellectual Property Law and Practice series, 2019, pp.1052]

Given the global economy, it is increasingly necessary for intellectual property practitioners, academics and policy makers in Australia and New Zealand to have an understanding of how the law works in other jurisdictions. The European Union (“EU”) is a case in point. Not only is the EU a major trading partner of both Australia and New Zealand, both countries are in the process of negotiating free trade agreements with the EU.

For non-EU lawyers, it can be difficult to understand the system of EU directives and how they are implemented in the individual member states of the EU. The problem is particularly acute when it comes to copyright, given that it lacks the certainty of an international registration system. We are therefore fortunate that Brigitte Lindner and Ted Shapiro have produced a second edition of their seminal *Copyright in the Information Society: A Guide to National Implementation of the European Directive*. At over a thousand pages, the volume is an invaluable reference for copyright in the EU.

First published in 2011, the second edition takes into account legislative reforms during the intervening period, the important developments in copyright jurisprudence by the Court of Justice of the European Union (“CJEU”) and includes a new chapter on Croatia, which joined the EU in 2014. The second edition also refers to the Digital Single Market (“DSM”) copyright legislative package, which includes important reforms to European copyright law. However, given that “it will take several years for the member states (and the courts) to absorb these new norms”<sup>1</sup> it does not include a detailed analysis of those changes. Presumably, this will be tackled by a later edition, if there is to be one. Nevertheless, the volume provides a comprehensive analysis of pre-DSM copyright law in the EU and the key principles that underlie the development of copyright into the future.

The volume begins with a foreword by Jörg Reinbothe, who headed up the Copyright Unit at the European Commission at the time the Directive on Copyright in the Information Society<sup>2</sup> was being negotiated (the “Directive”). As such, the foreword provides a rare insight into the negotiations that led to the conclusion of the Directive nearly 20 years ago. Moreover, it provides valuable context by explaining the

significance of the Directive as well as its major achievements and shortcomings. While acknowledging the DSM amendments, Reinbothe notes, that they have not “called into question the main parameters of Directive 2001/29/EC”, concluding that “it seems to remain the overall recognized (*sic*) standard and common denominator”.<sup>3</sup>

*Copyright in the Information Society: A Guide to National Implementation of the European Directive* is divided into three parts. Part I is authored by Brigitte Lindner and deals with the World Intellectual Property Organization (“WIPO”) Copyright Treaty and the WIPO Performances and Phonograms Treaty of 1996 (collectively, known as the “Internet Treaties”). As such, it not only provides helpful context to understanding the Directive, the commentary is also relevant for understanding Australia and New Zealand’s implementation of their treaty obligations into domestic legislation in the *Copyright Amendment (Digital Agenda) Act 2000* (Cth) and the *Copyright (New Technologies) Amendment Act 2008* (NZ).

Part II is authored by the other editor, Ted Shapiro, and looks at the Directive itself. Section 1 includes some preliminary remarks about the Directive and the DSM legislative package before delving into the history of the Directive itself. Section 2 examines the rights provided by the Directive and how they have been interpreted by the CJEU. The discussion of the right of communication to the public and related concepts such as what is the “public” and a “new public” are instructive in helping those of us not steeped in EU law to understand how the Internet Treaties have been applied.

The next section deals with limitations and exceptions. Given that questions of exceptions to copyright and whether or not they may be overridden by contract are still hotly

## Book Review: *Copyright in the Information Society: A Guide to National Implementation of the European Directive*, Second Edition

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debated issues in both Australia and New Zealand, this makes for interesting reading for an Australian audience. The remaining sections of this Part cover technological measures, rights management information and sanctions and remedies, including the prevalence of site-blocking. The site-blocking regime in Australia (and being considered by the New Zealand Copyright Review) owes much to the EU. Shapiro's analysis provides valuable insight into its origins.

Having set the scene in Parts I and II, Part III of the book is made up of 28 chapters detailing the laws of the EU member states, or as the editors describe it, "28 compelling stories about the Directive and the roads it has travelled".<sup>4</sup> Each is written by an author expert in the law of the particular member state. For example, the chapter on Hungary is written by Dr Mihaly Ficsor. Each section follows the structure of the Directive and the Internet Treaties and as set out in Part II: rights, limitations and exceptions, technological measures, rights management information and sanctions and remedies. This makes for easy comparison. Some also point out particular features of the national copyright law. For example, of particular interest to readers from a common law tradition, Tanya Aplin's chapter on the United Kingdom ("UK") includes an interesting discussion of how decisions of the CJEU have impacted the law relating to originality in the UK. It also includes a section on UK copyright law post Brexit. As Jorge Reinbothe notes in his foreword, outside its domestic impact, Brexit is also likely to impact copyright law-making in the EU.

Given the growing relevance of European copyright law for intellectual property professionals in Australasia, *Copyright in the Information Society: A Guide to National Implementation of the European Directive* is an excellent resource. Not only does it set out in detail how the Internet Treaties have been implemented and applied in the EU and its member states, it provides valuable insights into some of the controversies in our own copyright laws.

1 p. xxviii.

2 Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJ 2001 L 167/10 (22 June).

3 p. xii.

4 p. xxix.

# CURRENT DEVELOPMENTS – AUSTRALIA

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## IP AUSTRALIA

Martin Friedgut and Roseanne Mannion

Spruson & Ferguson

### Fee Review

IP Australia proposes to change a number of official fees during 2020 for all intellectual property instruments and the Trans-Tasman IP Attorney Board. The last fee review was in 2015-2016 and the proposed changes take into account some of the recommendations from the Productivity Commission Inquiry *Report into Intellectual Property Arrangements* (2016).

Significant changes are intended for the costs awarded in opposition and related proceedings for Designs, Patents and Trade Marks. IP Australia consider that the proposed increases more accurately reflect the actual costs incurred by parties in these kinds of proceedings and based on the practice of the Federal Court.

The following fee changes have also been proposed:

- **Patents:** renewals (increase), excess claims (increase), preliminary search and opinion (reduction) and filing a patent application by another means (increase).
- **Trade Marks:** application fees for non-pick list applications (increase), Madrid import application fees (increase), filing an application by another means (increase), requesting a Hearing (reduction), and appearing and being heard at an oral Hearing in person and by means other than in person (increase but less the official fee).
- **Designs:** application for more than one design (reduction), filing an application by another means (increase) and renewal (increase).
- **Plant Breeder Rights:** annual maintenance (increase) and qualified person (increase).
- **Trans-Tasman IP Attorney Board:** application and renewal of registration fees (increase).

The Draft Cost Recovery Implementation Statement (“CRIS”) detailing the proposed changes and the proposed new Hearing Costs can be viewed at IP Australia’s website. Public consultation closed in February and subject to that consultation and the required amendments to the Regulations being made, the new fees will apply from 1 October 2020.

## Trade Marks

### *Division of International Registrations Designating Australia*

Last year, IP Australia considered an amendment to the *Trade Mark Regulations* 1995 (“Cth”) which would make it possible to divide International Registrations Designating Australia in the same way as national applications. After a period of public consultation, IP Australia has decided not to amend the Regulations to reflect this change on the basis that there is currently no international requirement to do so. Instead, it will consider the proposed amendment to the Regulations as part of a broader approach to trade mark time frames in the future.

### *Trade Mark Examination Timeframes*

There are still significant delays in trade mark examination at IP Australia. Currently trade mark examination for national applications is 6-7 months from filing which is a change from the 4-5 months for examination that we were experiencing in 2018/2019. The current processing times for trade mark examinations are available at IP Australia’s website and are updated every month.

## Patents

### *Changes in PCT Fees*

*Publish online date: 13 December, 2019*

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 January 2020**, as follows:

#### *International PCT Fees*

1. **Transmittal Fee:** \$200
2. **International Search Fee:** \$2200
3. **International Filing Fee:** \$1984  
If the application contains 30 Pages or less including the request form.  
E-filing reductions  
Electronic filings filed in PDF format via ePCT: \$298  
Electronic filings filed in XML format via ePCT: \$448  
PLUS  
For each page in the application in excess of 30 Sheets:  
\$22
4. Cost of Preparing **Certified Copy** of Basic Document:  
\$50 per document
5. Copies of **Specifications** cited in the International Search Report: \$50 per copy

### *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: \$298

Total if Search performed by IP Australia: \$888

Total if Search not performed by IP Australia: \$1118

### **Designs**

#### ***Expansion of the WIPO DAS Service into Trade Marks and Designs***

*Publish online date: 1 November 2019*

The World Intellectual Property Organization (“WIPO”) Digital Access Service (“DAS”) is an electronic system allowing priority and similar documents to be securely exchanged between participating intellectual property (“IP”) offices. The system enables applicants and offices to meet the requirements of the Paris Convention for certification in an electronic environment. The service is intended for use with documents related to patents, utility models, industrial designs and trade marks.

WIPO DAS creates a central point where details about priority documents may be viewed electronically by any office, without each office needing to request a hard copy of the document. The service is applicant driven and is voluntary for both applicants and IP offices.

## FEDERAL COURT PRACTICE NOTE

**Dr Dimitrios Eliades**

Barrister, Queensland

### ***Federal Court of Australia - Intellectual Property Practice Note (IP-1)***

On 20 December 2019, the Honourable J L B Allsop, Chief Justice of the Federal Court of Australia, issued Practice Note IP-1 (“the 2019 PN”), thereby replacing the former practice note issued by his Honour on 25 October 2016 (“the 2016 PN”). The Chief Justice issued another seven practice notes on 20 December 2019, including relevantly, a revised CPN-1: Central Practice Note and a revised GPN-AUTH: List of Authorities Practice Note.

The substantive amendment to the 2016 PN, appears in the 2019 PN at sub-paragraph 4.2. The 2019 PN adds a reference to Part 8 of the Central Practice Note (“CPN-1”), to the existing reference to Part 6 of CPN-1. The additional reference draws attention to the option of commencing a proceeding in appropriate circumstances, by a “concise statement” method. Further, that consideration at case management hearings be given to whether a proceeding commenced by a concise statement, may require a more detailed statement of the applicant’s case or some aspect of it: CPN-1 [8.5(d)].

It is notable that there may be a perception amongst practitioners, that the former Fast Track method has been superseded. This perception may arise from CPN-1 [6.3], which states that “[a]ny pre-existing practice notes or administrative notices are superseded by these new practice notes; this includes practice documents that previously applied to Fast Track proceedings.”

However, the reference to the former Practice Note CM8, should be considered within the broader approach of the Court, to encourage simplified methods aimed at reaching the core aspect or aspects of the dispute. In this regard, IP-1 [4.5], includes the Fast Track procedure as such a method:

*The Fast Track procedure, or other effective and commercially sensible methods of commencing or expediting a proceeding or introducing informal pleadings processes, remain open to the parties in this NPA.*

### CASES

#### ***Vald Performance Pty Ltd v Kangatech Pty Ltd***

**[2019] FCA 1880**

**(13 November 2019)**

Justice Greenwood’s reasons for judgment relate to a narrow point of standing of the applicant, such standing being dependent upon the applicant’s claim that it is the exclusive licensee of the patent in suit.

The relevant facts were that the applicant claimed patent infringement seeking declaratory and injunctive relief and other relief including damages. The applicant asserted in the pleadings that it was the exclusive licensee. The Queensland University of Technology (“QUT”), was the owner of the patent in suit. The applicant by its statement of claim (“SOC”) asserted that QUT granted an exclusive license to QUTbluebox Pty Ltd (“QUTBB”), to commercialise the patent. The SOC then asserted that QUTBB in turn then granted the applicant an exclusive license to commercialise the patent. The respondent admitted the licences were granted, however disputed the applicant’s standing as an exclusive licensee as required by s.120 of the *Patents Act* 1990 (Cth), having regard to the definition of the term in s.3 and Schedule 1 on the basis that the owner, QUT had not granted an exclusive license to the applicant. Greenwood J was not satisfied that an exclusive licensee of an exclusive licensee was the “exclusive licensee” referred to in the *Patents Act*, having standing to commence as proceeding for patent infringement. In any event, his Honour considered that there were reservations within the license agreement with the applicant, which took away from the exclusivity of the grant.

The applicant further submitted that in any event, the question was academic, as it was obtaining an assignment of the patent from QUT. His Honour considered that even though the proceeding is to be reconstituted and an element of costs were not entirely lost, the body of the costs incurred by the respondent, should never have been incurred by the respondent because of the lack of standing of the applicant. Notwithstanding, the assignment would be relied upon, the issue of the applicant’s lack of standing was relevant to the exercise of the discretion on the question of costs.

His Honour considered and referred to the numerous exchanges of correspondence on the standing issue and determined that the applicant pay the costs of the first respondent thrown away by reason of the amendments to the originating application and the statement of claim, due to the lack of standing issue, on an indemnity basis.

***Liberation Developments Pty Ltd v Lomax Group Pty Ltd***  
**[2019] FCA 2059**  
**(5 December 2019)**

Justice Greenwood’s reasons for judgment relate to the order made 30 July 2019, reserving the costs position, when judgment was delivered in the principal proceeding: *Liberation Developments Pty Ltd v Lomax Group Pty Ltd* [2019] FCA 1180; (2019) 144 IPR 413 (“principal judgment”).

In the principal judgment, the Court dismissed that part of the originating application which related to a claim for alleged infringement (or authorisation of infringement), of Australian Innovation Patent 2013100057 (“the 057 patent”) against all respondents. The crossclaim for revocation of

the 057 patent on the ground of lack of novelty and the allegation that the patent claims were not fairly based, were also dismissed. Costs of the infringement claim and the revocation claim, were reserved for later determination and his Honour made directions for the filing and serving of written submissions on the issue of costs.

There were in addition, claims by the applicant for trade mark, copyright infringement and contended contravention of the *Australian Consumer Law* (“ACL”) ss.18 and 29. The respondents contested the patent infringement claims and the ACL claims. In the cross-claim, the respondents/cross-claimants also sought cancellation of the trade marks in suit and damages for unjustified threats relating to patent infringement.

In May 2018 the respondents advised the applicant that the lack of novelty ground would not be pressed, and the Court made a number of orders by consent which disposed of many issues in the case.

Relevantly, the trade mark infringement claim was resolved by the respondents undertaking not to use the trade marks in suit and consenting to an injunction restraining their use of the marks. The copyright claim was resolved by the respondents consenting to a declaration as to infringement of particular works and an injunction restraining them from doing various acts exclusively vested in the copyright owner. Delivery up of various items was consented to as was the payment of damages of AU\$10,000 and a limited claim for costs in relation to the copyright claims. Declaratory and injunctive relief was granted by consent as to contravening conduct in relation to the ACL claims. An order for the payment of AU\$5,000 damages was also made by consent in respect of the ACL claims.

The applicants had submitted that a reduction of 20 per cent should apply to the costs to be awarded to the respondents in defending successfully the patent infringement claims. The applicants alleged that this was on the basis that they were put to proof unnecessarily, as to the issue of authorisation of the patent infringement. His Honour rejected this claim for a reduction, considering that the authorisation of patent infringement claim was “bound up” in the whole claim and that the respondents were entitled to address and resist the authorisation case levelled at them.

In relation to the cross-claim, his Honour accepted that the crossclaimants ought to pay the costs of the crossrespondents of and incidental to the aspect of the invalidity crossclaim based upon a claim of lack of novelty, as a matter which was not pressed. However, his Honour resisted breaking down into sub-issues, as invited by the respondents, that the focus of the unjustified threats claim was not whether there was infringement but rather whether there was a “threat”. Rather, the respondents/cross-claimants failed to make out that aspect of the cross-claim and the applicant/cross-respondent

should have their costs of resisting that claim.

In broader terms, Greenwood J ordered:

- The applicant to pay the respondents' costs of and incidental to the patent infringement claim which failed, including reserved costs of and incidental to any question arising in connection with the Patent proceeding.
- The cross-claimants pay the costs of the applicants cross-respondents of and incidental to the aspects of the cross-claim relating to the relief sought on the ground of unjustified threats of patent infringement and relief on the ground of conduct said to be in contravention of the ACL.
- The respondents/cross-claimants pay the applicants' costs relating to the lack of novelty and lack of fair basis grounds.

As to the exercise of the discretion in relation to costs, his Honour referred to certain accepted principles within the reasons and also referred to his Honour's decision in *Hells Angels Motorcycle Corporation (Australia) Pty Limited v Redbubble Limited* [2019] FCA 1349 at [37] and [38].

**Peter Heerey AM QC, Tom Cordiner QC & Alan Nash Barristers<sup>1</sup>**

In this issue we focus on: (i) ensuring the balance of convenience is fit for purpose; (ii) how an admission that a sample might be representative of a product doesn't assist if the product is not uniform; (iii) patentability of business schemes; and (iv) the risks in having a judicial spotlight shone on an unsuspecting supply contract.

