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## Contents

Dr Christopher Sexton

8 In Conversation with Anna Funder  
Cameron Murphy AM

### Articles

15 Section 58A: A Matter of Interpretation  
Kimberley Evans and Lena Balakrishnan

25 Beer and Wine and Children’s Toys  
Justin Lambert and Harrison Ottaway

32 So – What’s Next? Divining the Future of Gene Patenting  
Sumer Dayal and Sadat Cheema

43 SMEs and the Patent Challenge: A South African Perspective  
Dr Madelein Kleyn

47 Assessing the UN High-Level Panel on Access to Medicines Report in Light of the Right to Health  
Dr Lisa Forman, Ifrah Abdillahi and Dr Jeannie Samuel

56 The Injustice of Intellectual Property  
Professor Peter Drahos

### Reports

58 Updates in WIPO Precedent: The WIPO Jurisprudential Overview 3.0 is Released  
Nicholas Smith

65 Update on Swiss-type Patent Claims in Australia  
Dr Timothy Fitzgerald

67 The Case for Nations to Act on Medicines Access  
William New

### Current Developments

72 Australia

87 New Zealand

90 Asia  
Hong Kong and China, Singapore, Japan

97 Europe  
European Union, Germany, France, United Kingdom

112 Canada

115 Reports from IPSANZ Local Organisations

Introduction

The Australian IP Report 2017 (the report)\(^1\) is the fifth iteration of an annual report that aims to improve the understanding of the significance and relevance of IP in today’s global economy. The general landscape on IP applications in 2016 was mixed, following a year of significant growth in 2015. Overall, demand declined for patents and trade marks, but Australia recorded growth in patent applications from Australian residents, and resident trade mark applications remained high after a record year in 2015. Design rights and plant breeder’s rights both recorded growth of three and eight per cent respectively.

The figures in the report reflect an encouraging increase in Australian patent activity, with demand for patents by Australian residents up 15 per cent in 2016. This is in contrast to a decline in non-resident patent filings. Trade marks filed by Australians largely maintained the level achieved through 2015’s record growth, despite a drop in non-resident filings.

Patents

IP Australia received 28,394 standard patent applications in 2016, a one per cent decline compared to 2015. During the past 10 years, there have been years of decline as in 2009, following the events of the Global Financial Crisis. Since 2009 the overall trend in filings has been upward. This trend was interrupted by a surge in filings in 2013 prior to the implementation of the Raising the Bar reforms of 2012, followed by a corresponding decline in filings in 2014. Interestingly, it is estimated that more than 75 per cent of Australian resident patent applicants in 2016 were private individuals or small to medium enterprises (SMEs).

Despite the overall decline in applications in 2016, applications by Australian residents increased by 15 per cent from 2284 in 2015 to 2620 in 2016. This includes those who filed directly with IP Australia and those who entered through the PCT route, and together account for around nine per cent of total patent applications.

Filings by non-residents in Australia declined by two per cent to 25,774, accounting for 91 per cent of filings. The main source of the overall decline in application numbers was filings by applicants from the US to 12,909. US applicants filed about 45 per cent of applications for Australian patents in 2016, a decline of six per cent from 2015. Of the other major filing nations, Japanese applications decreased by seven per cent to 1604, German applications increased by four per cent to 1394, UK increased by two per cent to 1176 and Swiss applications increased by five per cent to 1151. Applications from these five jurisdictions (US, Japan, Germany, UK and Switzerland) made up 65 per cent of total patent applications in 2016.

A total of 23,743 patents were granted in 2016, representing an increase of three per cent from 2015. Grants to Australian residents represented six per cent of the total, similar to previous years.

Last year there was an increase in applications for innovation patents with 2322 applications filed in 2016. This represented a 27 per cent increase on 2015. The report holds this change as a reflection of a significant increase in non-resident applications of some 79 per cent from 2015, whereas applications from Australian residents declined by five per cent. Although Australian residents remain the main users of the innovation patent system, for the first time since its inception, non-residents made up the majority of innovation patent applicants with 54 per cent of the total in 2016.

Trade Marks

IP Australia received 71,344 applications for trade marks in 2016. This represented a three per cent decline from the record high of 2015, despite exceeding the 2014 figure by 11 per cent. This was almost entirely due to a reduction in filings by non-residents of seven per cent.
The report states that the reduction in applications by non-residents in 2016 is due to a fall in applications through WIPO’s Madrid system for filing trade mark applications in multiple jurisdictions. In Australia the Madrid system is used almost exclusively by non-residents. Filings using the Madrid system declined by 14 per cent in 2016, more than accounting for the overall reduction. Direct applications to IP Australia increased by one per cent year-on-year in 2016.

**Designs**

IP Australia received 7202 applications for registered designs in 2016, which was the highest on record and a three per cent increase on filings in 2015. This figure is in line with recent growth in designs filings in Australia; the average rate of growth in filings over the last five years was also three per cent.

Non-residents filed 62 per cent of design applications in 2016, which is the highest proportion over the last 10 years (which have ranged from 50 to 60 per cent of total applications during this period). Of applications from Australian residents, approximately 90 per cent were filed by private applicants and SMEs.

**Plant Breeder’s Rights (PBRs)**

The number of PBR applications received in Australia increased by eight per cent in 2016, from 359 to 387 applications. This growth was driven by a 22 per cent increase in applications by non-residents. Australian resident applications decreased by 16 from 2015, and as a result, the share of PBR applications by Australian residents decreased to 36 per cent of the total.

The majority of Australian residents who apply for PBRs are SMEs who are responsible for half of Australian resident applications, while private applicants and large firms historically file a quarter each of the remaining applications. In 2016 that pattern appears to be repeated, with SMEs and private applicants accounting for approximately three quarters of total resident applications.

IP Australia registered 111 PBRs in 2016, a decrease of 51 per cent compared to 2015. The report cautions that there should not be any correlation between filings in a year and registrations in the same year as most applications take more than 12 months to register. A reduction in the number of staff at IP Australia who can register PBRs in 2016 accounts for the fall in registrations per se, but the examination processes prior to grant continued as in previous years, and where applicants wanted registration to be expedited they were advanced to registration if they met the requirements for registration.

Australian resident and non-resident registrations decreased by 30 per cent and 68 per cent respectively. The largest numbers of non-resident registrations were from the US and Netherlands, together accounting for 70 per cent of non-resident registrations.

**Other Items of Interest**

**The Hague Agreement**

IP Australia has completed a draft of its cost-benefit analysis for Australia joining the Hague Agreement and will plan to share the draft and seek feedback on the research later in 2017.

**Geographical Indications**

In relation to geographical indications, IP Australia and Melbourne University have been building a world-first database linking Australian-registered trade marks to a global atlas of place names. Apparently, this database will be released later this year.

**Productivity Commission Report 2016**

Notably, on 18 August 2015, the Australian Government asked the Productivity Commission (PC) to undertake an inquiry into Australia’s IP arrangements, delivering on a key recommendation from the Competition Policy Review. The inquiry included extensive public consultation, with the final inquiry report publicly released on 20 December 2016.

The Government called for this inquiry to ensure that the IP system provides appropriate incentives for innovation, investment and the production of creative works while ensuring it does not unreasonably impede further innovation, competition, investment and access to goods and services. IP arrangements have been, and continue to be, affected by a number of developments, including the rise of cloud computing, the internet, digitisation, and globalisation including the increasingly specialised nature of production chains.

In its report the PC recognised the significance of IP in today’s economy. In conducting its inquiry, the PC developed an economic analytical framework for assessing the IP system, with

The overarching objective of maximising the wellbeing of all Australians. The framework used four principles as a basis for a balanced and well-functioning IP system.

These principles are:

- **Effectiveness** – that the IP system encourages the creation and dissemination of valuable ideas that would not have occurred in the absence of the system
- **Efficiency** – that ideas are generated by the most efficient, lowest-cost creators, traded freely, and do not unduly impede competition
- **Adaptability** – that the IP system adapts to changes in technology, markets and economic conditions
- **Accountability** – that changes to the IP system are transparent, evidence-based and reflect community values. The PC suggested a series of changes to the IP system, and supported an evidence-based approach to those reforms. The report was supportive of Australian Government efforts to reduce transaction costs for parties using IP rights in multiple jurisdictions.

In addition to recommendations on the copyright system, recommendations related to the IP rights administered by IP Australia included:

- Creating an objects clause in the Patents Act to specify the broad objectives of the Act
- Raising the inventiveness threshold for patents
- Reconfiguring extensions of term for pharmaceutical patents
- Restructuring patent fees
- Abolishing the innovation patent system
- Making it easier to challenge trade marks for non-use
- Increasing the scope of essentially-derived variety declarations for plant breeder’s rights.

The PC also made a number of broader ranging recommendations, which included:

- Removing the competition law exemption from commercial transactions involving IP rights
- Improving institutional arrangements to provide a more coherent and balanced approach to IP policy development and advice
- Focusing international IP engagement on reducing transaction costs and encouraging more balanced policy arrangements for patents and copyright.

**This Issue**

This issue covers a vast panorama of issues in the IP fields of trade marks, copyright, patents and domain names, with even a reflection of the “injustice” of the intellectual property regime and an update on developments at a New York gathering which included The Honourable Michael Kirby post the release of the UN HLP final report on global access to medicines.

In the first article, Kimberley Evans and Lena Balakrishnan examine in detail section 58A of the *Trade Marks Act 1995* (Cth) which was introduced in 2006 to allow for the registration of a trade mark application to be opposed on the basis that the opponent first used a similar mark. The threshold element, according to the *Trade Marks Act 1995* (Cth), was that the trade mark application must have been accepted for registration under s.44(4), or the equivalent provision under Part 17A of the *Trade Mark Regulations 1995* (Cth). As the authors note, however, the current practice of the Registrar of Trade Marks ignores the statutory threshold; the Registrar allows s.58A to be enlivened where the trade mark application has been accepted for registration on the basis of any type of evidence of use and potentially even when no evidence is submitted at examination. They ask whether the Registrar’s practice is correct, does it give effect to the intention of the statutory provision or is the Registrar ignoring statutory authority, just as it has been criticised by the courts for doing in the past?

Justin Lambert and Harrison Ottaway then focus on the decision in *Playgro v Playgo*, where the Federal Court of Australia applied reasoning drawn from trade mark revocation cases to a trade mark infringement case. The authors conclude that the result gives the *Trade Marks Act 1995* (Cth) extra territorial operation, or alternatively establishes a new theory of extended liability for third party
conduct, neither of which outcomes were intended by the Court.

Sumer Dayal and Sadat Cheema shift our attention to the field of patent law by revisiting the High Court of Australia’s 2015 judgment in D’Arcy v Myriad Genetics Inc, (D’Arcy) which unanimously held that Myriad Genetics Inc’s (Myriad) claims for product patents over isolated nucleic acids, consisting of some or all of a mutant BRCA1 gene, were invalid. Here, the authors first aim to test the validity of the criticisms against D’Arcy and assess whether Australia has moved in the wrong direction. In so doing, they provide a description of the key scientific concepts which underlie the debate, before examining the High Court’s reasons for decision from the perspective of legal principle and in the broader context of how “manner of manufacture” has evolved over its history. Secondly, they outline the position in three jurisdictions, the US, Canada and the EU, which have been chosen because of their close historical, trading and/or jurisprudential links with Australia. Finally, they apply their understanding to predict how, if at all, the approach to gene patenting may develop in Australia for the future.

Dr Madelein Kleyn then surveys IP rights protection for SMEs in South Africa, which play an important role in the growth of the South African economy. The author notes that Government is supporting SME initiatives and their innovation through various organisations and agencies that fund start-ups and facilitate filing, prosecuting and commercialisation of inventions, and that while SMEs are generally informed about IP and the importance of protecting intellectual property, they do not always have the funds to ensure freedom to operate, protect and enforce their IP rights.

In the next article which assesses the UN High-Level Panel on Access to Medicines Report in light of the right to health, Dr Lisa Forman, Ifrah Abdillahi and Dr Jeannie Samuel argue that at least two clear rights to health duties should have guided the HLP’s recommendations: the duty to prevent unreasonably high costs for medicines from denying large segments of the population their rights to health and the core obligation to provide essential medicines.

The authors propose that these duties imply three areas of action: consistent implementation of human rights impact assessment; institutionalising TRIPs flexibilities in law and policy; and making permanent the waiver of TRIPs for LDCs, and waiving the application of TRIPs to essential medicines in low- and middle-income countries. Notwithstanding, they commend the HLP for its willingness to make recommendations similar to these, and for other innovative proposals, including recommendations to initiate negotiation on a global research and development treaty to delink R&D costs from end prices, and to create independent review bodies to assess progress on drug innovation and access.

The authors, however, argue that the Panel declined to propose deep reform of the current system, preferring instead to “reinforce those rights in current existence and underline the need for greater attention, monitoring and enforcement to ensure that these rights are not undermined and are actively pursued”. In accessing existing medicines, they submit that the Panel relied almost entirely on expanding usage of existing (and admittedly crucial) safeguards like TRIPs flexibilities and human rights impact assessment, thereby missing an opportunity to significantly move the needle on international access to medicines policies far beyond pragmatic and limited incrementalism towards reforms more realistically capable of broadening access to medicines on the ground for those who need them most.

The final article by Professor Peter Drahos, arguably the doyen of Australia’s current IP academics, provides cause for us all to pause and reflect. Here, the author questions if we should be concerned by the rising tide of intellectual property regulation? His view is clear: “The answer depends on who is the ‘we’ in the question. Some individual firms have a lot to gain from increased levels of intellectual property protection because they are large enough to afford the costs of intellectual property systems … If we think of intellectual property protection as a kind of arms race, we can see that firms should think very carefully before entering the race. An arms race in intellectual property is expensive because you are forever paying the lawyers to escalate to new levels of protection. In an arms race it’s hard to get ahead and even harder to stay ahead. There can only be one winner and that is the person with the deepest pockets. There is also a basic paradox if you want your company to remain innovative. Innovation depends on people communicating with each other. The more that you
place your creative people in intellectual property cells, the more risks you take with the innovation process."

Another of his concerns is the interrelationship between IP and trade: "One of the real dangers of global intellectual property rules is that they might eventually blow the world’s trade regime out of the water. Trade is about goods and services moving across borders. But intellectual property law through its complex rules on parallel importation, exhaustion of rights and doctrines of infringement allows owners of intellectual property to stop the movement of goods. Europe, for example, is busily exploring how the intellectual property in geographical indications can be extended to include high recognition terms like ‘feta’, ‘bratwurst’ and ‘brut’. A lot of the new protectionism that will confront developing countries will be hidden under the cloak of intellectual property law’s complexity."

In the Reports section of the journal, Nicholas Smith discusses the WIPO Jurisprudential Overview 3.0 launched in May this year, which now includes express references to almost 1000 representative decisions (formerly 380) from more than 265 (formerly 180) WIPO panellists. The Overview 3.0 significantly redrafts almost every single section to provide a clearer understanding of how panels will look at any issue that could arise under the UDRP and sets out what evidence panels will generally expect from either party in order to satisfy them of a party’s case. It is also a significant improvement on its predecessor in that it provides a much greater level of certainty as to what is and is not cybersquatting under the UDRP and will help practitioners in preparing and responding to UDRP Complaints.

The next report provides an update on Swiss-type Patent Claims in Australia where Dr Timothy Fitzgerald refers to the recent Federal Court decision in Apotex Pty Ltd v Warner-Lambert Company LLC (No 3) [2017] FCA 94, which has further established potential benefits of the inclusion of Swiss-type claims in Australia. That decision dealt with the particular scenario of the offer within the term of a patent by a competitor to supply a pharmaceutical (pregabalin) the subject of a current patent, after the expiry of the patent, and further established potential benefits of the inclusion of Swiss-type claims in Australia.

Finally, William New, the Editor of Intellectual Property Watch reports on a July gathering in New York of speakers, including top health officials, from both a developed and developing country, which set out the case for why the world’s leaders must now launch a shift in the way medicines for all populations are developed and priced. While it was unanimously agreed that the need for global collaboration was apparent, the question remained as to who would lead?

As previously reported in this journal, the UN High-Level Panel report recommended respecting and strengthening the legal landscape, arguing that free trade agreements often go beyond the minimum standards for intellectual property protection, and that international agreements should be used to improve innovation and access, not hinder it. The final report also suggested that governments should give patents only for genuine innovations, and must not undermine the use of flexibilities built into the World Trade Organization Agreement on TRIPS.

While it was acknowledged that the UN Panel was unique in breaking the barrier in this issue, it was agreed that what is needed is a coherent action which is global. One delegate, Kamal-Yanni, posed the question as to who was responsible to take the recommendations forward so that people in the north and the south have access to safe and affordable medicines. In short, it was recognised that the world needs leadership to get all stakeholders to move in the same direction in the form of governments, UN agencies acting collaboratively but not settling for the lowest common denominator with the WHO in the lead with sufficient funding, and the UN secretary-general’s office.

This issue’s Profile fittingly places the spotlight on former lawyer and celebrated writer, Anna Funder. Having started her career as a government lawyer working in international law, she is now an acclaimed Australian author of several award winning works, including Stasiland which won the coveted Samuel Johnson Prize for non-fiction and All that I Am which won the Miles Franklin Award.

Amidst this literary success, Anna Funder has been active as an advocate for free speech and privacy, has worked with a number of human rights organisations, as Cameron Murphy found to be the case in conversation.
As usual, I especially thank the 15 regular national and international correspondents and their teams for their Current Developments reports, which enhance the topicality of this journal.


Vale – Dr Christopher Gerrard Sexton
21.05.1961 to 23.08.17

It is with great sadness that we inform members of the recent passing of our long-term editor, Chris.

Chris has been the Society’s Editor since 2004 and during that time he formed close friendships with members of the Editorial Board and many IPSANZ members.

Chris held degrees in law, economics, the arts and theology, including a Doctorate in Philosophy.

He was a prolific author on IP topics in Australia.

Chris was a kind and sensitive person, with a witty and dry sense of humour whose life was cut short too soon. He will be remembered fondly and will be sadly missed by all who had the pleasure of knowing him.
In Conversation with Anna Funder

Anna Funder started her career as a government lawyer working in international law and is now an acclaimed Australian author of several award winning works. *Stasiland* won the *Samuel Johnson Prize* for non-fiction and is a compelling account of life under the Stasi police state in the former East Germany. Uniquely, it tells not only the stories of the victims but also of the perpetrators of mass surveillance in this security state. Her 2012 novel, *All that I Am*, won the *Miles Franklin Award* and is the story of four German Jewish activists who flee to London to escape the rise of the Nazi Party in Germany, prior to the Second World War. They dedicate their lives to exposing the evil of Hitler and work to smuggle documents out of Germany to this end. The novel submerges the reader in the lives of these activists, bringing to life all of their fears, anger, disappointment and courage while exposing the sinister activities of the Gestapo in London during this time. Anna has been active as an advocate for free speech and privacy, has worked with a number of human rights organisations and is a Board Member of the *University of Melbourne Foundation* and an Honorary Fellow of the *University of Technology* in Sydney.

Q: You started out as a Human Rights Lawyer specialising in International Law and you are now an award-winning author, but what drew you towards the law in the first place?

A: I am very interested in how societies are structured and in which ideas of justice hold sway at a particular time – how many of these are constant principles, and how many reflect the more circumscribed mores of their time. I’m also interested in how the laws that protect democratic practice are supported by (usually political) convention. So we see, for instance, at the extreme end of it, Donald Trump throwing out the laws, trying to throw out the judges, and disregarding all the conventions. How much can the law can protect us from untrammelled uses of power? Put another way, how does the law and the judicial system protect people, and when do they come under such pressure that they fail us? I considered these questions with regard to Germany in the 1930s with the rise of Hitler in *All That I Am*, and in communist East Germany in *Stasiland*. In retrospect, I can see that these interests led me into the law. But then they led me out of it too, and into the books I’ve written.

Q: How did you go from being a lawyer to an author? How does one make that step?

A: Well, the short answer is that you drop out. The question is when. I had the best job I could possibly think of, as a lawyer in the Attorney-General’s Department in the Office of International Law. I spent my time working mainly on Section 52 of the Constitution and giving advice to the Commonwealth on international treaties Australia had entered into and what powers those treaties might then give the Government in areas which it doesn’t explicitly have power to legislate. So, rights of a child or environmental protections and things like that. We also worked with the Department of Foreign Affairs and Trade negotiating with other nations. Then a chance came up to switch into the Department of Foreign Affairs and Trade...
and that was also a wonderful opportunity. I was faced with the possibility of two perfect jobs. But I realised that whilst my colleagues were, as far as I could tell, fully inhabiting their professional lives as lawyers, I was always taking notes. So, though I worked hard and with wonderful people, and learnt a lot, I was not really wholeheartedly there and committed in the same way as the others. And the reason was that I really wanted to write. It was less a decision, than a case of wanting to live more honestly, I suppose.

Q Have you ever thought about going back into practice?

A Yes. I find legal issues – big and small – fascinating. I love how the messiness of life can be corralled into legally actionable categories and wrongs rectified – up to a point. I also would love the collegiality of it. And yes, I’ve have a terrible day writing today and when that happens it always makes me think that I should go back to the law and become a baby Barrister. It’s a completely untenable fantasy on many levels; it’s a parallel life I didn’t live.

Q Do you think that being a successful author and also a lawyer give you a unique perspective on intellectual property law? Do you think you can see the issues from both sides?

A Well, I think I feel the importance of protecting intellectual property very acutely. I don’t think I see it properly from an intellectual property lawyer’s perspective because I’m not one and I never was even close. But I do feel it on the other side. I rely on intellectual property law to make a living, I rely on it to protect my work from uses I don’t sanction, I rely on it to bequeath something to my children. I’m like a small spider, and it’s the web that holds me, feeds me. Without it I’m singing into the wind.

Q Is it the remuneration or the moral rights over your work that is most important to you?

A I think the two things are really intimately connected. In all work money is important. Virginia Woolf said, ‘money dignifies what is frivolous if unpaid for.’ Good writing has a value for people in pleasure, expansion of their world. And it has a value for society because it contributes to how we imagine ourselves, and, in some kinds of work, how we are inspired and informed to hold power accountable. Societies which silence their writers, whether by impoverishment (as was recently proposed by the Productivity Commission here) or imprisonment pretty soon end up dystopian places.

Q It’s work, isn’t it?

A It’s work and you have children to feed and a life to live and all of those things. And in same way as lawyers do a lot of things pro bono which they fund because they’re generally quite well paid, writers, who are generally not very well paid, are also asked to do a lot of things for free. For many years I have taken on unpaid work with refugees (as an Ambassador for ICORN, the International Cities of Refuge Network which protects writers in danger in regimes around the world) or (as last year) IP issues, written introductions, blurbs and so on. I felt it was a way to contribute by bringing whatever attention I could garner for these important causes. But it was also enormously time consuming. It brought
into pretty sharp relief for me that you can't do things pro bono unless you have a day job. So I've decided that I have to think about myself as having a day job. Actually, two day jobs, as I have a household with three children.

Q *Stasiland* won the Samuel Johnson Prize. It's perhaps the seminal modern work that articulates the incredible power that the State has to interfere with ordinary people's lives and utterly control them. When I read it, it so powerfully brought home the effect that the State can have on the individual, in such an enormous and personal way, where ultimately the entire culture of the people of East Germany changed in reaction to the State surveillance. To me it was the sheer intimidation, the adverse reaction to ordinary things that someone like Miriam has when she struggles to talk about her experiences. Is that what drove you to tell the story?

A Yes. It's 20 years this year since I started writing that so although at the time I didn't interrogate my motives, I have slightly more insight into them now. I had studied as an undergraduate in Berlin when the Wall was still up and got to know some writers and artists who had been kicked out of East Germany. A totalitarian State comes down first on writers and journalists and lawyers because they're the people who are going to speak out against it, and must be silenced. I was fascinated by my friends' lives, the courage they'd shown. And also, I was curious about what kind of place kicks out or maims its best and brightest. When I look with a modicum of perspective now I see that these stories combine an interest in human rights and in personal fates, an interest in making literature that bears witness, and in the price of dissent in a totalitarian regime. It was my own personal perfect storm.

Q I think certainly what summed it up for me is a short quote from Chapter 12 where you're in a car riding with Uwe and you say “I've been having adventures in Stasiland in a place where what was said was not real, what was real was not allowed, and where people disappeared behind doors and were never heard from again or were smuggled into other realms”. Does that really sum up the way the State operated?

A That's true. In 20 years of questioning I don't think anyone's picked that out and that's absolutely true. It's interesting we live in a moment in which these kinds of dystopian fictions are abounding. It's because people are trying to imagine where we're headed in an age of increasing authoritarianism by government (in democracies this occurs usually under the banner of 'security' measures, and in other places more overtly) and then this kind of totalising influence of massive corporations that own all our data. You don't have to look very far in the past to see that those impulses to kind of total and authoritarian control are probably universal. As you'd know better than me, a large body of law is devoted to limits on governmental power. Now, though, the more concerning arena is of corporations like Google and Apple owning very personal data (often effectively stolen by reading our emails or tracking and surveillance on our phones) as well as the planet-wide broadcasting mechanism, rather than governments so much. *Stasiland* bears witness to efforts of people to resist these kinds of illegitimate intrusions on privacy and attempts to control people.

Q Is the central message from *Stasiland* that it's about telling those stories, keeping a permanent record, to ensure that people remember that unless we keep up the fight for civil rights States can very quickly deteriorate back into the situation where you have that level of control? And, while the GDR is an extreme example of it, is it true that regression occurs all the time, in small steps if we are not vigilant?

A Yes I think that's absolutely something to be taken from *Stasiland*. But though I wrote about that because that was the world of *Stasiland*, what interested me most was the extraordinary courage of the people who resisted it. The fact that quite ordinary-seeming human beings, a dental hygienist housewife, a student, an alcoholic rock star Klaus Renfit will just balk at betraying someone else or going along with the State
even when they know it’s going to end very badly for them. It seems like behaviour so heroic it’s anti-Darwinian because it’s not in the interest of their own survival. And that is something very extraordinary about human beings. It’s to do with conscience and with us being moral creatures. Those people I met didn’t say it so explicitly, but I think they felt they just wouldn’t recognise themselves if they were pushed beyond a certain limit of their own conception of themselves as a moral being. This may be to describe a certain kind of heroism. The Germans have a word for it – Zivilcourage.

I was interested in exploring that resistance and its price because I couldn’t, and I probably still can’t, get my head around it. But the other thing I would say is that in the 20 years since that book – it’s 15 years since it came out – I in some circumstances see the State as now protecting us from large multinational corporations such as Google and Apple and from corporations who would like to have States – and possibly do have States – in their pocket in some ways.

Something that makes Stasiland such a compelling story is that when most people approach the telling of a story they will do so a solitary viewpoint, a single perspective or a persistent morality. Talking to the victims of the State, telling those stories is the often the only the thing that people will do. But you deliberately went out and spoke to former Stasi agents as well, placing advertisements in the newspaper to try and reach out to them. Do you think it was your training as a lawyer that taught you to look at both sides of an issue, to understand the other person’s perspective in order to tell the complete story as the book does?

I think one of the most profound gifts to me of a legal education was the concept of natural justice. It’s something I’m very grateful for. I wasn’t explicitly thinking about it when I was working on the book, but I felt the book wouldn’t be complete without examining the lives of Stasi men before and after the Wall – what made them join? What work did they do day by day? And how did they feel about it after the regime was dismantled? If your world has crumbled and everything that you’ve believed in and worked for reveals itself to be illegitimate or immoral and possibly illegal (in the international law sense or human rights sense – all domestic GDR laws were respected as legitimate by the Federal Republic on unification) – how does a person manage that? Is it possible to live with that much regret? Generally, the answer is that it’s not. All the Stasi men except one I spoke with continued to believe in the legitimacy of the GDR and most of its methods. Belief was holding up their spines, and facts had no power over them.

It’s really a confirmation bias that comes in, isn’t it? People always try and justify what they’ve done?

Remorse is a terrible place to be. But it applies only to humans. In the legal and political sphere we have instead recognition of wrong and compensation, as far as possible. That didn’t happen nearly enough, and not quick enough for the dissenters and victims of the GDR.

You’ve written an important non-fiction work in Stasiland, a Miles Franklin Award winning work of fiction in All That I Am. What’s next?

I’m working on a novel which again has links into a real story. It’s a sort of anti-fascist story from the ’30s, but I’m not sure what I’m going to do with it. I feel that the political fault-lines are redrawing themselves and I have to do something that is broader than just looking at the past in the categories we have for it. I suspect it will end up quite different from how I’m thinking of it now.

There’s been a lot of anger amongst the creative community to the recent Productivity Commission Report released in December last year. You are quoted in an article in the Financial Review that the proposed changes to copyright to reduce ownership to as few as 15 years from the point of creation as ‘a proposal for theft’. Why do you say that?
A When I spend five years working on a book it’s a massive financial investment and risk, and it’s a psychological investment and risk. It’s the equivalent of borrowing to support myself and my family while I purchase land and build a block of flats, that I then expect to rent out. You can have my book for as little as $20 a copy, but I expect to be able to do that for lifetime plus 70 years for my children. That’s less time than real estate, which my family could hold on to forever, but it’s fair. In the same way as real estate rights rely on the law and the ‘Torrens System, writers’ property relies on the copyright system. Google and the other internet companies would like writers’ work to be available to them for free, as content with which they attract advertisers. In this way they can make money out of my compulsorily appropriated property.

The Government has to stand up to these companies, who disguise theft with words like ‘fair use’ and who would eradicate Australian writing, and with it a distinctive sense of ourselves. The Productivity Commission’s initial proposal to limit the copyright term to 15 years (during the author’s life, not even after death) would have meant, for instance, that *Stasiland* would be out of copyright now. It’s on the school lists for HSC. I get inquiries regularly for the TV, Film and stage rights to it. It is my property, and I don’t want it to be compulsorily appropriated by the government in the interests of the googlesphere. Who would say, ‘Oh thanks I’ve got the title to this block of land and flats for 15 years and after that Google can own it all? It’s absolutely outrageous. It is theft. It is cultural vandalism and an own goal for Australia. It would defund the independent creative sector. It would defund independent voices in this country. And it defunds Australian culture. It’s not as if in a country of 25 million people we can really afford to have the independent writing sector silenced by poverty. And when I say silenced I don’t mean legislatively silenced I just mean made so poor that there’s no point doing it. No other industry would stand for it. I think it’s crazy. And I think you have to think about it in the context where Google wanted to digitise everybody’s books. And that was a battle that was fought and I think won by resistance from the publishing industry and authors in the United States itself. It’s absolutely not on. I think that their intentions are pretty clear – to take creative content from others and then sell ads next to it, passing a tiny fraction of the profit onto the creator of the content. If this is allowed they will make the money while authors will be so poor it simply won’t be worth writing.

Q Is this a battle between traditional publishers and new digital enterprises like Google and Amazon? They characterise it as a situation where we’ve got a different business model and it’s about providing things digitally to consumers that are fast and quick. Or is it them simply making a profit at the expense of the people who create the material? Do you see it as digital disruption or is it more than that?

A Amazon and Google are not saying to manufacturers of toys, clothes, furniture, anything else that you can buy, okay so let’s have that for free. Are they? You can buy for educational and other legitimate public interest purposes. There’s no problem that I’ve ever heard of in this country of people accessing anything for educational purposes. The universities pay a modest copyright licence fee as they should. The idea that ‘copyright owners are hard to find’ is ridiculous. ‘Fair use’ shouldn’t become use for free – that’s just not fair. It’s not a wise thing to copy the United States in many, many areas of social policy from guns to abortion to healthcare and certainly not in intellectual property. It would defund the independent creative sector. It would defund independent voices in this country. And it defunds Australian culture. It’s not as if in a country of 25 million people we can really afford to have the independent writing sector silenced by poverty. And when I say silenced I don’t mean legislatively silenced I just mean made so poor that there’s no point doing it. No other industry would stand for it. I think it’s crazy. And I think you have to think about it in the context where Google wanted to digitise everybody’s books. And that was a battle that was fought and I think won by resistance from the publishing industry and authors in the United States itself. It’s absolutely not on. I think that their intentions are pretty clear – to take creative content from others and then sell ads next to it, passing a tiny fraction of the profit onto the creator of the content. If this is allowed they will make the money while authors will be so poor it simply won’t be worth writing.

Q What do you think of the current campaign to move to a US style ‘fair use’ arrangement?