***Derrimut Health & Fitness Pty Ltd v Revival 24:7 Gym Pty Ltd***

**[2019] FCA 1988**

**(22 November 2019)**

*Practice and procedure – mandatory interlocutory injunction – no evidence of quantifiable loss – little inconvenience to respondent*

Derrimut has for some time owned and operated 13 gymnasia across Victoria and South Australia. Revival 24:7 planned to open a gymnasium in Bendigo in November 2019. Derrimut had uploaded to its Facebook page five photographs of the interior of some of its gymnasia. It held written assignments of the copyright from the photographers.

One of the photographs showed drinks bearing the registered trade mark "UPS Ultimate Performance Supplements". The owner of that trade mark had licensed Derrimut to use it.

Revival 24:7 used those photographs in its marketing material, without approval of Derrimut or the owner of the trade mark.

Derrimut's solicitors, by letter dated 18 October 2019, demanded removal of the photographs. On 15 November Revival 24:7 stated that the photographs would be removed sometime during the following week. But, by the time of the hearing on 22 November, this had not been done and Revival 24:7 did not appear.

Anderson J applied the standard test: an applicant must establish (i) that there is a serious question to be tried and (ii) that the balance of convenience favours a grant: *Australian Broadcasting Corporation v O'Neill* (2006) 227 CLR 57 at [19]. [65]–[72].

There could be little doubt, as his Honour found, that there was a serious question to be tried as to copyright infringement, trade mark infringement, misleading or deceptive conduct and passing off.

As to balance of convenience, the word is used in this context in a rather specialised technical sense. The "current sense" according to the Shorter Oxford is "Personally suitable; favourable to one's comfort or ease; commodious". This suggests a rather low level of satisfaction, as for example "Would it be convenient to have a meal before the film?"

As has been suggested, the real test is one of comparative injustice: the plaintiff gets the injunction but loses at trial compared with the defendant resisting the injunction but the plaintiff winning at trial. For an example of the comparative injustice concept in action, see the *Safe Storage Systems* case note below.

Anderson J noted at [37] that there was no evidence of quantifiable damage but cited a number of authorities to the effect that this was not necessarily fatal.

His Honour considered a mandatory injunction for removal was appropriate since, should the Court subsequently hold that the injunction was unwarranted, the photographs could be readily restored. Also, although not explicitly mentioned by his Honour, the initial removal would be very simple.

His Honour considered at [33] that “(m)erely characterising an interlocutory order as ‘mandatory’ should not invite a different approach.”

### ***BlueScope Steel Limited v Dongkuk Steel Mill Co., Ltd (No 2)***

**[2019] FCA 2117**

**(17 December 2019)**

*Patent infringement and validity – failure of experimental proof to establish infringement – lack of best method – refusal to amend patent to address lack of best method*

Dongkuk carries on business outside Australia as a manufacturer and supplier of alloy-coated steel strip products which are sold by third parties in Australia. BlueScope sued Dongkuk for infringement of various claims of two patents which relate to steel strips coated with an alloy containing aluminium, zinc, silicon and magnesium (Al-Zn-Si-Mg) but where there is only a small proportion of Mg<sub>2</sub>Si particles or substantially no Mg<sub>2</sub>Si particles in the surface of the coating. The patents also claim methods for hot dip coating to produce such steel strips.

The major obstacles to BlueScope’s infringement case all arose from failings in experimental proof it needed to establish the requisite amount of Mg<sub>2</sub>Si in the surface of the alloy coating of the coiled steel strips. In particular, BlueScope’s sample size of Dongkuk’s product was insufficient. First, the size of a coil sold by Dongkuk is 1.2m wide and 3km long, but the sizes of the two samples requested by BlueScope were only 210mm x 300mm.

Secondly, of the two samples it tested, BlueScope should have conducted more testing given the “huge fluctuations in the amounts of Mg<sub>2</sub>Si over a small area”. Beach J observed that, rather than testing the relatively small number of extracts of each sample, what may have been required was to “slice along the whole length and breadth of the strip or at least sample A and sample B at a depth of at least 5% of the total depth of the coating and then to compare the Mg<sub>2</sub>Si particles in that slice with the Mg<sub>2</sub>Si particles in the

remainder of the coating.” Noting that the length of the strip was 3km, one can imagine how difficult the proof may have been.

Interestingly, Dongkuk admitted that the two small samples it provided to BlueScope were representative of the entire coiled steel strip. However, Beach J accepted Dongkuk’s characterisation of that admission as being representative “so far as it is possible in relation to non-uniformly distributed phases” – the point being that the samples in fact showed that distribution of Mg<sub>2</sub>Si was not uniform. Accordingly, the experimental protocol was doomed to fail because the sample size was not “sufficient to adequately cater for the non-uniform distribution of Mg<sub>2</sub>Si”, Dongkuk was not obliged by any court order to agree to the protocol and it was not prevented from asserting that the protocol was not adequate to prove the facts.

Turning then to the “best method” invalidity case, one of the patents included a statement that “special operational measures” were applied to keep the alloy coating thickness variation under control. The patent described the “uniformness of coating thickness across the strip surface” as the “second important factor”. Accordingly, there could be little doubt that, as required by the authorities, the “special operating measures” were essential to the best method of performing the alleged invention.

Beach J asked himself whether the reference to “special operational measures” in the context of the specification was sufficient to disclose the best method of performing the invention known to BlueScope at the filing date to the person skilled in the art, construing the specification at that date or the priority date. BlueScope’s inventor contended that the phrase “special operational measures” was a reference to means of controlling thickness variations known to those in the field at the time. BlueScope contended that the skilled addressee would know the best method or determine it by simple routine experiment.

Beach J observed that the best method known to BlueScope involved the combination of four operating measures. However, first, the skilled addressee would not understand what “special operational measures” meant in the context of the specification. Second, even if the best operating measures formed part of the common general knowledge, the skilled addressee would not understand that those measures were being referred to because of the word “special”. Third, the skilled person would not know that the particular combination of four measures used by BlueScope was being referred to. Finally, two of the measures were in fact not common general knowledge.

To the extent that the claims of the second patent concerned minimising thickness variation of the alloy coating, Dongkuk asserted those claims were invalid by reason of the failure to disclose the best method and Beach J so found. As an aside,

it is not clear to us why **all** the claims of the second patent were not asserted as being invalid by reason of the failure to disclose the best method. The Full Court in *Sandvik Intellectual Property AB v Quarry Mining & Construction Equipment Pty Ltd* (2017) 126 IPR 427 at [125] observed that there could be a failure to disclose the best method even where the claim does not have, as a limitation, the feature to which the best method relates. The Full Court there said:

*We do not accept Sandvik's submission that it was unnecessary to describe the sealing member because the water seal was not part of the claimed invention. First, as discussed above, for present purposes it is necessary to identify the invention described in the specification as a whole, as distinct from the invention as claimed in the claims.*

However, it may be that, properly construed, there were two inventions disclosed and claimed in the second patent, contrary to the examination requirement for unity of invention.

Finally, anticipating the possibility of failing on the best method attack, BlueScope sought to amend the specifications of the patents to include the best method in fact known to it at the date of filing those patents. Beach J refused to exercise his discretion under section 105 of the *Patents Act 1990* (Cth) to do so, primarily because BlueScope was on notice from its prosecution of related patent applications overseas and, indeed, in Australia, that in order to overcome objections to grant, it was necessary to explain what was meant by “special operational measures” by reference to information that was not apparent from the specification.

At the least, BlueScope had constructive knowledge of the need to amend well before it did so and, as Beach J put it, BlueScope:

*simply made a calculated decision to take its chances with the disclosure it had made, whilst simultaneously benefiting commercially from the best method to the detriment of the public.*

### ***Repipe Pty Ltd v Commissioner of Patents***

**[2019] FCA 1956**

**(22 November 2019)**

*Patent validity – manner of manufacture – whether methods and systems for providing and receiving information for risk management in the field are patentable*

The Commissioner of Patents revoked two innovation patents owned by Repipe on the basis that the inventions did not comprise a manner of manufacture.

For present purposes it is sufficient to consider claim 1 of the first innovation patent in issue, which claimed:

*A method of providing information for risk management to a user of a portable personal computing device performing a job in the field, said method comprising:*

- *selecting a document to be completed by the user related to a job to be performed by the user;*
- *downloading information to the portable personal computing device;*
- *displaying the downloaded information for selection of items in the information so as to complete the selected document; wherein the downloaded information comprises information provided by one or more other users having an administrative role and information provided by one or more other users having a field worker role;*
- *receiving input to the portable personal computing device, wherein the input comprises selection of one or more of the items in the information, and/or the input comprises providing new information;*
- *uploading the input, whereby a record of the input is stored in relation to the selected document, and the new information is added to the information to be downloaded by other users.*

The trial before McKerracher J was heard prior to the Full Court of the Federal Court of Australia handing down its decision in *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* (2019) 145 IPR 1. The Full Court there held that the patents in suit, which concerned a method for displaying information relating to entities so as to “provide business intelligence”, did not claim an invention that was a manner of manufacture. The Full Court observed that, while the specification described a variety of processes for better representing such information, the description was largely agnostic as to how the method should be implemented and could use any suitable processing system. As McKerracher J observed, the Full Court in *Encompass* explained that the Full Court in each of *Research Affiliates* and *RPL*, correctly:

*was seeking to describe the conceptual distinction between a manner of manufacture and an unpatentable abstraction” and “was explaining that a claimed method that is unpatentable does not change its legal character merely because the method is implemented by the instrumentality of a computer.*

McKerracher J concluded that, while the patents before him may disclose a good idea, the claimed inventions were to an unpatentable business method and, “even if construction of the specifications alone were to produce a different characterisation, that would be to elevate form over substance”.

McKerracher J accepted the following matters in favour of Repipe. First, the fact that the patents do not claim to have invented new hardware does not mean they are not patentable. Secondly, the fact that they do not claim to rely on artificial intelligence does not mean there is no patentable method – “artificial intelligence is not a pre-requisite for

patentability of a computer-implemented business method”. Thirdly, the inventions “could not be carried out using a generic or unconfigured server or smartphone, because the tasks those devices must perform are so specific”.

Nevertheless, McKerracher J concluded that

*No specific application software has been claimed or even identified in any claim of the Patents. No computing programming logic or code is disclosed anywhere in the Patents. The substance of both inventions is a mere scheme that can be implemented using some unidentified software application to cause a server computer and smartphone to perform the steps identified in the claim. To implement the scheme, a reader must use his/her own skill and knowledge to write an appropriate software application. No such application is disclosed in the Patents.*

Therefore, as a matter of substance, the claimed invention was to a scheme, without any meaningful technical content in the specifications. The fact that the scheme may be better implemented by using a computer “is a function of the computers not the Patents”. His Honour concluded that “if on proper analysis, and as a matter of substance, a claimed method merely requires generic computer implementation then the method cannot be a manner of manufacture” and observed that the Full Court in *Encompass* had rejected the contrary argument in circumstances where the claims there also did not have as an essential feature any particular software or programming that would carry out the method but left it to the skilled addressee to devise and then implement a suitable computer program for that purpose.

### ***Safer Storage Systems v Dexion (Australia)***

**[2019] 1784**

**(1 November 2019)**

*Application for interlocutory injunction – restraint of trade – trade mark infringement*

In this case, Dexion sought interlocutory injunctive relief up to trial that would restrain Safer Storage Systems (SSS) and its directors from contravening restrictive covenants contained in a supply agreement between the two corporate litigants or using the name “Dexion” as a trade mark.

The application for interlocutory relief was dismissed by O’Bryan J.

While O’Bryan J accepted that Dexion had established that there was a serious question to be tried as to whether SSS had breached the restrictive covenants, the strength of that case was affected by SSS’s defence that the covenants are unenforceable as an unlawful restraint on trade.

While Dexion contended that the restrictive covenants were necessary to protect its goodwill, O’Bryan J considered there were significant doubts about that by reason of the relevant clause not being targeted to the protection of trade names,

trade secrets or customer relationships but simply preventing SSS from conducting a competing business. Importantly, SSS was conducting a competing business before entering into the agreement and the covenant would require SSS to cease doing business altogether.

His Honour observed that the strength of SSS’s defence bore upon the assessment of the balance of convenience. On that front, Dexion failed to establish that the balance of convenience was in favour of granting an injunction to restrain breach of the restrictive covenant. In broad terms, O’Bryan J considered that any harm which may befall Dexion, as a result of SSS continuing to compete against it, could be adequately compensated by damages. Though that might involve some complexities in calculation, the potential damage appeared to be a relatively small proportion of Dexion’s total annual revenue.

In contrast, SSS would be restrained from conducting its present business, which would result in the loss of employment of 47 people and cause detriment to the company and its customers. As such, damages on a claim on the undertaking as to damages would not be adequate protection for SSS.

Finally, O’Bryan J considered that another factor tending against the grant of interlocutory injunctive relief was that Dexion delayed in seeking that relief. The agreement between the parties terminated in February 2019. The solicitors for Dexion wrote to SSS seeking payments on 11 April 2019 but did not mention the restrictive covenants. The notice of cross-claim filed a week later sought declarations that the restrictive covenants were binding and enforceable but did not seek injunctive relief. It was not until 5 August 2019 that Dexion indicated it would seek injunctive relief. While Dexion contended that it only learnt of SSS’s conduct in August 2019, the evidence suggested that certain parts of its business were aware of SSS’s competing tenders, and Dexion’s evidence did not address that. In essence, it appears the onus shifted to Dexion to explain why it did not have notice, and as a result, the delay was not properly explained.

Surprisingly, O’Bryan J raised a concern he had with the legality and enforceability of the restrictive covenant that was not addressed by either of the parties. In particular, his Honour was concerned (though made no finding on the issue) that the restrictive covenants comprised a cartel provision within the meaning of section 45AD of the *Competition and Consumer Act 2010* (Cth). Happily for SSS, such provisions are unenforceable. But, unfortunately for both parties, the making of a contract which contains such a provision involves both criminal offences and a civil contravention of the Act. It will be interesting to see where the litigation goes from here.

<sup>1</sup> 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.

### Lauren Eade and Miriam Zanker

Davies Collison Cave

#### **Style over substance: *Pinnacle Runway Pty Ltd v Triangl Limited***

The case of *Pinnacle Runway Pty Ltd v Triangl Limited* [2019] FCA 1662 (10 October 2019) demonstrates the sometimes fine distinction between use as a trade mark and other “use” for the purposes of infringement proceedings. The case also provides useful guidance on the admissibility of various evidence obtained from sources such as the Wayback Machine.

#### **Background**

Pinnacle Runway Pty Ltd (“Pinnacle”) owned an Australian trade mark registration for the DELPHINE trade mark for various Class 25 goods. Triangl Limited (“Triangl”) offered various swimwear products internationally (including in Australia) under the TRIANGL mark. Its products also featured style names, with one bikini style being called DELPHINE. The DELPHINE style name was used on Triangl’s website, marketing materials, Instagram, and Facebook, and in a press pack.

#### **The proceedings**

Pinnacle sent a letter of demand to Triangl, alleging that Triangl had infringed its registered trade mark. Triangl agreed to cease use of the DELPHINE style name, but Pinnacle nevertheless commenced infringement proceedings against Triangl. In response, Triangl:

- argued that its use of DELPHINE was not use as a trade mark and therefore did not infringe Pinnacle’s registration; and
- filed a cross-claim for rectification of Pinnacle’s registration, on the basis that Pinnacle was not the owner of the DELPHINE mark in Australia due to use of similar marks by other parties (and not Triangl).

#### **Use as a trade mark**

Use as a trade mark is the basic requirement of infringement under section 120 of the *Trade Marks Act 1995* (Cth). Pinnacle argued that DELPHINE was prominently displayed by Triangl and therefore used as a trade mark. It relied on the finding in *Anheuser-Busch Inc v Budejovicky Budvar, Narodni Podnik & Ors* [2002] FCA 390 that “just because one part of a label is the obvious and important ‘brand’ does not mean that another part of the label cannot act to distinguish goods.”

However, the Court found that Triangl’s use of DELPHINE was not trade mark use because:

- The TRIANGL mark dominated marketing material, so that TRIANGL operated as a trade mark, and not DELPHINE.
- The use of DELPHINE did not distinguish Triangl’s goods from those of other traders. Rather, it distinguished products within Triangl’s range from each other, and therefore did not operate as a trade mark. In making this finding, the Court relied in part on Triangl’s evidence that there was common use of women’s names as style names in the fashion industry and that these were understood by consumers as a convenient style reference point, rather than a number. That evidence included evidence extracted from the Wayback Machine. (Pinnacle was unsuccessful in its challenge to the admissibility of that evidence, as outlined below.)

The Court therefore found Pinnacle’s registration had not been infringed.