A I think ‘fair use’ is a misnomer. And I don’t know exactly what it means because it’s never described properly. It’s described as if it’s going to be sampling your work. Well, at the moment people can access it
physical books on Amazon. I just don’t see why because of the fact that it’s words and there are words on the internet we should be giving away our product for free. They’re not saying to pharmaceutical companies give away your medicine for free, we’ll run ads next to it and maybe remit something to you. They are not saying to code and app and algorithm developers – thanks, we’ll have that and we won’t pay you. In fact, we’ll try to get the government to legislate to make you give it to us. It always strikes me as odd when I read articles in newspapers like Fairfax which advocate authors having to give away their work for free in order to move into the digital age and I think it’s so ironic because the reason that newspapers are dying is that people are not going to pay for good content because it has gone on this limbo dance down to wanting to get the most clicks possible with the least important content. So, consequently, The New York Times, which people will pay for because of its quality, is expanding into Australia at the expense of local titles. I mean it’s pretty clear that if you don’t pay for something it will wither and die.

Q Would you support a registration system for copyright owners so that people can more easily locate the owner in order to license the work and people could then use ‘orphaned works’ without risk of infringement?

A I think that it’s possible to do extraordinarily complex things in terms of protecting financial reward for creative endeavour. If you look at Netflix or Foxtel they do it by territory, they do it by technological jamming, and everybody is paid in that process, in fact people make a lot of money. I don’t find it a convincing argument that because in some circumstances it’s hard to find a copyright owner therefore the content should be freely usable. I don’t know anything about a proposed registering system. I don’t see why the traditional one – a library, in which you can find a book which will always have the copyright holder’s name in the front, along with the publisher’s – isn’t working.

The much more likely thing is that copyright is being traduced all over the place anyway and what they are arguing for is the right legally to do that. So I think it’s a furphy. Why deny everybody their property rights because you can’t find in some rare cases the owner of a piece of copyright? I think that the economic arguments that the Productivity Commission are making would need more substantiation because there is no evidence, for instance, that importing remaindered or overseas copies of Australian authors’ books would be economically beneficial overall.

That is what affects me most, it affects all writers who are successful enough to be published in other English-speaking territories. Importing overseas copies ruins my Australian publishers’ market. This is because bookshops could directly import cheap copies of both of my books for which I get no royalty, or only a tiny one. So that means the publisher can’t offer me any advance, the publisher will eventually be much poorer, and I will be broke. And actually the bookshops don’t even want this – except for Dymocks, for reasons known only to itself and Bob Carr. Most bookshops got together with the publishers and the printers and the writers and campaigned against the Productivity Commission’s ideas for that reason. It is really bad for Australian publishing and Australian writing because Australian writing will cease to exist. Authors like Peter Carey or Richard Flanagan or Tim Winton write books about Australia but they’re published elsewhere too. Their main market is here in Australia and they, like me, survive from our market here, not from overseas markets. Furthermore, if those overseas markets are allowed to destroy the market here everybody who’s still writing will be writing for American publishers and they will only publish what is suitable for American tastes. So then there will be no truly ‘Australian literature’. We will be reading people who might happen to be Australian but who are published in America for an international audience. The only books that will make money here will be ones which have no overseas market – cookbooks, sporting biographies and the like. Nothing against them, but they should not be the only books reflecting Australian life.
Q | The Productivity Commission says in response to that argument that now that you’ve got the ability to publish digitally you can do it for free so Australians could just jump onto i-Books and self-publish, you don’t need this whole infrastructure and industry and you can go and find Australian stories written by Australians because they can put them up for sale with next to nothing in production costs. Isn’t that true?

A | Those books make no money. And generally they’re no good. Because things that you pay for are generally going to be worth more than things that are out there for free. So you look at the internet and it’s true that anybody can write something and ‘publish’ it but there’s no filtering, no choosing; there’s no editing. When you buy a book you pay for the publisher’s imprimatur that says: this is worth reading. There is a lot of digital rubbish out there. People are time-poor and want material to be curated. They will pay for important and good content in the same way that people will subscribe to The New York Times.

Q | If you could change one thing in Intellectual Property Law what would that be?

A | I think it’s a good system to promote creative ideas and to protect rights of the creators so that they continue to produce. One thing we need to look at is that I would like to have more power in terms of moral rights over my work and life on the internet. For example, when Wikipedia make an entry about me, which has wrong degrees and universities and awards on it, has misnamed Stasiland or misquoted from it, I should have the power to force them to correct it. (I tried, and got barred from doing so after three attempts – what authority do I have over my own life?) So I think there are more things that should be actionable for people to be able to protect themselves online.

Q | So you think there should be a better way to enforce your rights?

A | My work is out there and I’m very happy for people to use it for projects of their own, but on agreed terms. Most uses I’m asked about: Can we do a reading in a Berlin pub? Can we do a play? Can we make a film? I’m not asked about being on school and university lists, but that’s accounted for in the fact that students purchase the books, and if the universities copy parts of them they are meant to pay a fee. I think it works quite well. I would just ask that writers not have their work stolen, ‘legally’ or otherwise.
Section 58A: A Matter of Interpretation

Introduction

Section 58A, which was introduced in 2006, allows for the registration of a trade mark application to be opposed on the basis that the opponent first used a similar mark. The threshold element, according to the Trade Marks Act 1995 (Cth) (the Act), is that the trade mark application must have been accepted for registration under s.44(4), or the equivalent provision under Part 17A of the Trade Mark Regulations 1995 (Cth). However, the current practice of the Registrar of Trade Marks ignores the statutory threshold; the Registrar allows s.58A to be enlivened where the trade mark application has been accepted for registration on the basis of any type of evidence of use and potentially even when no evidence is submitted at examination. Is the Registrar’s practice correct? Does it give effect to the intention of the statutory provision? Or is the Registrar ignoring statutory authority, just as it has been criticised by the courts for doing in the past?

This article looks at the introduction of s.58A to the Act, the rationale behind its introduction and its intended operation and interaction with s.44(4). Once these foundations are established, the authors examine the Registrar’s current practice in light of both the express wording of the provision as well as academic and judicial consideration of s.58A and conclude that a literal interpretation adequately covers the legislature’s intentions in adding s.58A to the Act and allows s.58A to operate in conformity with the use-based rights provided throughout the Act.

Legislative Background and Operation of Section 58A

In Australia, trade mark rights can be acquired through registration or use. The Act outlines the statutory registration scheme by which trade mark owners can acquire rights. However, the Act also recognises that trade mark rights can be accrued through common law use1 and priority of rights is awarded to the person who first validly used or registered the relevant mark. Section 44 outlines the statutory interaction and priority of trade mark rights acquired through use or registration where an applied-for mark is found to be substantially identical or deceptively similar to a prior right on the register.

To summarise the principles outlined in s.44 at a very high level,2 s.44 provides that the first person to apply for, and ultimately achieve, registration of a trade mark has priority unless another person, having filed a later application, can show:

1. Honest concurrent use of its trade mark for a commercially significant period (s.44(3)(a));
2. Other circumstances that make it proper for the Registrar to accept the later application for registration (s.44(3)(b)); or
3. Continuous use of the applied-for mark from a time before the filing date of the prior right on the register (s.44(4)).

The use must, of course, be in relation to the goods and/or services covered by the application. Section 44 operates at the examination stage of an application and may also be invoked during the opposition, as well as being available for post-registration attacks on trade marks.

Section 58A is a new ground of opposition that was introduced in 2006 under the Trade Marks Amendment Act 2006 (Cth). According to the Explanatory Memorandum,3 the purpose of the new section was to allow the Registrar to consider the situation where:

... the owner of the earlier trade mark may have used their trade mark before applying for trade mark registration and accrued common law rights. As it stands the owner of the earlier registered mark has no basis on which to oppose registration of a trade mark accepted under subs. 44(4), even
Section 58A: A Matter of Interpretation

where their use pre-dates that of the accepted application.

The section was included as an addendum to s.58, which deals with challenges to proprietorship. Section 58 is broadly worded as follows:

The registration of a trade mark may be opposed on the ground that the applicant is not the owner of the trade mark.

While the wording of s.58 is broad, the section has, however, been narrowly construed. Ownership has only ever been successfully challenged under s.58 where there has been prior use of a substantially identical trade mark in connection with goods or services that are “the same kind of thing”.

Section 58A was enacted so that owners claiming prior rights in “similar” marks would also have a valid basis to oppose registration of trade marks. The Hearing Officer in the STEPS decision, when considering s.58A, indicated that the intended purpose of the section is as follows:

The new ground of opposition under s.58A was intended by the drafters to complement the ground available to common law owners under s.58. It attempts to address an apparent anomaly which previously existed within the opposition framework. This allowed a party to achieve acceptance of their deceptively similar trade mark in the face of an earlier trade mark, based on prior use, which then became immune to an opponent's claim to ownership in terms of s.58, because it did not fall into that provision's strict parameters of substantial identity.

However, the question arises: taking into account the structure of s.44, why should a trade mark owner be able to claim to be the owner of a deceptively similar mark, rather than a substantially identical mark? From the narrow interpretation of s.58, it follows that claims to ownership of a trade mark should be limited to highly similar marks. Further, if ownership claims should be limited to highly similar (substantially identical) marks, is there a division between a claim to ownership and the ability to prevent deceptively similar marks from achieving registration? It seems obvious that ownership of a trade mark implicitly includes the right to prevent deceptively similar marks from being used and registered. Indeed, while s.20 of the Act does not expressly state that the owner of a trade mark is entitled to prevent deceptively similar marks from being used or registered, the registration scheme outlined by the Act and the Trade Mark Regulations 1995 (Cth) – for example, the examination and opposition stages – and ss.44 (discussed above) and 120 (relating to infringement) confirm that ownership does include the right to prevent the use and registration of deceptively similar marks. From that perspective, and taking into account that s.58A is an extension of s.58, it seems appropriate to consider s.58A as an ownership-based ground of opposition.

Section 58A provides that:

1. This section applies to a trade mark (s.44 trade mark) the application for registration of which has been accepted because of:
   (a) s.44(4); or
   (b) a similar provision of the regulations made for the purposes of Part 17A.

2. The registration of the s.44 trade mark may be opposed on the ground that the owner of the substantially identical or deceptively similar trade mark (similar trade mark) or the predecessor in title:
   (a) first used the similar trade mark in respect of:
      (i) similar goods or closely related services; or
      (ii) similar services or closely related goods;
before the owner of the s.44 trade mark or the predecessor in title in relation to the s.44 trade mark first used the s.44 trade mark; and
   (b) has continuously used the similar trade mark in respect of those goods or services since that first use.

As discussed above, s.44 outlines the statutory priority of trade mark rights acquired through use or registration. Section 44(4), allowing for priority on the basis of prior continuous use, reads:

If the Registrar in either case is satisfied that the applicant, or the applicant and the predecessor in title of the applicant, have continuously used the applicant's trade mark for a period:

(a) beginning before the priority date for the registration of the other trade mark in respect of:
   (i) the similar goods or closely related services; or
   (ii) the similar services or closely related goods; and
(b) ending on the priority date for the registration of the applicant’s trade mark; the Registrar may not reject the application because of the existence of the other trade mark.

Accordingly, the result of the interaction of ss.44(4) and 58A is that an applicant who has prior continuous use of a deceptively similar mark is afforded priority over a registered right, unless the owner of that registered right has continuously used its mark from a date that pre-dates the applicant’s first use date. In these situations, the owner can oppose registration of the applied-for mark under s.58A.

Despite the seemingly relatively straightforward nature of s.58A, there is a divergence in the application of it between the courts and the Registrar of Trade Marks, which leads us to question: who is getting it right? This divergence is discussed below.

Judicial Interpretation

A literal reading of s.58A requires that, as a threshold element, the opposed trade mark application must have been accepted on the basis of prior continuous use. However, as discussed below, s.58A is not currently being interpreted, or applied, in a literal manner, with academics and the Registrar preferring a purportedly purposive approach – in our view – does not necessarily accord with the purpose of the section and the ownership provisions running through the Act.

The number of cases before the courts that consider s.58A are very limited. As of May 2016, there have been three cases before the Federal Court5 and one case before the District Court of NSW.7 The case before the District Court of NSW does not rely on s.58A – there is simply a one-sentence reference to the provision without further discussion – so the decision is of little relevance to the present discussion and we do not consider this decision further.

Turning to the Federal Court cases, none of the decisions express whether s.44(4) acceptance of the opposed application is necessary to enliven the s.58A ground of opposition. Notably, however, each trade mark application under consideration by the Court had been accepted at the examination stage for registration under s.44(4). In the absence of s.58A cases where the opposed application was accepted under s.44(3) of the Trade Marks Act, and without further commentary or decisions from the courts, it is reasonable to extrapolate that the courts – and the legal profession – consider that s.58A is intended to operate in accordance with a strict literal interpretation of the wording of the provision. That is, for s.58A to be enlivened, the trade mark application that is the subject of the proceedings must have been accepted for registration under s.44(4) or the equivalent regulation under Part 17A of the Trade Mark Regulations at examination.

Handler and Burrell criticise the Federal Court’s literal interpretation of s.58A, saying that “many of the problems … could be remedied through a purposive construction of this section”.8 They contend that the literal interpretation of s.58A results in unfair decisions and a purposive approach9 would allow s.58A to operate in a manner that acts as “part of a package of measures that, for better or worse, serve to confer in opposition proceedings ‘passing off plus’ protection on traders who can point to use of a mark that predates the applicant’s priority date”.10

The ‘purposive approach’ proposed by Handler and Burrell essentially allows the Registrar to consider and apply s.58A at any stage when s.44 could be engaged, including when an applicant can demonstrate prior continuous use under s.44(4) at opposition. They assert that this interpretation gives recognition to the purpose of s.58A and what the introduction of this section set out to achieve according to the Explanatory Memorandum, namely:11

4.9 OPPONENT’S EARLIER USE OF SIMILAR TRADE MARK

Section 58A

1. A person may obtain acceptance and registration for a trade mark under s. 44(4) even though an earlier similar trade mark has been registered for similar goods and services. The person must be able to show that they have used the trade mark before the filing date of the earlier trade mark on those particular goods or services.

2. However the owner of the earlier trade mark may have used their trade mark before applying for trade mark registration and accrued common law rights. As it stands the owner of the earlier registered mark has no
**Section 58A: A Matter of Interpretation**

**basis on which to oppose registration of a trade mark accepted under subs. 44(4), even where their use pre-dates that of the accepted application.**

3. The new section will provide a basis for the Registrar to give consideration to these issues in opposition proceedings.

However, Handler and Burrell’s arguments ignore the fact that s.58A was introduced as an addendum to s.58, which suggests that the legislature intended both sections to be relevant to ownership of a trade mark, rather than being intended to extend the scope of reputation-based rights. It is our view that s.58A was deliberately limited to situations where an applicant has overcome a citation objection by providing evidence of prior continuous use. It would be unreasonable for s.58A to extend to circumstances where an applicant has achieved acceptance on the basis of commercially significant use under s.44(3) (as is the current practice of the Registrar) because such an operation of s.58A would contradict one of the recurring themes of the Act, namely that applicants should be able to register and use a trade mark that is not likely to give rise to consumer confusion or deception.

Unfortunately, there is no guidance for this provision from other territories with similar jurisprudential background. Australia appears to be the only common law trade mark jurisdiction where prior continuous use is an express means by which a trade mark applicant can achieve priority over a prior registered right during the registration process. For example, equivalent legislation in the United Kingdom, Singapore and New Zealand does not contemplate a party being able to rely on prior continuous use to achieve registration, even if prior continuous use is accepted as a defence to infringement. However, those territories do incorporate honest concurrent use provisions, both as a defence to infringement and as a means of achieving registration. In the absence of similar provisions overseas, the Australian courts are afforded no guidance from other jurisdictions as to how s.58A should be interpreted or applied in the greater scheme of the Act.

As will be shown below, the Registrar has moved from a literal interpretation of s.58A to an awkward, purposive interpretation that allows for s.58A to be applied even in circumstances where an application has not been accepted for registration under s.44(4). While the Registrar cites Handler and Burrell – and her own administrative decisions – as authority for a purposive interpretation of the provision, the purposive approach put forward by Handler and Burrell and the Registrar does not, in our view, necessarily accord with the tenets of a purposive approach.

**The Registrar’s Version and an Academic Viewpoint**

As of May 2016, s.58A has been pursued in 54 oppositions before the Registrar of Trade Marks. Over time, the decisions have reflected a clear shift from a literal interpretation of s.58A in favour of a purportedly ‘purposive’ approach, which allows consideration of s.58A in respect of trade marks that were not accepted at examination under s.44(4). As discussed in preceding paragraphs, this approach was adopted in an attempt to cure so-called inadequacies that resulted from the literal interpretation of the section.

In the 2011 decision of *Rubelli SpA v Virtual Couch Industrie SDN BHD*, the Opponent sought to add s.58A as an additional ground of opposition after filing the Notice of Opposition, which was based on a number of grounds including s.44. The opposed mark was not, however, accepted under s.44(4). In deciding whether it was appropriate to consider s.58A at opposition, the Hearing Officer in that decision stated, at paragraph 12:

> [A] view could reasonably be taken that an opponent might not know that s.58A is of relevance to the opposition until after the applicant had served its evidence in answer.

While s.58A was not considered relevant to the outcome of the opposition, due to the Opponent’s s.44 claim failing, the above statement suggests that s.58A could be engaged, even if the trade mark was not accepted at examination under s.44(4). Despite the above, in 2013 three decisions were handed down by the Trade Marks Office in favour of a literal interpretation of s.58A.

- In the decision of *MACH v BlueScope*, the Hearing Officer held that s.58A could only apply to marks that are accepted on the basis of evidence of prior continuous use under subs.44(4) of the Act. In the absence of any evidence of prior use, s.58A was not considered to be applicable.
A similar position was taken in DNA Products v Botany Essentials,\(^\text{16}\) where the Hearing Officer stated:

> This section is only applicable to trade mark applications that have been accepted under s.44(4) of the Act (i.e. “prior use”). The Trade Mark was not accepted under those provisions as it was not deceptively similar to the Opponent’s trade mark and evidence of prior use from the Applicant was therefore unnecessary. This ground of opposition fails at the threshold and cannot be established.

The s.58A ground of opposition was dismissed.

The Hearing Officer in Oztrademe Pty Ltd v Trade Me Ltd stated at paragraphs 16-17:\(^\text{17}\)

> Section 58A applies to a trade mark application which has been accepted by the registrar under s.44(4) because of so-called ‘prior continuous use’. The applied-for trade mark was not accepted under s.44(4) and so s.58A has no application to the facts of this case.

The year 2014 marked a shift from the criticised literal interpretation, first by way of the decision of Maier.\(^\text{18}\) This decision held that s.58A could be invoked if a trade mark is accepted under s.44(4) at examination or during an opposition. The Hearing Officer stated at paragraph 44:

> I note that s.58A is said to apply if the application has been accepted because of subs.44(4). In the present matter I have found that the application may be registered because of subs.44(4). However, nothing hangs on this. The salient fact is that subs.44(4) is applied and whether this occurs during examination or opposition is not relevant.

This decision raises the prospect of s.58A being engaged where an applicant could invoke s.44(4) at opposition, despite the clear wording of s.58A stating “has been accepted” because of s.44(4). In addition, there are at least two further issues with this decision:

1. The applicant’s trade mark was accepted under s.44(3)(b) at examination. Subsection 44(3)(b) allows for the Registrar to accept a trade mark application for registration, where that mark would normally be considered to be deceptively similar to a prior mark, because of other circumstances that make it proper for the Registrar to do so. While the boundaries of s.44(3)(b) are somewhat nebulous, it is clear from the Registrar’s application of s.44(3)(b) that a dominant consideration is the likelihood of consumer confusion between the marks under comparison.\(^\text{19}\) For example, s.44(3)(b) allows for an application to be accepted for registration on the basis of a letter of consent from the owner of a trade mark that has been cited during examination. The Registrar accepts the letter of consent as an indication that the owner of the cited mark does not consider there to be a risk of consumer confusion.\(^\text{20}\) Similarly, s.44(3)(b) may be applied where an applicant seeking to establish honest concurrent use cannot do so because the cited mark is not in use.\(^\text{21}\) Again, the likelihood of confusion is a dominant factor in the Registrar’s consideration whether the application should be accepted for registration. In Maier, the circumstances giving rise to the acceptance of the application under s.44(3)(b) are not set out but it is reasonable to assume that the Registrar considered (at the examination stage) that there was no real, tangible danger of consumer confusion. If the application was accepted for registration on the basis that there had been an extended period of use without a likelihood of consumer confusion, why should a warped and ultra vires interpretation of s.58A be permitted to overrule the legitimate operation of s.44?

2. The second issue – and of greater concern – is that the Hearing Officer wilfully ignored the Opponent’s s.58 ground of opposition even though the marks under consideration, ASOS and ASSOS, were substantially identical and the opponent had first use in Australia in relation to relevant goods. There was no need for s.58A to be interpreted in such an unwieldy and contorted manner when a literal reading and application of s.58 would have attracted the same result for the opponent.

Overall, we do not find the Hearing Officer’s approach or reasoning in Maier to be persuasive.

Shortly after the Maier decision issued, Handler and Burrell discussed the application of s.58A and noted some procedural issues that could arise if a literal interpretation of s.58A is followed, particularly that of the opponent being precluded from raising s.58A on appeal.\(^\text{22}\) In support of their argument for a purposive interpretation of s.58A, Handler and Burrell noted that a literal interpretation could lead to a situation where an applicant could overcome a s.44 opposition with
evidence to support prior continuous use under s.44(4), but the opponent would have no recourse to assert prior use at opposition and invoke s.58A because the trade mark was not accepted at examination under s.44(4). For these reasons, Handler and Burrell advocate a purposive approach to the interpretation of s.58A, rather than a literal approach, which allows for s.58A to be enlivened even where an application has not been accepted under s.44(4).

This purposive interpretation is the approach that the Registrar is now currently applying as standard practice. The 2016 decision of K-Tec v Healthy Foods, in which the Opponent sought to add s.58A as a ground of opposition, affirmed the Hearing Officer’s approach in Maier. In the K-Tec decision, the opposed mark was not accepted by the Examiner under s.44(4) and registration of the trade mark was opposed under ss.44, 58 and 60. However, the evidence led in the opposition confirmed that the applicant had in fact used the opposed mark before the priority date of the marks which the opponent was seeking to rely upon under its s.44 opposition ground, meaning that the applicant’s trade mark could achieve registration under s.44(4). The Opponent accordingly sought to oppose registration of the application under s.58A by adding it as a ground of opposition after the evidence stages had closed and shortly before the hearing.

Following the reasoning of Maier, the Hearing Officer in the K-Tec decision referred to the Explanatory Memorandum, as well as discussing the difficulties in adopting a literal interpretation of s.58A. The Hearing Officer referred specifically to the quote below from Shanahan’s Australian Law of Trade Marks and Passing Off:

"A literal interpretation of the provision may lead to the curious position where it is not applicable if an examiner does not raise any objection under s.44 but registration is then "successfully" opposed on that basis. In such circumstances, there would be no decision at the examination stage to permit registration on the basis of s.44(4). Yet, s.58A, read literally, suggests that an opponent who successfully raises a s.44(1) or (2) objection at opposition would be stymied in any attempt to also oppose a decision to then permit registration under s.44(4) because the “application” was not accepted under s.44(4) and therefore the opponent could not at that point raise s.58A as a ground of opposition."

While the Hearing Officer ultimately refused to add s.58A as a ground of opposition, this decision was based on the Opponent’s timing of its request to amend, rather than on the basis that s.58A was not available because the opposed application had not been accepted for registration under s.44(4).

The general direction of recent decisions appears to be in favour of protecting opponents who have used their trade mark before the applicant’s purported first use date. These policy considerations have merit – an owner should not be precluded from being able to assert prior rights at common law in a trade mark, and an applicant should not be allowed to register a trade mark when they are not the true owner at common law. Indeed, this is in line with Australia being often regarded as a ‘first to use’ jurisdiction, where the owner of the trade mark in Australia is the first party to use the mark, or the first to file an application, whichever is the earlier.

In addition, from a statutory interpretation perspective, there may be nothing objectionable to a purposive approach to s.58A. It is well-recognised that, historically, the purposive approach to statutory interpretation was utilised as an alternative method of interpretation only when a literal reading of the provision would result in ambiguity. While the purposive approach to statutory interpretation is now equally acceptable in Australia as the literal approach, the High Court has held, on numerous occasions, that the search for the meaning in a statute must always begin with a consideration of the ordinary meaning of the wording and structure of the relevant provision. Using extrinsic material, such as the Explanatory Memorandum, as an aid to interpretation is permissible, but only where the meaning of a provision is not clear. As stated by the High Court in Northern Territory v Collins:

"Secondary material seeking to explain the words of a statute cannot displace the clear meaning of the text of a provision, nor least because such material may confuse what was intended with the effect of the language which in fact has been employed."

However, a foreseeable issue with the purposive interpretation of s.58A, which allows it to be enlivened in response to a s.44 opposition, is how it interplays with s.44(3)(a), where a trade mark can be accepted on the basis of an applicant’s honest and concurrent use of the trade mark, or s.44(3)(b), where a trade mark can be accepted because other circumstances exist that justify registration.
The Interplay between Section 58A and Section 44(3)

Consider the situation where an opponent has used its trade mark before the applicant used its trade mark. There is nothing in the Act to prevent the applicant from seeking to establish honest and concurrent use of its trade mark and achieving registration on this basis. The question therefore arises as to whether a purposive interpretation (in line with the Registrar's practice and the direction proposed by Handler and Burrell) is truly the correct interpretation of s.58A. It seems more likely that it was always Parliament's intention that s.58A be interpreted literally and should only cover those situations where an opponent is made aware of another party claiming earlier use at examination and that use is insufficient to establish honest concurrent use or other circumstances that make it proper for the Registrar to accept the application for registration.

This legislative dichotomy between s.44(3)(a) and s.58A has been recognised and was discussed by the Hearing Officer in the Commercial Radio decision. In this decision, the Applicant was able to overcome a citation objection at examination based on the Opponent's identical mark with evidence of prior continuous use and the application was accepted under s.44(4). While the Opponent was successfully able to engage s.58A in the opposition, ultimately the Hearing Officer decided in favour of the Applicant because it was able to establish honest concurrent use of its trade mark.

At paragraphs 22 and 23, the Hearing Officer in the Commercial Radio decision posits the question "Does s.58A prevail over s.44(3)(a)?". In considering this question, the Hearing Officer referred to 4.9.1 of the Explanatory Memorandum regarding s.58A, which states:

While other grounds may be relevant in a proceeding, the owner of the registered mark will need to establish that their use of the mark predates the use of the accepted application for an opposition to succeed under the new ground.

Having found s.58A to be intrinsically linked to s.44, with the intention of complementing s.58, the Hearing Officer in the Commercial Radio decision opined at [26] that s.58A indicates:

… a clear intention to prevail over the applicant’s prior use established under s.44(4). There is no equivalent provision relating to the treatment of s.44(3)(a) however, and I am of the opinion there was an intention to leave that avenue open, in the face of prior use at common law.

In our view, this makes sense. The Hearing Officer’s position that s.58A is intended to address issues as to ownership of a trade mark at common law, but not preclude an applicant for registration being able to claim honest and concurrent use of its trade mark under s.44(3)(a) and achieve registration, conforms with the general theme throughout the Act that a person should be able to use and register a trade mark that is not likely to deceive or cause confusion.

An important factor to note in the Commercial Radio decision is that s.44 was also raised as an opposition ground, and therefore the Hearing Officer took the view that he was entitled to consider the merits of s.44(3)(a).

The Hearing Officer in the K-Tec decision also felt that the Registrar’s approach to reassessing evidence of use at opposition under s.44 was justified because of the following passage in the Explanatory Memorandum supporting the insertion of s.58A within the Act (emphasis added):

A person may obtain acceptance and registration for a trade mark under s.44(4) even though an earlier similar trade mark has been registered for similar goods and services. The person must be able to show that they have used the trade mark before the filing date of the earlier trade mark on those particular goods or services.

Through the wording ‘and registration for a trade mark under s.44(4) even though an earlier similar trade mark has been registered for similar goods and services.’ The person must be able to show that they have used the trade mark before the filing date of the earlier trade mark on those particular goods or services.

The statement from the Explanatory Memorandum that is referred to in the K-Tec decision is limited to the ‘acceptance and registration for a trade mark under s.44(4)’ without any mention of s.44(3). However, s.35 of the Trade Marks Act 1995 (Cth) provides the Registrar with the power to refuse registration of a trade mark ‘having regard to the extent (if any) to which any ground on which the application was opposed has been established’.

21
Section 58A: A Matter of Interpretation

If an opponent opposes registration of a trade mark under s.44, the Registrar has the power to decide whether the opposed trade mark should be registered having regard to extent to which the opposed mark has been used, including for the purposes of the applicant being able to demonstrate honest concurrent use and/or other circumstances.

For the majority of instances where an applicant can demonstrate use of the applied-for trade mark before the filing date of a conflicting mark (whether raised at opposition or examination), an applicant may be able to assert honest concurrent use of their trade mark to secure acceptance and/or registration. The only situation in which an applicant may not be able to establish honest concurrent use or other circumstances would be where the prior right has also only been recently filed and the intervening period is insufficient to allow for significant commercial use. For example, if a pending application faces a citation objection based on a prior mark which pre-dates the pending application by 12 months or so, the applicant may be able to overcome the objection by showing prior continuous use even one day prior to the filing date of the cited mark. However, it is unlikely that such a period of use would be sufficient to establish honest concurrent use or other circumstances under s.44(3).

If the applicant can refer to the coexistence of another corresponding trade mark (belonging to the applicant) on the Register or in the marketplace, or if the opponent has no use of its mark for the applicant to be able to satisfy the requirement of 'concurrency' under s.44(3)(a), then the applicant could secure registration of its trade mark on the basis of 'other circumstances' under s.44(3)(b). Again, however, these situations are likely to require a commercially significant period of use to satisfy the Registrar of the validity of the claim.

Indeed, the ability of a party to be able to rely on its honest and concurrent use, or other circumstances that support registration, is also enshrined under ss.122(1)(f) and 122(1)(fa) of the Trade Marks Act which provide defences to infringement if:

(f) the court is of the opinion that the person would obtain registration of the trade mark in his or her name if the person were to apply for it; or

(fa) both:

(i) the person uses a trade mark that is substantially identical with, or deceptively similar to, the first mentioned trade mark; and

(ii) the court is of the opinion that the person would obtain registration of the substantially identical or deceptively similar trade mark in his or her name if the person were to apply for it; or...

It follows that if an applicant can overcome an opposition under s.44 by invoking s.44(3), and therefore establishing that there is no likelihood of confusion between the marks, then the opponent's ability to invoke s.58A should have no bearing on the outcome of the opposition. Furthermore, the applicant protects itself from the potential limitations that could arise through the purposive interpretation of s.58A.

Therefore, for the purposes of the operation of the Trade Marks Act, there is a reasonable argument that s.44(3) 'trumps' s.58A. All of this leads to the obvious question: what then is the purpose of s.58A? There has been much discussion and reference to the 'purposive interpretation' of s.58A, yet these discussions are somewhat academic when its purpose in practice appears limited. Is the practical purpose of s.58A purely so that the opponent has the ability to assert ownership at common law, irrespective of the applicant's concurrent use of its trade mark? Or, is the purpose and introduction of s.58A purely to resolve the difficulties arising from the narrow construction of s.44(4), where s.58A should only ever be a successful ground of opposition when s.44(3) cannot be, or is not, successfully claimed?

From a practical perspective, it appears that s.58A only has a realistic – and non-contradictory - application where an applicant is able to show use of its mark prior to a recently filed trade mark. For example, if the filing date of the cited mark pre-dates the applicant's trade mark by six or 12 months and the applicant has used its mark but is not able to establish a commercially significant period of use under either limb of s.44(3), prior continuous use under s.44(4) would be the most likely avenue of overcoming the citation objection. In that situation, it would be open to an opponent to defeat registration of the applicant's mark under s.58A and the registration-use dichotomy operates effectively (because s.44(3) is not relevant).
But What if the Opponent does not Oppose Registration under Section 44?

Our comments above consider the practical application of s.44(3) in light of the purposive interpretation of s.58A. It presumes that an opponent will oppose registration of a deceptively similar mark under both s.58A and s.44. This is because, under a purposive approach, that is the only situation when s. 58A could be enlivened when a trade mark was not accepted at examination under s.44(4).

There are, however, limitations with the literal interpretation of s.58A. When comparing the Kingsgate and the Commercial Radio decisions, Handler and Burrell criticised the literal interpretation of s.58A on the basis that, unless the opponent also relies on the mark that was initially cited by the Examiner to support a s.44 ground of opposition, a strict interpretation of s.58A would prevent the applicant from being able to try to invoke the s.44(3) exception. Handler and Burrell state:28

As it is, the two decisions that we have point to the preposterous conclusion that Hearing Officers are entitled to consider whether the marks are indeed substantially identical or deceptively similar when dealing with s.58A when s.44 has not been separately raised, but are not entitled to consider the s.44(3) exceptions unless the opponent has chosen to nominate s.44 as a ground of opposition.

There are therefore clear strategic advantages for an opponent to only rely on s.58A (if it can), and not s.44, when opposing registration of a trade mark accepted under s.44(4). However, it would be unusual for an opponent to pursue an opposition on the basis of deceptive similarity under s.58A without nominating s.44, particularly given the relationship between those sections. If an opponent chooses not to nominate s.44 for strategic reasons (for example, to avoid the Registrar having the ability to reassess the applicant’s use as honest concurrent use), this is a matter of strategy and the opponent must simply roll the dice.

When considering the practical effects of the application of s.58A when s.44 is not concurrently raised in opposition, Handler and Burrell’s criticism is not without merit, and leads to the obvious question, is an applicant better off trying to secure registration solely on the basis of honest and concurrent use (rather than prior continuous use) such that s.58A can never be enlivened?

Conclusion

It is evident that there is a great deal of confusion about s.58A – how it should be interpreted, what its effects are in practice and if its insertion was necessary at all. Is a purposive approach required? Or is a literal interpretation sufficient and giving effect to the true intention of the legislature? While the Registrar and Handler and Burrell criticise a strict literal interpretation of s.58A, we contend that a purposive construction of s.58A – taking into consideration the structure of the Act – does not necessarily lead to Handler and Burrell’s conclusions and the Registrar’s practice.

It is apparent that the inclusion of s.58A was, to some extent, necessary due to the narrow wording of s.44(4). While little purpose is gained by reflecting on how a provision should have been drafted, and in view of the limitations discussed above, arguably the issues with s.44(4) could have been better rectified by amending s.44(4) itself, for example, by using similar wording to that used at s.34(2) of the 1955 Act, which read (emphasis added):

(2) Where a person has, by himself or his predecessors in business, continuously used a trade mark before the use, or before the date of registration, whichever is the earlier, of another registered trade mark by the registered proprietor of that other trade mark, by his predecessors in business or by a registered user of that other trade mark, the Registrar shall not refuse to register the first-mentioned trade mark by reason of the registration of that other trade mark.

Taking into account the considerations that we have discussed above, we are of the view that a literal interpretation of s.58A does in fact reflect the purpose of the Act and therefore represents the best purposive approach to interpretation of the section. In the absence of a repeal of s.58A and subsequent amendment to s.44(4) as suggested above, which seems unlikely, at least in the immediate future, we contend that s.58A should be interpreted as being limited to instances where an applicant has achieved acceptance under s.44(4) at the examination stage. The purposive approach to s.58A that the Registrar is currently enforcing is not persuasive and ignores a dominant theme of the Act that persons are entitled to register trade marks that are not likely to deceive or cause confusion.
Section 58A: A Matter of Interpretation

1 See, for example, ss.41, 44, 58, 60, 122 and 124.
2 And assuming knowledge of the terms relating to substantial identity, deceptive similarity and similar/related goods and services.
9 According to DC Pearce and RS Geddes, Statutory Interpretation in Australia (8th ed., 2014) (online), LexisNexis at Chapter 2.5: “The purposive approach [is] applied by determining the purpose of the Act, or the particular provision in question (or the ‘mischief’ with which it was intended to deal), and by adopting an interpretation of the words that [is] consistent with that purpose.”
10 Handler and Burrell at Part VI.
12 If a trade mark owner has accrued reputation in its mark, ss.42(b) and 60 provide an avenue for a reputation-based attack. It seems unnecessary for s.58A to also be treated as based on reputation.
13 For example, ss.43, 44(3), 60, 88(2)(c), 120(2) and 122. We also note that even reputation-based grounds such as s.60 will not succeed if the Registrar considers that the opposed mark is not likely to deceive or cause confusion.
15 MACH Systems Pty Ltd v Bluescope Steel Limited [2013] ATMO 40 at [19].
16 DNA Products Aust Pty Ltd v Botany Essentials Pty Limited [2013] ATMO 82 at [34].
17 Oztrademe Pty Ltd v Trade Me Limited [2009] ATMO 90 (9 November 2009).
20 Note, however, that the Registrar can refuse to accept a letter of consent if the Registrar considers that there is still a risk of confusion between the two marks – see Part 27.3.2. of the Trade Mark Examiner’s Manual, accessible at http://manuals.ipaustralia.gov.au/trademarks/trade_marks_examiners_manual.htm.
22 Handler and Burrell at Part V.
23 See Part 47.1.2.5 of the Trade Mark Examiner’s Manual (http://manuals.ipaustralia.gov.au/trademarks/trade_marks_examiners_manual.htm) and the Statement of Grounds and Particulars form available from IP Australia’s website (at https://www.ipaustralia.gov.au/sites/default/files/956/0100043_1115_0.pdf), which, according to the Oppositions Section at IP Australia, was amended in late 2015 to delete the reference to s.44(4)(reg 4.15A under s.58A at the top of page 4.
25 As of 20 May 2016, a decision on the substantive opposition is yet to be issued.
In Playgro v Playgo, the Federal Court of Australia applied reasoning drawn from trade mark revocation cases to a trade mark infringement case. The result gives the Trade Marks Act 1995 extra territorial operation, or alternatively establishes a new theory of extended liability for third party conduct, neither of which outcomes were intended by the Court.

Introduction
This article examines the finding of infringement by the Federal Court in Playgro v Playgo and the extra territorial effect it gives to s.120 of Australia’s Trade Mark Act 1995 (Cth).

“Children’s Toys” are referred to in the title because the case was about toys that were made in China and imported and sold in Australia by Myer.

“Beer and Wine” is used in the title because in order to arrive at a finding of infringement the trial judge did not apply reasoning drawn from other infringement cases. Rather, he applied the High Court’s reasoning in Gallo. Gallo was a high profile case about whether or not a registered trade mark was vulnerable to revocation on the basis that it had not been in “use” in Australia during the critical statutory period. The case is a very important “non-use” case, but its notoriety was probably helped by the Full Court’s decision that wine was the same as beer.

Playgro itself has been the subject of a small number of case notes and blog posts which do not express any surprise about the result. Indeed nothing leaps from the page when one reads the Court’s reasons. However, some thought experiments in which the reasoning is applied highlights why the judgment is either very important, or wrong.

Highlighting a Problem
To set the scene, imagine an Australian manufacturer, called William, makes outdoor clothing. The clothing is popular locally, and William has a reasonably successful retail outlet in St Kilda. William has a valid Australian registered trade mark, which he developed himself, and which he always applies to his clothing. William has never exported clothing. He only sells clothing in Australia. Imagine a buyer from a large retailer in Hong Kong visits Melbourne, sees the clothing and considers that it is likely to be popular at home. The buyer negotiates with William and places a good sized order under a standard supply contract.

Because William does not export, the retailer arranges to collect the goods from Australia and import them into Hong Kong, where they are then sold under and by reference to the trade mark that William applied to the clothing in Australia.

Unfortunately for William, it turns out that his trade mark is deceptively similar to a Hong Kong registered trade mark owned by a Chinese clothing manufacturer. The manufacturer does not want to sue the retailer (who happens to be a good customer), so sues William for trade mark infringement in Hong Kong.

William has undertaken no activities in Hong Kong. He was not jointly responsible for the retailer’s Hong Kong sales, and did not procure or induce the sales under any common law theory of extended liability.

Imagine that the Hong Kong Court acknowledges that Hong Kong trade mark legislation is not meant to have any extra territorial effect, but nevertheless finds William liable for infringement, grants an injunction prohibiting him from selling clothes in Australia that could be destined for Hong Kong, and orders him to pay damages and court costs.

Could that outcome be right? Has the Hong Kong Court in fact given its local trade mark legislation extra territorial effect, extending its operation into Australia?

The above facts were mirrored in Playgro and Justice Moshinsky found Hong Kong entity Playgo directly liable for trade mark infringement in Australia.

In particular, undisputed facts or findings in Playgo include that:

(a) Playgo was registered as a company in Hong Kong.

(b) The mark PLAYGO was devised by its director and registered as a trade mark in China in 1994.
(c) Playgo made its toys and applied its trade marks to them in China.
(d) Myer purchased toys from Playgo in China, and property and risk in the goods passed to Myer in China.
(e) Playgo never manufactured, advertised, promoted, sold, or offered for sale its toys in Australia.
(f) Playgo was not engaged in a “common design” with Myer. The relationship was merely that of vendor and purchaser, involving a standard supply agreement.
(g) Playgo knew that Myer was a large department store in Australia and would sell the toys there.

If you think findings of infringement in the above hypothetical and real examples are unsurprising, have you advised all of your local clients that, even if they undertake no activities in a foreign market, and even if they only sell their goods in Australia, and even if they only apply their own valid Australian registered trade mark to their goods, they could be liable for trade mark infringement in other countries when they sell their goods to foreign traders – with the decisive factor being simply whether or not they know from which county the purchaser hails? If not, is it because you consider that it is only the Australian Trade Marks Act that can have such extra-territorial application?

The authors argue that the trial Judge was wrong to find infringement by Playgo, and in particular was wrong to apply the reasoning in Gallo to an infringement context. Further, contrary to his stated intention, he in fact gave the Australian Trade Marks Act an extra-territorial effect and was wrong to do so.

Gallo

Some explanation of Gallo is necessary. Lion Nathan started selling beer under the name and brand BAREFOOT RADLER in about January 2008. Gallo complained that it infringed its BAREFOOT trade mark, which was registered in Australia in respect of wines. Lion Nathan denied infringement, arguing beer was not wine. More importantly (at least for present purposes), it cross claimed that Gallo’s trade mark was liable to be revoked because it had not been used as a trade mark in Australia by the registered proprietor of the mark for the critical statutory period, which in this case ran from 7 May 2004 to 8 May 2007.

Section 92 of the Act provides that a person may apply to the Registrar to have a registered trade mark removed on the ground that:

the trade mark has remained registered for a continuous period of three years ending one month before the day on which the non-use application is filed, and, at no time during that period, the person who was then the registered owner … used the trade mark in Australia … in relation to the goods and/or services to which the application relates.

Gallo defended the non-use application by Lion Nathan on the basis of a rather tenuous and fortuitous use of the registered mark by a third party called Beach Avenue.

Gallo had acquired the BAREFOOT registration from Mr Michael Houlihan in January 2005, about six months into the critical statutory period. Houlihan had registered the mark in March 1999 and had been licensing it to Barefoot Cellars. In February 2001, Barefoot Cellars supplied 60 cases of wine bearing the trade mark to a company in Germany. No-one knows exactly what happened to the wine after that, save that someone supplied some of it to an Australian company called Beach Avenue, who then imported it into Australia and sold about 170 bottles during the statutory period. Some of the sales were before, and some after, the assignment to Gallo.

Neither Houlihan nor Barefoot Cellars had any expectation that some of the wine supplied to Germany would end up for sale in Australia, nor any knowledge that some in fact did. Clearly, the offer for sale and sale of the wine by Beach Avenue under and by reference to the mark was “use” of the registered trade mark in Australia by Beach Avenue. In the circumstances the Court considered that the principal issue was whether that use was also use by the registered owner.

The Court considered that it was:

Each occasion of trade in Australia, whilst goods sold under the trade mark remain in the course of trade, is a use for the purposes of the Trade Marks Act.

… As affirmed by Gummow J in Wingate Marketing Pty Ltd v Levi Strauss & Co, “whilst a trade mark remains on goods, it functions as an indicator of the person who attached or authorised the initial use of the mark”. During the trading
period, the trade mark functions as an indicator of the origin of the goods, irrespective of the location of the first sale.

Provided Barefoot Cellars was an authorised user, the facts and circumstances of this case are sufficient to constitute a use of the registered trade mark by the registered owner for the purposes of the relevant sections of the Trade Marks Act set out above.

Infringement
Section 120(1) of the Act provides that a person infringes a registered trade mark “if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered”.

The Applicant’s key submission in Playgro was that Gallo applied equally to the infringement context.

It is well established that an overseas manufacturer which places (whether by itself or through an authorised user) a trade mark on goods which are then offered for sale and sold in Australia is a user of that trade mark in Australia: E & J Gallo Winery v Lion Nathan Australia Pty Ltd (2010) 241 CLR 144 (Gallo) at [46]-[47], [52] per French CJ, Gummow, Crennan and Bell JJ.

In particular, the Applicant submitted the word “use” which appeared in both s.92 and s.120, and in other provisions of the Act, ought to be given a consistent meaning in accordance with normal principles of statutory construction.

Justice Moshinsky accepted this argument:

Although Estex and Gallo were concerned with applications for the removal of registered trade marks for non-use, the consideration of ‘use’ of a trade mark in the passages referred to in paragraphs [127]-[138] above does not appear to be limited to that context, and seems equally applicable to an infringement context. This is consistent with the principle of statutory construction that words used consistently should be construed consistently, unless there is good reason to do otherwise.

Playgo argued that this did not make any sense, and that itself was a good enough reason not to adopt the advocated approach. That is, if the reasoning in Gallo were applied to an infringement context, parties with similar roles to Houlihan and Barefoot Cellars could be liable for trade mark infringement when they legitimately applied a mark to goods in the US and supplied them to Germany, without any knowledge or intention that they could end up in Australia:

It cannot, in principle, be the case that every foreign company throughout the world is liable for trade mark infringement in Australia if its marked goods are present in Australia in the course of trade, no matter how long the chain is of international trade and commerce. That would make them hostages to the actions of others, even where there is no suggestion of vicarious or contributory liability and even if they are unaware of such conduct in Australia.

It went on to point out other oddities:

Absurd consequences would follow in the context of parallel imports if the applicant’s case on ‘use’ were accepted: e.g. Fender Australia Pty Ltd v Bevk (1989) 25 FCR 161. If the concept of ‘use’ for the purposes of infringement were exactly the same as ‘use’ for the purposes of a proprietorship/non-use action, it would follow (in that case) that the US manufacturer was infringing the Australian trade mark, even though it did nothing but manufacturer and sell ‘FENDER’ guitars in the US under its own trade mark.

Moshinsky J was not dissuaded:

In the present case, however, the respondents were aware that the goods were to be offered for sale and sold in Australia. It is not necessary to consider whether a foreign company would be liable for infringement if this were not the case.

The Judge ignored oddities associated with applying the reasoning of Gallo in an infringement case and applied the reasoning because he felt that the outcome in the case before him would not be unfair.

Following his finding of infringement, the Judge gave the parties an opportunity to formulate orders giving effect to his reasons. When agreement could not be reached, he heard further argument, including in relation to the formulation of the appropriate injunction. Playgo submitted that if the Court were minded to grant an injunction, it should be limited to conduct in Australia. The Judge disagreed:

In relation to the wording of the injunction, I do not think the injunction should be expressed in terms of conduct in Australia. As discussed in
Beer and Wine and Children’s Toys

Accordingly, he granted an injunction restraining Playgo from "supplying for sale in Australia" playthings under or by reference to the Playgo mark. Since the relevant acts of supply would not occur in Australia, the injunction specifically and intentionally gave extra territorial effect to the Act. It seems that the injunction prohibits the execution of a standard sale and purchase agreement in Hong Kong for delivery of goods to a purchaser in China, where Playgo knows the purchaser intends to re-sell the goods in Australia. Breach of the injunction would occur at the time of execution of the contract, irrespective of whether or not the goods actually made it to Australian shelves.

Other Oddities

Applying Gallo to an infringement context has the result that a single act comprises a use of the registered mark by two people. Gallo establishes that when the mark has been applied to goods by or with the consent of the registered proprietor, a subsequent sale of the goods bearing the mark in Australia involves a use by the mark by the vendor (e.g. Beach Avenue) and a use of the mark by the registered proprietor (e.g. Houlihan and Gallo).

We all know that the common law recognises that in some cases a third person may be liable for an act of infringement committed by a third person. The circumstances are limited, but include where a person is the master of the servant that commits the act in the course of his service, the principal of an agent that performs the act on his behalf, or a person who is jointly responsible for the performance of the act because it was carried out in furtherance of a common design (the Koursk [1924] P 140).

These common law principles apply equally to statutory torts. For example, see Re BEST Australia Limited [1988] FCA 242 (15 July 1988).

In such cases, there is a relevant nexus between conduct performed by one person and another person, sufficient to justify a finding that the other person is also liable for the conduct. However, treating conduct by different entities at different times in different places as one act when there is no such nexus can give rise to strange results.

The manufacture and distribution of goods commonly involves at least a manufacturer, a distributor, and a retailer. A manufacturer who affixes a sign as a badge of origin to goods and then sells the goods to a distributor does not engage in any conduct when those goods are resold by the distributor or the retailer.

Suppose a manufacturer supplies goods to a distributor based in Hong Kong. He knows the distributor has customers throughout the world, including Australian retailers. The distributor supplies some of the goods to an Australian retailer in Hong Kong and delivers the goods to the retailer in Hong Kong. The retailer then imports them. The sale of the goods by the retailer in Australia under or by reference to the mark would not comprise use of the trade mark by the distributor in accordance with Gallo, because the distributor is not the “owner” of the mark. It seems odd that the distributor could not be liable for conduct comprising infringement, but the manufacturer could be, even though there is a closer causal connection between the distributor and the act of infringement than between the manufacturer and the act.

What if the manufacturer turned a blind eye, or was indifferent to where his goods might be on-sold? These types of issues were not considered in Gallo because the Court was not concerned with principles of infringement.

Here, it is important to remember that on the one hand the High Court in Gallo makes clear that the subjective knowledge of the user is irrelevant to use of a trade mark.” On the other hand, in infringement cases knowledge of a purchaser’s intention has never been sufficient to establish that a supplier’s liability for the purchaser’s subsequent tortious conduct.

Unpacking the Issue

In circumstances where there was no previous authority regarding whether or not Gallo applied in infringement cases and Playgo’s “that cannot be right” argument was not accepted by the Court, it is necessary to look harder to see if and why it is not logical to apply the reasoning in Gallo to the meaning of use in s.120.

The authors believe that the below exercise demonstrates that applying principles of use considered in Gallo in an infringement context involves at the outset an inconsistency.
For the purposes of s.92, the central issue is whether the proprietor is entitled to the benefit of a notional representation indicating origin made to consumers resulting from a use of the registered trade mark in the jurisdiction. Gallo establishes that in such circumstances, the identity of the person who performs the physical act comprising the notional representation (an offer for sale or sale by reference to the mark) is unimportant. If the proprietor made goods and applied his registered mark to the goods, and the mark in fact functioned as a badge of origin in Australia during the statutory period, and a reputation in fact accrued to the mark in that way, it is not unreasonable to find that, in that context the proprietor was using the mark in Australia during the period. Who, other than the proprietor, should be entitled to any reputation resulting from the use of his or her badge of origin?

However, there is an important conceptual difference between being entitled to the benefit of a representation and making it. For example, if a local were to prepare and march around Melbourne with a placard asserting that Donald Trump makes an excellent president, he or she is making representations which arguably benefit Donald Trump. However, Donald Trump has not performed the acts that comprise that representation. The difference is recognised in the tort of passing off. A party can accrue reputation in Australia sufficient to ground a passing off action without himself engaging in any conduct in Australia. However, a person cannot be liable for the tort of passing off in Australia if he or she has not engaged in any conduct in Australia (unless there is a relevant nexus between him and the conduct).

In summary, if genuine goods have been promoted or sold in Australia in the relevant period, it follows that the registered mark has properly functioned in the relevant period to distinguish the goods as originating from the proprietor. The use by the proprietor is divorced from any physical act by him (or her).

Conversely, in the case of s.120 the concern is whether the proprietor should be entitled to relief for conduct by a respondent comprising a use of a sign as a trade mark. While the class of physical acts that comprising use is probably the same in both cases (applying the sign or mark to goods, and promoting and selling goods under the sign or mark), in the infringement context the central issue is not whether the registered trade mark has functioned as a badge of origin of the proprietor's goods. Rather, it is whether a person should be liable for conduct comprising a use of an identical or confusingly similar sign, and, if liability is established, what damage that use caused the registered proprietor.

It is inconsistent with an allegation of infringement to consider a manufacturer who applies the relevant sign to goods as the owner or proprietor of rights in the sign in Australia. It is implicit in a finding of infringement that use of the sign in question in the course of trade would cause deception or confusion. A manufacturer cannot be accused of causing deception through use of a sign as a trade mark and at the same time said to be entitled to enjoy any reputation or goodwill accruing to the sign through its use in Australia. Rather, the allegation of infringement involves arguing that the sign is not properly functioning as a badge of origin of the manufacturer's goods, but is causing deception. The manufacturer is therefore not entitled to the benefit of any reputation arising from the deception. It seems to follow that it cannot be said in an infringement case that the respondent is using the mark in the extra physical sense critical to the reasoning of the Court in Gallo.

In summary, for the purposes of s.92, the issue is whether the trade mark has properly functioned as a badge of origin of the goods of the proprietor. On the other hand, for the purposes of s.120 the issue is whether the use has falsely indicated a connection with the trade mark proprietor. An infringing manufacturer is not entitled to the benefit of any reputation accruing from the use of the sign that he applied to his goods, so does not use the sign in the way considered essential in Gallo when goods to which the sign has been applied are sold or offered for sale in Australia.

In infringement cases, the respondent cannot be said to be using the registered mark in the manner, divorced from any physical act, which is essential in the non-use context.

Applying the Logic

There ought to be no dispute that intellectual property rights are territorial in nature. Old patent cases that highlight this point include Morton-Norwich v Intercon [1978] RPC 501 and Kalman v PCL Packaging [1982] FSR 406.
Where conduct within the jurisdiction comprises a tortious cause of action, a foreign entity that has jointly committed that act with a local entity can also be liable for the tort, because the law treats the local act as having been committed by the foreign entity. That is, if he (or she) has made the act his own, he has also committed the act in the jurisdiction.

Difficulties sometimes arise when the act giving rise to the cause of action comprises a communication (for example an offer for sale) which originates in one jurisdiction and is received in another. Recent internet cases struggle with this, but these complications were not relevant in Playgo.

It is relatively clear that the Judge relied on Gallo to find that when Myer offered for sale or sold goods bearing the Playgo Device in Australia, Playgo used the Device. That is, the single act comprised at the same time both use of a sign as a trade mark by the retailer and use of the sign as a trade mark by Playgo:

[142] In the present case, the Playgo Device Mark was applied to children’s toys by Tai Way at the Dongguan factory under the authorisation of Playgo Craft and at the direction of Playgo Enterprises. The toys, with the Playgo Device Mark, were sold by Playgo Enterprises to Myer and WSL in China, for sale to customers in Australia. It is to be inferred that when Playgo Enterprises sold its products to Myer, it knew that the goods were to be offered for sale and sold to customers in Australia. Applying the concepts of ‘use’ and ‘use as a trade mark’ discussed above, the respondents used as a trade mark the Playgo Device Mark in Australia in that it was used as a ‘badge of origin’ to indicate a connection in the course of trade between the goods and the respondents. The respondents did not cease to use the Playgo Device Mark upon sale and delivery of the goods to Myer and WSL in China; rather, the mark was being used by the respondents so long as the goods were in the course of trade and it was indicative that they were the respondents’ products. The goods remained in the course of trade until their ultimate sale to customers in Australia.

The authors argue that this was wrong. Since Playgo’s sign was held to be deceptively similar to the registered trade mark it necessarily follows that Playgo was not entitled to the reputation accruing as a result of use of its sign in Australia, and was not using the sign in the manner critical to establishing use in Gallo.

It might be said that the Judge considered there was a nexus between Playgo and acts performed by the Retailers, because Playgo knew that they intended to sell the goods in Australia. His Honour said:

[146] The respondents submit that it cannot, in principle, be the case that every foreign company throughout the world is liable for trade mark infringement in Australia if its marked goods are present in Australia in the course of trade, no matter how long the chain is of international trade and commerce. In the present case, however, the respondents were aware that the goods were to be offered for sale and sold to customers in Australia. It is not necessary to consider whether a foreign company would be liable for infringement if this were not the case.

Knowledge of a purchaser’s intention has never been sufficient to establish a supplier’s liability for a purchaser’s subsequent tort. If the Judge was by this paragraph intending to overturn countless cases dealing with common law principles extending liability for infringing conduct to third parties, he would have been wrong to do so.

Clearly the Judge was relying on Gallo to establish infringement, so he should have also recognised that Gallo itself makes clear that the subjective knowledge of the user is irrelevant to use of a trade mark.

Conclusion

In non-use contexts, the court is not concerned with whether or not the registered proprietor of a trade mark has engaged in any conduct in the jurisdiction. Rather, the relevant question is whether there has been use of the mark in Australia in the sense that the mark has properly acted as a badge of origin to distinguish the registered proprietor’s goods. A mark can do so, even if the proprietor of the mark has not itself imported, sold or offered the goods for sale in Australia. Indeed, it is quite possible that a substantial reputation in a registered trade mark may accrue, the benefit of which the proprietor is entitled, without the proprietor having performed any act in Australia. Australian Courts have recognised that the proprietor is entitled to the benefit of such use by ruling
that in such circumstances the registered proprietor has "used" the trade mark in Australia, even though it has not engaged in any conduct in Australia.

The High Court in *Gallo* was not concerned with causes of action for infringement and therefore was not concerned with the nature of the requisite nexus between conduct comprising an act of infringement and the respondent said to be liable for it.

Applying principles of trade mark use considered in *Gallo* in an infringement context involves at the outset a logical inconsistency. It also makes a manufacturer directly responsible for acts which it has not performed, either directly or under principles of joint or contributory infringement and gives rise to striking geographic and temporal issues. Importing the s.92 meaning of use into s.120 involves discarding countless cases regarding the quality of the nexus between a person and a physical act required to justify the person's liability for the act, none of which were even discussed in *Gallo*.

The authors argue that the reasoning in *Playgo* was wrong and should not be followed.
**Introduction**

On 7 October 2015, the High Court of Australia handed down its judgment in *D'Arcy v Myriad Genetics Inc* ((D’Arcy)\(^1\)) unanimously holding that Myriad Genetics Inc’s (Myriad) claims for product patents over isolated nucleic acids, consisting of some or all of a mutant BRCA1 gene, were invalid. Three sets of reasons each concluded that the lower courts had misapplied *National Research Development Corporation v Commissioner of Patents* (NRDC)\(^2\) and that Myriad’s claims did not satisfy the threshold requirement for manner of manufacture under s.18(1) of the *Patents Act* 1990 (Cth) (the Act). The High Court’s decision in *D’Arcy* is the latest development in a long-running and cross-jurisdictional saga involving the courts, the legislature, the pharmaceutical industry and members of the scientific community, which centres upon a single question: “are genes patentable?”.

Like other high-profile decisions, *D’Arcy* has attracted a share of criticism which has generally converged upon two viewpoints: first, that Australian patent law has been rendered ‘out of step’ with fellow jurisdictions;\(^3\) and secondly, that *D’Arcy* has shut the door to gene patenting altogether.\(^4\) The seriousness of these charges cannot be underestimated. Being out of step may place Australia at an economic disadvantage against global competitors. A blanket restriction on gene patenting may severely hamper research and innovation and would run counter to the historical trend in Australian patent law towards broadening the parameters of patentability since the 17\(^{th}\) century.\(^5\)

In view of this, the aim of this article is to test the validity of the criticisms against *D’Arcy* and assess whether Australia has moved in the wrong direction. Part I provides a description of the key scientific concepts which underlie the debate, before examining the High Court’s reasons for decision from the perspective of legal principle and in the broader context of how “manner of manufacture” has evolved over its history. Part II outlines the position in three jurisdictions, the United States of America (US), Canada and the European Union (EU), which have been chosen because of their close historical, trading and/or jurisprudential links with Australia. Part III applies the understanding from Parts I and II to predict how, if at all, the approach to gene patenting may develop in Australia for the future.

Admittedly, the general subject of gene patenting is well-trodden ground and the authors are conscious of the challenge presented by foraying into the discourse. The ultimate aim of this article is to demonstrate that, despite *D’Arcy*, Australia has not closed the door to gene patenting but is at a particular point in the development of principles to govern the area. The perspectives of other nations can assist Australia to develop the correct approach to identify genuine claims involving genetic information in a manner acceptable to all stakeholders.

**The Scientific Background**

Every cell in a human being contains DNA, a chemical molecule which takes the shape of a double-stranded helix.\(^6\) Each strand of the helix consists of more than 3.2 billion discrete units, known as nucleotides.\(^7\) Nucleotides can be one of four possible nitrogenous molecules (or ‘bases’) – Adenine, Guanine, Thynine and Cytocine.

DNA is an information-carrying molecule. The side-by-side arrangement of nitrogenous bases along a DNA strand is highly specific and meaningful. The sequence determines biological features and processes.

Certain regions along the nucleotide sequence of a DNA strand are known as “coding” regions or “genes” because they are processed by other units within a cell to produce proteins. Proteins have an important role in bodily processes and functions. Identifying coding regions in human DNA is an ongoing endeavour.
The nucleotide sequence in DNA will vary from person to person, accounting for differences in appearance and other biological traits. Variations can either occur over long periods of time as part of the evolutionary process or they may be spontaneous. In either case, they occur due to the insertion, deletion or substitution of nucleotide bases along a DNA strand. Some variations can be detrimental to the person.

Myriad successfully identified where, in the approximately 3.2 billion-long DNA strand, resides the BRCA1 gene which can be read by other cellular components to produce the BRCA1 protein.\(^8\) Myriad discovered that certain variations (or ‘alleles’) in the BRCA1 gene sequence were linked with the occurrence of breast, ovarian and other cancers.\(^9\) Identifying these variations can assist with timely prognosis, treatment and preventative surgery of these diseases.

**Why We're Here – D'Arcy v Myriad Genetics**

D’Arcy concerned Claims 1-3 of Patent No 686004 (Myriad’s claims) for a class of products – any “isolated nucleic acid” containing some or all of a BRCA1 nucleotide sequence with any of the specified mutations. The qualifier “isolated” distinguished the claim from a nucleic acid residing within a human organism. Claim 1 (the primary claim) read as follows:

*An isolated nucleic acid coding for a mutant or polymorphic BRCA1 polypeptide, said nucleic acid containing in comparison to the BRCA1 polypeptide encoding sequence set forth in SEQ. ID No:1 one or more mutations or polymorphisms selected from the mutations set forth in Tables 12, 12A and 14 and the polymorphisms set forth in Tables 18 and 19.*

The High Court’s judgment invalidated the claims. A decisive factor in this decision was the High Court’s interpretation and application of “manner of manufacture”. As discussed below, “manner of manufacture” is an historical term that has undergone a number of changes over the years. D’Arcy is the latest iteration in a long line of interpretations.

### Manner of Manufacture

“Manner of manufacture” traces its origins to s.6 of the 1623 Statute of Monopolies, which was the only prerequisite for the validity of a patent. The Statute of Monopolies contained no definition for the phrase as case law was deemed a better vehicle for its development; inventions then, as they are now, were considered “excitingly unpredictable”.\(^10\)

Over time, novelty, inventiveness and manner of manufacture itself were used to delineate the boundaries of “manner of new manufactures”. When novelty and inventiveness were given explicit statutory expression, “manner of new manufactures” was left with a residual meaning.\(^11\)

**NRDC** was therefore a watershed decision as it recognised that “manner of manufacture” serves to identify patent-eligible subject matter and invites the question of whether something is “a proper subject of letters patent according to the principles which have been developed for the application of s 6 of the Statute of Monopolies”.\(^12\)

The case also enlarged the scope for the patentability of processes. Frequently, courts relied upon Morton’s Rule in *Re GEC’s Application*\(^13\) as representing an exhaustive statement of principle:

*a method or process is a manner of manufacture if it (a) results in the production of some vendible product or (b) improve or restores to its former condition a vendible product or (c) has the effect of preserving from deterioration some vendible product to which it is applied.*

In **NRDC**, the High Court clarified that “vendible product” carried a broad meaning and need not result in the “production, improvement, restoration or preservation” of a physical product.\(^14\) ‘Vendible product’ signified a broader concept embracing ‘utility in practical affairs’.

Thereafter, **NRDC** acquired a broader significance. A single rule – that the process or product gives rise to an artificial state of affairs with practical utility – was considered both necessary and sufficient to satisfy the requirement of “manner of manufacture”.\(^15\)

The Full Federal Court’s reasons in the **Myriad** litigation reflected this particular school of thought. However, the High Court saw things differently.