#### **Admissibility of Wayback Machine evidence**

To support its argument that women’s names were commonly used as style names in the industry, Triangl produced extracts from the Wayback Machine showing 45 examples of other traders’ use of women’s names as style names. Pinnacle argued this was inadmissible because it was hearsay evidence. Murphy J determined the Wayback Machine evidence which included material such as offers for sale and pricing information was admissible under the business records exception to the hearsay rule. Triangl also adduced evidence from the office manager of the Internet Archive (which provides the Wayback Machine) that the archiving process was automated and not human-generated, and therefore that the Wayback Machine evidence was not a “representation by a person” so as to amount to hearsay. The Wayback Machine evidence was therefore admitted.

#### **Rectification**

Triangl had also argued in the alternative (if it was unsuccessful in defending the infringement claim) that Pinnacle’s registration should be cancelled under section 88 of the *Trade Marks Act 1995* (Cth) on the grounds that Pinnacle was not the first user of the mark and therefore not the owner of the trade mark under section 58. The prior use relied upon by Triangl was use of the marks DELFINA and DELFINA SPORT by Delfina Sport, and THE MOTEL DELPHINE JACKET by The Motel. While it was not necessary for the Court to consider the cross-claim in detail given the finding of non-infringement, the Court found:

- Triangl did not show that prior to the priority date of the registration, Delfina Sport sold swimwear in Australia under the DELFINA brand.
- While there was evidence DELFINA SPORT was used in relation to swimwear before the priority date, this mark was not found to be substantially identical

to DELPHINE so as to found a competing ownership claim (distinguishing *Pham Global Pty Ltd v Insight Clinical Imaging Pty Ltd* [2017] FCAFC 83).

- In the case of THE MOTEL DELPHINE JACKET, THE MOTEL was the trade mark use and DELPHINE was a style name, which was fatal to the prior ownership claim as this depends on prior use as a trade mark.

Accordingly, the cross-claim also failed.

### **Key points**

The decision demonstrates that infringement proceedings against subsidiary branding uses may not be straightforward, particularly in industries where there may be established use of style names. In such industries, evidence that the impugned use is trade mark use should be considered. The decision also provides useful guidance on the admissibility of Wayback Machine evidence both under the business records exemption to the hearsay rule and generally.

Perhaps more importantly, the case is a cautionary tale. Pinnacle commenced proceedings after Triangl had already agreed to cease use of DELPHINE. Triangl's cross-claim had limited prospects of success. Pinnacle challenged the admissibility of Wayback Machine evidence on technical grounds even where it might be argued Triangl's underlying point (that there was common use in the fashion industry of women's names as style names) was not itself open to challenge. As Murphy J remarked at the start of the Court's judgment: "These are ill-advised proceedings in respect of alleged trade mark infringement and cancellation of a trade mark, and there is no clear winner ... Even if Pinnacle had been successful in its claim, its damages entitlements were not worth the powder and shot." The parties were in the same position after the proceedings as before, albeit that both incurred substantial legal costs.

### **Malice aforethought: *Lamont v Malishus & Ors***

The case of *Lamont v Malishus & Ors* (No.4) [2019] FCCA 3206 (14 November 2019) is a useful illustration of the complexities of trade mark infringement in the online context, particularly for self-represented litigants.

### **Background**

Mr Lamont owned various Australian trade mark registrations for the MALISHUS mark for Class 25 goods. The respondents had registered a similar MALISHUS mark in other countries including New Zealand, Canada, the United Kingdom ("UK") and the United States of America ("USA"). When considering seeking registration of the mark in Australia, the respondents apparently became aware of the applicant's registrations. The respondents commenced non-use removal proceedings regarding Mr Lamont's Australian registrations, and had also engaged in opposition proceedings, all of which were ultimately unsuccessful. The respondents had also

previously unsuccessfully sought registration of trade marks including MALISHUS in Australia. Ultimately, Mr Lamont brought trade mark infringement proceedings against the respondents in the Federal Circuit Court.

### **Claims**

Mr Lamont alleged the respondents infringed his trade mark registrations through:

- Registering and using various domain names (including [www.malishus.com](http://www.malishus.com), [www.malishusbrands.com](http://www.malishusbrands.com), and [www.malishus.com.au](http://www.malishus.com.au)).
- Selling in Australia T-shirts and other items of apparel to which marks that include the word MALISHUS were applied.
- Posting material on various social media sites that included the use of the word MALISHUS in connection with clothing.

The respondents admitted they used the MALISHUS mark in the manner alleged. However, they denied that they used the marks in Australia. Rather, they claimed to have undertaken these activities in connection with the use in overseas markets of trade marks they registered in New Zealand, the USA and the UK. While the case addresses other issues, the main matter in question was therefore whether the use of the mark was use in Australia.

### **Use in Australia**

While disputing use of the mark in Australia, the respondents had engaged in direct conduct in Australia which included ordering clothing, swing tags, labels and other items featuring the mark to be produced by Australian suppliers. The respondents argued that this was for the purposes of trade in New Zealand and/or the USA, and that some of the items produced were given away (but not sold) to friends and family in Australia. The Court was not persuaded by the respondents' evidence and found that there had been sales of clothing under the mark in Australia. The respondents' efforts to establish that their business activities were not carried on in Australia were undermined by the fact they had obtained registration of an Australian business name and also included an Australian street address for their US trade mark registration. The Court did however accept that Australian sales were minimal, partly on the basis New Zealand sales had also been limited as the range was not successful for the respondents. It is noteworthy that even if the respondents' evidence that the Australian-made goods were intended to be sold outside Australia had been accepted, this would still have been deemed use in Australia under the export use provision of section 228 of the *Trade Marks Act 1995*, a matter not considered by the Court.

In the online context, it is well established that use on a website directed to the world at large is not use in Australia, and that the use must be targeted to some degree at the

Australian market to be considered use in Australia: *Ward Group Pty Ltd v Brodie & Stone Plc* [2005] FCA 471. The respondents denied that their active websites targeted the Australian market. However, the active websites had from time to time featured text such as “Shipping and handling in Australia”, and “Malishus.com ships to all states via Australia Post”, and GST information. The Court therefore concluded the majority of these websites were directed at the Australian market and therefore constituted infringing use of the mark in Australia. The Court did however find that the respondent’s malishus.co.nz website was not directed at the Australian market and did not constitute use of the MALISHUS mark in Australia, on the basis that it was directed at the New Zealand market.

In relation to Facebook posts, the Court broadly concluded that apart from Facebook posts featuring the mark by the New Zealand resident respondent (and which related in part to the malishus.co.nz website), the uses of the mark on Facebook were also infringing uses of the mark in Australia in so far as they related to clothing apparel.

### ***Inactive domain names***

The Court found the active domain names involved infringing use as outlined above. However, consistent with previous authority, the Court found that the respondents’ inactive domain names were not found to involve infringing use of Mr Lamont’s marks: *Sports Warehouse, Inc v Fry Consulting Pty Ltd* [2010] FCA 664.

### ***Key points***

The question of whether a mark is used in Australia is a question of fact and will vary depending on the facts of each case. However, the case provides a useful example of how trade mark use in Australia may be assessed, particularly where there is evidence of active business dealings in Australia such as ordering stock under a mark and holding Australian business name registrations.

It is well established that generic top level domains such as malishus.com will be considered infringing uses in Australia if they are considered targeted at the Australian market, which may be inferred from the surrounding context. However, the case suggests Courts may be less willing to infer other country-code domain names such as malishus.co.nz are so targeted without further evidence.

# Current Developments – New Zealand

## Andrew Brown QC

Barrister, Auckland  
Correspondent for New Zealand

### *Apple Inc. v Swatch Ag (Swatch Sa) (Swatch Ltd)*

Intellectual Property Office of New Zealand, Assistant  
Commissioner Alley,

23 December 2019, [2019] NZIPOTM 30 3179 3546

*Trade marks – convention priority – similar trade marks – likely to deceive or confuse – contrary to law and disentitled to protection – well known marks – intention to use – registrability – distinctive character – Trade Marks Act 2002 – Fair Trading Act 1986 – Passing Off.*

Comments: In this trade mark opposition decision Assistant Commissioner Alley made a number of important findings on pleadings (and the necessity that the case being argued matches the pleadings). Further the Assistant Commissioner allowed proof of acquired distinctiveness through “any

other circumstances” in section 18(2). There was significant evidence of the market anticipating the launch of Apple’s product smart watch and ascribing the IWATCH mark to that product. As this evidence was prior to the date of application, it could be taken into account in demonstrating the acquired distinctiveness of the mark.

#### **Facts:**

The Applicant, Apple Inc. (“Apple”), designs, manufactures and markets a wide range of personal computers, mobile communications and media devices, and portable media players. It also sells a variety of related software, services, peripherals, networking solutions, and third-party digital content [14].

In 2013 Apple applied to register the following trade marks in New Zealand:

TRADE MARK APPLICATION NO.	TRADE MARK	FILING DATE	GOODS DESCRIPTION
989093	IWATCH	5 December 2013  (Convention priority date of 5 June 2013 claimed)	<b>Class 9:</b> Computer software; computers; computer hardware; computer peripherals; wireless communication devices; audio and video devices; global positional system devices; accessories, parts, components, and cases for all of the foregoing goods.
			<b>Class 14:</b> Chronometric instruments, timepieces; accessories, parts, components and cases for all of the foregoing goods.
1042166	IWATCH	5 December 2013  (Convention priority date of 5 June 2013 claimed)	<b>Class 9:</b> Security devices; monitors and monitoring devices; cameras; radios; accessories, parts, components, and cases for all of the foregoing goods.
			<b>Class 14:</b> Bracelets; accessories, parts, components, and cases for all of the foregoing goods.

Both applications claim convention priority from United States application no. 85951867 for IWATCH in the name of Brightflash USA LLC (“Brightflash”) and having a priority date of 5 June 2013 [22]. Brightflash is an affiliate of Apple [19].

Application no. 989093 for IWATCH was originally filed by an affiliate of Apple Inc, Brightflash. The applicant was assigned to Apple by way of a deed executed on or about 4 June 2015 [19].

During the examination process for application no. 909093, the New Zealand Intellectual Property Office (“IPONZ”) offered to accept the IWATCH mark for some of the goods in Apple’s initial application if these were divided out. These goods are included in the divisional application no. 1042166, which was accepted by the IPONZ on 19 May 2016 [20].

On 7 July 2016, IPONZ issued Apple with a notice of intention to reject application no. 989093 on the basis that the mark is descriptive and non-distinctive, and therefore should not be registered pursuant to ss.18(1)(c) and 18(1)(b) of the *Trade Marks Act* 1995 (New Zealand) (“the Act”) [17]. A hearing on IPONZ’s proposed rejection was held and on 9 December 2016, the Assistant Commissioner N Alley held that Apple had established acquired distinctive character under s.18(2) of the Act. Therefore, IPONZ was directed to accept application no. 989093 and it was accepted on 18 January 2017 [18].

The Opponent, Swatch AG (Swatch SA) (Swatch Ltd) (“Swatch”) is a wholly owned subsidiary of The Swatch Group, the world’s largest watchmaking group. Swatch is responsible for the design, distribution and service of wristwatches sold under the SWATCH brand [10]. Swatch opposed registration of application nos. 989093 and 1042166 on the following grounds:

- (a) Priority challenge – s.36 of the Act;
- (b) Similar trade marks – s.25(1)(b) of the Act. Swatch relied on its own New Zealand trade mark registrations for SWATCH,<sup>1</sup> **swatch**,<sup>2</sup> ITOUCH,<sup>3</sup> and **iswatch**,<sup>4</sup> (“Swatch’s registered marks”).
- (c) Likely to deceive or confuse – s.17(1)(a) of the Act. Swatch relied on its SWATCH, **swatch**, ISWATCH, and **iswatch** marks.
- (d) Contrary to law and disentitled to protection – s.17(1)(b) of the Act.
- (e) Well known marks – s.25(1)(c) of the Act.
- (f) No intention to use – s.32(2) of the Act.
- (g) Not registrable as a trade mark – s.18 of the Act.

**Held**, dismissing the oppositions:

### ***Section 36 of the Act – priority challenge***

#### *Swatch’s assertions*

Swatch claimed that Brightflash’s United States Convention application no. 85951867, from which priority is claimed, was not the first application for the IWATCH mark made in a convention country. Rather, it submitted that the first convention country applications are Apple’s Jamaican applications for IWATCH and iWATCH in classes 9 and 14, which date back to 3 December 2012 [22]. Swatch therefore asserted that because the opposed applications were not filed within six months of the Jamaican applications, the opposed applications are only entitled to a priority date equal to their New Zealand filing date of 5 December 2013 [23].

Priority date was particularly important in this case because a convention priority date of 5 June 2013 as the relevant date would mean that Swatch could not rely on its ITOUCH and **iswatch** registrations for the s.25(1)(b) ground of opposition.

#### *Pleadings issue*

Before the Assistant Commissioner could consider the substance of Swatch’s priority challenge, she had to address a procedural issue raised by Apple ahead of the hearing.

Apple observed that Swatch’s notice of opposition plead that Apple and Brightflash “are effectively the same parties for the purposes of determining convention priority” [25]. Apple asserted that evidence as filed by Swatch supported this pleading [27]. However, in written submissions, Apple submitted that Swatch contended a legally and factually different allegation that there was in fact an agency relationship between Apple and Brightflash [26], [28].

Apple further submitted that there was a real risk of unfairness if Swatch was permitted to run its agency argument, especially given that Apple’s pleadings and own evidence was filed on the basis that Swatch was going to argue that Apple and Brightflash are effectively the same parties [28].

In contrast, Swatch submitted that the pleading issue as raised by Apple was a distinction without a difference [29].

#### *Findings on the pleadings issue*

The pleadings define the scope of issues in dispute and serve as important notice to the opposing party as to the live issues in the proceeding. An opposing party is entitled to have a clear understanding as to the case they have to meet. Otherwise unfairness to the opposing party is a likely consequence [31].

*Chettleburgh v Seduce Group Australia Limited* [2012] NZHC 2563, (2012) 98 IRP 306 at [66] referred to.

Section 27(1) of the New Zealand *Bill of Rights Act* 1990 provides that every person has the right to the observance of the principles of natural justice by any tribunal which has the power to make a determination in relation to that person's rights, or interests protected or recognised by law. Fairness of procedure is a fundamental principle of natural justice [32].

On application of the principles of natural justice, Apple's objection that Swatch had not pleaded the ground it sought to raise in submissions was upheld [34]. Consideration of whether Apple and Brightflash were effectively the same, or affiliates in any way was therefore relevant to the priority challenge [34].

### *Findings on the priority challenge*

On the evidence put before the Assistant Commissioner, Brightflash was an affiliate of Apple.

Apple was entitled to claim priority in the opposed applications from US trade mark application no. 85951867 [58], [63]. The parties that made the original Jamaican applications and the US application for IWATCH were not the same person. The phrase "that person" at the end of s.36(2) of the Act means that subsection (1) does not apply to any subsequent applications for a trade mark in the convention country [58].

Swatch's priority challenge was therefore unsuccessful. The priority date for the opposed applications, and the relevant date for the proceedings, was held to be 5 June 2013 ("the relevant date") [63].

This meant that Swatch could not rely on its ITOUCH and ISWATCH marks under the s 25(1)(b) ground of opposition because the New Zealand priority dates for these marks post-dated 5 June 2013.

### **Section 25(1)(b) – similar trade marks?**

The comparison, under s.25 of the Act, is between use of both the opposed mark and the opponent's registered marks in a normal and fair manner. The comparative exercise under s.25(1)(b) is an entirely notional one. It contemplates any fair use of the marks in relations to any of the goods covered by the registration [65].

There are three inter-related elements to the inquiry under s.25(1)(b) of the Act [67]:

- (a) Are the opposed goods the same as or similar to the goods covered by the opponent's registered marks?
- (b) If so, is the opposed mark similar to the opponent's registered marks for the same or similar goods identified by the first enquiry?
- (c) If so, is use of the opposed mark likely to deceive or confuse?

*NV Sumatra Tobacco Trading Company v British American Tobacco (Brands) Incorporated* [2010] NZCA 24, (2010) 86 IPR 206 (CA); *NV Sumatra Tobacco Trading Company v New Zealand Milk Brands Limited* [2011] NZCA 264 referred to.

### *Similarity of the IWATCH and SWATCH / swatch marks*

The following factors are relevant to the exercise of comparing marks [69]:

- (d) The two words must be judged both by their look and their sound.
- (e) The goods to which the marks are to be applied and the nature and kind of customer who is likely to buy these goods must be considered.
- (f) All the surrounding circumstances must be considered as well as what is likely to happen if each of the marks is used in a normal way as a trade mark for the goods of the respective owners of the marks.

*In re Pianotist Co.'s Application* (1906) 23 RPC 774, 777; *New Zealand Breweries Ltd v Heineken's Bier Browerij Maatschappij NV* [1964] NZLR 115 referred to.

The totality of impression of the two marks is of fundamental importance [70].