### The High Court’s Reasons

The High Court found that an artificial state of affairs with practical utility may not be sufficient, in and of itself, to meet the requirement of “manner of manufacture”. All three reasons for judgment accepted that “manner of manufacture” had to be tested by one question, being “is this a proper
The Plurality Judgment

The plurality relied upon two particular findings of law.

First, the plurality reasoned that “manner of manufacture”, required something to be “made” by human action. The plurality held that Myriad’s claims did not fulfil this criterion.

The proper characterisation of Myriad’s claims was critical to this conclusion. While the Full Federal Court considered the subject matter of Myriad’s claims to be a class of chemical compounds, the High Court characterised the claims by the sequence of nucleotides that they referred to. That sequence depended upon biological fact rather than any making by Myriad:

Satisfaction of that integer [that is, the sequence of nucleotides] depends upon a characteristic of the human being from whom the nucleic acid is isolated, a characteristic which is not shared by all human beings. It has nothing to do with the person who isolates the nucleic acid bearing the mutant sequence.

Secondly, the plurality found that the court may consider discretionary factors, including policy concerns, when the claim being adjudicated lies at the boundaries of an established class of invention. Myriad’s claims were held to be of such nature. This finding is in obvious conflict with the Full Federal Court, which disclaimed any consideration of “whether, for policy or moral or social reasons, patents for gene sequences should be excluded from patentability”. On the other hand, the High Court held that Myriad’s claims had the potential, if upheld, to unacceptably inhibit research and innovation. This finding was based on two interrelated considerations.

First, Myriad’s claims were broad. They were not confined to any particular kind of nucleic acid nor to any particular length of sequence. A nucleic acid within the ambit of the claim might cover part of an abnormal BRCA1 gene, all of a BRCA1 gene with the specified alleles, or the whole BRCA1 gene plus some other nucleotide sequences, whether coding regions or non-coding.

Secondly, the plurality referred to the manner in which genes from a given subject may be extracted, isolated and read. The relevant sequence of nucleotides could not be identified without isolating DNA and RNA; technology did not yet permit nucleic acids to be read in-situ. This placed a hypothetical researcher in an unenviable catch-22. A nucleic acid must be isolated before it can be read, but in isolating the nucleic acid the researcher might have potentially “made” a product that was the subject of Myriad’s claim and trigger a claim for infringement.

Gageler, Nettle and Gordon JJ

Despite the distinction drawn between “inventive step” and “manner of manufacture” in s.18 of the Act, Justices Gageler and Nettle found that the concept of “manner of manufacture” logically entails a discrete requirement of inventiveness which, while not sufficient for grant of a patent, is still a necessary requirement. Similarly, Justice Gordon reasoned that “manner of manufacture” requires that the claim embody an “invention”. Both “invention” and “inventiveness” required that there be something novel about the claimed product.

In this case, Myriad’s novel contribution took the form of two discoveries: first, identifying the location along the human genome where the BRCA1 gene is to be found and secondly, determining that certain mutations of the BRCA1 gene bear a positive correlation to certain cancers. However, this did not mean that the inventions were novel. According to Justices Gageler and Nettle, “the isolation of nucleic acid … is no more than the application of a recognised diagnostic technique to a known purpose of examining fragments of human DNA”. Similarly, Justice Gordon concluded that Myriad had failed to “carry out” its discoveries in its claimed invention.
In with the Old – The Return of ‘Classical’

Given the above considerations that were used to invalidate Myriad’s claims, it is worth considering how the Full Federal Court came to the opposite conclusion.

Prior to the High Court’s decision, the antecedent discourse was dominated by one single issue: whether an isolated nucleic acid is a thing of nature or a man-made invention.26 This is a question with no easy answer, akin to asking whether a leaf torn from a tree and cleaned of dust and other surface particles by human intervention is a thing of nature or man-made. On the one hand, the leaf remains a leaf. On the other hand, an artificial process has purified the leaf and removed unwanted debris. Inevitably, an attempt to find ‘the right answer’ leads to circularity.

In contrast, the question of whether an isolated nucleic acid was a thing of nature was not essential to the Australian courts. Rather, the fundamental difference between the High Court and Full Federal Court was their interpretation of “manner of manufacture” and NRDC. The Full Federal Court applied NRDC to find that Myriad’s claims satisfied the test of an artificial state of affairs which has practical or economic utility.27 Although the Full Federal Court acknowledged that Myriad claimed a product (whereas NRDC concerned a process claim), the Full Federal Court asserted that the High Court in NRDC had “extended its reasoning to apply to a product”.28

The High Court disagreed with this interpretation. The plurality held that NRDC was not to be read as providing an exhaustive or sufficient definition of “manner of manufacture” and NRDC. The Full Federal Court applied NRDC to find that Myriad’s claims satisfied the test of an artificial state of affairs which has practical or economic utility.27 Although the Full Federal Court acknowledged that Myriad claimed a product (whereas NRDC concerned a process claim), the Full Federal Court asserted that the High Court in NRDC had “extended its reasoning to apply to a product”.28

The High Court disagreed with this interpretation. The plurality held that NRDC was not to be read as providing an exhaustive or sufficient definition of “manner of manufacture” and NRDC. The Full Federal Court applied NRDC to find that Myriad’s claims satisfied the test of an artificial state of affairs which has practical or economic utility.27 Although the Full Federal Court acknowledged that Myriad claimed a product (whereas NRDC concerned a process claim), the Full Federal Court asserted that the High Court in NRDC had “extended its reasoning to apply to a product”.28

The passage of the judgment in NRDC in question was explicitly directed to whether a process or method of applying a known product to a new application qualified as a manner of manufacture within the meaning of s.6 of the Statute of Monopolies.30 (emphasis added)

The High Court also observed that the Court in NRDC did not explicitly state that its reasons could be extended to product claims. While NRDC explored the meaning of terms like “product” and “vendible product”, this was only in connection with Morton’s Rule which concerned only process claims.

Despite their use of differing terminology – “invention”, “inventiveness” and “made” – all three of the High Court’s reasons for judgment determined that, as a matter of law, “manner of manufacture” could not take precedence over the general question of whether something is “a proper subject of letters patent according to the principles which have been developed for the application of s.6 of the Statute of Monopolies”.31 For these reasons, the High Court’s decision did not overturn NRDC but rather reverted its interpretation to a purer form.

Still, the High Court’s rejection of the Full Federal Court’s approach is not without some controversy. The counter-argument would be that NRDC supported a ‘widening’ of the concept of “manner of manufacture”. The denial of Myriad’s claims may go against the spirit of that objective. However, the second tranche of the High Court’s decision accounts for this issue.

… And in with the New

The plurality decided that circumstances involving a ‘new class of claim’ (one involving a significant new application or extension of the concept of “manner of manufacture”) may require ‘other considerations’ to be taken into account in order to ensure conformity with the fundamental purposes of patent law.

This part of the High Court’s reasoning is both broad and narrow. Broad, due to the potential scope of other considerations that could determine decision-making. Indeed, purists would object to “other considerations” such as policy factors assuming a greater importance than established principles. However, the narrowing aspect is that other considerations are only allowed when the claim is at the boundaries of “manner of manufacture”. In this way, the practical impact of the High Court’s approach upon the assessment of patent claims may be limited – after all, new classes of claim do not appear every day.

Subsequent decisions have shown that the High Court’s approach can be easily distinguished. In Commissioner of Patents v RPL, the Full Federal Court cited D’Arcy to note that an “artificially created state of affairs” is still a suitable touchstone to determine patentability and may suffice
for a large number of cases where there are no countervailing considerations. The Full Federal Court deemed the claim in question to be a business method, and rejected it based upon established principles for that class of invention. Since there was no new class of claim involving a significant extension of the concept of “manner of manufacture”, there was no need to import “wide-ranging considerations”. Similarly, Justice Jagot distinguished D’Arcy’s application in Gilead v Idenix, finding that the claims in question were to chemical compounds and pharmaceutical compositions with established principles that did not require the inclusion of broader considerations.

What is clear is that, if and when a new class of claim does arise, the purposes of patent law will likely be given greater weight than any other consideration. If that is the trade-off to ensure the progressive development of the law, then it is trade-off which (one believes) the legal community will be able to accept.

Still, D’Arcy leaves the future of innovation in this area in some doubt. The implications of the High Court’s decision — being the narrowing of the NRDC test, the emphasis upon “inventiveness”, “invention” and something “made”, and the import of policy considerations — naturally reduce the bases upon which products involving genetic information can be described as patentable subject matter. This is a significant issue if other jurisdictions support the patentability of products similar to Myriad’s claims. Indeed, the most prevalent criticism of adopting such a course is that Australia will be ‘out of step’ with its major trading partners, providing them with a comparative advantage in innovation and research. However, this article respectfully disagrees with that view. As the following section demonstrates, other jurisdictions are taking a similarly nuanced approach to the matter. Indeed, the general trend across those jurisdictions appears to be one that reflects the High Court’s decision.

**It’s Trendy: The Status of Gene Products in Other Jurisdictions**

The following section considers the legal systems of the US, Canada and the EU and their take on the patenting of isolated nucleic acids. These jurisdictions featured prominently in both the High Court’s decision and the parties’ submissions. They represent some of Australia’s major trading partners and are jurisdictions which bear an affinity (historical and contemporary) with the Australian legal system. Consideration of these jurisdictions shows that Australian patent law, post-D’Arcy, is not an isolated incident but part of a broader international trend.

**The United States**

At the time it was handed down, the Supreme Court of the United States (Supreme Court) judgment in *Association of Molecular Pathology v Myriad Genetics (AMP)* was deemed out of step with other jurisdictions. Now, it could be viewed as the impetus behind policy changes in both Australia and Canada.

Under 35 U.S.C § 101 (US Patent Act), patentable subject matter includes “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof” and was poetically intended by Congress to be “anything under the sun that is made by man”. However, laws of nature, natural phenomena and abstract ideas are not patentable as they are “basic tools of scientific and technological work that lie beyond the domain of patent protection”. On 13 June 2013, the Supreme Court held that Myriad’s claims fell under the products of nature exception and were invalid.

In the Australian litigation, the parties debated a “products of nature” exception in Australian law as part of their submissions. The High Court however found the issue a “distraction”, finding that the characterisation of Myriad’s claims as products of nature or man-made was not essential to determine the proceedings.

Still, the Supreme Court and High Court decisions have much in common. Both courts considered the “inhibiting” or “chilling” effects of gene patents on future research and innovation and the fact that Myriad’s claims encompassed genetic information that was not created by it. In coming to terms with a new class of claim, both courts looked towards the purposes of patent law when forming their conclusions.

Ultimately, the Supreme Court drew a distinction between isolated nucleic acids and products such as cDNA; cDNA representing an artificially-generated product that ‘inferred’, but was not exactly, the sequence of nucleotides as they existed in nature. Though the Supreme Court’s reasons have been described as “somewhat convoluted”, the distinction between naturally occurring DNA and cDNA has been praised as it leaves open an avenue for
patentability of gene-related products. In this regard, US patent law is still searching for a consistent approach to gene patent claims, particularly on how to identify whether a product has “markedly different characteristics from any found in nature” in order to be patentable. The Supreme Court explained the distinction between Myriad’s claims and the claims upheld in the key case of Diamond v Chakrabarty, the latter involving a bacterium which had additional plasmids with a capacity for degrading oil that was different to how it existed in nature. However, the parameters of “markedly different” are far from settled.

The United States Patent Office (USPTO) somewhat addressed this issue in its May 2016 updates. In a sample explanation for product of nature rejections, the USPTO suggests that a claim may be refused if “there is no indication in the record that isolation of X has resulted in a marked difference in structure, function, or other properties as compared to its counterpart, X”. Although this does not clarify the meaning of “markedly different”, the update suggests that patent applications can rely on an expanded range of properties (structure, function or other properties apart from the sequence of nucleotides itself) to distinguish an isolated nucleic acid from its closest naturally occurring counterpart.

A practical example is given in the USPTO’s Subject Matter Eligibility Examples: Life Sciences. A vaccine comprising of a live attenuated pigeon flu virus drawn from the naturally occurring pigeon flu virus is considered patentable because, when compared to its naturally occurring counterpart, the attenuated virus has different structural and functional characteristics. The structural difference is a markedly different characteristic because it causes the claimed virus to have a nucleotide sequence that is different from anything found in nature. The USPTO also acknowledged that there may be circumstances where a functional change would be sufficient on its own to confer eligibility.

When taken together, the impact of the Supreme Court decision and the USPTO’s guidelines is to encourage a nuanced view on how a claimed invention may be “markedly different” from its closest naturally occurring counterpart. The previous blanket claim to an isolated nucleic acid makes way for a sufficiently delineated product that can justify its novelty as distinct from nature. Therefore, the US is an example of a jurisdiction with a revised approach taken through law. In contrast, Canada exemplifies a jurisdiction that relies wholly on policy considerations to target the rights of patent owners and counter the effect of gene patenting.

Canada

Section 2 of Canada’s Patent Act mirrors the US definition of patentable subject-matter. The Supreme Court of Canada previously considered the boundaries of gene patenting in Harvard College v Canada (Commissioner of Patents). The Court held that “higher life forms” were ineligible subject matter unless the legislature stipulated otherwise. The Canadian Intellectual Property Office has followed this ‘tiered’ approach. Still, it is clear that Canada’s legal framework permits the patenting of nucleic acids isolated from human beings and Myriad’s claims remained unchallenged during their lifetime.

Opposition to gene patenting hence came in the form of policy initiatives. Canada’s position towards Myriad’s patents was described as “an almost nationwide rejection” of monopoly rights to BRCA1 testing. Rightly or wrongly, Myriad had developed a reputation for “aggressive patent enforcement”, creating unreasonable barriers to testing and disregarding the interests of health authorities and patients. Public health institutions began employing “round about methods” to provide BRCA1 testing without infringing Myriad’s patents, while the British Columbia Ministry of Health stopped faithfully enforcing Myriad’s rights within two years of the patents coming into force.

Buoyed by the US Supreme Court decision, the case of Children’s Hospital of Eastern Ontario v. Transgenomic Inc commenced in the Federal Court of Canada as a test case to “mimic” the Myriad litigation and to obtain a precedent against the patentability of isolated nucleic acids. The case concerned Transgenomic’s five gene patents for Long QT syndrome (LQTS), a rare and deadly heart rhythm disorder that also relies on gene diagnostic testing.

Barely six months after the Australian High Court decision, CHEO and Transgenomic reached a settlement in which Transgenomic agreed to provide a not-for-profit license to CHEO and other health authorities for the purpose of LQTS testing. In exchange, the proceedings were ceased and, importantly, Transgenomic preserved its patents.
In a remarkable explanation of its purpose, the agreement stipulates that the Long QT patents "will not stand in the way of Canadians having access to their own genetic information and the benefits of such access for the detection, diagnosis and treatment of disease.62 Though courts did not resolve the ultimate question, the settlement is being hailed as setting a "precedent" for the relationship between gene patent owners and health authorities. Similar licensing agreements are anticipated in the future.63

If Canada's patent system follows the US,64 one could expect to see either the development of more liberal patent laws to accommodate strong social opposition, or more licenses provided by patent owners to health authorities for the purpose of avoiding litigation. This, in effect, achieves the policy considerations promoted by the US Supreme Court and the Australian High Court.

The Transgenomic litigation is a perfect example of how cross-jurisdictional results may have an impact on a nationally contentious issue,65 and how we can no longer consider either the Supreme Court or the High Court decision to be out of step with global trends. Rather, these developments have served to crystallise the trend towards narrowing the scope for gene patentability – one which, we suggest, is also consistent with developments in the EU's more favourable legal system.

The European Union

On its face, the EU is favourable to the patenting of isolated nucleic acids and is an oft-cited exemplar for proponents of gene patenting.66 On close inspection however, EU law is not so hospitable and appears to adopt the nuanced approach reflected in the other jurisdictions.

We should first note that Myriad's claims to the isolated nucleic acids were revoked in the EU. Consequently, there was no opportunity to judicially consider them.67 The revocation was attributed to issues with priority and the fact that research efforts such as the Human Genome Project had already placed human gene sequences in the public domain.68 This also makes it unlikely that EU law will permit the patenting of an isolated nucleic acid as broadly as that claimed by Myriad, on the grounds of obviousness.69

Further, it is possible that Myriad's claims, even if granted, may not have been upheld or protected by the judiciary to their fullest extent. This is for two reasons. First, a strict reading of the applicable laws suggest that the patentability of isolated nucleic acids is not mandatory and discretionary considerations may be taken into account. Secondly, the judiciary has adopted a narrow approach to the scope of patent protection by focusing on the question of timing – namely, whether the subject matter is, at the time of infringement, performing the functions that are the subject of the claim.

It "May" Not be Simple

The EU's legal framework for biotechnology is found in the Convention on the Grant of European Patents (EPC), Implementing Regulations to the Convention on the Grant of European Patents (Regulations), and Directive 98/44/EC on the legal protection of biotechnological inventions (Directive).

Article 5(2) of the Directive is the pertinent provision, under which isolated nucleic acids "may constitute a patentable invention, even if the structure of that element is identical to that of a natural element".70 The claim must also disclose the gene's industrial application,71 meaning that the gene must be "susceptible to being "made or used in any kind of industry" such that there is some "profitable use".72

The use of a discretionary "may" in article 5(2), as opposed to the clear and obligatory words for other subject matter that "are" patentable or "shall" be patentable under the Directive, is difficult to ignore.74 It implies that a decision-maker assessing the patentability of isolated gene sequences may have regard to discretionary considerations, similar to how the High Court in D'Arcy interpreted "may" to find that the "artificially created state of affairs" test was not an exhaustive formula.75

Since article 5 has not yet been judicially considered, it is unclear whether it requires a wide or narrow approach. D'Arcy showed this quite effectively, as both parties cited article 5 to submit that Myriad's claims would be upheld/not upheld in the EU.76 In the absence of authoritative judicial opinion, the European Court of Justice's (ECJ) interpretation of another criterion applicable to isolated gene sequence patents than one might have expected.
Monsanto v Cefetra

Monsanto was granted a patent for an isolated DNA sequence which, when introduced into a soy plant, made it resistant to herbicides. In this case, trace DNA molecules of the patented product were present in soy meal that was imported into Europe by an Argentinian company. Monsanto argued that its European patent allowed absolute product protection over the DNA sequence. The import of the product, even in a trace amount within the soy meal, therefore infringed Monsanto's rights in the European patent.

The ECJ dismissed Monsanto's claims, finding that article 9 and recitals 23 to 24 of the Directive only protect genetic information in the product while it "performs its function." The use of the present tense in "performs" meant that Monsanto's claim was confined to circumstances when the function associated with the claimed DNA sequence was being performed, that is, when it was inserted into a soy plant and provided resistance to herbicides. Protection was not available when the genetic information ceased to perform its function in the initial material, or in any intervening period before it started performing its function again at a future point. According to the ECJ, absolute protection "irrespective of whether or not the sequence was performing its function, would deprive [the] provision of its effectiveness."

The devil is in the detail. As with D'Arcy, it appears that the ECJ focused on the content of what was being claimed, that is the genetic information, when placing limits upon the protection of isolated DNA sequences. The ECJ interpreted functionality as a stepped process: an isolated nucleic acid does not perform its function until it is used. If applied to Myriad's claims, the claimed use of the isolated nucleic acid would be in diagnostic testing. Myriad's claims would not be protected if the isolated nucleic acids were not performing their function and, in such circumstances, Myriad's patent protection over the BRCA1 gene would be restricted even in the EU.

It therefore appears that our trading partners have, in their individual ways, restricted the patentability and the scope of patent protection available to gene patents. Is the door to gene patenting therefore closed? Not exactly. In fact, while D'Arcy and the other jurisdictions restrict gene patenting, they leave open the potential for development in this area. D'Arcy in particular leaves a space that can, in the absence of legislative action, be filled by the legal profession. With a little inspiration, genuinely innovative products involving genetic information have the means to demonstrate the necessary elements of inventiveness for patent protection.

The Future: Better than It Looks

D'Arcy has invalidated broad claims on products involving genetic information without establishing a body of principles that provide a pathway for genuine innovation in this area. At the same time, the biotechnology industry is constantly innovating and an entire new set of legal principles has the potential to develop around it. Patent attorneys therefore have the opportunity to mould the principles of gene patenting for the benefit of innovators through two means – first, by adopting alternative strategies to prove that a product with genetic information is something "made"; and secondly, by utilising "other considerations" to support the patent claim at a broader level.

Something "Made"

The Australian Patent Office's (APO) revised Manual of Patent and Procedure requires a product to be 'made', in that it is created or modified by human action. The APO interpreted functionality as a stepped process: an isolated nucleic acid does not perform its function until it is used. If applied to Myriad's claims, the claimed use of the isolated nucleic acid would be in diagnostic testing. Myriad's claims would not be protected if the isolated nucleic acids were not performing their function and, in such circumstances, Myriad's patent protection over the BRCA1 gene would be restricted even in the EU.

Monsanto demonstrates that limiting the scope of patentability is possible even within jurisdictions that explicitly allow gene patenting. There is even some suggestion that Monsanto may act as the European counterpart to the US Supreme Court's judgment in a jurisdiction that did not experience a form of Myriad litigation.
monopoly that affects other innovations in the area. A well-defined claim targeted at a specific utility would have stronger prospects of success in a post-

D’Arcy context.

As to how a product with genetic information can claim to be distinctive, applicants may find inspiration in the USPTO’s approach for establishing “markedly different” characteristics. The approach can simply be to place a concentrated focus on key properties other than the genetic information and show that the product is “made”. Myriad’s claims were defective because the genetic information was essential to the claim itself. A focus on other factors such as a changed structure, different function or other properties outside of the sequence of nucleotides that differentiate the product from naturally occurring sequences could strengthen the prospects of the claim.

An example of such a product would be cDNA. cDNA is an artificially synthesised chemical compound which can be developed after a nucleotide sequence, in the form of mRNA, has been read. A claim for cDNA is narrow in scope because the sequence of nucleotides within cDNA is ‘inferred’ from the sequence in mRNA. It is also “made” by a human being because first, the sequence itself is manufactured and not what is found in nature, and secondly, because of the additional steps entailed in the process of its development after the relevant mRNA has been isolated and read.

The APO’s latest guidance notably excludes cDNA from patentability in circumstances where it “merely replicates the genetic information of a naturally occurring organism”. An exception is “where the utility of the invention lies in genetic information that has been “made” (e.g. non-naturally occurring chimeric nucleic acid)”. However, there is cause for the APO to further investigate an appropriate position on cDNA. First, as the US Supreme Court found, cDNA does not precisely replicate what is found in nature – clarity is therefore required on what “replicate” should mean in this context. Secondly, while the APO’s guidance is intended to reflect the plurality’s reasons in D’Arcy, it is possible to argue that the plurality’s reasons were limited to “certain cDNA that is used for genetic diagnostic testing and similar applications that rely on a review of the relevant nucleic acid sequence information.” If this is the case, the APO may have to revisit its broad exclusion of cDNA claims.

For these reasons, a claim that is well-defined, targeted, and distinctive should have a strong chance of patentability even if it contains genetic information. Given that support for patenting artificial products such as cDNA is found in the US Supreme Court’s reasons and even Justice Gordon’s reasons in D’Arcy, advocating for the patentability of such claims may not be difficult.

Other Considerations

The plurality’s decision in D’Arcy was heavily influenced by “other considerations”, including the potential “chilling effect” of upholding Myriad’s claims and the legal position in other jurisdictions. But “other considerations” can cut both ways. On the one hand, such considerations allow policy arguments that oppose patents involving genetic information to influence the assessment of a claim; on the other hand, lawyers now have the ability to rely upon a broader range of factors to prove the merits of a claim involving genetic information.

For example, while the High Court relied upon the potentially negative effect of gene patenting, the Productivity Commission’s draft report on intellectual property arrangements reaches the exact opposite view: that there is no evidence that human gene patents will affect follow-on innovation. The APO and courts are obliged to consider evidence of a product’s inhibiting effects upon innovation and research – but also evidence that there is no inhibiting effect at all.

Ultimately, the key to successful applications involving genetic information could simply be to think outside the box. If the claim focuses upon properties and considerations outside of genetic information itself, a product has the capacity to be a genuine innovation that convinces the decision-maker of its patentability even though it involves genetic information.

Conclusion

The High Court’s reasons in D’Arcy, though controversial, are justifiable in the context of the development of Australian patent law. The narrow approach to gene patents also corresponds with a broader global trend, satisfying any questions on our comity with other nations.

This could indicate that the scope of gene patenting is now diminished. However, like the meaning of “manner of manufacture”, the future of gene patenting is an evolutionary process. One thing
is clear from the High Court's decision – the High Court has closed the door to broad claims involving genetic information while leaving a window open for genuine innovations in the future. Collaboration among innovators, the APO, the legal profession and legislature is required to provide further guidance on the patentability of such products. "Other considerations" that may affect such claims should be actively explored to ensure that decision-makers form their views on current information that accurately reflects the impact of granting the prospective claim. Gene patents are a new class of claim – hence, there is room for creativity. A proactive approach to drafting well-defined, targeted and distinctive gene-related claims might result in the protection of genuine innovations in the future.

Ultimately, people's opinions and feelings go one way, then the other. Gene patenting in Australia is at a certain point in this process. D'Arcy is not a hindrance but an opportunity to define innovations that both merit patentability and assist the development of gene-based technology. That, one can acknowledge, would fulfil the purpose of patent law.

1. [2015] HCA 35.
2. (1959) 102 CLR 252.
5. D'Arcy at [10].
6. D'Arcy at [1].
7. D'Arcy at [1].
8. D'Arcy at [130].
9. D'Arcy at [174].
10. NRDC at 271.
11. Dynamite Games Pty Ltd v Arowa Gaming Australia Pty Ltd [2013] FCA 165 at [161].
12. NRDC at 269.
13. (1942) 60 RPC 1 at 4.
14. NRDC at 269 and 271.
15. Davison, Monotti and Wiseman, above n 15, at 459.
16. Plurality at [18]; Gageler and Nettle JJ at [124]; and Gordon J at [193].
17. At [28].
18. See D'Arcy at [88].
19. At [6].
20. At [93].
21. At [205].
Canadian Intellectual Property Office, *Manual of Patent Office Practice*, at 122.05.03 and 17.02.01 (as at March 2016).

See Patent No CA 2196797, which expired on 12 August 2015 (accessed 1 May 2016).


Nichol, above n 57 at 124; Gold and Carbone, above n 6. generally, T Simonnelli, ‘Should you Be Able to Patent a Human Gene?’, TED Talks (published 17 February 2016) available at https://www.youtube.com/watch?v=r_xV-M0KPo0.

Williams-Jones, above n 65, at 142; see also Zimmerman et al, above n 65, at 157-60.


See Patent Nos CA 2240737, CA 2337491, CA 2369812, CA 2416545 that each claim isolated nucleic acids, and CA2336236 (Long QT patents).

Public Health Access Agreement in Respect of Long QT Patents by and between Children’s Hospital of Eastern Ontario and Transgenomic Inc, 8 March 2016 at [3.1.1], sch B (Long QT settlement agreement).

Long QT settlement agreement at [1.1.1].


See Transcript at [5000] (Bell J).

See particularly, Melnitzer, above n 69, discussing how the US Supreme Court decision prompted CHEO to pursue such litigation.

See e.g, The Institute of Patent and Trade Mark Attorneys of Australia, ‘Intervener’s Submissions’, above n 45 at [10(b)]; Dr C Gregg, above n 31, at 32; Foley & Lardner LLP, above n 48; ‘Association for Molecular Pathology v Myriad Genetics – an isolated decision’.

See particularly the distinction between article 3(1) (“shall”) and article 3(2) (“may”); see also articles 4, 6, 8-9 and recitals 29, 35 of the Directive.

See particularly transcript [1714]-[1783], [4008]-[4057].
SMEs and the Patent Challenge: A South African Perspective

**Introduction**

South Africa does not invest in procuring accurate statistics on small businesses in South Africa, making it difficult to find the exact number of companies that operate in the country. SEDA issued a broad statistical overview of the SMEs of South Africa in January 2016 and presented the following indicators.

<table>
<thead>
<tr>
<th>KEY INDICATORS</th>
<th>2015 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of SMEs</td>
<td>2,251,821</td>
</tr>
<tr>
<td>Number of formal SMEs</td>
<td>667,433</td>
</tr>
<tr>
<td>Number of informal SMEs</td>
<td>1,497,860</td>
</tr>
<tr>
<td>SME owners as % of total employment</td>
<td>14%</td>
</tr>
<tr>
<td>% operating in trade &amp; accommodation</td>
<td>43%</td>
</tr>
<tr>
<td>% operating in community services</td>
<td>14%</td>
</tr>
<tr>
<td>% operating in construction</td>
<td>13%</td>
</tr>
<tr>
<td>% operating in fin. &amp; business services</td>
<td>12%</td>
</tr>
<tr>
<td>% contribution to GVA*</td>
<td>21%</td>
</tr>
<tr>
<td>% black owned formal SMEs</td>
<td>34%</td>
</tr>
<tr>
<td>% operated by income group &lt;$R30k pa</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: BER, StatsSA

*GDP before taxes and subsidies

According to the Banking Association of South Africa in South Africa, small and medium-sized enterprises make up 91% of formalised businesses, provide employment to about 60% of the labour force and total economic output accounts for roughly 34% of GDP.

Although there is no exact definition for SMEs the National Small Business Act (102 of 1996) defined small business medium, small, very small and micro enterprises based on certain characteristics. The Act aims to provide for the “establishment of the Advisory Body and the Enterprise Promotion Agency; to provide guidelines for organs of state to promote small business in the Republic; and to provide for matters incidental thereto”. The National Small Business Amendment Act (26 of 2003) aims to update and further define business according to five categories established by the original act, namely: standard industrial sector and subsector classification; size of class; equivalent of paid employees; turnover and asset value – excluding fixed property.

**Government Support of SME Initiatives**

Government raised the status of its small business initiatives with the creation, in 2014, of a department dedicated to this cause, i.e. the Department of Small Business Development (DSBD). Public entities that report to the Minister of DSBD are the Small Enterprise Development Agency (SEDA) established in terms of the National Small Enterprise Act, 1996 (No.102 of 1996), as amended in 2004 and the Small Enterprise Finance Agency (SEFA) established in terms of Section 3(d) of the Industrial Development Corporation Act, 1940 (No. 22 of 1940) (IDC Act).

SEDA provides non-financial business development and support services to small enterprises in partnership with other role players in the small business development environment. SEDA’s mission is to develop, support and promote small enterprises to ensure their growth and sustainability. SEFA provides access to developmental finance to survivalist, micro, small and medium businesses throughout South Africa.

Further Government initiatives are provided through Act No 102 of 1996 in the establishment of the National Small Business Council, the Ntsika Enterprise Promotion Agency (Ntsika) as well as Khula Enterprise Finance which is charged with helping small- and medium-sized enterprises secure finance. This is primarily through the provision of security on behalf of small businesses to commercial banks, retail financial institutions, specialist funds and joint ventures, as well as offering loans through partner intermediaries.

**Main Supporting Entities**

There are many agencies and corporate entities that provide guidance and financial grants to SMEs and entrepreneurs, for the relevance of technology protection and commercialisation of intellectual property. Specific mention is to be made of THRIP and TIA.

**Technology and Human Resources for Industry Programme (THRIP)**

THRIP is a project between DTI (Department of Trade and Industry) and the NRF (National Research Foundation). This scheme was
implemented to increase the high level technical skills for the industry and improve South Africa's competitive edge through the development of technology. This grant is primarily aimed at engineering graduates. The THRIP fund capacity is R150 million. THRIP aims to develop these SMEs into large companies, expanding the networks and allowing these SMEs access to scientific expertise, equipment and facilities at partner research entities.

The Technology Innovation Agency (TIA)\(^4\)

TIA is a national public entity related to the DTI. It serves as the key institutional intervention to bridge the innovation chasm between research and development from higher education institutions, science councils, public entities, and private sector, and commercialisation. In terms of the Technology Innovation Act (Act 26 of 2008), the object of TIA is to support the State in stimulating and intensifying technological innovation to improve economic growth and the quality of life of all South Africans by developing and exploiting technological innovations. TIA has available a Patent Support Fund\(^5\) which is intended to provide the support mechanisms to assist entrepreneurs and SMEs with the protection of their IP. The Patent Support Fund is intended to support the filing, prosecution and maintenance of patents and/or patent applications in respect of technological innovations emanating from entrepreneurs and SMEs. The support is specifically intended for funding new or improved technologies which TIA can progress from the applied research stage to commercial deployment.

Other industrial and financial sectors that support SMEs through grants, free advice, infrastructure or networks include the Banking Association of South Africa. Apart from financial and financial risk assistance, it also facilitates stakeholder engagement of among others the Gauteng Dept. of Economic Development, Industrial Development Corporation, Khula, Small Enterprise Development Agency, South African Micro-Finance Apex Fund, Development Finance Institutions, Department of Trade and Industry, and provides Research and Knowledge Management.

SME South Africa\(^6\) is a daily online news portal that provides strategic business content to enable SMEs to unlock their growth potential. They offer a one-stop shop for SME-related issues in Africa, providing business owners with practical insights, advice and tools that are essential to running a profitable business. Our editorial content focuses on key aspects of running a business, such as Business Finance, SME Laws & Regulations, Marketing, Technology, Leadership and Human Capital. They have an online audience reach in South Africa, Kenya, United States, India and United Kingdom. SME Toolkit\(^7\) aids SMEs to start-up businesses, advise on funding and include information on IP protection mechanisms and means for SMEs\(^8\)

The National Intellectual Property Management Office (NIPMO)

NIPMO\(^9\) is an initiative of the Department of Science and Technology, responsible for implementing the Intellectual Property Rights from Publicly Financed Research and Development Act (No. 51 of 2008). NIPMO ensures that intellectual property emanating from publicly financed research and development is identified, protected, utilised and commercialised. NIPMO operates through three directorates: Regulatory and Compliance (registering IP created from use of public funds, approving certain IP transactions, and enforcing the Government's IP rights), Advisory and Support (providing legal advice, and capacity building support in technology transfer), and Fund Management (providing funds for IP protection).

The IPR Act provided a new basis for the management and commercialisation of IP created through universities and research institutions. It also allowed access to SMEs and Black Economic Empowered entities, previously not enabled to exploit IP opportunities. Between 2010 and 2016, more than 1000 invention disclosures were filed under the new system by South African institutions, of which 7% had been commercialised by the end of this period. Examples include systems to calibrate TB testing equipment, improving the accuracy of diagnosis to tens of thousands of individuals, and 3-D printing / rapid prototyping methods, for the creation of replacement facial features for individuals who not have access to medical funds and who are undergoing reconstructive facial surgery.

NIPMO provided support to 30 institutions and regional offices, offering R 106 M of support (which led to the creation of more than 100 specialised technology transfer posts), and provided 24 institutions with R83 million of fund management support for IP protection.\(^{10}\)
The Innovation Hub

The Innovation Hub was established by the Gauteng Provincial Government in 2001 and creates initiatives that support innovation and enterprise development. It is in Tshwane, South Africa's executive capital and has become a regional centre of innovation and knowledge creation.

Source: http://www.theinnovationhub.com

Legislative Framework

The Patents Act 57 of 1978 as amended, governs the protection of inventions, the Companies and Intellectual Property Commission (CIPC) is the custodian of all new patent applications that are filed within the Republic of South Africa. Other than that an individual can privately file a provisional patent application (only a patent attorney can file a non-provisional patent application and assist in drafting the patent specification), no specific mention is made of any form of SME and there is no differentiation in filing or filing fee status that is derived from entity status.

For quite some time there has been international criticism on the South African patent system and specifically the access to medicine protected by patents. In answer to this, the South African National Draft IP Policy was published in 2013. It included specific reference to BEE and SME enterprises in the context of the trademarks system with focus on licensing of franchising activities. The Draft Policy was severely and widely criticised and in 2016 the DTI issued the National IP Consultative Framework which replaced the IP Policy. There was no specific mention made of preferential treatment of SMEs, the focus was mainly on the pharmaceutical industry and the introduction of patent examination and pre- and post-grant oppositions.

The public submissions process into the IP Consultative Framework has created a platform for IP stakeholders to once again call for IP law reform in South Africa.

The DTI has not released a list of submitters nor the submissions themselves. After considering substantial comments received11 from various sectors in industry, IP professionals and institutions such as the SAIIPL and LES, the new IP policy based on the IP Consultative Framework has been submitted to Cabinet in the first quarter of 2017. No further announcement has been made to date.

SME and Patenting

The securing of Intellectual Property (IP) is an important aspect in the economic growth strategy for the knowledge economy. According to a study done by SAICA12 patent propensity is lower in SMEs than in large organisations (or companies) and patenting as means for appropriation is of less importance among SMEs. There are however numerous examples of small businesses that have sufficient talent to produce significant and bankable innovations and this is confirmed by the patent statistics for South African inventions as shown below. SAICA’s research shows that a substantial portion of technology innovations and inventions emanating from the South African public, and in particular, entrepreneurs and SMEs have not made their way to the marketplace because of a lack of support mechanisms, largely financial, for patent protection.

South African research group, World Wide Worx has released its 2016 State of South African Small Business report, showing what small business leaders in the country are facing in the country. On the question on whether SMEs embrace technology two-thirds of small business owners said...
SMEs and the Patent Challenge: A South African Perspective

that technology was very important or essential for their business operations, with smart devices and apps making their lives and the running of their businesses easier.

It is evident from the statistics that since the implementation of the IP Rights Act in 2010 the patenting activity of individuals, research institutions and universities has increased significantly.

The data presented below covers a period of five years’ patent application activity of the top 100 applicants in South Africa which is determined based on 10 or more patent applications per year. There appears to be a higher number of patents being filed by SMEs on total number of patents. On average per year per entity type, SMEs file fewer patents than corporations per entity. The data sample below reflects the activity of 17 Research institutions, 60 SMEs or individual inventors and 27 large corporations of the top 100 patent applicants in South Africa. This indicates that SMEs are aware of the importance of protecting intellectual property

### SME and IP Litigation

Legal advice and litigation is expensive. Entrepreneurs and start-ups, are generally unable to afford legal services. Most of the IP litigation of SMEs focuses on trade marks rather than patents. Below is a summary of judgments for the period 2010 to 2016. The scope of this article does not allow for further investigation if the data and the graph below is merely an indicator that SMEs do participate in litigation but due to budget constraints the activity is lower than for larger corporations.

### Conclusion

SMEs in South Africa play an important role in the growth of the South African economy. Government is supporting SME initiatives and their innovation through various organisations and agencies that fund start-ups and facilitate filing, prosecuting and commercialisation of inventions. SMEs are generally informed about IP and the importance of protecting intellectual property but do not always have the funds to ensure freedom to operate, protect and enforce their IP rights.

The enactment of the IP Rights Act in 2010 brought about a significant changed in the South African IP landscape and it is foreseen that the newly awaited IP Policy will promote patenting by SMEs and freedom to operate although the initial focus appears to be on the pharmaceutical industry.

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12. See SAICA (South African Institute of Chartered accountants – 2014/5/6 SMME INSIGHT REPORTS) and BER “The Small Medium and Micro Enterprise Sector of South Africa Commissioned by SEDA Note 1 of 2016”.
Assessing the UN High-Level Panel on Access to Medicines Report in Light of the Right to Health*

Dr Lisa Forman,† Ifrah Abdillahi‡ and Dr Jeannie Samuel

Introduction—Reducing Policy Incoherence between Human Rights and Trade

Access to affordable medicine is the lynchpin to realising a range of human rights, public health and development imperatives. This is why essential medicines are understood as a core obligation of states under the right to health,4 why medicines are recognised as a fundamental building block of health care systems capable of providing universal health coverage;5 and why medicines features prominently within Sustainable Development Goal (SDG) 3 on health.6 Yet, “essential medicines remain unaffordable and insufficiently available in developing countries”.7 While generic medicine policies are broadly recognised as a key policy intervention to control health budgets and make medicines more affordable),8 the policy space that countries have to provide affordable medicines is bound sometimes wholesale by trade rules around intellectual property rights.

This “policy incoherence” between human rights and intellectual property rights is a primary motivator for the establishment by United Nations Secretary-General Ban Ki-moon of the High-Level Panel (HLP) on Access to Medicines. The panel was given the mandate “to review and assess proposals and recommend solutions to remediing the policy incoherence between the justifiable rights of inventors, international human rights law, trade rules and public health in the context of health technologies that is impeding access and the right to health for millions”.9 Convened in November 2015 and with a final report issued in September 2016, the Panel has worked on an unusually truncated timeline in order to produce solutions to the global drug gap.

In December 2015, the Panel called for public submissions to inform its deliberations, augmented by two global dialogues in March 2016 in London and Johannesburg. This article reflects on the Panel’s 2016 report and expands on the first author’s public submission to the HLP process and attendance at the London hearing. We first explore the impact of trade-related intellectual property rights on access to medicines and the right to health. We then consider what international law and the right to health in particular offer to resolve policy incoherence between these two areas of law. We consider various means of implementing the right to health in this domain. We close with an assessment of how the HLP report’s recommendations responded to this area of legal conflict in light of the right to health duties identified in this article.

The Agreement on Trade-Related Intellectual Property Rights

The introduction of the Agreement on Trade-Related Intellectual Property Rights (TRIPs) in 1995 conferred unprecedented exclusive rights to pharmaceutical patent holders. The monopolistic pricing that resulted saw sometimes dramatic increases in drug prices, as in Malaysia where drug prices increased by 28 per cent per year between 1996 and 2005.10 The use of flexibilities in TRIPs is an important mechanism to ensure that high prices resulting from exclusive patenting rights do not negatively impact public health imperatives. The flexibilities in TRIPs are provisions that enable policy-makers to limit intellectual property rights in order to protect social welfare and public health, including by accessing cheaper drugs. TRIPs flexibilities include compulsory licences (where governments manufacture or import generics under strict limitations) and parallel imports (where governments import lower priced patented medicines).11 Yet, the use of TRIPs flexibilities continues to attract litigation, drug removals, trade sanctions and economic and diplomatic pressures.

At the same time, TRIPs flexibilities are limited and eradicated in free trade agreements, and the global movement of generic medicines through international borders is obstructed under measures to eradicate counterfeit medicines. Global access to affordable medicines is under more not less threat and without effective action at the international level it is unlikely that the SDGs on health or indeed the right to health will be realised.
Which Countries Are Affected by Conflicts Between Human Rights and Trade Treaties?

The majority of states globally hold duties under the right to health and trade-related intellectual property rights. For example, the International Covenant on Economic, Social and Cultural Rights (ICESCR) had been ratified by 164 states as of 25 February 2016 – approximately two-thirds of all states globally. At the same time, 162 states globally are members of the WTO. The overlaps between these domains are extensive: at least 133 states that have ratified the ICESCR are also members of the WTO. Yet, the overlap is far greater than these figures suggest: WTO members that have not ratified the ICESCR will certainly be bound by health rights in article 24.1 of the Convention on the Rights of the Child, which with 196 ratifications has an effective universality (applicable in almost every country save for the USA), albeit that its rights and duties only apply to children. Irrespective of the precise figures the conclusion is clear: most states globally must balance right to health duties with trade-related intellectual property duties, and this has practical implications for how decision-makers at various levels should interpret and implement these duties.

Applying a Principle of Systemic Integration to Assure Respect for Human Rights

The imperative to balance duties under competing international legal regimes is addressed in a 2006 International Law Commission (ILC) report exploring the problems created by fragmented legal regimes in international law. The report emphasizes that no specialised regime, including the WTO, operates outside of international law. The report argues for application of the principle of systemic integration so as to link functional areas to a deeper normative idea in international law, so that the “common good of humankind [is] not reducible to the good of any particular institution or regime.” The report argues that two specific areas of international law offer support in this regard: first, the hierarchically superior norms within international law (such as jus cogens peremptory norms and obligations ergo omnes duties owed to all), and secondly, the Vienna Convention on the Law of Treaties (VCLT) which offers customary rules for international treaty interpretation.

The first author has previously explored the implications of both areas of international law for balancing right to health duties with trade-related intellectual property rights, the primary observations of which are reproduced below. The first author’s submission to the Panel suggested that the following observations from this research provide important guidance to its deliberations:

1. While current definitions of international law’s hierarchically superior norms (such as peremptory norms and obligations ergo omnes) do not specify the right to health, they do collectively prohibit gross violations of any rights (including health), and place reasonable limits on all human conduct (including trade) to protect human health and life. In any event, access to medicines is explicitly demarcated as a core obligation under the right to health, and this should elevate access to medicines into a hierarchically superior norm within international human rights law. The priority of a right to medicines does not suggest that it automatically “trumps” competing interests.

However, the prioritised nature of this right provides an important governing principle for the type of balancing mechanisms between public and private interests that the High Level Panel (HLP) should propose accordingly.

2. The right to health offers an important framework for interpreting intellectual property rights contained in TRIPs and other multilateral and bilateral agreements. That such treaties should be interpreted in this fashion is supported by article 31 of the VCLT, which specifies that treaties must be interpreted in good faith according to the ordinary meaning of treaty terms in their context and in the light of a treaty’s object and purpose. Adjudicators can ascertain treaty context, inter alia from “any relevant rules of international law applicable between the parties”. Article 31.3.c thus supports using ICESCR as a relevant rule of international law applicable between state parties in interpreting trade-related intellectual property rights. As such, article 31.3.c is the clearest textual avenue within international law for ensuring “systemic integration” between human rights and trade rules when adjudicative bodies (including the HLP) assess potential conflicts.

International Human Rights Law and Access to Medicines

International human rights law is increasingly explicit regarding the human rights duties imposed
on states in relation to medicines, essential or otherwise, and their implications for other legal duties.

**Access to Medicines as a Core Obligation under the Right to Health**

The right to health in article 12 of the ICESCR has been interpreted by the United Nations Committee on Economic, Social and Cultural Rights (CESCR) to place prioritised duties on states regarding essential medicines. In General Comment 14 on the Right to the Highest Attainable Standard of Physical and Mental Health, the Committee underscores the importance of state duties towards essential medicines in a number of domains.

First, the Committee indicates that the essential elements of the right to health include ensuring sufficient availability of functioning “public health and health-care facilities, goods and services” including “essential drugs, as defined by the WHO Action Program on Essential Drugs.”

Secondly, the Committee locates essential medicines within core obligations under the right to health.

In General Comment 14, the Committee indicates that core obligations under the right to health include providing “essential drugs, as from time to time defined under the WHO Action Program on Essential Drugs.” The Committee is explicit about the significance of a core obligation. While all other duties under the ICESCR are subject to progressive realisation within maximum available resources, “a State party cannot, under any circumstances whatsoever, justify its non-compliance with the core obligations set out in paragraph 43 above, which are non-derogable.”

Whatever the strength of these duties, the implication holds that a state's core obligations have a temporal and substantive priority over other human rights duties and indeed over duties under other legal regimes.

**Balancing Core Obligations with Other Legal Duties**

These implications are made explicit in the Committee's General Comment No. 17 [13]. Here the Committee makes it clear that intellectual property rights are not to be confused with the human right to benefit from the protection of moral or material interests resulting from any scientific production protected in ICESCR article 15.1.c:

> In contrast to human rights, intellectual property rights are generally of a temporary nature, and can be revoked, licensed or assigned to someone else. While under most intellectual property systems, intellectual property rights, often with the exception of moral rights, may be allocated, limited in time and scope, traded, amended and even forfeited, human rights are timeless expressions of fundamental entitlements of the human person.

When it comes to balancing duties under other rights in the ICESCR, the CESCR is clear that “private interests of authors should not be unduly favoured and the public interest in enjoying broad access to their productions should be given due consideration.” More concretely, this means that states should ensure that their legal regimes to protect author's interest “constitute no impediment to their ability to comply with their core obligations” including specifically those under the right to health. The Committee goes on to emphasise that:

> Ultimately, intellectual property is a social product and has a social function. States parties thus have a duty to prevent unreasonably high costs for access to essential medicines from undermining the rights of large segments of the population to health.

We believe that this explicit interpretation of a state's duties to balance core obligations to provide essential medicines and author's rights provides a crucial foundation for the High Level Panel's recommendations in this domain.

While CESCR general comments do not constitute binding law, they do constitute authoritative interpretations of the ICESCR. Moreover, state consensus on the fundamental nature of duties towards medicines within the right to health is reflected in a series of UN General Assembly resolutions issued since 2001 recognising that “access to medicines is one of the fundamental elements in achieving progressively the full realisation of the right of everyone to the enjoyment of the highest attainable standard of physical and mental health.” Certainly these interpretations provide important framing principles for the HLP as it deliberated solutions to the global drug gap that adequately respect the realisation of core obligations under the right to health.
Implementing the Right to Health Duties towards Medicines

What are the concrete actions that should flow from core obligations to provide essential medicines and duties towards medicines more generally? The analysis above outlines at least two clear duties that could have underpinned the HLP’s considerations: (1) the duty to prevent unreasonably high costs for medicines from denying large segments of the population their rights to health; and (2) the core obligation to provide essential and other medicines. We suggest that these two duties provide the foundation for at least three primary areas of action: (1) consistent implementation of human rights impact assessment (HRIA) before adopting law and policies affecting access to medicines; (2) institutionalising TRIPs flexibilities in law and policy; and (3) making permanent the waiver of TRIPs for least developed countries (LDC) and waiving TRIPs for essential medicines in low and middle-income countries.

Human Rights Impact Assessment (HRIA)

State duties not to obstruct access to affordable medicines extend to when, how and whether they enter into legal regimes or agreements imposing intellectual property rights. HRIA provides a practical mechanism for policy makers to predict and mitigate the health and human rights consequences of intellectual property agreements in international trade agreements on the price and accessibility of medicines.30 HRIA is a relatively recent idea and practice that has drawn significantly from extant advances in the longstanding fields of health and social impact assessments.31 In essence, an HRIA requires policy makers to gather evidence of potential impacts of trade-related intellectual property rights on people’s access to essential medicines and to measure same against right to health duties in this regard, amending future intellectual property rights laws accordingly. While these kinds of impact assessment are often intended for use by policy-makers, they are also often very effectively used by civil society and academic researchers to gather evidence on policy impacts for use in advocacy campaigns or scholarship.32

There is very strong support for the contention that states should institutionalise the use of HRIA when entering into and implementing agreements on intellectual property rights:

1. In General Comment 14 the Committee is explicit that it is a violation of the right to health to fail “to take into account its legal obligations regarding the right to health when entering into bilateral or multilateral agreements with other States, international organisations and other entities, such as multinational corporations”.33

2. In General Comment 17 the Committee specifically argues that when entering agreements on intellectual property rights, states should undertake human rights impact assessments before adopting and after implementing such legislation.34

3. The Committee and two other treaty-monitoring committees have consistently called on countries to conduct assessments of the effect of international trade rules on the right to health and medicines.35

4. Olivier De Schutter, the former UN Special Rapporteur on the Right to Food, has argued that HRIA is in fact a human rights legal obligation and that all States should “prepare human rights impact assessment prior to the conclusion of trade and investment agreements”.

The first author has, with Gillian MacNaughton, developed an HRIA specifically focused on trade related intellectual property rights and the right to health that provides a user-friendly framework for such assessments.36 An HRIA would provide clear evidence of how proposed intellectual property rights would impact drug affordability and access, allowing states to mitigate this impact in a number of ways (such as not adopting the rights and implementing measures to ensure affordability). HRIA are a practical and feasible way to ensure policy coherence between the right to health and intellectual property rights duties, and to ensure that population health is not unduly sacrificed to trade or commercial imperatives.

Institutionalisation of TRIPs Flexibilities

As indicated above, TRIPs flexibilities give policy makers much needed space to limit the extent to which intellectual property rights increase prices and decrease access to medicines, essential or otherwise. In this regard there is very clear and explicit political support for using TRIPs flexibilities to advance access to affordable medicines:
1. The Doha Declaration explicitly endorses the right of WTO members to protect public health and promote access to medicines for all, and to use TRIPS flexibilities to the full to do so.37

2. Numerous UN General Assembly resolutions urge states to promote access to medicines for all, including through using to the full TRIPS flexibilities.38

3. SDG 3.8 calls on states to achieve universal health coverage that includes access to safe, effective, quality and affordable essential medicines and vaccines for all. SDG 3.b proposes an explicit means of implementation for this goal that states “provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPs Agreement and Public Health, which affirms the right of developing countries to use to the full the provisions in the Agreement on Trade-Related Aspects of Intellectual Property Rights regarding flexibilities to protect public health, and, in particular, provide access to medicines for all” .39

This political consensus underscores the importance of TRIPs flexibilities in realising the right to medicines not simply as a public health but human rights imperative. This interpretation is strongly supported by Anand Grover’s contention as former UN Special Rapporteur on the Right to Health that states hold a right to health duty to use TRIPs flexibilities. Grover argued that duties to protect the right to health extend to ensuring “developing countries and LDCs should review their laws and policies and consider whether they have made full use of TRIPs flexibilities or included TRIPs-plus measures, and if necessary consider amending their laws and policies to make full use of the flexibilities”.40

These interpretations would support the High Level Panel making strong explicit recommendations that explicitly specify the TRIPs flexibilities in question and that recommend:

1. That states institutionalise the use of TRIPs flexibilities in domestic law and policy.
2. That states consistently and effectively use these mechanisms to advance access to affordable medicines.
3. That TRIPs flexibilities are protected from erosion in free trade and other agreements.
4. That the imposition of TRIPs plus intellectual property rights that restrict TRIPs flexibilities violate the right to health.

**Making Permanent the LDC Waiver from TRIPs and Restricting the Application of TRIPs to Essential Medicines in LMIC**

TRIPs flexibilities are a necessary but insufficient solution to resolving the way that trade-related intellectual property rights contribute to restricting large segments of the population from accessing affordable medicines. In this regard the HLP could have considered two interrelated mechanisms: a permanent waiver of TRIPs’s pharmaceutical patents to LDC and a permanent waiver of the application of TRIPs to essential medicines in low and middle-income countries.

TRIPs originally waived the application of TRIPs into LDC until 2005 (TRIPs, article 66.1). This transition period has been extended twice after requests by the LDC Group, first to 2013 and then to 2021.41 With regard to medicines, the Doha Declaration asked the TRIPs Council to extend the waiver for LDC to apply TRIPs to pharmaceuticals until 2016.42 The TRIPs Council approved this request. In November 2015 the TRIPs Council extended the transition period for pharmaceutical patents until 1 January 2033 or when a country ceases to be an LDC if that happens before 2033. The Council also waived obligations regarding mailbox applications and exclusive marketing rights that would otherwise apply to LDC.43 This waiver applies only to LDC albeit that it extends to all pharmaceuticals. The 2012 UN Commission on HIV and the Law makes the more ambitious proposal that TRIPs is urgently suspended for essential medicines for low and middle-income countries while the UN Secretary General convenes a new body to recommend a new intellectual property regime for drugs.44

The UN Commission’s proposal underscores the appointment of the High-Level Panel, and should be adopted and expanded in the following ways:

1. The HLP should recommend that the WTO waiver of TRIPs to LDC to 2021 and the waiver of TRIPs to pharmaceuticals in LDC to 2033 be made permanent.
2. The HLP should recommend that this waiver be extended to permanently suspend the application of TRIPs to essential medicines in low and middle-income countries generally
While the latter recommendations are relatively bold reforms of the current system that are likely to be highly contested, we argue that these reforms are nonetheless feasible: First, a permanent waiver is unlikely to be inconsistent with WTO non-discrimination rules requiring that WTO members be treated equally and without special favours, given that the current system clearly views existing waivers and transition periods for LDC and pharmaceutical patents as legitimate under WTO rules. Second, expanding access to affordable medicines offers exponential population health benefits. This amplification effect is suggested by how the expansion of antiretrovirals in low- and middle-income countries has resulted in significant reductions in AIDS-related morbidity and mortality and major improvements in AIDS prevention. For example, greatly reduced drug prices combined with international funding has seen access to these medicines increase from fewer than a thousand people in 2000 to more than 15 million people. The public health impact of expanded access to antiretroviral medicines has been dramatic: there were 34 per cent fewer AIDS-related deaths in Sub-Saharan Africa in 2014 than in 2000 and a 41 per cent drop in infections in Sub-Saharan Africa since 2000.

3. Even the most radical of these proposals poses little threat to the current system of innovation that drives the development of new medicines. This conclusion is strongly supported in the 2006 report of the WHO Commission on Intellectual Property, Innovation and Health which held that where “the market has very limited purchasing power, as is the case for diseases affecting millions of poor people in developing countries, patents are not a relevant factor or effective in stimulating R&D and bringing new products to market”. To this extent, suspensions of TRIPs in LDC or for essential medicines in low- and middle-incomes countries are unlikely to significantly affect innovation in ways that are disproportionate to the human rights needs that doing so would meet.

Assessing the Panel’s Final Report Against these Recommendations

The HLP’s final report issued in September 2016 is strongly framed around the right to health and several of its recommendations are similar to those made in this article and the earlier submission to the Panel. Indeed, the framing imperative of the right to health is apparent in the very first paragraph of the report, which references the multiple international treaties that protect the right to health and acknowledges that medicines are core obligations under this right:

Despite the presence of rights and the commitments of countries to advance public health objectives, millions of people do not have access to the health technologies that form a core component of the right to health.

Moreover, the report recognises that state duties to respect, protect and fulfil the right to health “requires taking proactive measures to promote public health”.

Yet, when it came to recognising the implications of these right to health duties for trade and intellectual property rights, the Panel was more circumspect. Certainly the Panel recognised the fundamental difference between human rights and intellectual property rights in similar terms to General Comment 17. The Report states:

Human rights are fundamental, universal entitlements that people inherently acquire by virtue of their birth. In comparison, intellectual property rights are temporary, revocable, transferable privileges granted by states and can be suspended or revoked under certain conditions laid out in the TRIPs Agreement when it is in the interest of the state or society.

Elsewhere the primacy of human rights is more explicitly articulated, with the report recognising that “[t]he very nature of fundamental human rights requires that they outweigh private interests under national law”. Yet, in the Panel’s view, resolving incoherence between these sets of rights should ensure not simply that trade and intellectual property rights do not “impede access to needed health technologies that sustain health, well-being and life,” but that human rights and public health do not impede innovation in new medicines. On the one hand, this position recognises long standing industry concerns that reduced drug costs will negatively impact innovation of new medicines. Yet, the Panel is to be commended for rejecting the contention that TRIPs flexibilities are capable of posing such threats.

The Panel recommends that “WTO members should commit themselves, at the highest possible
political levels, to respect the letter and the spirit of the Doha Declaration on TRIPs and Public Health, refraining from any action that will limit their implementation and use in order to promote access to health technologies”, and that this means making “full use of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) flexibilities as confirmed by the Doha Declaration to promote access to health technologies when necessary”.56

In particular, states should “adopt and implement legislation that facilitates the issuance of compulsory licences”.57 These are important recommendations that reinforce prior policies supporting the use of TRIPs flexibilities to advance public health and human rights imperatives, such as the World Health Organization’s 2008 Global Strategy and Plan of Action on Intellectual Property, Innovation and Public Health,56 and the 2016 Sustainable Development Goals on health.59 Yet, these recommendations also go no further than these prior policies, losing an important opportunity to progress beyond the status quo on strategies to increase access to medicines.

The report also makes strong recommendations regarding the use of impact assessment similar to those made in this article. Thus, the report recognises that when it comes to TRIPs-plus commitments “[f]ailure to conduct robust impact assessments before concluding such agreements is tantamount to a neglect of state duties to safeguard the right to health”.60 In the Panel’s view, “human rights and public health impact assessment are another important modality for holding governments accountable for their actions in negotiating and concluding trade agreements that may adversely impact the right to health”.61 The specific recommendation in this regard is that:

Governments engaged in bilateral and regional trade and investment treaties should ensure that these agreements do not include provisions that interfere with their obligations to fulfil the right to health. As a first step, they must undertake public health impact assessments. These impact assessments should verify that the increased trade and economic benefits are not endangering or impeding the human rights and public health obligations of the nation and its people before entering into commitments. Such assessments should inform negotiations, be conducted transparently and made publicly available.62

Yet, the Panel’s implicit line in the sand regarding the limitations of the primacy of human rights over trade comes in the absence of bold recommendations capable of altering the current system of trade rights. There is nothing in the report analogous to our recommendation that TRIPs be waived permanently for LDCs and suspended permanently for essential medicines in low- and middle-income countries. The closest the Panel came was a recommendation that governments issue automatic compulsory licences, removed from the final report because the Panel could not reach consensus on this issue.63 Commentaries from dissenting panelists from civil society decried this removal, arguing that “the panel could have and should have been bolder,” including by exempting essential medicines from IP protection and extending the waiver for LDC.64 As one panellist put it:

The Report should have much more clearly addressed and recommended specific action on the fundamental question of systemic change, on recognising the primacy of human rights over trade and intellectual property rules and for the exploration of a new intellectual property system that prioritises human rights as recommended by the Global Commission on HIV and the Law. The recommendations on access in the report on TRIPs flexibilities, their use, on TRIPs-plus provisions, etc. should have been the starting point of our deliberations at the High-Level Panel and not the end point.65

Conclusion

We have argued that at least two clear right to health duties should have guided the HLP’s recommendations: the duty to prevent unreasonably high costs for medicines from denying large segments of the population their rights to health and the core obligation to provide essential medicines.

In turn, we suggest that these duties imply three areas of action: consistent implementation of human rights impact assessment; institutionalising TRIPs flexibilities in law and policy; and making permanent the waiver of TRIPs for LDCs, and waiving the application of TRIPs to essential medicines in low- and middle-income countries.

The HLP is to be commended for its willingness to make recommendations similar to these, and for other innovative proposals, including
Assessing the UN High-Level Panel on Access to Medicines Report in Light of the Right to Health

recommendations to initiate negotiation on a global research and development treaty to delink R&D costs from end prices, and to create independent review bodies to assess progress on drug innovation and access. These recommendations offer important strategies that may incrementally advance access to medicines on the ground.

Yet, the Panel declined to propose deep reform of the current system, preferring instead to “reinforce those rights in current existence and underline the need for greater attention, monitoring and enforcement to ensure that these rights are not undermined and are actively pursued”.66 Indeed, when it comes to accessing existing medicines, the Panel relied almost entirely on expanding usage of existing (and admittedly crucial) safeguards like TRIPs flexibilities and human rights impact assessment. In this light, it is hard not to see the Panel’s reluctance as a missed opportunity to significantly move the needle on international access to medicines policies far beyond pragmatic and limited incrementalism towards reforms more realistically capable of broadening access to medicines on the ground for those who need them most.

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9 High-Level Panel Secretariat. “United Nations Secretary-General’s High-Level Panel on Access to Medicine, Terms of Reference.”, p.5. Available at: https://static1.squarespace.com/ assets/5629d4deee0b0b11e4f61e65e95a6c1210695179f/6e745210249707/1/TORefnewtemplate-LinkedtoFINAL.pdf (accessed on 5 October 2016).


15 ibid., para. 192.

16 ibid., para. 480.


19 ibid., art. 51.1.

20 Ibid., art. 31.3.c.

21 fn4.

22 fn4, para. 12.a.

23 fn4, para. 43.

24 fn4, para. 47.

25 United Nations Committee on Economic, Social, and Cultural Rights. “General Comment No. 17 on the right of everyone to benefit from the protection of the moral and material interest resulting from any scientific, literary or artistic production of which he or she is the author.” 2005, para 2. Available at: http://www.refworld.org/docid/441543594.html (accessed 26 June 2016).

26 ibid., para. 35.

27 ibid.

28 ibid.


30 fn17.

31 ibid.

32 fn11, p. 4.

33 fn4, para 50.
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36 fn11.


41 World Trade Organization. “Responding to least developed countries’ special needs in intellectual property.” Available at: https://www.wto.org/english/tratop_e/trips_e/ldc_overview_08.05.2013_full.pdf (accessed 26 June 2016).

42 fn37, para7.


47 ibid.

48 ibid., pp.8-10.


51 ibid., p.6.

52 ibid., p.20.

53 ibid., p.24.

54 ibid., p.20.

55 ibid., p.27.

56 ibid., p.9.

57 ibid., p.27.

58 fn49.


60 ibid., p.31.

61 ibid., p.34.

62 ibid., p.28.

63 ibid., p.23.

64 ibid., pp.53-54.

65 ibid., p.28.

66 ibid., pp.19-20.
Intellectual property rights are growing in strength and spreading. Many people working in internet-related businesses would be wearily familiar with cease and desist letters from intellectual property owners alleging infringement of a trade mark, patent or copyright. Amazon’s “1-click” patent is but one example of many thousands of patents that relate to the most basic functions of the internet, including the transmission and receipt of files. Intellectual property used to be a civil matter, but these days you can go to jail for infringing someone’s intellectual property. Aside from using the criminal law to police their monopolies, intellectual property owners also sermonise to the rest of us on what we should and should not be doing. The Recording Industry Association of America’s website says that in addition to parents giving their kids guidance about sex, drugs and alcohol, they should also talk to them about the immorality of sharing music files.