*Polaroid Corp v Hannaford and Burton* [1975] 1 NZLR 566 (CA); *Portacom New Zealand Ltd v Port A Room Ltd* HC Auckland CIV-2007-404-2536, 6 December 2007; *Coca-Cola Canada v Pepsi-Cola Canada* (1942) 59 RPC 127; *Warner-Lambert Co v SmithKline Beecham Plc* HC Wellington, CIV-2003-485-959, 3 October 2003 referred to.

Allowance must be made for imperfect recollection [74].

*De Cordova v Vick Chemical Coy* (1951) 63 RPC 103 referred to.

The idea conveyed by the marks is also significant in assessing how they will be recalled [75].

*Anheuser-Busch Inc v Budweiser Budvar National Corp* [2003] 1 NZLR 472 referred to.

The first word of a composite mark is usually the most important for comparison [76] but this is only a general rule [77].

*London Lubricants (1920) Limited's Application* (1925) 42 RPC 264; *Telecom IP Ltd v Beta Telecom Ltd* [2006] NZHC 1132 referred to.

The focus is on the similarities, not the differences, between the marks. "Similarity" is an elastic concept. There are degrees of similarity, and minor degrees are tolerable [78].

*VB Distributors v Matsushita Electric Industrial Co* (1999) 9 TLCR 349; *NV Nutricia v Cambricare New Zealand Limited* [2012] NZHC 1344; *The European Limited v The Economist Newspaper Limited* [1998] FSR 283 referred to.

While there are some visual, aural, and conceptual similarities between IWATCH and SWATCH/ **swatch**, overall the marks have a low degree of similarities. This is particularly so where the “WATCH” element is descriptive of the opposed goods or their purpose [87]. Therefore, the IWATCH and SWATCH/ **swatch** marks were considered not sufficiently similar for the purposes of s.25(1)(b) of the Act [91].

*Would use of the IWATCH mark be likely to deceive or confuse?*

Having found that the marks were not sufficiently similar for the purposes of s 25(1)(b), it was not necessary to address whether use of IWATCH would be likely to deceive or confuse. However, for the sake of completeness and (out of abundant caution) the Assistant Commissioner briefly canvassed this question [98].

When assessing the likelihood of confusion, and in particular, the similarity of marks and goods, there is a degree of interdependence, meaning that a higher degree of similarity of the marks may offset a lesser degree of similarity of the goods and vice versa [107].

*Canon Kabushiki Kaisha v MGM Inc* [1999] RPC 117 referred to.

The opposed goods may be sold to the general public for consumption or domestic use. Taking into account her own experience and reactions as a member of the public, along with the relevant evidence before her, the Assistant Commissioner considered that use of the IWATCH mark on the opposed goods was not likely to deceive or confuse a significant number of persons [109].

*Pioneer Hi-Bred Corn Company v Hy-Line Chicks Pty Ltd* [1978] 2 NZLR 50 referred to.

Swatch’s ground of opposition under s.25(1)(b) was therefore unsuccessful [110].

### **Section 17(1)(a) – likely to deceive or confuse?**

Section 17(1)(a) protects the public interest by refusing to accord monopoly rights to a mark, the use of which is likely to deceive or confuse those in the market for the relevant goods [111].

*Pioneer Hi-Bred Corn Company v Hy-Line Chicks Pty Ltd* [1978] 2 NZLR 50; *Sexwax Incorporated v Zoggs International Limited* [2014] NZCA 311 referred to.

The applicant has the overall onus of establishing on the balance of probabilities that the opposed mark does not offend against s.17(1)(a) of the Act. First, however, the opponent has the onus of establishing awareness of its marks as at the relevant date, in this case 5 June 2013 [114].

### *Awareness of opponent’s marks*

Apple accepted that the marks SWATCH and **swatch** had the required level of awareness among New Zealand consumers at the relevant date. However, it denied that there was sufficient awareness of the ISWATCH marks in New Zealand prior to the relevant date [117].

The Assistant Commissioner considered that evidence relating to the awareness of the ISWATCH mark as at the relevant date was minimal at best [118]. She therefore found that Swatch had not discharged the onus on it of showing awareness of its ISWATCH mark in New Zealand at the relevant date. This was despite the relatively low threshold for establishing awareness under s.17(1)(a) of the Act [123].

Similarly, the Assistant Commissioner found that Swatch had failed to discharge its onus of showing awareness of its **swatch** device mark [124].

### *Likelihood of deception or confusion*

In view of the findings on the awareness of the ISWATCH and **swatch** device marks, it was unnecessary to consider the likelihood of deception or confusion between these marks and the IWATCH mark. However, given that Apple accepted the SWATCH and **swatch** marks had the necessary awareness in New Zealand, it was necessary to consider the likelihood of deception or confusion in the context of these marks [125].

The test for determining whether or not a mark is likely to deceive or confuse under s 17(1)(a) is a fact-specific inquiry [127].

*Smith Hayden & Co Ltd’s Application* (1945) 63 RPC 97 referred to.

While a consideration of similarities between the marks is relevant to an assessment of likely deception or confusion, a comparison of the marks is not determinative under s 17(1)(a). The ultimate test is whether likelihood of deception or confusion has been disproved [128].

*MAN Truck & Bus AG v Shaanxi Heavy-Duty Automobile Co. Limited* [2017] NZHC 2821 referred to.

Section 17(1)(a) is concerned with confusion resulting from use of the opposed mark regardless of whether the goods are the same, similar or entirely different. Therefore, the relevant consideration is the use of the opponent’s mark as against the notional fair use of the opposed marks [129].

*Nexcorp Australia Proprietary Limited v Next Retail Limited* [2016] NZIPOTM 17; *Anheuser-Busch Inc v Budweiser Budvar National Corp* [2003] 1 NZLR 472; *Disney Enterprises, Inc v Monster Energy Company* [2014] NZIPOTM 39 referred to.

The question of likely confusion must be assessed against the reputation of the opponent's marks. The stronger the reputation of the opponent's marks, the greater the likelihood of confusion [133].

*Sexwax Incorporated v Zoggs International Limited* [2014] NZCA 311; *Disney Enterprises, Inc v Monster Energy Company* [2014] NZIPOTM 39; *NZME Publishing Limited v Trade Me Limited* [2017] NZIPOTM 21 referred to.

The Assistant Commissioner agreed that the SWATCH mark had a significant reputation in New Zealand as at the relevant date, particularly in relation to watches and that this increased the likelihood of deception or confusion [133]. However, Apple's evidence established that its family of "I" prefix marks also had a strong reputation in New Zealand as at the relevant date, particularly in respect of consumer electronic goods. It was noted that the prefix "I" is the common feature that links many of Apple's trade marks. In this context, the fact that the first letter of the SWATCH/**swatch** marks is "S" rather than "I" took on greater weight in terms of differentiating the respective marks [134].

Therefore, on the balance of probabilities, the Assistant Commissioner found that if Apple uses its IWATCH mark in a normal and fair manner in connection with the opposed goods, it will not be reasonably likely to cause deception or confusion among a substantial or significant number of persons [136].

Swatch's ground of opposition under s.17(1)(a) was therefore unsuccessful [137].

### **Section 17(1)(b) – contrary to law and disentitled to protection**

Swatch claimed that use of the IWATCH mark by Apple would be contrary to ss.9, 10, 13 and 16 of the *Fair Trading Act* 1986 (New Zealand) and/or would constitute passing off at common law [139].

The Assistant Commissioner found that, given use of IWATCH is not likely to deceive or confuse under s.17(1)(a), use of IWATCH would not reach the higher thresholds necessary to amount to passing off or a breach of the relevant sections of the *Fair Trading Act* [143]. The ground under s.17(1)(b) was therefore rejected.

*Tyremax LP v Bridgestone Licensing Services, Inc* [2017] NZIPOTM 13; *Shenzen Motoma Power Co Ltd v Motorola Trade Mark Holdings LLC* [2016] NZIPOTM 25 referred to.

### **Section 25(1)(c) – well known marks?**

The following issues arise under s.25(1)(c) of the Act [145]:

- (a) Is the opposed mark, or an essential element of it, identical or similar to the opponent's mark, which is well known?
- (b) Are the opposed goods and services the same as or similar to the grounds of the opponent?
- (c) If not, would use of the opposed mark be taken as indicating a connection in the course of trade with the opponent?
- (d) If the answer to issue (b) or (c) is yes, would use of the opposed mark be likely to prejudice the interests of the opponent?

At the hearing, counsel for Swatch accepted that the ISWATCH marks were not well known in New Zealand [146]. Apple accepted that Swatch's SWATCH mark is well known under s.25(1)(c) but did not appear to accept that Swatch's **swatch** mark is well known under s.25(1)(c) [147]. The Assistant Commissioner noted that while there were some examples of the **swatch** mark being used in New Zealand before the relevant date, the evidence did not establish that it was well known in New Zealand at that time [147].

Consistent with earlier findings, the Assistant Commissioner found that Apple's use of IWATCH would be unlikely to prejudice Swatch's interests [157].

Swatch's ground of opposition under s.25(1)(c) was therefore unsuccessful [158].

### **Section 32(2) – no intention to use on the goods in the specification?**

#### *Pleadings issue*

The clear purpose of s.32(2) is to avoid specifications for registered marks being unjustifiably broad. The focus of s.32(2) is whether the breadth of the specification for the goods is justified, not whether the applicant intended to use the mark [164].

The Assistant Commissioner acknowledged that the identity of the applicant will be a relevant factor in determining whether the specification is justified under s.32(2). However, the issue under a s.32(2) ground is not whether the applicant intended to use the mark. That is an issue for consideration under s.32(1) of the Act, under which an opponent may allege that an applicant cannot claim to be the owner of the mark because it did not have a sufficiently definite intention to use the mark [165].

The Assistant Commissioner accepted that Swatch had impliedly relied on s.32(1) of the Act in its written submissions. She therefore considered this ground of opposition as pleaded so that the issue was whether the

application should be refused in accordance with s.32(2) on the basis that Apple did not intend to use the IWATCH mark in respect of the relevant goods for which registration was sought [166].

### *Legal principles and analysis*

Section 32(2) only comes into play if the specification in the opposed application includes either [167]:

- (a) “all of the goods and services included in the class”; or
- (b) “a large variety of goods or services”.

The Assistant Commissioner accepted that the opposed applications do not cover all of the goods or services included in classes 9 or 14 [168]. She also accepted that the specifications of goods for class 9 and 14 in application no. 989093 do not cover a wide variety of goods [170], [171]. The specification of goods in classes 9 and 14 for application no. 1042166 are even narrower and so clearly do not cover a large variety of goods [172].

The fact that an applicant has filed a trade mark application is prima facie evidence of its intention to use the mark. The inference of intention to use may, however, be displaced by evidence showing there is no intention to use [174].

*Effem Foods Limited v Cadbury Limited* HC Wellington CIV-2005-485-1487, 21 March 2007; *Monster Energy Company v Ox Group Global Pty Limited* [2017] NZHC 2393; *IPONZ Practice Guidelines: Classification and Specification* at 4.1 referred to.

Division of an application to address distinctiveness objections is not of itself indicative of a lack of intention to use the opposed mark on the goods that have been divided out [182].

The Assistant Commissioner held that there was no evidence to displace the presumed intention to use that arises on application [184].

Opposition proceedings are not the only opportunity to challenge the scope of a trade marks specification of goods and/or services. Non-use is a ground for revocation under s.66(1) of the Act, where the owner has not put the mark to genuine use for a continuous period of three or more years [185].

In the event that she was wrong in her finding on the pleadings issue, the Assistant Commissioner also went on to consider whether a ground based on a claim that the applicant did not intend to use the IWATCH mark, and therefore could not claim to be the owner under s.32(1) of the Act, would also fail [189].

The issue regarding an intention to use is whether the evidence has the effect of displacing the presumption that

the applicant had an intention to use the IWATCH marks [193]. However, the Assistant Commissioner found that the evidence did not conclusively prove that Apple had no intention to use the IWATCH mark at the application date. She noted that entities are entitled to apply for multiple trade marks for one product, and in practice it is not unusual for a product to be sold under a number of marks. An applicant may also wish not to use a mark until it is registered [195].

*Monster Energy Company v Ox Group Global Pty Limited* [2017] NZHC 2393; *Effem Foods Limited v Cadbury Limited* HC Wellington CIV-2005-485-1487, 21 March 2007; *The Scotch Whisky Association v The Mill Liquor Save Ltd* [2012] NZHC 3205; *Aston v Harlee Manufacturing Co* (1960) 103 CLR 391, 400 referred to.

Even if the pleadings had alleged that Brightflash had no intention to use, the Assistant Commissioner considered that the evidence did not, on the balance of probabilities, rebut the presumption of an intention to use from the application [197]. She therefore considered that Brightflash was entitled to rely on the prima facie intention to use that arose from the IWATCH applications in issue and that the evidence did not rebut this presumption [200].

Swatch's ground of opposition under s 32(2) was therefore unsuccessful [201].

### **Section 18 – not registrable as a trade mark?**

#### *Section 18(1)(c) of the Act – descriptiveness*

This was considered in respect of application no. 1042166 only [204].

The Assistant Commissioner noted that a sign may allude to a characteristic of the goods, yet still be registrable [208].

Comments by the Third Board of Appeal in *Laser Tracer*, Case R0062/1998-3 referred to.

It is sufficient if any one meaning of the mark in question is understood by the average consumer to describe the relevant goods. The average consumer is the average consumer of the specified goods. The average consumer is deemed to be reasonably well-informed and reasonably observant and circumspect.

The Assistant Commissioner considered that average consumers are unlikely to understand IWATCH, when applied to monitors or monitoring devices, as describing or indicating the nature of those goods or some attribute they possess. She was therefore of the view that the IWATCH mark only alludes to a characteristic of monitors and monitoring devices, particularly where they have an internet related feature. Therefore, she found that IWATCH is not descriptive and does not fall foul of s.18(1)(c) of the Act [217].

### *Section 18(1)(b) of the Act – distinctiveness*

The finding that IWATCH is not a descriptive term for the goods covered by application no. 1042166 supports a conclusion that average consumers and traders of those goods, or at least a significant proportion thereof, will regard IWATCH as sufficiently distinctive to be an indication of trade origin [222].

IWATCH was found to be sufficiently distinctive for application no. 1042166 to meet the requirements of s.18(1)(b) of the Act [225].

### *Section 18(1)(d) – signs or indications that have become customary*

The Assistant Commissioner found that the evidence did not support a finding that IWATCH has become customary in the current language or in the bona fide and established practices of trade for the opposed goods covered by application no. 1042166 [228].

### *Section 18(2) of the Act – acquired distinctiveness*

The Assistant Commissioner upheld Apple's submissions that it had shown acquired distinctiveness under s 18(2) [241]. Further, because of differences in language between s.18(2) and the equivalent UK provision, she considered that she was not bound by the decision of Justice Arnold in the UK High Court on a similar issue [244].

*Apple Inc. v Arcadia Trading Ltd* [2017] EWHC 440;  
*Le Cordon Bleu v Commissioner of Trade Marks* [2012] NZHC 724 referred to.

The trade mark application was therefore allowed to proceed to registration.

- 1 Trade mark registration no. 161671 in class 9.
- 2 Trade mark registration no. 166247 in class 14.
- 3 Trade mark registration no. 982903 in class 14.
- 4 Trade mark registration no. 986048 in classes 14 and 35.

# Current Developments – Asia

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## CHINA & HONG KONG

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#### Enforcement Of IP Rights In China – A Primer

The impact of fakes on global trade cannot be underestimated. Statistics from the OECD and the European Union (“EU”) Intellectual Property Office estimate that worldwide, trade in infringing and counterfeit goods accounts for a staggering 3.3 per cent of global trade, up from 2.5 per cent in 2013.<sup>1</sup> The vast majority of those fakes originate in the People’s Republic of China (“PRC”), which is responsible for perhaps as many as 80 per cent of the world’s counterfeits.<sup>2</sup> Indeed, counterfeits and infringing products manufactured in China have long been a thorn in the side of companies around the world. In spite of incremental changes to the PRC’s intellectual property (“IP”) laws and practices to address fakes, as well as the continuing global outcry over the problem (such as the recent PRC/United States (“US”) “Trade War”, based heavily on complaints about China’s failure to address flaws in its IP enforcement system), the flow of Chinese manufactured counterfeits continues unabated.

Counterfeiting has kept pace with the times, too, with pirates having moved forcefully into the world of e-commerce. Millions of PRC sellers operate virtual businesses via online marketplaces like Alibaba, Taobao, JD, and via social media apps like WeChat. The massive shift of counterfeiting from bricks-and-mortar stores to virtual marketplaces has forced rights owners to modify their IP enforcement strategies to keep pace with the counterfeiters. This is not always an easy job with the sheer number of potential counterfeiters offering their wares.

The sheer scale of the PRC counterfeiting problem requires IP rights owners to very much plan ahead, crafting pragmatic enforcement strategies to achieve realistic – and affordable – goals. Here, we provide a primer for IP rights owners as they work to create such a strategy, taking into account the very specific nature of China’s market (especially the prevalence of online counterfeiting) and its IP enforcement system.