Hardly an area of social life remains untouched by intellectual property issues. Research scientists find themselves worrying as much about who owns the intellectual property rights in the research tools they need to solve a problem, as they do about the problem itself. School teachers, musicians, lecturers, programmers have to steer their way through thickets of copyright rules in order to be able to do their jobs. Small- to medium-sized companies, which never bothered much with intellectual property protection, spend more and more time worrying about it.

The one constant in all of this is the cacophony of intellectual property lawyers. In the manner of a Greek chorus they wail for more and more protection of intellectual property. It’s a great form of protection to be in, because intellectual property is invisible and intangible. No matter how much money it hands over to the lawyers, a company cannot be sure that it has done enough to protect these invisible assets. And then there is the uncomfortable fact that these assets can grow through exchange. When people get together and exchange ideas, information and knowledge these things grow. There are also examples of business models based on open domain approaches to information. The growth of the Free Software movement and the use by some businesses of software licences that permit free access to the source code of a program is a case in point. This suggests that there are alternative and less costly strategies for dealing with intangible assets.

Should we be worried about the rising tide of intellectual property regulation? The answer depends on who is the “we” in the question. Some individual firms have a lot to gain from increased levels of intellectual property protection because they are large enough to afford the costs of intellectual property systems. IBM takes out roughly 2000 patents a year in the US market alone. Not many firms, however, can afford the cost of so many patents.

If we think of intellectual property protection as a kind of arms race, we can see that firms should think very carefully before entering the race. An arms race in intellectual property is expensive because you are forever paying the lawyers to escalate to new levels of protection. In an arms race it’s hard to get ahead and even harder to stay ahead. There can only be one winner and that is the person with the deepest pockets. There is also a basic paradox if you want your company to remain innovative. Innovation depends on people communicating with each other. The more that you place your creative people in intellectual property cells, the more risks you take with the innovation process.

Not all firms will benefit from the global paradigm of intellectual property that is emerging through the World Trade Organization and other international organisations like the World Intellectual Property Organization. Probably only a few will. Not many countries will benefit either because most are net intellectual property importers. By agreeing to ever higher standards of intellectual property, developing countries
especially are simply worsening their terms of trade. Most patents in developing countries are owned by foreigners, mainly by US and European patentees. Increasing patent protection benefits, in income terms, the US and to a lesser extent Europe. It is not just about patents, however. Increased copyright protection for textbooks, journals and computer programs will raise the costs of mass education in developing countries. Basically intellectual property begins to look like a game in which the rich have found new ways to rob the poor.

The stench of hypocrisy is everywhere when it comes to the US and Europe setting the rules of the intellectual property game. These countries grew economically in the nineteenth and first part of the twentieth century using strategies of technological imitation. Developing countries will not be given the same sovereignty over their growth policies. The whole point of intellectual property is to block imitation and competition. The US and Europe mouth the importance of human rights, but apparently the right to health of poor people in developing countries does not count. Why else have the US and Europe done so little to reform the patent rules at the WTO to help poor people gain access to patented drugs for diseases like HIV/AIDS?

In fact, the draft deal that was tabled at the WTO last December actually strengthens the hand of US and European pharmaceutical multinationals. The US and Europe preach a pro-development rhetoric, but they send their bullying trade negotiators to inflict further trade losses on developing countries in bilateral deals that see intellectual property protection ratcheted up and up. Developing countries are obliged to protect Western intellectual property assets. They also face protected agricultural markets in the US and Europe. Apparently the economic despair that arose in European countries because of the beggar-thy-neighbour trade policies that prevailed between the First and Second World Wars has been forgotten in the West.

One of the real dangers of global intellectual property rules is that they might eventually blow the world’s trade regime out of the water. Trade is about goods and services moving across borders. But intellectual property law through its complex rules on parallel importation, exhaustion of rights and doctrines of infringement allows owners of intellectual property to stop the movement of goods. Europe, for example, is busily exploring how the intellectual property in geographical indications can be extended to include high recognition terms like ‘feta’, ‘bratwurst’ and ‘brut’. A lot of the new protectionism that will confront developing countries will be hidden under the cloak of intellectual property law’s complexity.

The globalisation of intellectual property that we are witnessing is part of a familiar colonial phenomenon. The basis of competition lies in the development of skills and knowledge. When newcomers acquire skills and knowledge they disturb roles and hierarchies. The success of the Indian pharmaceutical industry fundamentally threatens those at the top of an international hierarchy of pharmaceutical production – the US, Europe and Japan. Underneath the moral rhetoric of intellectual property there lies an agenda of underdevelopment. It is all about protecting the knowledge and skills of the leaders of the pack.
Updates in WIPO Precedent: The WIPO Jurisprudential Overview 3.0 is Released

Introduction

Since 2000 the wild, wild west of the domain name world has become somewhat more law abiding due to the presence of the Uniform Domain Name Dispute Resolution Policy (UDRP), which allows holders of trade mark rights to commence an administrative proceeding through one of a number of providers (most notably the WIPO Arbitration and Mediation Center [WIPO] and the Forum [formerly the National Arbitration Forum]), which if successful usually results in the Registrar transferring the domain name from the domain name holder (Respondent) to the trade mark holder (Complainant). Such proceedings are commenced when the Complainant considers that it has been a victim of cybersquatting, being the bad faith registration of a domain name corresponding to its mark for purposes as diverse as resale, use as a pay-per-click (PPC) site, phishing or other nefarious activities.

The test for whether a domain name will be transferred under the UDRP is what is known as the three-step test, and is set out below, written for the Respondent’s perspective:

- “Your domain name is identical or confusingly similar to a trademark or service mark in which the Complainant has rights”;
- “You have no rights or legitimate interests in respect of the domain name”;
- “Your domain name has been registered and is being used in bad faith”

with indicative examples being provided for the second and third elements. Cases are decided by independent one- or three- member panels appointed by the providers.

While the UDRP does not operate on a strict doctrine of binding precedent (there being no avenue of appeal within the UDRP though dissatisfied parties can choose to resolve disputes through courts of mutual jurisdiction) panels have recognised that it is important for the overall credibility of the UDRP system that filing parties can reasonably anticipate the result of their case. Often noting the existence of similar facts and circumstances or identifying distinguishing factors, UDRP panels strive for consistency with prior decisions. In so doing, panels seek to ensure that the UDRP operates in a fair and predictable manner for all stakeholders while also retaining sufficient flexibility to address evolving internet and domain name practices.

In 2005 WIPO, the largest provider of UDRP dispute resolution services, launched the WIPO Overview, a summary of consensus (and areas of dispute) panel views on a range of common and important substantive and procedural issues. The WIPO Overview, updated in 2011 (referred to as the WIPO Overview 2.0), was an enormous success and is frequently quoted by panels as an authoritative statement of UDRP precedent on a range of issues. In many ways the WIPO Overview is analogous to the Restatements of Law published by the American Law Institute which are enormously influential in US jurisprudence.

In May 2017, the WIPO Jurisprudential Overview 3.0 was launched at the INTA Conference in Barcelona. The Overview 3.0 has been updated to now include express references to almost 1,000 representative decisions (formerly 380) from over 265 (formerly 180) WIPO panelists. The number of cases managed by WIPO has nearly doubled since its publication of WIPO Overview 2.0; as a result, the number of issues covered in the Overview 3.0 has significantly increased to reflect a range of incremental evolutions in the UDRP and domain name system more broadly. The Overview 3.0 significantly redrafts almost every single section to provide a clearer understanding of how panels will look at any issue that could arise under the UDRP and sets out what evidence panels will generally expect from either party in order to satisfy them of a party’s case.
The launch of the Overview 3.0 offers an insight into how panel views on key areas of the UDRP have changed and evolved over the past six years and how the UDRP has adapted to meet the changing nature of the domain name world, with the launch of new general-top-level domains (gTLDs), the creation of a competing dispute resolution system (the Uniform Rapid Suspension Procedure [URS]), and increasingly professional domainers, including individuals and companies who do focus on the registration, use and sale of domain names without the intention of capitalising on the rights of corresponding trade mark holders.

This article will look at certain key areas where significant changes have occurred over the last six years and how these changes are reflected in the Overview 3.0.

Panels Are Taking a More Practical Approach in Determining Confusing Similarity

The first element of the UDRP requires a Complainant to show registered or “common-law” unregistered trade mark rights and that the domain name is identical or confusingly similar to the nominated trade mark. Traditionally, panels have decided confusing similarity in a similar manner to a finding of deceptive similarity in trade mark matters, namely through a side-by-side comparison of the domain name and nominated trade mark, with the content of the website to which the domain name resolves to being irrelevant. Indeed were the content of the website always relevant, it would quite be possible for cybersquatters to argue that confusion would not occur if a well-known mark was pointed to a site obviously unconnected to the business, such as a pornographic site, which would defeat the purpose behind the creation of the UDRP.

While the test outlined above is still the dominant mechanism used by panels in considering the question of confusing similarity, the Overview 3.0 notes recently some panels have considered the intention of the Respondent, when easily inferred, in deciding this question, relying on the old trope of “if the Respondent intended to confuse people they probably succeeded”. If the website at the domain name clearly trades off the reputation of the Complainant, or if the Respondent has registered a number of other domain names obviously targeting the Complainant, these factors may support a finding of confusing similarity in otherwise borderline cases. The converse does not apply. Rather, if the Respondent’s website clearly does not trade off the Complainant’s reputation (such as if the website relates to a prima facie legitimate business in a different jurisdiction to the Complainant), this may be relevant to questions that arise under the second or third elements of the UDRP but is not relevant to a first element finding.

In Certain Cases the Top Level Domain (“TLD”) is Now Relevant When Determining Confusing Similarity

In most cases, the applicable TLD in a domain name (e.g. `.com`) has been disregarded by panels deciding confusing similarity since the TLD is a standard requirement in a domain name. However, this has never been a hard and fast rule as there have been cases where domain names themselves are registered as trade marks (e.g. AMAZON.COM) which then could be replicated in a domain name. The Overview 3.0 notes that since the launch of the new gTLDs, there have been an increasing number of UDRP cases involving domain names that are constructed by using the TLD to create a confusingly similar domain name. Examples of trade marks and confusingly similar domain names include WEWORK and <joinwe.work>, SWAROVSKI and <swarov.ski> and BMW and <b.mw>. In such cases, panels have sensibly disregarded the practice of ignoring the TLD when deciding confusing similarity and have compared the Complainant’s trade mark to the domain name in its entirety.

The Overview 3.0 Lists What Evidence is Generally Supplied to Support a Claim of Prior Use, or Demonstrable Preparations to Use the Domain Name, in Connection with a Bona Fide Offering of Goods or Services?

One of the bases on which a Respondent may establish rights and legitimate interests is by showing prior use, or demonstrable preparations to use the domain name in connection with a bona fide offering of goods and services. For the first time the WIPO Overview has provided a clear listing of what evidence is generally provided to support such a claim; a change that will be of assistance to any inexperienced representative acting for a Respondent. Notably, documentary evidence supplied should be contemporaneous; evidence created subsequent to the commencement of the proceeding is of less value. Such evidence includes:
Updates in WIPO Precedent: The WIPO Jurisprudential Overview 3.0 is Released

- Evidence of business formation-related due diligence/legal advice/correspondence.
- Evidence of credible investment in website development or promotional materials such as advertising, letterhead, or business cards.
- Proof of a genuine (i.e., not pretextual) business plan utilising the domain name, and credible signs of pursuit of the business plan.
- Bona fide registration and use of related domain names.
- Other evidence generally pointing to a lack of indicia of cybersquatting intent.

Clear Rules Now Established as to How Criticism and Fan Sites are Treated under the UDRP

A significant change in the Overview 3.0 is the greater certainty in how criticism and fan sites are treated. Historically the manner in which criticism sites are treated has been one of the areas of widest panel variance, with some panels finding domain names that consist of a trade mark plus a derogatory term (e.g., `<trademarksucks.tld>`) to not be confusingly similar, a split in how cases involving US and non-US parties are decided and a variety of views as to whether any commercial activity on a criticism or fan site is permitted.

The Overview 3.0 makes it clear that panels, when considering a domain name that consists of a trade mark plus a derogatory term (e.g., `<trademarksucks.tld>`) tend to find that the Respondent has a legitimate interest in using the trade mark as part of the domain name to link to a criticism site if such use is prima facie non-commercial, genuinely fair, and not misleading or false. Interestingly, the Overview notes that some panels have found in such cases that a limited degree of incidental commercial activity may be permissible in certain circumstances. Where a domain name which is identical to a trade mark (i.e., `<trademark.tld>`) is being used in relation to a genuine non-commercial fan site, panels have tended to find that a general right to operate a fan site (even one that is supportive of the mark owner) does not necessarily extend to registering or using a domain name that is identical to the complainant's trade mark, particularly as the domain name may be misunderstood by internet users as being somehow sponsored or endorsed by the trade mark owner.

Rights and Legitimate Interests Can be Found Even when the Domain Name Redirects to a “Parked” Site Consisting of Pay-per-click (PPC) Advertisements

In the last six years, panels have decided a significant number of cases involving PPC pages or pages containing PPC advertisements and hence jurisprudence in this area has been refined significantly, as reflected in the Overview 3.0. Individuals with a desire to operate a non-commercial criticism sites will have much greater certainty as to what domain names are and are not acceptable to register and use.
permissible where the domain name consists of an actual dictionary word(s) or phrase and is used to host PPC links genuinely related to the dictionary meaning of the word(s) or phrase comprising the domain name, and not to trade off the Complainant’s (or its competitor’s) trade mark – e.g. a PPC page on <apple.com> would be acceptable if the relevant links relate to the fruit and not computers or phones. Evidence of Respondent efforts to suppress PPC advertising related to the Complainant’s trade mark (e.g., through so-called “negative keywords”) will support a conclusion that the Respondent is not seeking to trade off the Complainant’s trade mark.

Notably, panels have recognised that merely registering a domain name comprised of a dictionary word or phrase does not by itself automatically confer rights or legitimate interests on the Respondent, rather in order to find rights or legitimate interests in a domain name based on its dictionary meaning, the domain name should be genuinely used, or at least demonstrably intended for such use, in connection with the relied-upon dictionary meaning and not to trade off third-party trade mark rights.

Some panels have recognised that in cases where a website is not predominantly a “typical” parked or PPC site (e.g., it is a blog, forum, or other informational page) and where other clear, non-pretextual indicia of Respondent rights or legitimate interests are present, the incidental limited presence of PPC links as not inconsistent with Respondent rights or legitimate interests.

The Overview 3.0 Lists What Additional Considerations/Factors Panels Have Taken into Account in Finding Bad Faith

Paragraph 4(b) UDRP sets out four non-exclusive scenarios which constitute evidence of a Respondent’s bad faith. The Overview 3.0 sets out in detail additional factors/considerations panels have taken into account in making a finding that the Domain Name is registered and used in bad faith. This should assist any inexperienced representative preparing a complaint seeking to show bad faith. These considerations include:

- The nature of the domain name (e.g., a typo of a widely-known mark, or a domain name incorporating the Complainant’s mark plus an additional term such as a descriptive or geographic term, or one that corresponds to the Complainant’s area of activity or natural zone of expansion).
- The chosen top-level domain (e.g., particularly where corresponding to the Complainant’s area of business activity or natural zone of expansion).
- The content of any website to which the domain name directs, including any changes in such content and the timing thereof.
- The timing and circumstances of the registration (particularly following a product launch, or the Complainant’s failure to renew its domain name registration).
- Any Respondent pattern of targeting marks along a range of factors, such as a common area of commerce, intended consumers, or geographic location.
- A clear absence of rights or legitimate interests coupled with no credible explanation for the Respondent’s choice of the domain name, or
- Other indicia generally suggesting that the Respondent had somehow targeted the Complainant.

No Support for the Theory of “Retroactive” Bad Faith Registration

In order to succeed under the UDRP, a Complainant must prove that the domain name was registered and used in bad faith. The effect of this is that, with some limited exceptions (such as when the domain name is registered in anticipation of trade mark rights, i.e. before a corporate merger or following significant media attention that likely will lead to trade mark rights), when a Respondent registers a domain name before a Complainant’s trade mark rights accrue, panels will not normally find that the Respondent registered the domain name in bad faith.

The most significant change in the Overview 3.0 is the dismissal of the concept of “retroactive” bad faith registration. In 2009 and 2010, a number of panels explored the application of registrant representations in paragraph 2 of the UDRP to find so-called “retroactive” bad faith registration in circumstances where registration occurred before trade mark rights accrued.9

In the WIPO Overview 2.0 the concept of retroactive bad faith registration was dealt with in the following manner:
3. Furthermore: Irrespective of whether the domain name was registered before the relevant trademark was registered or acquired, a small number of panels have begun to consider the effect of the requirement of paragraph 2 of the UDRP, which states: “By applying to register a domain name, or by asking us to maintain or renew a domain name registration, you hereby represent and warrant to us that (d) you will not knowingly use the domain name in violation of any applicable laws or regulations. It is your responsibility to determine whether your domain name registration infringes or violates someone else’s rights.” Some panels have regarded this as a warranty at the time of registration that the domain name will not be used in bad faith, finding that, by breaching such warranty, use in bad faith may render the registration in bad faith. Other panels have looked at the totality of the circumstances in assessing “registration and use in bad faith”, as a unitary concept, given that some of the circumstances listed as evidence of bad faith registration and use in paragraph 4(b) of the UDRP appear to discuss only use and not registration.

In 2017, the Overview 3.0 is explicit that this approach has not found favour, stating that:

NB, a number of cases in 2009 and 2010 (including Mummygold, Octogen, Parvi, and Jappy) explored application of registrant representations in UDRP paragraph 2 in finding so-called “retroactive” bad faith registration; while this particular concept has not been followed in subsequent cases, UDRP paragraph 2 may be relevant on its own terms. [See, in particular, section 3.8 below].

and

Subject to scenarios described in 3.8.2 below, where a respondent registers a domain name before the complainant’s trade mark rights accrue, panels will not normally find bad faith on the part of the respondent.

and

Where the respondent provides satisfactory evidence of an unbroken chain of possession, panels typically would not treat merely “formal” changes or updates to registrant contact information as a new registration. Also, irrespective of registrant representations undertaken further to UDRP paragraph 2, panels have found that the mere renewal of a domain name registration by the same registrant is insufficient to support a finding of registration in bad faith.

This significant and explicit change and will provide certainty to parties in cases where the domain name was clearly registered before a Complainant’s trade mark rights accrued. An added positive effect is that it may also reduce the number of speculative complaints filed by companies whose rights arose after the registration of the domain name but who relied on the theory of retroactive bad faith registration to support their claims.

As noted above, while the Overview 3.0 clarifies that the mere renewal of a domain name registration by the same registrant is insufficient to support a finding of registration in bad faith, if a present Respondent acquires the domain name from a third party after the Complainant’s trade mark rights accrued, bad faith can be found irrespective of whether the domain name was in fact first registered by another entity before the Complainant’s trade mark rights accrued.

When Considering the Test of “Disrupting the Business of a Competitor”, Panels Have Adopted a Broad Meaning of the Word “Competitor”

The Overview 3.0 confirms that when considering whether a particular case falls within the example of bad faith set out in paragraph 4(b)(iii) of the UDRP being to “disrupt the business of a competitor” panels have applied the notion of a “competitor” beyond the concept of an ordinary commercial or business competitor to also include the concept of “a person who acts in opposition to another” for some means of commercial gain, direct or otherwise. This includes prior customers or business partners of the Complainant and it includes a situation where the “competitor” being disrupted is not the Complainant. Panels have found that the notion of “competitor” does not encompass a party that is engaging legitimate non-commercial criticism of the Complainant.

The Overview 3.0 Notes the Relevance of the Concepts of Wilful Blindness and the Duty to Search for and Avoid Trade Mark-abusive Domain Names

Like the Overview 2.0, the Overview 3.0 notes that panels have held that registrants, especially domainers undertaking bulk purchases or automated registrations of domain names, have an affirmative obligation to avoid the registration of
trade mark-abusive domain names. It is insufficient for a Respondent to say, "I registered 100 domain names that day, and I had no idea that this domain name corresponded to a trade mark". Panels will look to the facts of the case to determine whether a Respondent has undertaken good faith efforts to screen such registrations against readily-available online databases to avoid the registration of trade mark-abusive domain names.

The Overview 3.0 notes that in certain cases, panels have conversely found that where a Respondent domainer provides evidence that it has undertaken additional measures to avoid abusive use of any registered domain names, e.g., through methods such as applying negative keywords, such undertakings will corroborate the Respondent's claim to good faith.

Third-party Generated Material “Automatically” Appearing on a Website Associated with a Domain Name Can Form a Basis for Finding Bad Faith

An issue that has long challenged panels deciding whether a domain name has been registered and used in bad faith is how to deal with "automatically" generated pay-per-click links, which may result in a domain name displaying links connected to a Complainant that were created automatically, without the knowledge or awareness of the Respondent (when the Respondent may not even know of the Complainant's existence). Historically, panels have held that a Respondent cannot disclaim responsibility for content appearing on the website associated with its domain name (nor would such links vest the Respondent with rights or legitimate interests).

The Overview 3.0 notes that "neither the fact that such links are generated by a third party such as a registrar or auction platform (or their affiliate), nor the fact that the Respondent itself may not have directly profited, would by itself prevent a finding of bad faith"15 but again, positive efforts by the Respondent to avoid links which target the Complainant's mark (e.g., through "negative keywords") to be a mitigating factor in assessing bad faith.

What is the Relationship Between the UDRP and the URS?

The URS is the ICANN-created Uniform Rapid Suspension system for new gTLDs. A Complainant that considers that a domain name containing one of the new gTLDs (i.e. not a .com, .net, .org etc. domain name) was registered for the purpose of cybersquatting may bring a complaint under the UDRP or the URS. The URS operates on similar principles to the UDRP, with disputes being decided by an independent panel and enforced by the registrar but has different timetables, higher proof requirements and more limited remedies. WIPO is not a provider for URS disputes.

At the time the Overview 2.0 was released in 2011 the URS did not exist. The Overview 3.0 sets out the following principles that govern situations where URS and UDRP proceedings overlap in some manner:

- Under the URS, a URS complaint may not be filed if there is a pending UDRP proceeding involving the same domain name(s).
- There is no explicit prohibition against the filing of a UDRP proceeding during a URS proceeding and in such circumstances the filing party may wish to consider whether to withdraw any such URS proceeding after the filing of the UDRP proceeding, to maintain the registrar “lock” on the domain name while avoiding potential questions regarding implementation of overlapping decisions.
- In a case where UDRP proceedings have been filed where the same domain name was previously subject to a URS proceeding, the Complainant should provide in the Complaint details of the earlier URS proceeding.
- A previously decided URS proceeding shall not cause prejudice in a UDRP proceeding and the UDRP panel is not bound by the determination in the URS proceeding.

Conclusion

The UDRP, 17 years after its inception, remains an important tool for trade mark holders to combat cybersquatting. The Overview 3.0 is a significant improvement on its predecessor in that it provides a much greater level of certainty as to what is and is not cybersquatting under the UDRP and will help practitioners in preparing and responding to UDRP Complaints.
Updates in WIPO Precedent: The WIPO Jurisprudential Overview 3.0 is Released

1 See also Bayerische Motoren Werke AG (“BMW”) v. Registrant Private Domain By Proxy, LLC / Armands Piebalgs, WIPO Case No. D2017-0156.
3 Swarovski Aktiengesellschaft v. Aprensa UG haftungsbeschränkt, Mike Kiefer, WIPO Case No. D2016-2036.
4 Bayerische Motoren Werke AG v. Masakazu/Living By Blue Co., Ltd., WIPO Case No. DMW2015-0001. Note that this case does not involve one of the new TLDs, rather .mw is the ccTLD for Malawi.
5 WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Original Edition, Question 1.3.
6 WIPO Overview of WIPO Panel Views on Selected UDRP Questions, Second Edition (“WIPO Overview 2.0”), Question 2.4.
7 WIPO Jurisprudential Overview 3.0, paragraph 2.6.2.
8 WIPO Jurisprudential Overview 3.0, paragraph 2.6.2.
10 WIPO Overview 2.0, Question 3.1.
11 WIPO Jurisprudential Overview 3.0, paragraph 3.2.1.
12 WIPO Jurisprudential Overview 3.0, paragraph 3.8.1.
13 WIPO Jurisprudential Overview 3.0, paragraph 3.9.
14 See Virgin Enterprises Limited v. Jay Cannon, WIPO Case No. D2016-0452. In this case, the Panel concluded that the Respondent was attempting to disrupt the business of a competitor, but the competitor was a different entity to the Complainant. Bad faith was still found.
15 WIPO Jurisprudential Overview 3.0, paragraph 3.5.
The general structure of a Swiss-type claim is as follows (or similar):

Use of compound X in the manufacture of a formulation for the treatment of condition Y.

Swiss-type claim format was originally devised by the Swiss Patent Office to allow for protection of a new therapeutic use of a known compound, in view of the inadmissibility of claims to therapeutic treatment. Subsequently, this claim format was accepted at the European Patent Office (EPO), and affirmed in the Enlarged Board of Appeal G05/83.

More recently, according to the provisions of the European Patent Convention 2000 (EPC 2000), the claim format “Compound X for use in treating condition Y” is permissible and considered use-limited. According to the EPC 2000, this format (EPC 2000 use format) was to be given an interpretation as close as possible to that of Swiss-type format, and, as such, Swiss-type claims are no longer permissible in Europe. It is notable, however, that under a recent decision of EPO Appeal Board, the scope of EPC 2000 use and Swiss-type claims are not considered to be identical.

In Australia, given the permissibility of method of medical treatment claims (as well as claiming of therapeutics in ‘when used’ format, which has essentially the same scope), Swiss-type claims are not required to achieve protection for new uses of a known therapeutic. Nevertheless, this Swiss-type claim format has been established as permissible in Australia. Relevantly, it has been assumed that Swiss-type claims would be directly infringed by pharmaceutical manufacturers, and that these claims therefore offer a different scope of protection than method of medical treatment claims which would typically be infringed by a medical practitioner or patient (in the case of self-administration). As such, although there are provisions relating to indirect infringement of method claims under Australian law, Swiss-type claims have been considered desirable to complement these claims, as establishing indirect infringement can be complicated, and the manufacturer, rather than a patient or physician, would typically be the primary target of infringement proceedings.

Recently, the Australian Federal Court decision in Apotex Pty Ltd v Warner-Lambert Company LLC (No 3) [2017] FCA 94 (Apotex), has further established potential benefits of the inclusion of Swiss-type claims in Australia. This decision dealt with the particular scenario of the offer within the term of a patent by a competitor to supply a pharmaceutical (pregabalin) the subject of a current patent, after the expiry of the patent. The patent at issue (AU 714980) includes both method of medical treatment and Swiss-type claims directed to pregabalin used in the treatment of pain. In Australia, it is an infringement of a claim of a granted patent to ‘exploit’ the claimed invention; under the Patents Act 1990 (Cth). “Exploit” is defined as:

(a) where the invention is a product – make, hire, sell or otherwise dispose of the product, offer to make, sell, hire or otherwise dispose of it, use or import it, or keep it for the purpose of doing any of those things; or
(b) where the invention is a method or process – use the method or process or do any act mentioned in paragraph (a) in respect of a product resulting from such use.

Importantly, in Apotex, when considering the method of medical treatment claims, it was held that contributory infringement provisions could not apply to an offer to supply a product to be used for a method after the expiry of the patent. This was on the basis that there could be no exploitation of the method using the product within the term of the patent, which would be required for the contributory infringement provisions to be engaged. However, in regard to the Swiss-type claims, it was held that an offer to supply the pharmaceutical constituted an offer to use the process to manufacture the pharmaceutical as defined in these claims, and would therefore infringe these claims, in view of the definition of ‘exploit’ set out above.

The decision in Apotex provides further clarification that there is a difference in scope of Swiss-type and method of medical treatment claims in Australia,
and demonstrates that, in some instances, Swiss-type claims may offer broader protection. This emphasises the benefits of including Swiss-type claims in Australian applications to complement method of medical treatment claims.

Notably, after acceptance, it is impermissible in Australia to amend the claims such that a "claim of the specification would not in substance fall within the scope of the claims of the specification before amendment".10 Although there is currently no clear precedent in Australia as to whether the addition of a Swiss-type claim to a claim set including corresponding method of medical treatment claims would be considered contrary to this provision, to avoid doubt any Swiss-type claims should be included prior to acceptance. As an aside, it is notable that, in a recent decision of the Singapore High Court,11 an amendment to convert a method of medical treatment claim to a Swiss-type claim was refused on the basis that this would change the scope of the claims post-acceptance.

As a final point, Swiss-type claims are typically directed to the use of active compounds in the manufacture of formulations or compositions for treating particular conditions. There is presently no clear guidance as to whether a similar claim structure could be validly used for protection of medical devices, e.g.:

\[
\text{Use of component X in the manufacture of a device for the treatment of condition Y.}
\]

More broadly, Swiss-type format could theoretically be adopted in Australia for any suitable application, rather than being restricted to therapeutic subject matter. That is, the use of a particular component for the manufacture of any formulation or device for any purpose could potentially be claimed. Where permissible, such a strategy may be desirable for protection of new uses of known components, and/or to protect important components in the absence of reliance on contributory infringement provisions, across all technology areas. In this regard, it is notable that, although Swiss-type claims originally developed to address the specific issue of impermissibility of method of medical treatment claims in Switzerland, and were adopted by the EPO for the same reason, this was not a relevant consideration in Australia where method of medical treatment claims are allowed, as explained above. As such, there does not appear to be any clear rationale for restricting the use of this claim format to therapeutic subject matter in Australia, notwithstanding that the format has predominantly been used in this manner to date.

2 T1780/12.
3 Wellcome Foundation Ltd v Commissioner of Patents (1980) 145 CLR 520.
4 See Otsuka Pharmaceutical Co., Ltd v Generic Health Pty Ltd (No 4) [2015] FCA 634.
5 As per s.117 of the Patents Act 1990 (Cth).
6 See the discussion of this issue in 1, above.
7 Schedule I.
8 Apotex [19]-[20].
9 ibid. [21]-[25].
10 As per s.102(2)(a) of the Patents Act 1990 (Cth).
NEW YORK – A range of speakers, including top health officials, from both a developed and developing country, last week laid out the case for why the world’s leaders must now launch a shift in the way medicines for all populations are developed and priced. The need for global collaboration is clear, speakers said, but who will lead?

The 17 July event was titled, “UN Secretary-General’s High-Level Panel on Access to Medicines: Advancing Health-Related SDGs through Policy Coherence”. The panel came in the context of the UN High Political Forum on Sustainable Development taking place during the week at the UN headquarters in New York.

Speakers at the event included: The Hon. Michael Kirby, former member of the High-Level Panel and former Justice, High Court of Australia; Professor Sakiko Fukuda-Parr, former member of the High-Level Panel and professor at the New School in New York; Clemens Auer, Director-General, Federal Ministry of Health and Women’s Affairs, Austria; Margrete Auken, Member of the European Parliament from Denmark (remote participation); Javier Guzmán, Director-General of the National Food and Drug Surveillance Institute, Colombia; and Mogha Kamal-Yanni, senior health and HIV policy advisor, Oxfam.

Introductory remarks and moderation were provided by Magdy Martínez-Solimán, assistant secretary-general, assistant administrator and director, Bureau of Policy and Programme Support, UN Development Programme.

The Burden on Patients and Health Systems
Most countries from the poorest to the most prosperous are facing challenges in affording medicines for their populations, Martínez-Solimán said in opening remarks. For instance, he noted that 11 or 12 cancer medicines introduced in the United States cost more than US$100,000 per patient per year, “putting an egregious burden on the patient and health systems alike”.

He gave several examples of cases where the system is not providing needed treatments, such as antimicrobial resistance, multi-drug resistant tuberculosis, malaria and neglected tropical diseases.

“We have to do more to incentivise innovation for unmet health needs,” he said.

Michael Kirby laid out the background and main recommendations of the High-Level Panel report, which was issued in September 2016 and has been gathering attention ever since. He mentioned that the preceding and “prescient” UN Declaration on Human Rights included both that the right to health is a basic human right for all, but that inventors have a right to be rewarded for their work. “So there you have it,” he said, “the two
elements that have never been properly reconciled at the international level, and were a focal point of the High-Level Panel on Access to Medicines”.

The 1980 Bayh-Dole Act in the United States, which required protection of intellectual property rights in health research, came as a shock around the world, he said, as many did not protect health research up to that point. “The sleeping beauty awoke,” he said, and was followed by the 1994 WTO TRIPS Agreement and the 2001 Doha Declaration on TRIPS and Public Health.