#### 1. Know your – and your enemy’s – IP

As a first step, a thorough review of any and all IP rights owned by your (or your client’s) company should be undertaken. This review will ideally be informed by the actual situation on the ground in China, easily accomplished via a survey of key online marketplaces. Any gaps in filings, particularly gaps being actively exploited by pirates, should be filled as quickly as possible.

It is equally important to run searches on key government IP databases in China to identify any pirate applications or registrations held by trade mark squatters and/or counterfeiters. Actions to oppose, cancel or invalidate such applications/registrations may well be necessary to remove those obstacles.

#### a. Trade marks

Trade mark registrations are fundamental for enforcement actions related to counterfeiting or trade mark infringement, as unregistered trade marks are generally not enforceable in the PRC (save for the case of unregistered trade marks that can be shown to be “well-known” in China – a hurdle few if any brands can practically ever clear). In response to any complaint against trade mark infringements, government authorities, online platforms and landlords will demand to see PRC trade mark registration certificates before they will consider those complaints.<sup>3</sup>

The key point to keep in mind in China, where trade mark piracy is rampant, is that the PRC is a “first-to-file” jurisdiction for trade marks, with trade mark registrations generally granted to whomever filed the earliest application for a given mark with the Trademark Office (“TMO”) of the China National Intellectual Property Administration (“CNIPA”). Later-filed applications for the same or similar mark covering identical or similar goods will most likely be rejected.

China’s first-to-file system has created real incentives for pirates to file trade mark applications for third-party brands. A given mark may be pirated to provide cover to a counterfeiter that is actively making knockoffs of that brand. Others enterprising pirates may file for trade marks covering accessories for the real brand owner’s products. Pirated applications could also simply be filed by trade mark squatters hoping for a big payday when the real rights owner realises their mark has been stolen.

Finally, particularly enterprising pirates may use their stolen trade marks to threaten or even take action against the real brand owner’s operations in China. This includes both products being sold in China by the brand owner or its distributors, and products being manufactured solely for export from China – where the pirate can record the registered trade mark with China Customs, asking them to seize any products bearing the mark.

Pirated trade marks can be attacked via invalidations (where the mark has matured to registration), oppositions (where the mark has been preliminarily approved for registration but is still within the three-month opposition period)<sup>4</sup> or cancellations (where the mark has been registered –

but not used – for at least three years). Success in these actions is uncertain, however, and can be expensive and time consuming, often taking years and multiple rounds of appeals (including costly court appeals) to reach a conclusion. During the pendency of those actions, it will likely be impossible to halt the pirate’s infringement, and the real brand owner’s own PRC business operations could be severely disrupted, with sales of genuine products potentially resulting in civil, administrative or even criminal penalties.

Given all that, it is strongly suggested that brand owners file Chinese trade mark applications for their house marks in China as early – and where budget permits – as broadly as possible. Regular surveys of the PRC TMO’s trade mark registry to identify new pirate filings (and the pirates behind them) as soon as possible are also recommended.

### **a. Patent rights**

Under the *PRC Patent Law*, there are three “species” of patents, including design patents, utility models, and invention patents. Only patents registered in the PRC can be enforced in the PRC. Given that, and when filing applications for new designs or inventions in key jurisdictions for sales like Australia, New Zealand, the EU and the US, strong consideration should also be given to filing corresponding applications in China (including under the *Patent Cooperation Treaty*, to which China is a signatory), where the original goods may well be manufactured – and where infringing ones definitely will be.

Somewhat frustratingly, design and utility model applications filed in China do not initially undergo any substantive examination and will be deemed registered so long as they meet relevant formality requirements. This means that, technically, any design at all can be registered in the PRC. As a result, it is not uncommon for pirates to file design or utility model applications for other companies’ hot products. These registrations can be used by a pirate to either or both cover their infringing activity or to put their potential customers’ minds at ease if they fear infringement claims. Positively, in order to enforce such rights, administrative authorities or the civil courts will usually require complainants to submit positive evaluation reports issued by the CNIPA to prove that the design and utility model patents meet the requirements under the *Patent Law*, in particular, novelty requirements. This usually limits the ability of pirates to use their bogus design and utility models as much more than a flimsy shield.

For protecting new inventions, it should be kept in mind that it may be several years before an invention patent passes through full substantive examination and is finally granted. While the invention patent is pending approval, it will not be able to be enforced. For innovative products with a potentially limited shelf life, such as new toys or games, this means the product may have faded from popularity several years before the invention patent is even granted. Given that,

a good tactic is to file a simultaneous application for a utility model patent covering more limited claims than those in the corresponding invention patent. The utility model will be immediately enforceable and can simply be withdrawn if/when the invention patent finally issues (to avoid violating rules against double patenting).

### **b. Copyright**

As with all *Berne Convention* jurisdictions, copyrights are protected automatically in China, with rights springing into force immediately upon their creation. China has a voluntary copyright recordal system (similar to the US), although recordal is not required to enforce copyright, where rights can also be proven through extrinsic evidence such as declarations, drafts of the work, commissioning contracts, etc. That being said, there are real benefits to having your copyright registered locally. For example, the Copyright Protection Centre of China (“CPCC”) does not require legalised/notarised materials in support of applications for recordal, as a court would, and conducts little if any substantive examination of the materials put forward in support of recordal. As well, the copyright recordal certificate once issued, is written in Chinese and serves as prima facie evidence of subsistence and ownership in support of online takedowns, cease and desist letters (“C&D letters”), administrative or criminal complaints, and civil suits.

In addition, copyright registrations can often be used to bridge gaps in registered trade mark and design patent rights. For example, proof of copyright ownership in logos and/or heavily stylized trade marks can be useful in overcoming a pirate’s application for trade marks encompassing those artistic works. Similarly, copyright can be used as an enforcement tool where the pirate is reproducing those trade marks/artistic works on products.

Similar, and in relation to unregistered designs, the category of works referred to as “works of applied art” can often be used to protect the designs of products such as toys, electronics products and furniture. To qualify for protection, such works should generally possess the following characteristics:

- originality;
- reproducibility;
- higher aesthetic meaning/characteristics; and
- functionality – but a functionality separable from (independent of) the aesthetic characteristics.

The functional feature(s) need to be either physically or conceptually independent from the aesthetic features, with that aesthetic design able to exist on its own as an artistic design, with its own originality.

We note that it is not unusual for PRC infringers to file their own bogus copyright recordal applications to defend

themselves against enforcement actions. There is a process to apply for such records to be cancelled via copyright registration centres, but it is a complicated and cumbersome one, and is rarely utilised.

### **2. China IP enforcement – the basics**

The following section outlines the most common actions to enforce IP in the PRC.

#### ***a. Cease and Desist (“C&D”) letters***

C&D letters are the cheapest and fastest means of demanding that counterfeiters or infringers halt their infringing activity lest they be subject to more serious actions. Practically speaking, however, and particularly where the rights owner is not actually willing to follow through on the threats contained within the C&D letter, such letters do not accomplish much. Indeed, there is every likelihood that the infringer will ignore the letter entirely, or perhaps will only make a few minor concessions, pulling a few online ads. Delivering a C&D letter in person is often a more effective means of putting some muscle into the letter’s threats and can often open up broader negotiations than would be possible over the phone or via email.

#### ***b. Online take-downs***

The most effective means of dealing with online listings promoting counterfeit or infringing products is via takedown requests filed with the platform. If such requests are filed aggressively and regularly, online visibility of fakes can be driven down to manageable levels. As well, multiple takedowns against sellers (particularly small sellers that may not warrant broader, more expensive actions) over the course of several months can be very effective, perhaps even resulting in the seller losing the store entirely when it is eventually viewed by the platform to be a repeat offender.

The largest platforms, such as Alibaba, Taobao, and JD, have set up their own online portal that IP owners can use to record their rights (again, usually PRC registered rights, save for those platforms facing outside China) and then file electronic takedown requests against infringing listings. Upon receipt of complaints, the platforms will decide whether any given complaint has merit under its own internal policies.

Companies just starting online enforcement programs will likely score a number of easy wins at first, where up till that point, infringers had been free to make use of whatever IP they wanted with impunity. Once those initial victories are in hand, however, the infringer will most likely modify their listings to limit vulnerabilities to future takedown actions. This includes removal of copyright-infringing content (such as official photos, videos, or ad copy), or logos, and halting use of the companies’ full trade marks to refer to the infringing products (perhaps using deliberate misspellings or abbreviations of the mark). As most platforms refuse to

remove listings for fakes purely due to claims that “it must be fake, the price is suspiciously low”, a coordinated series of trap purchases may need to be undertaken to prove conclusively that the goods on sale are themselves counterfeit or infringing.

#### ***c. Administrative raids and criminal raids***

The Market Supervision Bureaux (“MSBs,” formerly known as Administrations for Industry and Commerce) are responsible for market administration and have the power to investigate potential IP infringements (either on their own initiative or in response to a rights owner’s complaint). In order to address such infringements, they may conduct raids against infringing operations, seize infringing products and tools used to make them, order cessation of infringing activity, and/or impose financial penalties (which are paid to the MSB, not to the impacted brand owners).

If the value of the counterfeits traded by the infringer reaches relevant thresholds, the rights owner may request the Public Security Bureau (“PSB”) to take over the case and conduct a criminal investigation against the infringers. Ideally, those investigations lead to the case being referred to the Procuratorate for criminal trial and an eventual judgment. Most brand owners agree that criminal punishment in China has the great deterrent impact, even if a large number of convictions for IP crimes results in, at best, suspended sentences and fines (that again, are not paid to the infringed party, but instead to the convicting court).

In either case, it should be kept in mind that final administrative and criminal punishment decisions can form an independent basis for a civil suit seeking, amongst other things, compensation, where the punishment decision makes proof of the infringer’s wrongdoing (in particular, the amount of sales of infringing product) essentially a foregone conclusion.

#### ***d. Civil lawsuits***

Victimised rights holders may also bring civil lawsuits seeking redress for the infringement of their rights. That redress usually includes requests for permanent injunctions and damages awards. Damages awards are generally based on either the rights holder’s actual losses, the infringer’s illegal gains, a reasonable royalty rate, or if any those are hard to prove, via statutory damages provisions.

Preliminary injunctions are contemplated under PRC IP laws, but in practice, they are almost never granted. Of more interest as potential enforcement tools are requests for orders to preserve either assets or evidence of infringement. Asset preservation tools in particular can be incredibly beneficial, both as a means of ensuring any eventual damages awards are actually paid, as well as to force the infringer to the table to negotiate a resolution early in the piece. Nothing focuses an infringer’s mind like having their bank account locked.

### 3. Crafting an effective IP enforcement strategy

As noted above, an effective IP enforcement in China needs to be pragmatic. Intellectual property budgets are never bottomless (and may be nearly non-existent for SMEs), and the number of infringements to be addressed with that limited budget may be staggering. Given that, it is vital to develop a proactive strategy designed to quickly identify and triage the existing problems, taking hard, direct (and more costly) actions against key targets, and “softer” (less costly) actions against minor targets, using the fact of the hard direct actions to “put the scare” into all targets, ensuring that your enforcement efforts have a broader, market-wide impact, and giving you the most bang possible for your buck.

Manufacturers always remain “priority targets,” where halting manufacture cuts off the head of the snake, depriving its “body” – all those downstream sellers – access to those fakes. Identifying and taking strong, direct action against such infringers (including via criminal raids, if possible) is nearly always worth the investment.

As for major distributors, administrative raids via MSBs may be enough to shut down the infringing activities and deter them into compliance. That being said, for larger scale sellers, particularly ones supplying their own network of downstream sellers, stronger (and yes, more expensive) actions may well be justified.

For small-scale resellers, C&D letters (noting the other enforcement actions being taken by the brand owner, of course) and online takedowns may be enough.

When setting out to craft an IP enforcement program, the following initial steps can be considered.

#### ***a. Survey / review of data to identify priority products and targets for further investigations***

A broad initial online survey can be used to prioritise targets based on a variety of factors, in particular scale and scope of infringement, notoriety of target, its total sales, its production/sales capacity, and its likely response to the right holders’ demands (e.g., is it an “easy” target that will comply with a gentle nudge, or a hard-core infringer that will refuse to give up its trade in your products absent real risk to it?).

Surveys can often quickly and accurately identify likely manufacturers or major distributors of a target product, better arming the investigators for their pretext approaches, helping to shape the case for action by ensuring actionable evidence is quickly obtained against any involved targets.

#### ***b. Sample purchases / evidence preservation / onsite investigations***

Generally speaking, in order for evidence to be admissible in PRC courts, it must be collected in the presence of Chinese Notaries Public. The additional complexity and cost associated with collecting notarised evidence usually makes

initial non-notarised sample purchases (ideally, online) worthwhile to conduct an initial infringement analysis, confirm addresses, phone numbers, email addresses, etc., identified in the purchase, and identify other parties that may be involved (manufacturers, distributors, landlords, etc.) before investing significant resources in a given case.

Once the precise nature of the infringement and all relevant targets have been identified, notarised downloads of infringing contents, notarised online purchases and/or notarised face-to-face, onsite purchases can be conducted. During the process of collecting onsite evidence, investigators can also scan the premises for the presence of fakes, potentially setting up follow-on administrative or criminal raid actions. Importantly, and in cases where raids go pear-shaped for some reason (such as corruption in the form of a tip-off to the pirate by authorities, local protectionism, etc.), having that notarised evidence in hand before the raid will still permit a civil action to be brought against the pirate.

#### ***c. Determination of which enforcement to take against which target***

Once all facts relating to the infringement have been confirmed and all targets identified, and, if relevant, notarised downloads and purchases have been completed, stocks of infringing products (if any) located, and bank accounts identified, a decision can be made how to proceed against any given target. Online takedowns, C&D letters (perhaps served in person), raid actions, and/or civil suits are all possible courses of action. Which of them should be taken is best decided pragmatically, by reference to at least (a) what is hoped to be achieved; (b) what is likely to be achieved; and (c) how much it is likely to cost to achieve it – and to manage all of the other cases you wish to or need to run over the course of the year.

If budgets are limited (and they usually are), then those targets that are manufacturing counterfeits – products which unsuspecting consumers may believe are actually your products – should always be prioritised. This is because success against these targets can potentially have a direct impact on your bottom line by clearing the market for consumers to buy your genuine products, an easy justification for litigation spend.

- 1 OECD/EUIPO (2019), *Trends in Trade in Counterfeit and Pirated Goods*, Illicit Trade, OECD Publishing, Paris <<https://doi.org/10.1787/g2g9f533-en>>.
- 2 See Wade Shepard ‘Meet The Man Fighting America’s Trade War Against Chinese Counterfeits (It’s Not Trump)’ *Forbes*, 29 March 2018 <<https://www.forbes.com/sites/wadeshepard/2018/03/29/meet-the-man-fighting-americas-trade-war-against-chinese-counterfeits/#267031181c0d>>.
- 3 In many cases, PRC platforms focusing on foreign markets, such as Aliexpress, may accept foreign registered IP rights, including trade marks, copyrights, designs and patents, for takedowns against infringements of those rights.
- 4 Under the most recent amendments to the PRC Trademark Law, effective 1 November 2019, trade marks applied for “in bad faith” where there is no intent to use the mark in question, can be refused by the TMO under Article 4. As well, Article 4 can be used as a basis for oppositions (under Article 33) and invalidations (under Article 44).

JAPAN

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**Intellectual Property (“IP”) High Court of Japan puts the brakes on unauthorised Super Mario go-kart service**

On 30 May 2019, one of Japan’s largest video game developers and manufacturers, Nintendo KK, scored a decisive victory against a Japanese go-kart service provider for copyright infringement and violating Japan’s Unfair Competition Prevention Law in *Nintendo KK v Mari Mobility Development KK*, Case No. Heisei 30 (ne) 10081 and Case No. Heisei 30 (ne) 10091. The IP High Court of Japan ruled that Mari Mobility must stop renting the Super Mario costumes, and pay 50 million yen (US\$89,000) in damages to Nintendo Co, the game maker behind the hit video game, *Mario Kart*.

In its unfair competition litigation, Nintendo had alleged that Mari Mobility used photos and videos from Nintendo’s iconic video game *Mario Kart* in its promotional materials, and that “Mario Kart” is commonly referred to as “MariKar,” which closely resembles the go-kart company’s name. Mari Mobility had enabled *Mario Kart* fans to dress up as Mario, Peach, and Luigi and ride around on crowded urban streets of Osaka and Tokyo.

The IP High Court of Japan agreed with Nintendo’s arguments and held that the defendant company’s act of using displays such as “Maricar (in katakana)” and “maricar” for business (including usages on websites that are only written in foreign languages and more), while acknowledging that the mark “Mario Kart (in katakana)” inside Japan and the mark “MARIO KART” both inside and outside Japan are well-known among customers of the defendant company (hereafter “customers”) as displays for this company’s products, has been acknowledged as being applicable to an unfair competition act.

Presiding Judge Yoshiyuki Mori of the IP High Court of Japan also held that the defendant company’s act of lending costumes of Mario and other characters among others, while also acknowledging that presentations of Mario and more of this company’s characters are well-known among customers from both inside and outside Japan as displays for this company’s products, have also been acknowledged as being applicable to unfair competition acts.

The Nintendo victory was comprehensive as the IP High Court also held that all social media videos and posts of the defendant who had used the Nintendo marks and trading indicia amounted to acts of unfair competition as they were advertising the go-kart rental business. The defendant was therefore ordered to refrain from using the Nintendo marks and have them removed from its social media.

As a result of this IP High Court decision, the popular low-riding go-carts zipping around Osaka and Tokyo will no longer be able to dress up riders as characters from the Super Mario game. The defendant also changed its advertising and the name of its trade marks and the look and feel of its go-kart business. There is a disclaimer at the bottom of its webpage (see below) that the service “is in no way a reflection of the game Mario Kart” and urges customers to avoid racing each other or throwing red turtles at each other, like players do in the video game.



Fig. 1 – Old Website with maricar mark



Fig. 2 – New Website with streetkart mark

The IP High Court of Japan decision affirmed the Tokyo District Court decision *Nintendo KK v Mari Mobility Development K.K.*, Case No. Heisei 29 (wa) 6293 on its merits and also enhanced the damages payout to Nintendo.

Japan’s first *Unfair Competition Prevention Law* was introduced in 1933 which underwent a major revision and the *Unfair Competition Prevention Law* (“UCPL”) came into effect in 1 May 1994. Nintendo sought unfair competition relief under section 2(1)(i) of the UCPL:

*An act of using an indication of goods, etc. which is identical with or similar to another person’s indication of goods, etc., (...) which is well-known among consumers, ..., and thereby causing confusion with the other person’s goods or business [shall be an act of unfair competition].*

Section 2(1)(i) of the UCPL protects well-known marks indicating sources of goods or businesses and confusion with respect to those goods and services. The remedies of injunction and destruction of infringing articles have been extended to all acts of unfair competition. The UCPL also

provides for financial remedies such as damages and an account of profits.

Previously, Japanese courts have granted unfair competition protection for the following famous or well-known trade indicia covering a wide range of goods: Apple Computer's world famous iMac computer in *Apple Computer v Sotec*, Case No, H11(yo)22125, Hanrei Jiho (No. 1696) 76 (Tokyo Dist. Ct., 20 September 1999), Issey Miyake haute couture pleats design, *Miyake Design Office v Meitetsu Dept. Store & Others* Case No H7(wa)13557, (Tokyo Dist. Ct., 29 June 1999), and even orange sliding doors was recognised as a well-known appellation of source that was granted unfair competition protection, *Shimomura Shoten v Hirao Kaken*, Case No S38 (yo) 2384, Osaka Dist., Ct., 29 June 1966.

Japan has now extended unfair competition protection from video games to a real live go-kart rental business, demonstrating the flexible nature of this cause of action for brand owners. The IP High Court decision finally puts an end to a long-running unfair competition battle and it underscores Japanese companies' determination to enforce and protect their IP rights, even though Nintendo does not have any corresponding "live" go-kart rental business involving its iconic Super Mario characters. The IP High Court will not allow any unauthorised third party business to free-ride on the famous or well-known trading indicia of brand owners in Japan.

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## SINGAPORE

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#### In the Matter of a Trade Mark Application by Ferrero S.p.A. [2019] SGIPOS 19

Shape mark protection is notoriously mercurial. There are myriad additional restrictions that a shape mark has to negotiate before it will be accepted for registration: the shape cannot result from the nature of the goods; the shape cannot be functional; the shape cannot add substantial value to the goods themselves, etc.

On top of all that, the shape must also be shown to be distinctive – i.e. it must be so materially different from basic, common, or expected shapes that a consumer will be able to identify the goods just by their shape. Courts are usually reluctant to find this: it is an established principle across the common law world that consumers are not in the habit of making assumptions about the origin of products on the basis of their shape in the absence of any graphic or word element.

#### *The Ferrero Rocher praline*

The present case concerns a shape mark application filed in six years ago – in 2013 – by Ferrero S.p.A. for the shape of its Ferrero Rocher pralines:



On account of how ubiquitous these chocolates are in Singapore and how extensively they are promoted, one might reasonably have assumed that such a shape mark would be a shoo-in for registration.

This was not to be: the IP Adjudicator hearing Ferrero's ex parte submissions, Mr David Llewelyn, disagreed that Ferrero's application was sufficiently distinctive for registration. In particular, he refused its registration for lacking both inherent and acquired distinctiveness, despite robust evidence adduced by Ferrero in relation to sales revenue, point-of-sale and social media advertising, and even a market survey.

#### *The Law: Mere Association v Designation of Trade Origin*

They key threshold that Ferrero had failed to cross was that dividing a *mere association* from a designation of *trade origin*.

Showing that a shape is well-known or that it has been sold and promoted extensively will not, per se, be sufficient for registration – consumers may simply regard the shape as a characteristic of products of that kind or they might find that it brings to mind the brand name with which they have already become familiar. These types of recognition and association do not amount to distinctiveness for trade mark purposes.

The difference is a conceptual one: such recognition or association does not necessarily translate into the public perceiving the shape as a badge of origin such that they would rely upon it – alone – to identify a product as emanating from a particular source. This is a crucial distinction to which the IP Adjudicator was well attuned.

There is a good policy reason for distinguishing mere association from trade origin designation: to protect against unfair trade practices whereby large corporations may be able to bully a smaller competitor into dissolution via a carefully coordinated marketing and trade mark registration campaign – what Jacob J in *Unilever plc’s Trade Mark Application* [2003] RPC 35 called a “sleight of hand”.

The trick goes like this: assuming a shape was allowed to be registered on the basis of mere association or recognition, a large corporation with significant resources may be able to game the system to drive its competitors out of the market. It would start by simply selling and advertising its product so extensively that the packaging or shape of this product would, collaterally, become well-known. It would then be able to secure a shape mark registration on the basis of acquired distinctiveness despite not once having relied on the shape alone to designate trade origin. With a registration in hand, the large corporation would then be in a position to restrain third parties from selling similarly shaped products. The ease of which such shape marks may morph into disguised monopolies if granted simply on the basis of extensive use or promotion runs counter to the public interest and is something that the courts have continually been guarding against.

### *Evidence of Acquired Distinctiveness*

In the six years since it applied for this trade mark, Ferrero had submitted multiple statutory declarations to try and prove that its shape mark was worthy of protection, or, in the words of the *Trade Marks Act 2005*, that it had “in fact acquired a distinctive character as a result of the use made of it”. This included evidence of extensive sales, significant amounts of advertising expenditure, a selection of point-of-sale material, social media advertising, and a market survey.

However, the evidence as a whole failed to satisfy the IP Adjudicator. While there had been extensive sales to and in Singapore of Ferrero Rocher pralines, the overwhelming majority of such sales were in boxes that featured prominently the word mark “FERRERO ROCHER”. Ferrero therefore

could not claim that they had relied on the shape alone as a badge of origin.

Further, to the IP Adjudicator, Ferrero’s shape mark was simply a composite mark made up of functional or decorative elements, none of which added anything to the distinctiveness of the shape mark as a whole. Merely combining a number of elements of packaging, which is what Ferrero had done with a crinkled gold sphere, a brown pleated paper cup, and an oval white sticker, did not entitle them to a registered trade mark. Ultimately, the trade origin threshold had not been crossed.

### **Conclusion**

This case is significant because it upholds the key principle that registration of a shape or packaging as a trade mark does not automatically follow from extensive promotion, advertising, or sale of the product. If Ferrero were granted this shape mark registration, they would have been able to frighten off other traders who are legitimately using one or more of the elements of that packaging (the gold spherical shape, the paper cup, or the white oval sticker) for their own chocolate products. Their efforts to register this shape as a trade mark were therefore, in the IP Adjudicator’s own words, a “sleight of hand that goes even further than that in the pure 3D shape mark cases”.

Ferrero did not appeal this decision.

# Current Developments – Europe

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## THE EUROPEAN UNION

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**The European Patent Office (“EPO”) rejects patent applications which name an artificially intelligent inventor**

### *Introduction*

The ramifications of Artificial Intelligence (“AI”) have inspired the imagination of many, sparked fears over a dystopian future and provided endless food for science fiction novels, films and series. The increasing functionality of AI has also meant that questions as to ownership of computer-generated creations and inventions need to be addressed and have become a pertinent issue in the intellectual property (“IP”) discourse.

IP, as the name suggests, attributes certain rights to the “owner” of the rights deriving from IP. While much debate surrounds the philosophical and doctrinal underpinnings of IP ownership and AI, practical issues are also a sticking point in the discussion. Along with the debate on the virtues and pitfalls of AI, courts and IP offices are now dealing with very practical issues regarding AI and IP. The Nanshan District Court of Guangzhou Province in the *Shenzhen Tencent v Yinxun* case, which related to an article created with the assistance of the *Dreamwriter* software, has recently held that a work generated by an AI system could be protected by copyright.<sup>1</sup> Similar issues can also arise under patent, where an invention is devised with the assistance of an AI system. Much debate revolves around the level of contribution of an AI system in devising the work or invention and whether a standalone contribution by an AI system would render it an author or inventor – a notion which is difficult to fathom *de lege lata*. The cases discussed below, which have also featured in the media,<sup>2</sup> shed some light as to how the EPO is currently addressing this issue.

### *Background*

The romantic notion of the sole inventor of the late 19<sup>th</sup> century, the genius devising ground-breaking inventions on his or her own, has gradually given way in the 20<sup>th</sup> and 21<sup>st</sup> centuries to collaboration and corporatisation. Many inventions are nowadays devised by professional teams of inventors working within research & development departments of big, multinational corporations. The question of who will be granted ownership over a subsequent patent is then regulated by the law of employee inventions. However, one remnant of the early days of 19<sup>th</sup> century patent law can still be seen in the obligation to name the inventor in a patent applicant which then acts a form of “moral right”. Within the law of the European Patent Convention (“EPC”), which serves as a template for national patent law within the

Contracting Member States of the EPC, i.e. all European Union (“EU”) Member States, as well as the United Kingdom (“UK”) and that of the possibly incumbent patent with unitary effect by the EU, it is mandated that patent applications have to specify ownership and inventorship.

The EPC specifies that the right to a European patent application belongs to the inventor. In addition, Article 81 of the EPC prescribes that the inventor must be named: “[t]he European patent application shall designate the inventor”. If the applicant is not the inventor or is not the sole inventor, the designation shall contain a statement indicating the origin of the right to the European patent.<sup>3</sup> In cases where the inventor is not designated, the EPO will inform the applicant that the application will be refused pursuant to Rule 60(1) of the EPC Implementing Regulations if it is not provided within 16 months from the date of filing of the application or, if priority is claimed, of the date of priority.

These rules, however, do not specify that the inventor needs to be a human being. Ownership, of course, can be held by a legal person, but the nature of the inventor is not clearly defined, although there is a suggestion that this would need to be a human being. As already mentioned, the increasing abilities of AI systems challenge the notion of inventor having to be human beings. The EPO had to deal with this issue in the two patent applications discussed below.

### *The two applications*

The two applications relate to creations by the AI system named DABUS, which was itself created by Dr Stephen Thaler. The first application (EP 18275163) related to a food container suitable for liquid and solid food products, while the other to a flashlight system which could be used to attract attention in emergency situations (EP 18275174). The European Patent application initially filed with the Intellectual Property Office (“IPO”) of the UK. They were subsequently forwarded to the EPO on 7 November 2018. On the application form for a European Patent (Form 1001P) the field which indicates the inventor was left blank by the applicant. In December 2018, the EPO sent a letter to the applicant’s legal representatives in relation to the deficiencies regarding the designation of inventor. In communications to the Office, the designated inventor was both times named as DABUS. The communication contained the additional information that “[t]he invention was autonomously generated by artificial intelligence”.<sup>4</sup> A letter by the applicant’s representative dated 2 August 2019, stated that the applicant “derives the rights of the invention by being the successor in title, namely the owner of the AI inventor”.<sup>5</sup>

The oral proceedings took place in Munich on 25 November 2019. The applicant’s representatives stated that the applicant did not contribute at all to these inventions.<sup>6</sup> They argued that accepting the AI system as inventor “would allow the

applicant to name the true inventor”.<sup>7</sup> In addition, not accepting an AI system as inventor would exclude inventions devised by these from patentability which would be contrary to Articles 52-57 EPC.<sup>8</sup> The representative added that the EPC does not specify that the inventor must necessarily be human: The *Travaux Préparatoires* of the EPC only suggests that inventors are human beings without specifically denying non-human inventorship.<sup>9</sup> After a short deliberation, the chairperson presiding over the proceedings announced that the application was refused.

The opinion with regard to both applications was published on 27 January 2020. Both applications were refused pursuant to Article 90(5) EPC “since the designation of inventor filed for the application does not meet the requirements of Article 81 and Rule 19 EPC”. The decision found that the name of a machine would not meet the requirements of Rule 19(1) EPC.<sup>10</sup> This is because names given to things, such as machines, cannot be equated to names of natural persons. The decision made a clear statement that inventorship can only refer to natural persons. It based this on the legislative history of the EPC.<sup>11</sup> In addition, the EPC safeguards the inventor’s position through various measures and AI systems or machines cannot be rights holders since they do not “have legal personality comparable to natural or legal persons”.<sup>12</sup> The decision adds that “[w]here non-natural persons are concerned, legal personality is only given on the basis of legal fictions”.<sup>13</sup> Such legal fictions “are either directly created by legislation or developed through consistent jurisprudence”.<sup>14</sup> Since no legislation or jurisprudence exists to confer legal personality on AI inventors, AI systems cannot have the rights conferred on inventors. Finally, the EPO Boards have recognised that inventors are natural persons within their jurisprudence.

### Comment

The decisions highlight the possible starting point of further activity on the issue of AI inventorship. The *IP Kat* blog has noted that the decision will be appealed<sup>15</sup> and will then be discussed by the Technical Boards of Appeal. It does not, however, appear that the EPO will change its stance on this issue, at least not in the foreseeable future. A report on AI inventorship<sup>16</sup> commissioned by the EPO and drafted by Dr Noam Shemtov from Queen Mary University of London has canvassed the current state of affair on this issue throughout EPC Contracting Member States. It found that none of the investigated patent jurisdictions (i.e. US, China, Japan, Republic of Korea, UK, Germany, France and Switzerland) would allow AI systems to be named as inventors.<sup>17</sup> So, the finding on the applications discussed above does not really come as any surprise.