The debate was “very energetic” in the 1990s and 2000s as the rise of HIV/AIDS led to efforts to make available the very effective antiretrovirals that had been developed, as it was recognised that market forces could not deliver them. So, it was at that time that the concept arose that one should not have access to medicines based on the “good fortune of where they were born,” but as a universal principle, he said.

The latest big commitment is in the Sustainable Development Goals, which assert the goal of access for all to health. With some insisting on the primacy of their intellectual property rights over the right to health, the UN secretary-general called for the High-Level Panel on Access to Medicines to look at the issue.

Kirby insisted the panel was conducted in a completely open and inclusive fashion, consulting industry and all others, and that the report “is a consensus report”. There were differences, he said, as one would expect, about matters of detail within the report, and those are expressed in the report. But “what was delivered as the central core message of the report was done by consensus,” he said.

Finally, Kirby talked about a program in his native Australia under the national health system to provide the latest treatment to anyone who has hepatitis C, of which there are some 300,000 people, in order to eliminate the disease from the population. The negotiated price with the IP rights holder was undisclosed but was believed to be about AUD$48,000, compared to the price in the United States for the same drug of US$84,000—which is equivalent to AUD$100,000, or twice the rumoured negotiated price in Australia. He also referred to another case (headlined at the time the HLP first met in New York) in which an investment company acquired IP rights in a cancer drug. Based on market research and in the interest of company shareholders, the company in the US raised the price of the drug by 4000 per cent.

“This is the problem of leaving issues of essential drug care only to markets,” Kirby said. “Markets will not necessarily protect the rights of ordinary citizens.” So the Australian government stepped in and negotiated a price and made it available to all of its citizens who need it. In Egypt, with an epidemic of hepatitis C, it is available for about US$800.

“What is the principle of $84,000, $48,000 and $800?” he asked. “There is no principle. It is only what the market demands.” He cited an ambassador from the Netherlands at the HLP public hearing in London in 2016 who not only called this “unacceptable,” but stated, “Do not think that this a problem only of least developed or middle income countries. It is a problem shared by developed countries and it presents major challenges to our budgets”.

Main Recommendations

The UN High-Level Panel report recommended respecting and strengthening the legal landscape, arguing that free trade agreements often go beyond the minimum standards for intellectual property protection, and that international agreements should be used to improve innovation and access, not hinder it.

It suggests that governments: should give patents only for genuine innovations, and must not undermine the use of flexibilities built into the World Trade Organization Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). It also said governments should create an enabling environment for exporting medicines under compulsory licence; and that the WTO secretariat should register complaints of pressure on countries and take punitive measures.

Another set of recommendations focuses on implementing additional models of funding for research and development, ensuring innovative companies are rewarded and that people can access the medicines at a fair price. Examples are public-private partnerships and product development partnerships, as well as grants and prizes.

Other recommendations include a change in transparency practices by having governments require all manufacturers and distributors to disclose the costs of producing and dispensing
their products. This also includes requiring that all knowledge generated from publicly funded R&D be made freely and widely available. It also calls for the WHO to create a database of prices of patented, generic and biosimilar medicines in countries.

Further recommendations cover increasing investment in health R&D, and creating a framework of accountability, including by having the UN secretary-general establish an independent review body for assessing health technology innovation and access. Governments should review national policies from the standpoint of human rights obligations and make the results public.

On the way forward, a High-Level Panel flyer states: “Achieving global goals, particularly Sustainable Development Goal 3, which emphasises health and well-being for all, will require reconciling the need for great investment in innovation, services and medicines, with the high costs of health technologies that are currently burdening rich and poor countries alike.”

A key recommendation was that the 2018 UN General Assembly hold a session on the progress on these issues.

The Call for Ambitious, Universal Solutions

“This to me is a human rights issue,” Fukuda-Parr said in her presentation titled, “A call for ambitious, transformative, integrated, universal solutions.”

She tied the panel’s work with the UN Sustainable Development Goals for 2030, which she said is not just a list of 17 goals, 169 targets and 232 indicators, but a “new concept,” a “real paradigm shift,” that “have to be looked at holistically”.

She pointed to SDG 3 on health, target 3.8: “Achieve universal health coverage (UHC), including financial risk protection, access to essential health-care services, and access to safe, effective, quality and affordable essential medicines and vaccines for all.” She also highlighted how health goals relate to others such as science and technology, trade, and private sector partnerships, all under SDG 17.

Fukuda-Parr described access as voluntary and case-by-case, and innovation as limited in scope and scale and uncoordinated. She highlighted the antimicrobial resistance problem, saying today’s 700,000 deaths per year due to drug resistance could lead to 10 million deaths by 2050, but that the market incentive is still lacking for new antibiotic research, for which only two new drugs have come out in the past 50 years. She also mentioned the research gaps and high prices for tuberculosis and cancer treatments.

Currently, negotiations are done on a product-by-product, country-by-country, company-by-company basis, and there is a need for new models than one based on high prices. The market is misaligned with health priorities, she said. “We need an institutional system for medical R&D” that does not perpetuate the widening R&D convention, plus forming a working group out of the Principles for Biomedical Research. The 2016 UN General Assembly’s political declaration on antimicrobial resistance (AMR) offers a range of alternatives including the concept of delinking product price from the cost of R&D, she noted.

Fukuda-Parr described some recommended alternative models to the current system of reward based on high prices and high sales that incentivise investment in those health priorities. Examples included “push, pull, pooling,” open collaborative research, public-private partnerships, a binding R&D convention, plus forming a working group out of the Principles for Biomedical Research. The 2016 UN General Assembly’s political declaration on antimicrobial resistance (AMR) offers a range of alternatives including the concept of delinking product price from the cost of R&D, she noted.

High-Income Countries “Woke Up”

Auer opened by saying as director-general, “you can blame me as being the ugly face” of a high income, high-priced country. In the boardrooms of pharmaceutical companies, countries with high GDP like Austria are interesting because they set the price for their medical products. This can have an impact on the European countries around Austria to the east that then are faced with prices they struggle to pay – and they tell him so. Meanwhile when it comes to the SDGs, his country is “doing alright” because they have socialised medicine based on a solidarity system, and a broad consensus that access to healthcare is a fundamental human right (adding as an aside, “We don’t have a Donald Trump”). So no Austrian has to be afraid of getting sick for economic reasons because of universal healthcare; they have an equal access to the healthcare system. This is a “notion of freedom in a society,” said Auer.
The country has been doing fine at health coverage despite being a high-priced country, so like others in rich countries they largely ignored the issue of access to medicines because it was not an issue for them. That is, until an American company brought a hepatitis C drug to market at such a high price it “changed the game totally”.

The people like him, in countries like his, “we woke up,” he said, recognising that if this was the business model the pharmaceutical industry wanted to bring to them, they would not be able pay for drugs any longer and the model is not working. The business case that has worked very well for the pharmaceutical industry if one looks at their profit margins over the past 20 years, is really not working anymore, he said.

“Even a country like mine is not able to pay the prices anymore,” Auer said. So the recommendations from the UN panel report are of “high value”. Parallel to that, there is a whole set of policy actions coming out of that realisation.

The big companies make global or regional decisions, but governments don’t make decisions collectively. “Industry loves the fragmentation of the public healthcare sector,” he said. “I’m convinced that we have to overcome this.”

Auer mentioned that other countries along with Austria are beginning to band together to better share analysis and are thinking about jointly negotiating prices with industry. Austria alone is a market of 8 million, but combined with the Netherlands, Belgium and Luxembourg (with Austria, referred to as BeneluxA) it makes up a market of some 45 million, a market “industry cannot ignore so easily”.

He also mentioned a study being done by the Organization for Economic Cooperation and Development (OECD, the Paris-based group made up of richer economies worldwide) that is looking at the issue and trying to come up with a set of policy recommendations alike those of the UN panel report.

A key issue for Auer is to look at policy failures, for instance cases where the public funds research into drugs that then are sold back to them at high prices. Another problem is that governments “are not involved in how public funds for R&D are spent,” do not know how it is spent, and cannot be sure it is the interest of the public health system, he said. With public university funding for research, governments did not link the public funding to price, said Auer, adding, “We are left with a whole series of medical gaps.”

He called on health ministers to work together, and said Austria will hold a match-making conference with investors and researchers when it holds the European Union presidency next year.

Another policy failure is value-based pricing, said Auer, asking, “Who knows what is the value of a drug?” For this, he used the popular example of brakes on a car. They could be seen as the highest value part of the car since they save your life, but they are not the most expensive part.

“There is no transparency on what makes the price,” he said. The public sector is even collaborating with the industry on this, because they sign confidentiality clauses in the vested interest of industry. “How stupid can we be in the public sector to do this” so they do not have an understanding of what is done with it. “We know shamelessly little” about the value added after market authorisation.

He asked: “Do we have the mechanisms in place to assess innovation? I would say yes … Do we use these instruments we have? No, I don’t think so. We have to get better.”

“The recommendations of this High-Level Panel are very, very valuable,” Auer said, and are “not alone anymore,” as the issue has been taken up by the OECD, and the European Union Council of Ministers has a similar approach. The World Health Organization “needs to get more involved,” he said.

**Learning from Colombia’s Universal Healthcare Success**

Guzmán said in its effort to join the OECD, Colombia, a middle-income country, has been cited for its “remarkable example of rapid progress toward universal health coverage” and deserves to be better known internationally. Colombia is proud of having gone from 24 per cent health coverage to universal health coverage in 20 years, lowering out-of-pocket expenditures to be one of the lowest in the world. But progress is “very fragile,” he said, and challenges include efficiency and sustainability.

On access to medical products, “competition and regulation are not enough anymore,” said Guzmán. “We are happy to see that our problem is no longer
[only] our problem but it is a global problem and is recognised as such."

The UN panel report is important for Colombia because it frames their national debate in an international context, and also because it is the first time for many things. This includes the first time the UN secretary-general got involved, and first time to address the “incoherence” between the right of the inventor and the right to healthcare as a human right. It also is the first time the problem is considered as a global problem (including high-income countries).

It will be a “long and difficult” way ahead to implement the recommendations, he predicted, and said an open discussion should be taking place within the WHO, WTO and the World Intellectual Property Organization, and elsewhere within the UN.

Guzmán suggested using the AMR situation as a “window of opportunity” to go beyond current solutions and coordinate them in a “more rational manner.” Colombia has been “very open about our tensions and incoherence” within the government, between different agencies, he said, debating for instance whether to issue compulsory licences. They saw how one government can have different views, setting agencies like the health ministry against agencies like the Commerce Department and patent office. So, it is difficult for a government to decide on a position to take.

The report states the difference between what TRIPs says, and the reality, he said, adding: the TRIPs flexibilities are there, but cannot be used, not only because “we got pressure from everyone” (positive and negative) when they try to use them, but the country also lacked the capacity to carry out the process.

This shows how countries need support, and “we are happy to offer our experience,” so others can do it in a much more efficient and efficacious manner, said Guzmán. The Colombian patent office does not think there is any room for flexibilities with regard to patentability, and are “very proud” to have short timeframes and to give as many patents as possible, following developed patent offices in “patenting everything,” he said.

Discussions on how to have the synthesis of the different views are taking place because of the report, said Guzmán. It has encouraged them to have those discussions and they have found common ground. They may not find the perfect solution, he said, but the little steps they make toward the goal include having more transparency, or clearer guidelines on how to conduct a compulsory licence, for instance.

If nations are serious about the Sustainable Development Goals and about access to medicines, Guzmán said, the problems addressed by the High-Level Panel “need to be acted upon now.”

Who Will Lead?

“The crisis of innovation is a global crisis,” Kamal-Yanni said in her remarks, stating that the lack of innovation into more obscure diseases is actually a “crisis for everyone”. The UN panel was unique in breaking the barrier in this issue, which are artificial barriers given the global nature of the crisis, she said, adding that what is needed is a coherent action which is global.

Kamal-Yanni asked who is responsible to take the recommendations forward so that people in the north and the south have access to safe and affordable medicines. The world needs leadership to get all stakeholders to move in the same direction, she said, adding that Oxfam sees three key stakeholders to move the recommendations forward. These are: governments; UN agencies acting collaboratively but not settling for the lowest common denominator with the WHO in the lead with sufficient funding; and the UN secretary-general’s office (the panel report was requested by the previous secretary-general and has not been overtly endorsed by the new secretary-general).

Voice of Contention

Speakers ran over time so there was not time for questions. A US delegate in the audience told Intellectual Property Watch afterward that the critical statement by the US on the High-Level Panel from 16 September 2016 “still stands,” arguing that the panel report is “flawed” and is overly narrow.

1 This article was originally published in Intellectual Property Watch on 23 July 2017, available at https://www.ip-watch.org/2017/07/23/ case-nations-stakeholders-act-medicines-access/. It is reproduced with the kind permission of IP Watch with a few changes accepted by the publisher to quotes attributed to the Hon. Michael Kirby.
Improved Customer Correspondence: Published: 22 May 2017

IP Australia has been working over the past 12 months to improve their customer correspondence across all intellectual property rights to provide clearer, more succinct information to their customers.

The next phase of work is the release of a series of new-look oppositions and hearings correspondence for patents, trade mark, designs and plant breeder’s rights. Customers can expect to receive this updated correspondence from June 2017.

Patents
No notices issued

Designs
3D Model Files with Design Applications: Published: 21 July 2017

This September IP Australia will enable the option to submit 3D model files with design applications via the IP Australia eServices channel.

IP Australia is implementing this functionality in order to ‘future proof’ their systems and processes. This ensures IP Australia will be able to handle new technology types and formats that the industry uses to create their IP.

IP Australia will only be accepting a single 3D file per application, and the file:

- Will only be used as a visual aid during the examination process if provided.
- Will not form any part of the specification.
- Will not define the scope of the protection.
- Will not be published on the Australian Design Database Search (ADDS), the Australian Journal of Designs (AOJD) or on any certificates.

Design applications will still require the submission of 2D representations which need to be in the specified file format (JPEG, TIF, PNG).

The 3D file must be a one page 3D PDF where it is encoded as a Universal 3D (U3D) 3rd edition or Product Representation Compact (PRC) format.

If a Statement of Newness and Distinctiveness (SOND) is provided, it should not have any reference to the 3D model as it is not an official representation.

IP Australia anticipates the release of this functionality will be during September 2017 and it will be initially be offered through the IP Australia eServices channel.

Trade Marks
Direction on the Way Evidence is Submitted to IP Australia in Trade Mark Opposition Matters

The following direction was published in the Trade Marks Journal on 13 July 2017, and commencing 6 July 2017 will be sent to all parties in opposition matters following the filing of a Notice of Intention to Defend.

In reliance on regulations 5.19, 9.21, 17A.34Q and 17A.48W of the Trade Marks Regulations 1995, as a delegate of the Registrar of Trade Marks, I direct that:

1. If more than 50 pages in total are submitted by a party as evidence in proceedings for opposition matters, including all declarations and exhibits, each document submitted must be clearly paginated and bookmarked in a way that sufficiently identifies the evidence that the party is relying on.

2. If more than 50 pages of evidence are submitted by a party, a summary of the evidence, referring back to the grounds set out in the filed Statement of Grounds and Particulars and the relevant page number within the documents filed, must be provided with the party’s written summary of submissions to be relied on at the hearing.

If you object to providing documents in your particular matter in a way that complies with this Direction, please submit representations setting out your objection using IP Australia’s ‘eServices’ via www.ipaustralia.gov.au within 14 days of the date of the letter accompanying your copy of this Direction.

In the absence of representations to the contrary, the above Direction will be taken as made.
Plant Breeder's Rights

Plant Breeder's Rights to Apply in Norfolk Island: Published: 11 May 2017

From 1 July 2017, the Plant Breeder's Rights Act 1994 (PBR Act) will apply in Norfolk Island. This is in line with the Australian Government's commitment to implement comprehensive reform in Norfolk Island, providing the people there with the same rights and responsibilities as people in the rest of Australia.

It also aligns the PBR Act with Australia's other intellectual property systems that already apply in Norfolk Island. These systems include patents, trade marks, designs, copyright and electronic-circuit layouts. Norfolk Island has not had any system for protecting new varieties of plants before.

On 13 April 2017, Senator the Hon. Fiona Nash, the Minister for Local Government and Territories, made the Territories Legislation (Plant Breeder's Rights) Transitional Rules 2017. These Transitional Rules set out how the PBR Act will apply transitionally in Norfolk Island, ensuring that from 1 July 2017:

- The sale of plant material in Norfolk Island before 1 July 2017 will affect the grant of Australian PBR after that date in just the same way as the previous sale of plant material in the rest of Australia (i.e. that a PBR cannot be granted if sale took place more than 12 months before the PBR application is filed).
- A person who is already using a plant variety that is protected in Australia, but not on Norfolk Island will not be disadvantaged by the extension of the PBR Act to Norfolk Island from 1 July 2017. After 1 July 2017, the person can still freely do anything in respect of that plant variety (or a dependent variety) without infringing the PBR in the variety.
In this edition we consider two cases in which patentees have been successful in pursuing amendments to their patents: in one case to amend and supplement the claims in the patent as accepted; and in the other, to amend the specification to avoid claims of inutility. We also consider a Full Court decision that gives valuable insights as to whether the fact that a trade mark application made by a person other than its owner can be remedied by way of assignment, and the test for substantial identicality.

**Pham Global Pty Ltd v Insight Clinical Imaging Pty Ltd**

[2017] FCAFC 83  
(26 May 2017)

Trade marks – ownership – applicant not the owner of a mark – whether assignment effective to establish ownership – substantially identical – essential elements – whether sufficient to consider only visual elements – reputation in Australia – defence of good faith use of person's own name

Since 2008, the respondent (ICI) has used the mark shown on the left below (ICI device) and the word INSIGHT to distinguish its radiology services. ICI also is the proprietor of trade mark registrations for the logo and the word INSIGHT, with a priority date of 10 October 2012. The trade mark on the right (“IR device”) had been used since March 2012 by the first applicant (PGP, formerly Insight Radiology Pty Ltd and before that AKP Radiology Consultants Pty Ltd) to distinguish its radiology services. The application for the IR device originally was filed in the name of PGP’s director, Mr Pham. Mr Pham filed his application on 7 December 2011 (before ICI’s application for registration of the ICI device).

ICI successfully opposed PGP’s application to register the IR device. PGP’s appeal from the delegate’s decision was rejected by the learned trial judge, Justice Davies. Her Honour also held that ICI’s claims for infringement, contraventions of the Australian Consumer Law, and passing off were made out. PGP appealed against each of her Honour’s decisions (and the costs orders that followed them). PGP was unsuccessful before the Full Court (Greenwood, Jagot and Beach JJ).

At first instance, the primary Judge held in favour of ICI on the grounds of opposition under s.60 (similarity to a mark enjoying a reputation in Australia) and s.42(b) (use contrary to law) of the Trade Marks Act 1995 (Cth), but not sections 58 and 59 regarding ownership.

The Full Court dealt first with one of ICI’s grounds of opposition that was not successful at first instance, s.58 (applicant not the owner). The Full Court noted that as the person making the application to register the IR device, Mr Pham claimed to be the owner of that mark, and the party intended to authorise others (like PGP) to use it. In fact, the primary judge found that the IR device was created by PGP itself, and its intended use of the mark was in that capacity – not under the authority of Mr Pham.

Mr Pham had purported, however, to assign the IR device to PGP in the course of the opposition proceeding. The trial judge accepted that the requirement that an applicant be the “owner” of a mark can be satisfied any time during the currency of the application. The Full Court disagreed, and accepted ICI’s contention that the requirement must be, and can only be, satisfied when an application is made, not thereafter. Regardless of whether ownership is to be shown by authorship combined with prior use, or intention to use and applying for registration, the legislation provides for “registration of ownership not ownership by registration”. Even though s.106(1) of the Act contemplates assignment of a trade mark prior to registration, it is the mark that is assigned, not the application. In other words, s.106(1) pre-supposes that the assignor “owns” the mark in the requisite sense. It is for this reason that the definition of
“applicant” in the Act refers to the person in whose name the application is “for the time being proceeding”.

An application can only be made by the owner, and where the identity of the “applicant” changes this can only be where the ownership of the underlying mark is transferred. The assignment provisions in ss.106 to 111 therefore cannot be used to remedy the situation where a trade mark application has been lodged by a person who was not the true owner when the application was filed; Mr Pham could not assign that which he did not own. Nor could Mr Pham and PGP cure the problem by (belatedly) asserting a constructive trust, because Mr Pham had neither a legal nor equitable interest in the IR device, and merely filing the application did not give rise to a right of ownership. Accordingly, the Full Court held that ICI’s ground of opposition under s.58 ought to have been made out at first instance.

The Full Court also upheld ICI’s contention that the trial judge ought to have found in its favour on the question of whether the ICI device and the IR device were “substantially identical” (and that ICI was, therefore, the true owner of the IR device). At first instance, the trial judge disagreed with the delegate’s finding that the devices were substantially identical, and noted a number of “visual differences” between the two. The Full Court noted that the standard “side-by-side comparison” exercise attends to the “essential features of the registered mark” (or to use a different term for the same concept, the “dominant cognitive cues”). Differences between merely descriptive elements (such as, in this case, IMAGING, CLINICAL or RADIOLOGY) cannot be entirely ignored, but the essential elements of a mark are unlikely to be found in such descriptive elements. The learned trial judge was held to have fallen into error by attending only to “visual differences”, and failing to refer to “essential elements” or to assess the salience of any differences or similarities by reference to those elements. In this case, the “dominant cognitive cues” were a circular element resembling an eye to the left of the word INSIGHT.

Accordingly, the Full Court held that “not only is there a total impression of resemblance between the marks, but also that the differences between the marks are slight having regard to their essential elements or the dominant cognitive clues which they present”.

On the s.60 ground, the Full Court rejected PGP’s attack on the trial judge’s finding that ICI enjoyed a reputation in its marks outside Western Australia (an area that PGP be proposed to be specifically disclaimed in its application for the IR device). In light of the evidence at trial concerning the national nature of referrals for radiology services, there was a proper evidentiary foundation to conclude that the ICI device had acquired a reputation across Australia. To make out reputation under s.60, it was not necessary for ICI to prove that a substantial number of all Australians would be likely to be misled by the IR device; regard must be had to the nature of the relevant class, in this case radiographers, radiologists and medical practitioners. And even if patients might visit their nearest radiological practice, the fact remained that the evidence demonstrated that “ICI was conducting a business in Australia in a specialised field which operates at a national level”. Further, the reality of modern life is that the widespread use and availability of the internet, and the free movement of people across the country for whatever reasons, “necessarily impacts on both the acquisition of a reputation in a mark and the likelihood that the use of another mark being likely to deceive or confuse because of that reputation”. Accordingly, “a substantial reputation in Western Australia in this national industry constituted a sufficient reputation in and across Australia for s.60(b) to be engaged.” PGP’s proposed disclaimer of use of INSIGHT RADIOLOGY in Western Australia could not overcome that issue.

The Full Court also rejected PGP’s appeal against findings of contravention of the Australian Consumer Law and passing off. At first instance, those causes of action were to be determined by reference to whether ICI could make out a reputation in the areas in which PGP operated, and so consistent with the findings under s.60 were made out. In light of the Full Court’s views on that ground of opposition, no error was shown on appeal. For the same reason, the ground of opposition under s.42(b) also was upheld.

Finally, the Full Court – like the trial judge before it – rejected PGP’s defences to ICI’s trade mark infringement claim. Of note, PGP had sought to rely on the section 122(1)(a) defence of good faith use of its own name. This failed because PGP only changed its name to Insight Radiology Pty Ltd in June 2013 after it had received notice from ICI asserting its rights in the ICI device and...
INSIGHT mark. PGP’s claim to use of “Insight Radiology” as a business name prior to that date did not assist it, because the trial judge had found insufficient diligence when adopting that business name to characterise its use as “honest”, and the subsequent change to PGP’s corporate name could only have been an attempt to rely on s.122(1)(a) without regard to ICI’s accrued goodwill. In those circumstances, the “change of name necessarily infected the subsequent use of the name”.

**Apotex Pty Ltd v ICOS Corporation**

[2017] FCA 466 (9 May 2017)

Patents – amendment – application to amend to avoid inutility claims – applications limited to deletions of positive statements in the specification concerning the utility of the invention – exercise of discretion

The respondent (ICOS) is a subsidiary of Eli Lilly, and holds three Australian patents for tadalafil, better known as the erectile dysfunction treatment “Cialis”. Apotex has generic tadalafil products registered on the Register of Therapeutic Goods, but has given ICOS assurances that Apotex “has no intention” of marketing or selling those generic products during the term of the first of ICOS’s three patents (the “205 Patent”, relating to the compound itself), nor applying for listing of its products on the Pharmaceutical Benefits Scheme where the listing would take effect during that term.

Apotex has on foot invalidity proceedings in respect of ICOS’s other two patents (the “666 Patent” and the “946 Patent”). By cross-claim, ICOS alleges infringement or threatened infringement of those patents. ICOS sought to amend both patents by an interlocutory application. Of note, the amendments to the 946 Patent were limited to deletions of text from the specification. Among other things, ICOS sought to remove or dilute statements to the effect that the invention (a particular dosage regime for tadalafil) was an effective treatment for erectile dysfunction that did not have any of the side effects associated with the competing drug, sildenafil (Viagra); was suitable for patients with particular conditions that meant that use of sildenafil was contraindicated; and was superior to sildenafil in various other respects.

The present decision concerns Apotex’s opposition to the proposed amendments to be made to the 946 Patent, on public policy grounds. In particular, Apotex argued that it would be contrary to public policy to allow a patentee to avoid the consequences of an invention “not meeting the promise of the specification” by deleting the relevant promise after grant, particularly where the patentee had already enjoyed a monopoly over the invention for more than 17 years of its 20-year term and waited more than 12 years to seek the deletions.

There is no question that section 105 of the *Patents Act 1990* (Cth) permits amendments to overcome bases for invalidity. The question was whether the Court should exercise its discretion to allow the amendments. Justice Besanko answered that question in the affirmative.

ICOS led evidence of the events and considerations that led to its application to amend. In effect, the application was made following discussions with Eli Lilly’s patent attorneys (the privilege in respect of which was not maintained by ICOS) prompted by a 2015 decision concerning the Canadian equivalent of the 946 Patent. In that decision, allegations of invalidity for lack of utility were found to be justified such that the Canadian Minister of Health should not be restrained from issuing a “Notice of Compliance” for another generic tadalafil product, but the decision did not of itself amount to a determination of invalidity. Eli Lilly’s internal senior director of its patent division believed that the 946 Patent could defend a utility challenge based on clinical data, but nevertheless accepted the advice of its external advisors to amend (particularly given uncertainty under Australian law as to whether all promises in a specification had to be met by the claimed invention).

His Honour was satisfied that in providing this evidence, ICOS had made full disclosure of all relevant matters bearing on the exercise of the s.105 discretion. His Honour also was satisfied that the application to amend had been made without any disentitling delay, as it was made reasonably soon after the Canadian decision; before that decision, neither Eli Lilly nor ICOS ought reasonably to have known of the need to amend.

Apotex also sought to raise a number of other matters for the Court’s consideration, none of which were held to warrant refusal of the application.

First, Apotex argued that the Court should construe the amendments as a failure to “comply with an obligation that crystallised” on the filing of the
application or the grant of the patent, namely an obligation to make promises that were, or could be met at that time. His Honour disagreed that, under the law at the time the 946 Patent was filed, ICOS was required to make statements about utility (unlike its obligations with respect to best method and sufficiency).

Secondly, Apotex pointed to statements made by ICOS, when dealing with objections raised to the delegate in 2003, that were to the same effect as statements it now wished to delete from the specification. His Honour was not satisfied, however, that those particular statements were material to overcoming the objections.

Apotex argued that the amendments would remove the “main promises” in the patent. Similarly, Apotex argued that the 946 Patent is a “selection patent” such that the advantages of the invention to the selected beneficiaries was critical to its validity. In both cases, however, his Honour disagreed that the relevant advantages or benefits to be deleted were the only advantages identified.

United States Gypsum Company v CSR Building Products Ltd
[2017] FCA 598
(30 May 2017)

Patents – amendment – application to amend – fair basis – whether “discrete, unitary disclosure” of combinations of features necessary

The applicant (USG) is the patentee of an invention relating to industrial and building products made from gypsum, the advantage of the invention being a significant reduction in the dust generated in their manufacture. After the patent specification was accepted, USG sought to make a number of amendments that substituted various claims and figures. The respondent (CSR) objected to those amendments on the ground of a lack of fair basis, and was successful. USG appealed the decision of the delegate to uphold CSR’s objections.

At that time (that is, prior to the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth)), section 102(1) of the Patents Act 1990 (Cth) provided that amendments of complete specifications were not allowable “if, as a result of the amendment, the specification would claim matter not in substance disclosed in the specification as filed” (emphasis added). Similarly, s.102(2) disallowed amendments if, “as a result of the amendment”, a claim of the specification would fall outside the scope of the specification before amendment, or otherwise would not comply with the succinctness and fair basis requirements of s.40(2) or 40(3).

The delegate grouped the proposed amendments in accordance with 18 particular features found, in various combinations, in the amended claims. For each feature, the delegate adopted an approach whereby the specification was examined for a discrete disclosure of the relevant claimed combination of features. That approach led to the determination that none of USG’s amendments should be allowed on the basis of ss.102(1), 102(2) and 40(3).

The appeal before Justice Moshinsky was undefended, CSR submitting to any order made by the Court and the delegate declining to appear. The key issue was summarised by his Honour, based on relevant authority, as “whether there is ‘a real and reasonably clear disclosure’ in the relevant specification of what is claimed in the amended claim, such that the alleged invention as claimed is broadly, that is to say in a general sense, described in the body of the specification”. This involved a consideration of whether it was possible to disclose claimed matter by drawing together different parts of the specification.

His Honour accepted USG’s contention that the prohibition against making a “mosaic” of disparate parts of a specification in answer to challenges to novelty or inventive step does not apply to the determination of fair basis and whether there has been an “in substance” disclosure for the purposes of s.102(1). In a fair basis case, however, the real question was whether there has been a “real and reasonably clear disclosure”.

In the case of each of the relevant features, his Honour answered this question in favour of USG, and allowed the appeal. In some cases, his Honour held that the delegate had erroneously searched for a “discrete, unitary disclosure of the claimed combination of features”, rather than looking to the “specification as a whole” and finding disclosure of the particular feature. Further, for those features that merely narrowed previous claims, the delegate failed to attend properly to the limitation in s.102 that the lack of fair basis arise “as a result of the amendment”; claims that are more limited in scope generally will be fairly based on the original specification.
Vartzokas Architects Pty Ltd v Nazero Group SA Pty Ltd & Anor (No.2)
[2017] FCCA 1019
(5 June 2017)

Copyright – extension of ex parte freezing order – whether duty of candour requires applicant to identify potential bases to find an implied licence – whether freezing order should cover potential additional damages

The applicant (VAPL) was engaged by a related company of the first respondent to prepare architectural plans to assist in the development and construction of a property in Adelaide. The plans were used to apply for, and obtain, planning permission for the development. VAPL performed this initial work for a “modest fee”, with a view to performing further work as the development progressed. VAPL’s drawings included a copyright notice forbidding reproduction without “prior written notice” of VAPL.

Before construction plans could be drawn up, however, the parties had a falling out over VAPL’s outstanding fees; that dispute led to litigation between VAPL and various companies in the respondents’ group. Unbeknownst to VAPL, during that period the second respondent (the sole director of the companies in the group, including the first respondent), passed VAPL’s drawings to another firm to prepare construction drawings.

In January 2017, VAPL was approached by the subsequent purchaser of the property, who wished to engage VAPL to provide services in respect of it. On 17 February 2017, VAPL was provided with drawings that evidently had been prepared with the assistance of VAPL’s original plans.

The actual sale of the property was due to settle on 28 April 2017. Of note, the sale contract contained a number of provisions that noted the ongoing dispute between the vendor and VAPL, anticipated that VAPL might assert rights against the purchaser in respect of the development permission, and required the vendor to “take all reasonable steps” to resolve the issue.

On 26 April 2017 (two days before settlement), VAPL applied for and obtained a freezing order preserving the proceeds from the sale of the property, in the amount of $813,649. By the present application, VAPL sought to extend the duration of the order. The respondents argued that the funds should be released, on the basis that:

VAPL had delayed in bringing its application;
VAPL did not have a sufficiently strong case, because the respondents enjoyed an implied licence; and VAPL had failed to act with candour at the original ex parte hearing, because it failed to bring to the Court’s attention the likelihood that the respondents enjoyed such a licence.