Another related matter which was not discussed is whether the inventions would have actually been patentable. The search report in relation to the food container application suggested that the invention would not be new pursuant to Article 52(1) EPC in light of the prior art.<sup>18</sup> This might suggest that current AI technology is not advanced enough to overcome criteria like novelty and inventive step. However, the advances

within the field might make this possible in the future. If such advances are made would this then warrant reconsideration of the status and nature of AI systems as patent inventors, or rights holders in more general terms? This, of course, has much wider ramifications of a political, ethical, theological and philosophical nature. The science fiction genre (e.g. *Star Trek – The Next Generation’s* character of Lieutenant Data) showcases some of the possible ramifications.<sup>19</sup>

- 1 Kan He, ‘Another decision on AI-generated work in China: Is it a Work of Legal Entities?’, *IP Kat Blog* 29 January 2020 <<http://ipkitten.blogspot.com/2020/01/another-decision-on-ai-generated-work.html>>.
- 2 Martin Coulter, ‘Patent agencies challenged to accept AI inventor’, *Financial Times* 1 August 2019 <<https://www.ft.com/content/9c114014-b373-11e9-bec9-fdcab53d6959>>.
- 3 Rule 19 (1) of the EPC Implementing Regulations.
- 4 Designation of Inventor dated 23 July 2019 <<https://register.epo.org/application?documentId=E3L3EUR49944DSU&number=EP18275174&lng=en&npl=false>>.
- 5 Designation of Inventor dated 23 July 2019 <<https://register.epo.org/application?documentId=E3NDI4BO8858DSU&number=EP18275174&lng=en&npl=false>>.
- 6 Minutes of the oral proceedings before the Receiving Section from 25 November 2019, [98] <<https://register.epo.org/application?documentId=E36YGR9Q2260498&number=EP18275174&lng=en&npl=false>>.
- 7 Minutes of the oral proceedings before the Receiving Section from 25 November 2019, [9] <<https://register.epo.org/application?documentId=E36YGR9Q2260498&number=EP18275174&lng=en&npl=false>>.
- 8 Minutes of the oral proceedings before the Receiving Section from 25 November 2019, [9] <<https://register.epo.org/application?documentId=E36YGR9Q2260498&number=EP18275174&lng=en&npl=false>>.
- 9 Minutes of the oral proceedings before the Receiving Section from 25 November 2019, [11] <<https://register.epo.org/application?documentId=E36YGR9Q2260498&number=EP18275174&lng=en&npl=false>>.
- 10 Decision of the Receiving Section from 27 January 2010, [21] <<https://register.epo.org/application?documentId=E4B63OBI2076498&number=EP18275174&lng=en&npl=false>>.
- 11 Decision of the Receiving Section from 27 January 2010, [24] <<https://register.epo.org/application?documentId=E4B63OBI2076498&number=EP18275174&lng=en&npl=false>>.
- 12 Decision of the Receiving Section from 27 January 2010, [27] <<https://register.epo.org/application?documentId=E4B63OBI2076498&number=EP18275174&lng=en&npl=false>>.
- 13 Decision of the Receiving Section from 27 January 2010, [28] <<https://register.epo.org/application?documentId=E4B63OBI2076498&number=EP18275174&lng=en&npl=false>>.
- 14 Decision of the Receiving Section from 27 January 2010, [28] <<https://register.epo.org/application?documentId=E4B63OBI2076498&number=EP18275174&lng=en&npl=false>>.
- 15 Rose Hughes, ‘EPO refuses “AI inventor” applications in short order - AI Inventor team intend to appeal’, *IP Kat Blog* 22 December 2019 <<http://ipkitten.blogspot.com/2019/12/epo-refuses-ai-inventor-applications-in.html>>.
- 16 Noam Shemtov, *A study on inventorship in inventions involving AI activity* (EPO, 2019) <[http://documents.epo.org/projects/babylon/eponet.nsf/0/3918F57B010A3540C125841900280653/\\$File/Concept\\_of\\_Inventorship\\_in\\_Inventions\\_involving\\_AI\\_Activity\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/3918F57B010A3540C125841900280653/$File/Concept_of_Inventorship_in_Inventions_involving_AI_Activity_en.pdf)>.
- 17 Noam Shemtov, *A study on inventorship in inventions involving AI activity* (EPO, 2019), p. 5 <[http://documents.epo.org/projects/babylon/eponet.nsf/0/3918F57B010A3540C125841900280653/\\$File/Concept\\_of\\_Inventorship\\_in\\_Inventions\\_involving\\_AI\\_Activity\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/3918F57B010A3540C125841900280653/$File/Concept_of_Inventorship_in_Inventions_involving_AI_Activity_en.pdf)>.
- 18 European Search Opinion <<https://register.epo.org/application?documentId=E275652S6532DSU&number=EP18275163&lng=en&npl=false>>. It must be noted that the UK IPO’s search report came to a different conclusion.
- 19 In particular the episode “The Measure of a Man” of *Star Trek: The Next Generation* (Season 2, episode 9) which examines whether the Lt Data, an android, would be the property of the fictional Star Fleet or sentient life.

### FRANCE

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#### **French patent law: first two PACTE Act changes have entered into force**

The *Action Plan for the Growth and Transformation of Enterprises Act* (“PACTE Act”) (passed on 11 April 2019 and promulgated on 23 May 2019) brought four important changes to French patent law in an effort to strengthen and modernise the French patent system.

The first two changes have now entered into force:

- creation of a *provisional* patent application; and
- extension of the term of protection granted by *utility certificates* and possible conversion into a patent.

Two other changes are still subject to implementation regulations and will soon enter into force:

- establishment of a more *complete examination* of the validity of French patent applications; and
- creation of an *opposition procedure against* patents granted by the French IP office.

#### **I. Entry into force of the first two changes brought by the French PACTE Act to patent law:**

##### ***Provisional patent application***

The PACTE Act has created the possibility of filing a patent under a provisional application form, which is a simplified process designed to allow applicants to:

- swiftly file a description of their invention (without filing claims or abstract);
- benefit from the earliest priority date possible without going through an examination process (Article R. 612-3-1 IPC); and
- be able to use the term “patent pending” (in compliance with L. 615-12 IPC).

The provisional patent application must then be “brought into compliance” with the requirements of a regular patent within 12 months of its filing date, by supplementing it with one or several claims and a technical abstract of the invention.

In the absence of the provision of such compliance request, the provisional patent application is deemed to be withdrawn. In case of such withdrawal, the provisional application is not published and does not become novelty-destroying prior art.

The provisional patent application will create a right of priority from its filing date.

Based on the experience of provisional patent applications widely used in the United States, careful drafting of the provisional application will still be necessary so that the description of the innovation is sufficiently protective and complies with the obligation that the future claims be supported by the description (L. 612-12, 8° IPC).

The possibility of filing provisional patent applications will start on 1 July 2020.

##### ***Amendments concerning the utility certificate:***

The utility certificate confers protection identical to that of a patent but for a shorter period of time and does not require the establishment of a search report, which must nevertheless be drawn up if an infringement action is brought on the basis of the utility certificate.

The PACTE Act brought two important changes regarding duration and conversion possibilities:

- The duration of the certificate of utility has been raised from six to 10 years (Article L. 611-2 IPC).
- The possibility of converting an application for a utility certificate into a patent has been introduced (Article L. 612-15 IPC); previously, it was only provided that a patent application could be converted into a utility certificate, particularly when the applicant did not wish to establish a search report.

The request for conversion of the utility certificate application into a patent application must be made in writing at any time during the period of 18 months following the filing of the utility certificate application or the priority date if priority has been claimed and, in any event, before the start of the technical preparations, provided for in Article R. 612-39, undertaken with a view to publication of the utility certificate application (R. 612-53 IPC).

In practice, the conversion will thus have to be requested within 16 months of filing.

Utility certificates are widely used in Germany and China and it remains to be seen whether, as a result of the extension of the duration of protection and the conversion option, French companies will take a greater interest in this right, which they have, until now, largely ignored.

The measures on the utility certificate came into force on 11 January 2020 for titles filed from this date, and the conversion feature is immediately operational on the French Intellectual Property (“IP”) Office’s e-procedures portal.

A transitional period is provided to allow utility certificate holders who are in the sixth year to pay the annuity without

any overcharge: all due dates for a seventh annuity expected at the end of January 2020, the end of February 2020, the end of March 2020 or the end of April 2020 are postponed to 11 May 2020 without a late payment fee; after this date and until 12 November 2020, it will still be possible to pay the seventh annuity for these utility certificates but with a 50 per cent late payment surcharge.

### II. Next steps:

Two other important changes to French patent law will enter into force in the coming months: the creation of a more complete examination of the validity of French patent applications, and of an opposition procedure against patents granted by the French IP office.

While they are yet to enter into force, their draft implementing regulations have been opened for consultation and allow us to anticipate how they will function in the future.

#### ***Creation of a more complete examination of the validity of French patent applications:***

Article 122 of the PACTE Act provides for a full examination of the patentability of French patent applications.

Until now, the French National Institute of Intellectual Property (“INPI”) could only reject a patent application in limited cases provided for in Article L. 612-12 of the *French Intellectual Property Code* (“IPC”), in particular if the subject matter of the application was an “obviously” unpatentable invention or if the invention obviously lacked novelty. The INPI did not carry out any assessment of the inventive step.

Article 122 amends Article L. 612-12 IPC, which now provides that a patent application shall be rejected, among other essentially formal unchanged conditions, if it does not cover a patentable invention (the adverb “obviously” is deleted) or if it is lacking of novelty, inventive step or industrial application.

Only the sufficiency of disclosure (enablement) requirement will remain unexamined by the French patent office.

The new Act states that this reform will come into force one year after its promulgation, i.e., before 23 May 2020.

The enhanced examination of patent applications involves the recruitment and training by the INPI of new examiners.

This reform aims to strengthen the French patent, which is considered accessible, inexpensive and granted quickly, but whose validity was sometimes considered too weak.

It remains to be seen whether applicants will find the French patent, thus strengthened, more attractive.

#### ***Creation of an opposition procedure against French patents:***

Article 121 of the PACTE Act creates a right of opposition against patents granted by the INPI.

It was previously not possible to file such an administrative action to challenge a newly granted French patent; only a judicial action for the revocation of the patent could be filed before the Paris First Instance Court (*tribunal judiciaire de Paris*).

Now, a French patent may be the subject of an opposition before the INPI within nine months of the publication of its grant.

The new Act does not provide for the modalities for exercising this right of opposition (time limits, appeal, format, possibility of stay of proceedings in parallel judicial proceedings, costs, etc.); it is up to the government to take, by means of an order, the legal measures necessary to implement this opposition right, within nine months of the promulgation of the Act (i.e. before 22 February 2020). A ratification bill must then be submitted to Parliament within six months of the publication of the order.

Implementing regulations will then have to be enacted, so that the opposition right will not be effective until many months or even a few years later.

The working principles of the opposition are however already known:

The opposition proceedings are to last for a maximum of 10 months, upon which the INPI will have three months to render a decision (an absence of decision will mean that the opposition is deemed to be rejected).

- The opposition panel is to be composed of three engineers qualified in the technical field of the patent; the initial examiner cannot be part of the opposition panel, but his observations may be heard.
- If a third party has failed in its opposition proceedings and the patent has been maintained, that third party will be prevented from initiating a legal action for invalidity that would be based on the same object and cause as the opposition proceedings.
- Opposition decisions may be appealed before the Paris Court of Appel (*cour d'appel de Paris*).

#### ***Key takeaways:***

- (1) Applicants may now file provisional patent applications.
- (2) The duration of the utility certificate is now 10 years; conversion into a patent is now possible.
- (3) The French IP Office will soon perform a broader examination of the validity of French patent applications,

thus adding an examination of the inventive step that was not assessed so far.

- (4) French patents will soon be subject to an opposition right allowing third parties to challenge their grant.
- (5) It remains to be seen how French and foreign companies will take advantage of the reform and in particular:
  - (a) whether the provisional patent application will become as commonplace for applicants as it is in the United States, or remain rarely used;
  - (b) whether the number of applications for utility certificates will increase;
  - (c) whether applicants will still continue to file as many French patents as before, prior to requesting a European patent extension; and
  - (d) whether companies will put in place the monitoring and legal means necessary to take advantage of the opposition period to challenge granted patents, and what success rate they will achieve.

1 This contribution 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.

## GERMANY

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### Double Identity – Not as identical as you think?

**Federal Court of Justice discusses the criteria for trade mark use of a model name as an indication of origin**

**Federal Court of Justice, decision dated 11 April 2019, I ZR 108/18**

#### **Background**

Under section 14 of the German *Trade Mark Act* (“*MarkenG*”), the proprietor of a trade mark is entitled to prohibit any third party from using the protected sign if the conditions codified in paragraph 2 are fulfilled:

*(2) Third parties shall not, without the consent of the proprietor of the trade mark, in the course of trade in relation to goods or services*

- 1. to use a sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is protected*
- 2. to use a sign where the sign is identical with, or similar to, a trade mark and is used for goods or services identical with, or similar to, those covered by the trade mark and where there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark; or*
- 3. to use any sign which is identical with, or similar to, the trade mark in relation to goods or services where the trade mark has a reputation in the Member State and where the use without due cause of the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark having a reputation.*

According to sub-paragraph 1, an infringement can be found if the sign in question and the registered trade mark are identical and the registered goods or services are identical to those for which the sign in question is used. According to sub-paragraph 2, similarities between the conflicting signs or goods or services may also be enough for infringement, but only if there is a likelihood of confusion. This means that in case of “double identity” (where both the signs and the goods or services for which they are used are the same) no further factors need to be met. Where only one of the two elements are similar, a likelihood of confusion must also be found.

For the examination of opposing signs, the actual use of the potential infringer must be taken into account. Therefore,

if the alleged infringer adds another word or element to a one-word sign the marks will not be identical. For example:

<b>Trade mark: X</b>	<b>Use: A X</b>
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Furthermore, the Court of Justice of the European Union (“CJEU”)<sup>1</sup> has also stated that the owner of a trade mark may oppose the use of a sign identical to that mark for goods or services identical to those for which the mark is registered only if such use is liable to adversely affect one of the functions of the mark. The functions of a trade mark include, in addition to its essential function of guaranteeing the origin of the goods or services, its other functions, such as, *inter alia*, guaranteeing the quality of the goods or services.

In conclusion, this means that the trade mark owner cannot make a claim if none of the functions of the trade mark is impaired. Thus, even in the case of a “double identity”, a further inquiry as to impairment of the trade mark’s function must be undertaken.

In its decision, the Federal Court of Justice follows its case law on identical signs and deals in detail with the impairment of function of origin.

### ***Facts of the case***

The plaintiff is the proprietor of the German word mark “MO” (registration No 39939194). The trade mark is registered for women’s clothing and trousers.

The defendant belongs to the Amazon group of companies and sells goods in Europe via the Amazon trading platform. In June 2016, it offered ladies’ trousers on that platform under the heading “Bench” with the name “Bench Ladies Trousers MO”.

The plaintiff had a test purchase carried out on 10 June 2016. The defendant issued an invoice for this, in which “Bench Ladies’ Trousers MO Large walnut marl” was indicated as the article description and “B005FPJ0AG” in the line below. The plaintiff thereupon sued the defendant for infringement of the plaintiff’s trade mark and claimed for injunctive relief, provision of information, determination of liability for damages and reimbursement of pre-litigation warning costs.

The Regional Court Frankfurt a.M. upheld the claim. The matter was appealed to the Court of Appeal who dismissed the appeal in the main. There was a further appeal to the Federal Court of Justice (“FCJ”) which was successful and led to the reversal of the appeal judgment and referral back to the Court of Appeal

### ***Decision of the Higher District Court of Frankfurt a.M. (“Court of Appeal”)***

The Court of Appeal found that the defendant infringed the plaintiff’s trade mark “MO”. In its reasoning, the Court held that there was “double identity”, i.e. an identical sign and identical goods. The use complained of, namely “bench women’s trousers MO”, also infringed the function of the trade mark “MO” as a badge of origin. The relevant public would understand the sign “MO” as a secondary trade mark for the specific model of trousers within the overall use “Bench Ladies Trousers MO”. In any event, the Court found that there was a likelihood of confusion.

### ***Decision of the FCJ***

The FCJ overturned the decision of the Court of Appeal. In its view, the Court of Appeal did not give sufficient consideration to the question of impairment of the function of origin.

First, the FCJ held that the Court of Appeal was right to assume that the defendant had used an identical sign for identical goods. In the opinion of the FCJ, this is therefore also a case of “double identity”. It was therefore the detriment to the functions of the trade mark which is relevant.

In any event, according to the FCJ, the Court of Appeal could not base its decision on a possible likelihood of confusion. It first had to decide whether there was a case of dual identity under s.14(2)(1) *MarkenG* or a case of similarity under s.14(2)(2) *MarkenG*. In the case of a “double identity”, the only relevant factor is the impairment of the brand’s functions. Only if there is no “double identity”, the court may consider the question of a likelihood of confusion.

Specifically, the Court of Appeal had held, that although the defendant did not use the sign “MO” on its own, it only used it as part of the indication “Bench Ladies Trousers MO”, the public would recognise that the term ‘bench’ is a company logo, or an umbrella brand used as a mark for an entire product line. The terms “women’s trousers” following that indication would be understood as descriptive of the goods offered. In that context, the designation “MO”, which was visually distinguished by the use of capital letters, appeared as the name of the specific model of trousers.

The FCJ agreed with the Court of Appeal on this issue. If the public recognised two independent signs in the overall designation in dispute, on account of the description “women’s trousers” between the two signs “bench” and “MO”, the comparison of the signs must not include the overall designation, but only the independent sign “MO”, which is identical to the registered mark.

The subsequent assessment of the question whether there was also an impairment of one of the trade mark’s functions (here, function of origin) differs from the decision of the Court of Appeal.

In the opinion of the FCJ, an unauthorised use will always be infringing if it impairs a registered mark's function as a badge of origin. The labelling habits of a sector are particularly important in this regard. It is also necessary that a not inconsiderable part of the public perceives the use of the sign as a badge of origin.

The Court of Appeal justified its decision as follows.

The sign "MO" constituted an independent secondary trade mark with an indication of origin in the specific use "Bench Ladies Trousers MO". In the clothing sector, the public was accustomed to secondary brands. The public did not perceive the term "MO" as a descriptive indication and the term is in principle also distinctive. The fact that an umbrella brand is also used does not contradict the view that it is a secondary brand. MO is also not understood as an abbreviation or truncated word.

First of all, the FCJ stated that it was not the intended purpose of the alleged infringer that matters, but the point of view of the relevant public. The clothing sector also has different labelling habits. Thus, the actual placement of the sign on the goods itself plays a major role in how the public perceives the sign. When a sign is applied to packaging, it depends on how prominent it is.

In any event, the Court of Appeal was wrong to consider that the function of origin was impaired.

It was possible that the public might perceive the term "MO" as a proper name. However, the use of a proper name as a model name is not likely to be accepted by the public as an indication of origin. However, the Court of Appeal had not dealt with this question.

Furthermore, the fashion sector customer could perceive a secondary abbreviation next to the umbrella brand only as a summary of the characteristics (for example as an indication of fit) and not as an indication of origin. The Court of Appeal had not dealt with this question either.

In any event, a court must positively conclude that a sign is perceived as an indication of origin in its actual use. It is not enough that there are simply no conflicting reasons. Thus, it is not sufficient to establish that the sign used is not descriptive and is, in principle, distinctive. Similarly, the fact that the public is accustomed to the secondary trade mark does not indicate any specific understanding of the term "MO". For the same reason, it is not sufficient to simply establish what the public does not recognise in the sign (abbreviation, acronym, etc.). It must be determined how the public actually understands the sign.

As the Court of Appeal had made only few findings on this question, the FCJ referred the case back to the Court of Appeal. The FCJ directed which principles the Court of Appeal was to apply. If, for example, it was a well-

known model name, then it was obvious that it should be understood as a designation of origin (example: "501" for "Levi's"). If the model designation was not known, the actual use is important. In particular, it must be taken into account whether or not the sign is conspicuously emphasised. In the fashion sector, it cannot be established that the model name following the umbrella mark was automatically included as a badge of origin. This requires special circumstances.

### *Comment*

With its decision, the FCJ continued its strict interpretation of the law applying to identical trade marks. It also clarified that in the case of "double identity" it is imperative that there is an impairment of the functions of a trade mark (e.g. the function of origin). All in all, the stricter case law of the FCJ facilitates the enforcement of the rights of trade mark owners, since the assumption of a "double identity" is made easier and thus the establishment of a likelihood of confusion is not necessary. Nevertheless, trade mark owners must pay particular attention to the specific use by the alleged infringer which is detrimental to the origin of the goods and provide positive reasons for this.

1 Just for clarification: The CHEU has jurisdiction to make decisions in this regard because German trade mark law is based on an EU directive.

### UNITED KINGDOM

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#### **The CJEU has confirmed that originality is the only requirement for copyright qualification in the EU – how will this affect UK copyright law?**

The end of last year saw the most important copyright decision for the United Kingdom (“UK”) in some time, after the Court of Justice of the European Union (“CJEU”) confirmed that the *only* requirement for a design to qualify for copyright protection in the European Union (“EU”) is originality. The decision in *Cofemel v G-Star Raw* (C-683/17) (“*Cofemel*”) concerned the interpretation of the reproduction right (Article 2(a) of Directive 2001/29 EC (the “InfoSoc Directive”)) and its effect is likely to mean that many more works will be protected by copyright than was previously the case.<sup>1</sup> It may also require amendments to be made to UK national copyright law, as well as the laws of some EU Member States. For example, as we discuss below, the UK’s current copyright statute has a limited list of categories of work, so that if a work does not fall within one of those categories, it cannot be protected by copyright. This appears to be contrary to the decision in *Cofemel*. Furthermore, the UK and some other EU Member States currently require additional criteria above originality, such as an element of “artistry”, for works to qualify for protection.

The case was brought by clothing company G-Star, which accused Cofemel, a fashion label, of infringing their copyright in respect of several clothing designs. In particular, G-Star argued that the designs were original intellectual creations and therefore “works” that were entitled to copyright protection. Cofemel argued that the items of clothing did not qualify as “works” and should not be protected.

The Portuguese Court of First Instance and Court of Appeal agreed with G-Star and ordered Cofemel to stop infringing G-Star’s copyright. The case then made its way to the Portuguese Supreme Court which found that the items of clothing were the result of innovative manufacturing processes and concepts containing specific elements and that Cofemel did use some of those in the manufacture of their clothing. However, the Supreme Court concluded that Portuguese law did not specify the degree of originality required for those types of works to qualify for protection. The Supreme Court therefore made a referral to the CJEU for a preliminary ruling on the interpretation of Article 2(a) of the InfoSoc Directive, asking whether EU law precludes national laws from giving copyright protection to design works which generate a significant aesthetic effect on the basis of any other criteria apart from originality.

Article 2(a) of the InfoSoc Directive states that Member States shall provide authors with the exclusive right to authorise or prohibit reproductions of their works by any means and in any form. However, the Directive does not define the concept of “work”. The concept of a “work” had been discussed in a number of previous CJEU decisions and is now considered to be settled law. As was set out by the CJEU in *Infopaq* (C-5/08), the concept of a work is an autonomous notion in EU law which requires uniform interpretation.

*Infopaq* also removed the possibility of different standards of copyright protection for different categories of work. If a work falls within the scope of the InfoSoc Directive, all that is required is for the work to be the “author’s own intellectual creation”, something which is left to the national courts to determine.

In a previous decision, *Flos* (C-168/09), the CJEU held that EU law did not permit Member States to deny copyright protection to designs which met the criteria for copyright protection (the case was referred by the Italian courts as Italian law at the time did not recognise copyright protection to designs which had fallen into the public domain under design laws). *Flos* also determined that it was not possible for Member States to set further requirements outside those in the EU legislation as to how copyright protection could be obtained.

In its decision in *Cofemel*, the CJEU has confirmed that there are two cumulative requirements essential to qualify as a work:

#### ***1. Existence of an original object and expression of intellectual creation***

The work in question must represent and express “an intellectual creation” of its author. This will be the case where an author has free and creative choices but not where the making of an object has been determined by technical considerations, rules or other constraints, which do not leave room for any creative freedom.

#### ***2. The subject matter must be identifiable with sufficient precision and objectivity***

Identifying the subject matter of the work should contain no element of subjectivity. The work should be expressed in a manner which makes it clearly identifiable, even though its expression does not necessarily have to be in permanent form (as held by the CJEU in the recent case of *Levola Hengelo* (C-310/17) where copyright protection was sought for the taste of a cheese spread). If a design falls within the scope of the InfoSoc Directive, then the only requirement for copyright protection to arise is that the design is a “work”.

Once a design fulfils the two originality requirements set out above, copyright protection arises automatically. This

means that national laws which make copyright protection dependent on additional criteria, such as artistic value or a need for some artistic intention on the part of the creator, are not permissible, and Article 2(a) of the InfoSoc Directive must be interpreted as precluding national law from basing copyright protection on such criteria.

This judgment has immediately created a huge amount of uncertainty in the UK. Under the current UK *Copyright, Designs and Patents Act 1988* (“CDPA”), certain types of copyright work have other requirements in addition to originality in order to acquire copyright protection. For example, section 4 of the CDPA lists various types of work that are considered to be artistic works. Whilst graphic works, photographs, sculptures and collages will be considered artistic *irrespective of artistic quality*, a “work of artistic craftsmanship” has no such qualification.

Prior to this decision, the UK courts have been reluctant to find designs to be protected either as works of sculpture or works of artistic craftsmanship because of a lack of sufficient aesthetic or artistic quality. In *Lucasfilm*, the Supreme Court upheld the trial judge’s decision that the appearance of the Stormtrooper helmet made famous from the Star Wars films did not attract copyright protection as a “sculpture” because it had a primarily functional purpose rather than an artistic one. The Supreme Court appeared to approve of Laddie J’s definition of sculpture in *Metix (UK) Ltd v G H Maughan (Plastics) Ltd* [1997] FSR 718 as being “a three dimensional work made by an artist’s hand”. Similarly, following a series of judgments from the UK and the courts of other Commonwealth countries, a “work of artistic craftsmanship” (for example, certain items of furniture or jewellery) requires elements of craftsmanship and artistic appeal before it will be found to attract copyright protection.

These decisions now appear to be incompatible with *Cofemel* as they seek to impose additional criteria in order for a work to be protected by copyright as a sculpture or a work of artistic craftsmanship beyond the expression of the author’s own intellectual creation. The category of “artistic works” will therefore have to be re-assessed in light of the CJEU decision. The change will probably be welcomed by designers as it appears to lower the bar for qualification of copyright protection, therefore allowing them to rely on copyright instead of one of the unregistered design rights, which all have a much shorter duration of protection, and more exclusions and exceptions to protection or infringement.

As the CJEU judgment was delivered before Brexit took place, it forms part of UK case law at present, but it will be interesting to see how a case like this will be interpreted in the future and whether the UK courts’ assessment of originality will change.

The *Cofemel* judgment will also impact other EU countries. For example, Portuguese law has a requirement for “aesthetic

effect” which the CJEU has confirmed is incompatible with the above originality requirements; whether a work creates an aesthetic effect does not determine whether its creation was an author exercising free and creative choices and implies a subjective assessment contrary to the second requirement of objectivity laid down by the CJEU. Other Member States such as Italy and Germany also have some level of artistic requirement for copyright to subsist.

In addition, current UK copyright law only recognises a prescribed list of defined “works” which attract copyright protection – these are specifically set out in the CDPA. If the *only* criteria for copyright protection to arise is originality, there is an implication that exhaustive lists of protectable subject matter, such as the one in the CDPA, are incompatible with EU law, so the CDPA list may have to change in light of this decision. According to the CJEU, protection only arises when there is a work in the sense clarified by the Court: no other requirements are needed. Copyright protection cannot arise with different conditions being met depending on which “category” of work the object at issue belongs to.

*Cofemel* also questions the fixation requirement. The *Berne Convention* leaves it to individual signatory countries to decide on their own approach to fixation, but that appears not to be true for EU Member States — the CJEU approach to EU copyright requires a harmonised approach to fixation across the EU. This means that there cannot be different understandings of fixation throughout the EU: the approach should be uniform across all Member States and be the one mandated in *Levola Hengelo* and *Cofemel*; namely the existence of an identifiable object with sufficient precision and objectivity.

The UK will have to comply with the CJEU ruling at least until the end of the Brexit transition period (which is now 31 December 2020). Thereafter it is quite possible that we will see a case on this point reach the higher courts in the UK, and it would not be too surprising if it became the first area where UK judges would consider departing from EU law.

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1 Issue 118 of *Intellectual Property Forum* includes a detailed case note on *Cofemel v G-Star Raw* (C-683/17) by Dr Marc Mimler. See ‘Current Developments – Europe Union’ (2019) 118 *Intellectual Property Forum* 75.

# Current Developments – North America

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## CANADA

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### More recent Changes to Trade Mark practice in Canada are “Exceptional”

The Canadian Intellectual Property Office (“CIPO”) issued a Practice Notice dated 17 January 2020 that implements a significant change to Canadian trade mark practice, effective immediately.

Extensions of time to respond to examiner’s reports during the examination of an application have been curtailed. An extension of time with respect to responses to examiner’s reports that are issued on or after the date of publication of the Practice Notice will generally not be granted unless the applicant can demonstrate that there are exceptional circumstances justifying the inability to file a proper response which addresses all of the objections, requirements or requests raised by the examiner in the report. Previously, one six-month extension of time was granted as a matter of course upon request, providing the applicant with 12 months to respond to an examiner’s report. The new practice will provide applicants with a reduced period of six months to respond in the absence of exceptional circumstances justifying the additional six-month delay.

The reason for the change stated by CIPO is to reduce the time required for examination of applications and for an application to proceed to registration. Examination of trade mark applications by CIPO is currently taking 15 to 18 months. CIPO aims to reduce this to seven months and to reduce the total time it takes for an application to proceed to registration to 18 months.

The Practice Notice sets out the following examples of exceptional circumstances that would be considered to justify an extension of time:

(1) Recent change in trade mark agent.

If a new trade mark agent has recently been appointed and the agent requires time to become familiar with the file, this would be an acceptable reason that would be considered to be an exceptional circumstance.

(2) Circumstances beyond the control of the person concerned.

Examples provided by CIPO include illness, accident, death, bankruptcy, or other serious and unforeseen circumstances.

(3) Transfer of cited application or registration.

If there is a request pending at the Trade Marks Office to record the transfer of an application or registered trade mark, and the transfer would overcome a confusion objection, this would be an exceptional circumstance justifying the extension of time.

(4) Pending Opposition proceeding.

If a cited co-pending and confusing trade mark is the subject of a pending opposition proceeding, this would be an exceptional circumstance justifying the extension of time.

(5) Section 45 proceeding is pending.

If a cited registered trade mark is subject to a pending section 45 proceeding to expunge the registration on the basis of non-use, this would justify the extension of time.

(6) Examiner’s report cites an Official Mark as an obstacle.

If an Official Mark has been cited as an obstacle and the applicant is in the process of actively negotiating a consent from the holder of the Official Mark, an extension of time may be granted.

(7) Division of a Protocol application.

If the applicant has filed a request for the division, in respect of Canada, of the international registration on which the original Protocol application is based and is waiting on the International Bureau for notification that a divisional international registration has been created, this would be considered to be an exceptional circumstance.

(8) Examiner’s report requires a response to a substantive objection which could lead to a refusal of the application on the basis that the trade mark is not registrable because it is:

- (a) clearly descriptive or deceptively misdescriptive;
- (b) primarily merely a name or surname;
- (c) confusingly similar to a registered mark; or
- (d) confusingly similar to an earlier-filed pending application.

If the applicant requires more time to consider the objection and file a proper response, an extension of time may be requested. An extension of time for this reason will be granted only once during the prosecution of the application.

- (9) Examiner's report raises the issue of lack of inherent distinctiveness requiring that the applicant compile and file evidence of distinctiveness.

If the applicant is in the process of compiling the sufficient evidence required to show that the trade mark was distinctive at the filing date of the application, the applicant may request an extension of time for this reason only once during the prosecution of the application.

One of these exceptional circumstances will justify an extension of time only once during the prosecution of a Canadian trade mark application. Once used, the reason is not available again, even if another examiner's report is issued.

If, at the expiry of the six-month period after the date of the examiner's report, the applicant fails to file a proper response, or if the reasons provided in a request are not considered to justify an extension of time, the applicant will be in default in the prosecution of the application and a notice of default will be issued. Applicants have two months to respond to a default notice, failing which the application becomes abandoned.

This further change to trade mark practice in Canada follows the implementation of widespread change resulting from amendments to the Canadian *Trade Marks Act* which came into force on 17 June 2019. If it achieves the stated goal of reducing examination time and the time required to prosecute trade mark applications to registration, it is likely to be welcomed by owners of trade marks in Canada.

From a practical point of view, going forward, trade mark applicants in Canada should be diligent in providing instructions relating to examiner's report responses as there will be much fewer "second chances".



# 34th IPSANZ Annual Conference

## 11-13 September 2020

The 34th Annual Conference of the Intellectual Property Society of Australia and New Zealand Inc. is scheduled to be hosted at the Park Hyatt Melbourne, Victoria, Australia over the weekend 11 – 13 September 2020.

### Friday

- 2:00 pm – 6:00 pm Registration
- 6:00 pm – 8:00 pm President's Welcome Drinks

### Saturday

- 8:30 am – 9:00 am Registration
- 9:00 am – 5:30 pm Conference Sessions
- 6:30 pm – 10:30 pm President's Dinner

### Sunday

- 9:00 am – 12:30 pm Conference Sessions
- 12:30 pm – 2:00 pm Lunch
- 2:00 pm Close

### For further information contact:

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# The Intellectual Property Society of Australia and New Zealand Inc

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## **New South Wales Committee**

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Alison Beaumer, Katrina Crooks, Giulia Fimmano, Josephine Gardiner, Dean Gerakiteys, Stuart Green, Alison Jones, Roseanne Mannion, Angela McDonald, Hazel McDwyer, Shauna Ross, Natalie Shoolman, Rebecca Simpson, Anna Spies, Vineetha Veerakumar, Eddie Walker and Gillian Woon.

## **New Zealand Committee**

Chairperson: Kevin Glover

Sarah Chapman, Rachel Colley, Kate Duckworth, Clive Elliott QC, Matthew Hayes, Thomas Huthwaite, Tim Mahood, Hamish Selby, Daisy Williams and Garry Williams

## **Queensland Committee**

Chairperson: Elizabeth Lawson

Nadia Braad, James Cameron, Georgia Campbell, Andrew Clarke, Joshua Henderson, Nicole Murdoch, Fraser Smith, Kellie Stonier and Sandy Zhang

## **South Australia Committee**

Chairperson: Daniel Kiley

Amy Bishop, Alastair Donaldson, Louise Emmett, Eugene Reinboth, Adam Rosser, Josh Simons and Paula Zito

## **Victorian Committee**

Chairperson: Ann-Kathrin Goller

Lucy Davis, Kadri Elcoat, David Franklin, Sue Gatford, Lauren John, Karin Innes, Melissa Marcus, Ben Mawby, Rebecca Pereira, Jack Shan and Danielle Sharplin

## **Western Australian Committee**

Chairperson: Adrian Huber

David Benson, Lauren Gore, Tennille Provost, Madeleen Rousseau, Stephanie Rowland, David Stewart and Amanda Wong

## **Executive Secretary**

Caroline Reznik

\*State Chairperson

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INTELLECTUAL PROPERTY FORUM