As to whether the respondents enjoyed an implied licence, Judge Brown considered the line of authority to the effect that where an architect contracts with an owner to produce plans for a particular purpose, an implied licence arises permitting the use of those plans for those purposes, “notwithstanding the failure by the owner to pay the architect’s fees”. His Honour noted, however, that the parties to such an agreement can contract out of the assumption of the creation of an implied licence. Further, in the High Court decision Concrete Pty Ltd v Parramatta Design & Development (2006) 229 CLR 577, the plurality (Kirby & Crennan JJ) observed that the assumption might not arise “if the architect has charged a nominal fee only to prepare drawings for the limited purpose of obtaining a planning permission”, or might otherwise expressly reserve copyright.

In the present case, the evidence was that the principal of VAPL had indicated that VAPL would only release some drawings once all fees were paid. Further, VAPL’s initial fees were “modest” and it would gain more from subsequent work. In his Honour’s view, in that context by endorsing its plans with a copyright notice, VAPL was “attempting to preserve its entitlement” to that later source of profit. His Honour accepted that under the authorities it was probable that an implied licence was created, but held that it was at least potentially arguable that VAPL conveyed only a bare licence, which was potentially revocable if fees were unpaid.

As to whether VAPL ought to have raised the question of the respondents enjoying an irrevocable licence at the ex parte hearing, his Honour noted that the issue was complicated. However, the controversy between the parties was as to how the law applies to the facts, not the facts themselves (which were disclosed). His Honour held that this was not a case where VAPL sought to “pull the wool over the eyes” of the Court or “wilfully [omit] some salient fact or matter” to the extent that the remedy should be refused.
His Honour did, however, vary the freezing order to only cover $50,000 (compared with the original $813,649). The respondents asserted that very little profit was made from the sale of the property at all, such that VAPL’s share of those profits, if any, was likely to be illusory. The unsubstantiated nature of those assertions aside, VAPL conceded that its own damages were likely to fall between $23,100 and $63,600. The real question was whether the freezing order should also take into account VAPL’s claim for additional damages and in what quantum (issues that his Honour described as “extremely problematic” at that stage of the case). Given that a freezing order is a “drastic remedy” not to be made lightly, his Honour declined to increase the freezing order beyond $50,000, noting that “the court must be extremely careful about retaining monies, quite possibly for a lengthy period of time, in respect of an uncertain claim” like a claim for additional damages.

And in other news:

- Justice Mortimer has ruled that certain evidence obtained from conducting internet searches, including screen shots of the search results and webpages arrived at as a result of those searches, is “clearly hearsay”, and also apt to be excluded on discretionary grounds. Among other things, the evidence included the results of searches of the (much-beloved to intellectual property lawyers) “Internet Archive Wayback Machine”. The parties are commercial construction companies that both use “SHAPE” in their corporate names. In answer to the applicant’s claim that the respondents’ name and promotional material is misleading and deceptive and infringes its SHAPE mark, the respondent’s case is that confusion among the relevant class of consumers is unlikely. The respondent’s searches were conducted after proceedings had commenced, and well after it has adopted SHAPE as part of its name. His Honour inferred that the respondent’s purpose in leading evidence of the search results and what appear to be webpages of other companies was to prove that other businesses were using the name SHAPE to offer particular services when the searches were made, an impermissible use of the representations made by those who constructed those third party websites when creating their content. Further, the probative value of such searches was very limited, as they are “no more than a snapshot of what was available through a series of internet searches on a particular date”, divorced from any useful context. As to the Wayback Machine, his Honour cited with approval Justice Flick’s obiter in *E & J Gallo Winery v Lion Nathan Australia Pty Limited* [2008] FCA 934 questioning the reliability and provenance of information obtained from that website: *Shape Shopfitters Pty Ltd v Shape Australia Pty Ltd (No 2)* [2017] FCA 474.

- The Australian Performing Rights Association has obtained default judgment against the “Illusion” nightclub in Carlton, Melbourne and its manager/director/shareholder for infringing the copyright in the music and lyrics of various popular songs seamlessly hidden in this paragraph. The respondents ignored repeated requests from APRA that it enter into the usual licensing arrangements for the public performance of “recorded music for dance use” and thereby allow its patrons to Shake That under licence, and instead continued to play the music for Free. The respondents also did not give Jack about the proceedings generally. As Judge Dowdy noted, “Their disregard of the proceeding is entirely of a piece with their disregard of the valuable property rights of the Applicant”. Unsurprisingly, the respondents could not Hideaway and have been ordered to pay just over $30,000 in damages (the licence fees otherwise payable), a further $75,000 in additional damages, and interest. The authors have Got A Feeling that recovering from the respondents may prove problematic: *Australian Performing Rights Association Limited v Illusion Bar & Nightclub Ltd & Anor* [2017] FCCA 883.
Introduction

Bayer Pharma Aktiengesellschaft (Bayer) manufactured and sold in Australia the oral contraceptive Yasmin pursuant to their Australian Patent No. 780330 (the patent). In Bayer Pharma Aktiengesellschaft v Generic Health Pty Ltd [2013] FCA 279, Generic Health Pty Ltd (Generic Health) was found to infringe the patent by manufacturing and selling the oral contraceptive known as Isabelle.

A subsequent appeal and an application for special leave to appeal to the High Court were each subsequently dismissed. The present case deals with a claim for damages for patent infringement. Bayer elected for damages, rather than an account of profits, to the value of over $25 million plus interest.

Bayer was granted an amendment to the patent in December 2012, at the beginning of the infringement proceeding. Generic Health argued that an award of damages should not include any infringements prior to the amendment, based on s.115(1)(a) of the Patents Act 1990 (Cth) (the Act), which requires that the specification before amendment be framed in good faith and with reasonable skill and knowledge.

The Court considered patent drafting to be a collaborative process between the inventor and the patent attorney, each providing different skills and information. Regarding technical matters, it is common practice and reasonable for a patent attorney to rely on information provided by the inventor. The patent attorney should review instructions with a critical eye, but must also rely on the inventor, as they have the expertise. For example, when a range is claimed for an appropriate dosage of a pharmaceutical, the patent attorney can expect that the inventor will have a sound basis for such a range.

The Court heard evidence relating to trials used in the development of the invention as well as relating to correspondence between Bayer and its patent attorneys. Ultimately, the Court found that Bayer had discharged its onus of proof to establish that the unamended specification was framed in good faith and with reasonable skill and knowledge.

In particular, it was noted that suggesting a lack of good faith only on the basis of there being an onus should not be encouraged. Jagot J suggests at [189] that "to assist in future s.115 cases … a party putting good faith in issue ought to be made to particularise its contentions so that the patentee is protected from any suggestion that it should 'in evidence first raise up and then exorcise the ghost of every possible defect in the unamended claim' (General Tire at 269-270)."

The One For One Issue

Yasmin was first sold in Australia in 2002 and was the only oral contraceptive available in Australia.
with its specific formulation until Generic Health started selling Isabelle in January 2012. Generic Health was found to infringe the patent and forced to stop selling Isabelle in June 2014, at which time Bayer immediately started to sell Petibelle. Petibelle is an oral contraceptive with the same formulation as Yasmin but marketed as a generic product.

Some oral contraceptives are listed on the Pharmaceutical Benefits Scheme (PBS) and the cost is subsidised by the government. Yasmin is a so-called third generation oral contraceptive, having a different formulation to other oral contraceptives and is not listed on the PBS. It is sold at a premium, with marketing relating to the improved side effects and benefits, such as reduced weight gain and lighter bleeding.

Isabelle and later Petibelle were the only products to have the same formulation as Yasmin, being registered on the Australian Register of Therapeutic Goods based on bioequivalence with Yasmin. All oral contraceptives require a prescription and some doctors may prescribe Yasmin specifically, which allows a pharmacist to supply Yasmin or alternatively Isabelle or Petibelle if they are available and if the doctor has not specified that other brands cannot be substituted. However, other forms of oral contraceptive would require a different prescription.

It was found that the particular circumstances of this case meant that a one for one substitution was suitable. Where in most cases the choice of a person is not constrained, such as when buying clothing or tools for example, in the present case a woman is prescribed an oral contraceptive and does not have such choice. In the 10 years prior to Isabelle entering the market, every sale of Yasmin indicates a doctor prescribing Yasmin for that person.

Further, the premium price for these oral contraceptives means it is unlikely that a woman would have purchased Isabelle when they would not have purchased Yasmin. While Isabelle was offered at a cheaper price than Yasmin, it was still significantly more expensive than oral contraceptives listed on the PBS.

Therefore, while it was considered possible that there were cases of a woman purchasing Isabelle that would not have purchased Yasmin, no evidence was presented to show that this had actually happened. As Generic Health was considered to be the wrongdoer it was found that this should result in a liberal assessment of damages, giving the benefit of any doubt to Bayer and resulting in a one for one substitution being awarded.

Finally, Bayer submitted that Petibelle was only introduced to address the damage caused by sales of Isabelle. That is, if not for Isabelle then Bayer would never have introduced Petibelle to the market at all, and therefore should be entitled to damages in respect of lost profit resulting from the lower price of Petibelle.

It was accepted that the introduction of Petibelle was a reasonable step to rectify the brand damage that Isabelle had caused and a one to one substitution was also applied. The fact that Petibelle had been brought to the market within a week of Isabelle being removed helped to show a causal connection in this respect. Bayer was not entitled to recover losses resulting from the cheaper Petibelle in perpetuity, however the period of two years that Bayer claimed was considered to be reasonable.

1872 Holdings VOF v Havana Club Holding SA [2017] ATMO 12

Zombie Marks – trade mark not an indicator of geographic origin – application not made in bad faith – Opposition unsuccessful

Facts

1872 Holdings VOF (the Opponent) opposed extension of protection of Havana Club Holding SAs (the Holder) trade mark HAVANA CLUB ESSENCE OF CUBA (the Trade Mark) to Australia under Application No. 1677248 (IR No. 1236602) in respect of various goods and services, including alcoholic beverages (except beer), entertainment and consultancy services relating to cooking.

The main grounds pressed and relied upon in the opposition were that:

- The Trade Mark is deceptively similar to the Opponent’s prior Application No. 1604966 (s.44);
- Use of the Trade Mark would be contrary to law (s.42); and
- The Trade Mark contains a false geographical indication (s.61).

Decision

The Hearing Officer, Iain Thompson, dismissed the opposition on all four grounds and directed that the designation proceed to protection in Australia.
Deceptively Similar Prior Mark (Section 44)
The Opponent sought to rely on its prior refused Application No. 1604966 MATUSALEM EL ESPIRITU DE CUBA covering alcoholic beverages in Class 33. Notwithstanding its refused status (i.e., as a zombie application), the Opponent argued that the matter is to be adjudged at the filing date of the Trade Mark when the Opponent’s refused application had a status of ‘Pending’.

The Hearing Officer rejected this argument. He clarified that while a ground of opposition is to be determined by reference to the filing date of the application, that is the starting point in the consideration and factors arising after that date can be taken into account. If a trade mark application was to be only considered as it was on the date that it was filed, then provisions relating to amendment and deferment of applications and removal of conflicting trade marks would be rendered otiose. The Hearing Officer held that the use of present tense wording in s.44 supported an assessment of the application at the present time and in relation to the situation as it now pertains.

Consequently, the Hearing Officer held that the Opponent’s refused application could no longer form a valid basis for objection under s.44.

Use would be Contrary to Law (Section 42)
The Opponent’s argument under this ground was two-fold. Firstly, it argued that due to its reputation in its mark MATUSALEM, the Holder’s use of the Trade Mark would be likely to mislead, deceive or cause confusion and therefore contravene the relevant provisions of the Australian Consumer law and amount to passing off. Secondly, that use of the Trade Mark would mislead or deceive if the goods in question did not originate in Cuba.

With regards to the first argument, the Hearing Officer was not satisfied that the Opponent had a sufficient reputation in its house-mark MATUSALEM in Australia to lead to confusion. The Opponent’s evidence demonstrated minimal use of the mark and without sufficient specificity as to its geographical scope.

With regards to the second argument, the Hearing Officer refused to consider it on the basis that it was not detailed in the Opponent’s Statement of Grounds and Particulars (SGP). He did, however, observe that had this ground been adequately particularised, he would still not have been satisfied that the use of the Trade Mark ‘would’ be contrary to law.

Section 61 (Misleading Geographical Indicator)
The Opponent argued that since Cuba is a geographical indication for rum and the Holder’s goods (i.e., bitters or flavourings enhanced with rum) are manufactured in Germany, the mark ‘HAVANA CLUB ESSENCE OF CUBA’ would be likely to mislead consumers as to the geographical origin of the Opponent’s goods.

The Hearing Officer disagreed with the Opponent’s view. He held that the correct approach is to consider the Trade Mark as a whole and ask what it is likely to denote to Australians. Given that the Trade Mark is comprised of two expressions (i.e. ‘Havana Club’ and ‘Essence of Cuba’), the Hearing Officer was not satisfied that a consumer seeing the joint expression ‘Havana Club Essence of Cuba’ would likely understand it to refer to the liquors within the bottle as deriving from Cuba.

The Opponent sought to rely on the case of Havana Club Holding SA and Corporacion Cuba Ron S.A. v 1872 Holdings, V.O.F. [2016] ATMO 37 where the Opponent’s application for MATUSALEM EL ESPIRITU DE CUBA was refused registration under s.61 on very similar grounds. However, the Hearing Officer distinguished that case from the present facts on the basis that the expression ‘Essence of Cuba’ is more indefinite in its denotation than the phrase ‘Spirit of Cuba’ (and its Spanish equivalent).

In any event, the evidence demonstrated that the rum added to the Holder’s goods was sourced from Cuba and, therefore, the Holder would have had a defence under subsection 61(2).

Conclusion
The decision confirms the Australian position that Zombie Marks (i.e. ceased/lapsed trade mark applications and registrations) cannot form a valid basis for objection/opposition under s.44. It also provides a helpful reminder to examiners and practitioners to assess the trade mark as a whole, rather than dissecting it into its constituent elements. Lastly, the case underscores the importance of adequately particularising the grounds and arguments in an SGP.
QUEENSLAND

Dr Dimitrios Eliades
Barrister
Correspondent for Queensland

Accor Australia & New Zealand Hospitality Pty Ltd v Liv Pty Ltd
[2017] FCAFC 56
(7 April 2017)

Prior use – trade marks – ownership – whether trade marks substantially identical – goods not identical yet substantially the same – whether trade marks distinctive

Background
The Trade Marks

Their Honours’ reasons relate to an appeal from the decision of the primary judge in Accor Australia & New Zealand Hospitality Pty Ltd v Liv Pty Ltd [2015] FCA 554 (5 June 2015). The case involved trade mark infringement claims with accompanying consumer law contraventions and a cross-claim seeking removal from the register of the trade marks in suit on grounds including s.58 (ownership of the trade mark) and s.41 (ability to distinguish the mark).

The trade marks in suit are as follows:
1. HARBOUR LIGHTS – a word mark
   Registered number: 1281759
   Priority date: 21 January 2009
   Registered in: Class: 36 Agency services for the leasing of real estate property; apartment letting agency; apartment rental services; rental of accommodation; rental of apartments; commercial real estate agency services
   Class: 43 Accommodation letting agency services (holiday apartments); accommodation letting agency services (hotel); accommodation reservation services; booking services for accommodation; hotel services

2. CAIRNS HARBOUR LIGHTS – a word mark
   Registered number: 1295197
   Priority date: 21 April 2009
   Registered in: Class: 36 Agency services for the leasing of real estate property; commercial real estate agency services; apartment letting agency; apartment rental services; rental of apartments; rental of accommodation
   Class: 43 Accommodation letting agency services (holiday apartments); accommodation letting agency services (hotel); hotel accommodation services; accommodation reservation services; booking services for accommodation; hotel services

The Applicants

The second applicant (CHL) developed a property in Cairns consisting of three towers of residential apartments and a retail section which was known as “Harbour Lights” or “Cairns Harbour Lights”. The development commenced in 2004 and was completed by 2007. CHL owned the registered trade marks. It was uncontested that CHL conceived the name ‘HARBOUR LIGHTS’ in 2003.

The residential portion of the complex (the residential scheme), comprised two community title schemes. One scheme was made up of residential apartments which were larger and more fully appointed and were occupied by residents. The second were the managed apartments (the managed scheme). The apartments in the managed scheme were smaller and purposely designed to attract tourists and travellers, seeking short-stay occupants.

CHL gave the first applicant (Accor), formerly Mirvac, the rights to provide on-site letting services and caretaking services in relation to the schemes. Lot owners were free to outsource management services of their lots, however the body corporates of each scheme agreed that Accor was the only management service that could be on-site.

Accor operated the site as a 4½ star hotel providing reception and luggage storage service to its guests.

The Respondents

The third respondent (Ms Bradnam) had purchased a lot in the managed scheme in 2005 “off the plan”. On 4 October 2006, Ms Bradnam had obtained registration of the domain names www.cairnsharbourlights.com.au and www.harbourlightscairns.com. In addition, Ms Bradnam did on 17 January 2007 secure the domain name www.harbourlightscairns.com.

From approximately July 2007, Ms Bradnam commenced operating a business involving short- and long-term lettings as well as sales in both schemes, which principally traded under the registered business name “Harbour Lights Property Management and Sales” (the business).

Ms Bradnam considered there was scope for the business because she considered that it was generally felt that the Mirvac management fees for
letting were too expensive.

In September 2009, Ms Bradnam sold the business to the first respondent (Liv), whose sole director and shareholder was the second respondent (Ms Patalano). Liv traded under the registered business name ‘Cairns Luxury Apartments’ and competed with Accor in respect of short-term letting of accommodation in the Harbour Lights complex and advertised the business on its own website.

Ms Bradnam remained the registrant for the domain names cairnsharbourlights.com.au and harbourlightscairns.com.au, despite having sold the business to Liv.

CHL claimed to be the proprietor claiming the first use from early 2004 some five years before it applied for the registration of the trade marks, whereas Ms Bradnam's use commenced on 31 October 2006 but certainly by no later than July 2007.

The Claims

The applicants (conveniently “the Accor parties”), claimed trade mark infringement and contravention of the Australian Consumer Law found in the Competition and Consumer Act 2010 (Cth) Schedule 2 by the use of the domain names; the content of their websites; other advertising, and through the use of email addresses and business names.

The respondents (together the “Liv parties”) by crossclaim, sought rectification of the register under s.88 of the Trade Marks Act by cancellation of the registration of each trade mark. Liv contended:

- the trade marks were not capable of distinguishing the services of the Accor parties from the services of others: s.41;
- the use of the trade marks would be contrary to law because their use would be likely to mislead or deceive consumers into believing that the Accor parties were the sole owners of the apartments in the Harbour Lights complex, or were the sole provider of letting services for apartments in the Harbour Lights complex: s.42(b);
- because of the circumstances at the time the crossclaim was filed, the use of the trade mark is likely to deceive or cause confusion: ss.88(2)(c).
- CHL was not the owner of the trade marks but rather the owner was either Ms Bradnam or the first respondent, Liv Pty Ltd (“Liv”): s.58.

The Liv parties maintained in relation to the s.41 ground, that the complex was generally known as ‘Harbour Lights’ or ‘Cairns Harbour Lights’ and claimed:

- the signs attached to the buildings said ‘Harbour Lights’ and ‘Cairns Harbour Lights’.
- the words Harbour Lights were part of the relevant community titles schemes and of each body corporate for those schemes.
- CHL promoted the property as “Harbour Lights” or “Cairns Harbour Lights” in advertising.
- lot owners were encouraged by CHL to include Harbour Lights as part of their address.
- Harbour Lights formed part of the ordinary postal address of the occupants.

The Primary Judge

His Honour’s findings are set out between [20] and [29] of the Full Court’s reasons for judgment. His Honour ordered that the registration of the trade mark “Cairns Harbour Lights” be cancelled pursuant to ss.88(1)(a) of the Trade Marks Act. In relation to the trade mark “Harbour Lights”, that the register be amended to remove certain services from the Class 36 and Class 43 registrations which included agency services for the leasing of real estate property and apartment letting agency from Class 36 and accommodation letting agency services (holiday apartments) and accommodation reservation services from Class 43. His Honour had found that Ms Bradnam was the first user of the mark in relation to those services.

The primary Judge ordered certain restraints against Liv including the use of “Harbour Lights Cairns”; and “harbourlightscairns.com.au” as trade marks to promote or advertise any hotel accommodation services in Australia and from using “Harbour Lights Apartments” as a trade mark to promote or advertise any commercial real estate agency services in Australia.

Liv was also restrained from making some specific representations in relation to the letting of apartments located in the Harbour Lights [Residential Scheme] and the Harbour Lights
A Composite Mark

A matter for consideration on appeal was the use of the following trade mark in the context of use of the word mark “Harbour Lights”:

![Harbour Lights Image]

The Accor parties did not rely upon an advertisement in *The Financial Review* of 28 October 2004 as an example of prior use going to ownership, however the primary judge’s discussion, in the context of that advertisement, of the notion of a “composite trade mark” was considered relevant by the Full Court.

In the advertisement, the words “HARBOUR LIGHTS” appeared with, immediately above those words, an image of five gold coloured stars in a horizontal line and immediately below the words “HARBOUR LIGHTS”, in much smaller text, were the words “A NEW STAR SHINES”.

Before the Full Court the Accor parties submitted that the words “HARBOUR LIGHTS”, as they appeared in the depiction above, were used as a trade mark in its own right. The Liv parties submitted that the words “HARBOUR LIGHTS”, the device comprising the gold stars and the words “A NEW STAR SHINES” were used as a composite trade mark and therefore not a use of the registered word trade mark, Harbour Lights.

The Full Court referred at [55] to the primary Judge’s reliance upon the observations in *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* [2010] HCA 15 (19 May 2010) (“Gallo Winery v Lion Nathan”) at [68] and [69], where at the primary judgment at [108] his Honour said:

> In my opinion, the words “HARBOUR LIGHTS” together with the device and the words “A New Star Shines” formed a composite mark. There was a connection between all three parts of the mark because the image of the stars alluded to the word “Lights” in “Harbour Lights” and the words “A New Star Shines” alluded to the device and the word “Lights”. The device and the words “A New Star Shines” were not mere descriptors but were distinguishing features.

Relevantly, the primary Judge at [111] of his Honour’s reasons for judgment, found upon a side-by-side comparison of the word mark and the above depiction that they were not substantially identical. The primary Judge found:

> On a side by side comparison, the device and the additional words in the composite mark are so significant that the composite mark cannot be described as substantially identical to HARBOUR LIGHTS or CAIRNS HARBOUR LIGHTS. Mere similarity is not enough.

One question which arose for the Full Court was whether the use of “HARBOUR LIGHTS” in the above depiction constituted use of the trade mark or whether use of those words in conjunction with five stars and the slogan in the smaller text underneath those words constituted something so significantly different to the trade mark “HARBOUR LIGHTS” that use of the above combination could not be described as use of something substantially identical to the trade mark “HARBOUR LIGHTS”.

Decision

The appeal was allowed in part. Relevantly, the Full Court determined that the Accor parties owned the trade marks in suit.

Reasons

First Use

The Full Court determined at [177] of their Honours’ reasons, that CHL gained a right of registration through the use of each trade mark for the true equivalent services of those services. Their Honours considered that the proper approach, conformable with s.27 and s.58 of the *Trade Marks Act*, recognised ownership or proprietorship in the mark beyond the very goods on which the mark is used “to goods though not identical ... yet substantially the same” or goods “essentially the same ... though they pass under a different name” (28 November 2007) at [89] per Allsop J (as the Chief Justice then was).

In relation to the first use by reason of the words ‘HARBOUR LIGHTS’ in the mark depicted above, the Full Court considered that primary judge fell into error in the application of the principles derived from *Gallo Winery v Lion Nathan*: the Full Court’s reasons at [214].
The Full Court strongly doubted whether the five gold stars above the words ‘HARBOUR LIGHTS’ qualified as a device, but even if they did constitute a device, that did not ‘substantially affect’ the identity of the trade mark in the words alone: Full Court: [213].

The Full Court concluded that “by reason of the primary judge’s findings at [141] to [143] that CHL [was] the first user of the trade mark ‘Harbour Lights’ in the course of trade in respect of each of the Class 36 and Class 43 services and [was] thus the owner of the trade mark “Harbour Lights” in respect of each of the Class 36 and Class 43 services: [214].

The Section 41 issue

The Full Court saw no inconsistency with the principles or error in the primary judge’s reasoning in relation to the following matters:

- that the words “Harbour Lights”, as a matter of ordinary signification, when used in connection with accommodation services, did not directly describe a characteristic of those services and were not descriptive of the services traders would wish to provide: primary judge at [229]; Full Court at [237].

- the notion that because “Harbour Lights” was also the name of the building and the titles scheme, it was descriptive of either a geographical name or a geographical location was rejected by the primary judge as the services were connected to a discrete building project rather than a geographic name or area with which there was a common right of use: primary judge at [235] and [236]; Full Court at [238].

- the registration of the trade mark “Harbour Lights” did not prevent lot owners from using the words to describe the physical location of their apartment: primary judge at [237]; Full Court at [239].

Infringement

The Full Court did not disturb the findings of infringement by the primary Judge set out in the table at [328] of the Full Court’s reasons. Further the defences under s 124(1) (prior use of an identical mark) and s 122(1)(b) (used the relevant sign in good faith to indicate the geographical origin of the services or the characteristics of the services) failed: Full Court at [348] to [360].

Summary

The Full Court concluded that the Accor parties owned both trade marks in suit in respect of the services for which they were registered: that they were capable of distinguishing the services of the Accor parties and that the respondent infringed those trade marks.
Case Law Developments

ESR Group (NZ) Ltd v Ian James Burden
Court of Appeal of New Zealand
Randerson, Harrison and Brown JJ

Copyright – authorship – qualification for copyright – prescribed foreign countries – secondary infringement – knowledge or reason to believe – ss.6, 18, 21, 120 Copyright Act 1994 (NZ)

Facts

ESR Group (NZ) Ltd, the appellant, was a furniture importer. It imported four containers of furniture between 30 July 2014 and 12 September 2014 as part of its “Roseberry Collection”. Between 4 September 2014 and 22 October 2014 New Zealand Customs issued notices under s.137(3) of the Copyright Act 1994 (NZ) determining that the imported goods appeared to be pirated copies of goods identified in a Customs notice of 20 May 2013.

The first respondent, Mr Burden, was an Australian citizen and the managing director of the second respondent (Plantation International, incorporated in the British Virgin Islands) and the third respondent (Plantation Vietnam, incorporated in Vietnam). Mr Burden designed a furniture collection called the “Irish Coast Collection”. Employees of Plantation International and subsequently Plantation Vietnam were also involved in the design and manufacture of the Irish Coast Collection. The Irish Coast Collection was the subject of the Customs notice of 20 May 2013.

At trial, copyright was claimed in (1) preliminary drawings and (2) technical drawings of the Irish Coast furniture. ESR had argued that the respondents’ works did not qualify for copyright protection in New Zealand because Mr Burden was not an author and because the second and third respondents were incorporated in the British Virgin Islands and Vietnam, and neither territory or country had been included in any Order in Council made under s.232 (applying the New Zealand Copyright Act to overseas countries and territories).

The Judge was satisfied that Mr Burden was the author of the preliminary drawings and that the technical drawings were derived from them. Mr Burden was a joint author of the technical drawings together with Vietnamese draughtspersons employed by Plantation International (and later Plantation Vietnam). The Judge was also satisfied that the works were original for the purposes of the Copyright Act. She found that the listing of the United Kingdom in the relevant Order in Council should be read to include the British Virgin Islands so that Plantation International could enforce copyright in New Zealand.

The appellant was found liable for secondary infringement under s.35 of the Copyright Act, on the basis that its imported furniture constituted infringing copies of Mr Burden’s copyright works and that it knew or had reason to believe that the items of furniture were infringing copies at the time of importation. In coming to this conclusion, the Judge relied on a letter dated 7 August 2014 and a reference in that letter to another letter dated 13 May 2013. The 7 August letter notified ESR that Plantation International claimed copyright in the Irish Coast Collection; alleged infringement by ESR through importation of goods comprising part of ESR’s Roseberry range; attached copies of relevant design drawings and invited ESR to forfeit the furniture it had imported and give undertakings. The second and third respondents’ claims of copyright infringement were not upheld.

On appeal, the respondents accepted that the claim of copyright in the preliminary drawings was insufficiently proved. They also accepted that in terms of s.21(2) of the Act, copyright ownership resided in the respondent companies and not Mr Burden personally. The respondents cross-appealed that the Judge had erred in holding that the second respondents’ claim of copyright infringement had not been made out.

The appellant argued that none of the respondents could enforce copyright in New Zealand; the Customs notice under which the goods were seized was invalid as it named the wrong copyright owner; and it did not know or have reason to believe that the goods were infringing copies at the relevant time.

The respondents sought leave to adduce evidence on appeal, being the 7 August 2014 letter which the Judge had relied on. While the 7 August 2014 letter was in the common bundle, it was not referred to by any witness or in Opening and therefore was not technically in evidence. The respondents filed an affidavit stating that this was by oversight.

The issues on appeal were:

a. Was the Judge right to find Mr Burden was a joint author of the technical drawings?
b. Did the Judge correctly find that the technical drawings were original works for copyright purposes?

c. Did the technical drawings qualify for copyright under s.18(2) of the Copyright Act?

d. Was the Judge correct to conclude that neither Plantation International nor Plantation Vietnam owned or co-owned the copyright works?

e. When ESR imported its goods into New Zealand, did it know or have reason to believe that the goods were infringing copyright and, if so, what was the earliest date on which the company had such knowledge or reason to believe?

f. Did the Judge err in finding that the Customs notice and the subsequent determinations by Customs were valid?

Held, allowing the appeal in part and allowing the cross-appeal:

Application to Adduce Further Evidence on Appeal
1. The application was granted. The letter was plainly relevant to the issue of ESR's knowledge of the alleged infringement and there could be no doubt that ESR was aware of the letter at the time (it had been sent to ESR's solicitors). The content of the letter could not be challenged. It had been in the common bundle and there was no evidence it had been deliberately overlooked. It was reasonable for the Judge to assume the letter was in evidence. Further, the Court was not persuaded that ESR would be materially prejudiced if the application was granted. ESR had been given the opportunity to file further affidavits in opposition to the application but had not taken advantage of the invitation. Even so, there was little ESR could have said in response as the letter spoke for itself and was clear in its terms [32] – [33].

Authorship
2. While ESR was entitled to be critical of the changes in stance on the respondents' part, there was no suggestion that the position taken by them in the Court of Appeal was not open on the pleadings as amended during trial. Despite the presumption as to authorship under s.126 of the Act, it was open for the Judge to conclude that Mr Burden had played a substantial creative role in the preparation of the technical drawings [37]. It was open to the Judge to conclude that the technical drawings were part of an iterative process involving the creation of preliminary drawings and the making of samples followed by the preparation of technical drawings [38]. The Judge had correctly distinguished Hansen v Hulmer-Macon Plastics Ltd – Mr Burden had given specific evidence, accepted by the Judge, that he had signed off on each final technical drawing and that, although employees assisted him, the decisions were his. He directed, and was intimately involved in, the design process at every stage and his employees acted in accordance with his directions [43].

Cala Homes (South) Ltd v Alfred McApine Homes East Ltd [1995] FSR 818 (Ch) referred to; Hansen v Humes-Macon Plastics Ltd (1984) 1 NZIPR 557 (HC) distinguished.

3. ESR's contention that the technical drawings were merely two-dimensional copies of three-dimensional prototype samples could not be sustained on the evidence. The evidence showed that the technical drawings were not just two-dimensional copies of three-dimensional samples. The dimensioning and joinery information was added to the technical drawings after sampling as part of the iterative process of design [45].

4. Mr Burden was a joint author of the technical drawings, together with the Vietnamese draughtspersons employed by Plantation International (and then later transferred to Plantation Vietnam). The technical drawings were works of joint authorship for the purposes of s.6(1) of the Act on the basis that the contribution of each of the authors was not distinct from that of the others [46].

Originality of technical drawings
5. SR's written submissions had argued that the technical drawings were not original works in terms of s.14 of the Act but the argument was not advanced orally. The Court was satisfied that the Judge had been correct to find that the technical drawings were original works [47]. The test for originality was a low one, and where an author produces one or more preliminary versions, the finished product does not cease to be that person's original work merely because the author had adapted it with minor variations or even simply copied it from an earlier version [48] – [49].

Qualification for Copyright

6. The respondents' submission that the technical drawings qualified for copyright protection under s.18(2)(a) on the basis that Mr Burden was a citizen or subject of a prescribed foreign country (Australia) at the relevant time was accepted. It did not matter that the other co-authors did not qualify under the provision because s.18(3) provided that a work of joint authorship qualified for copyright if, at the material time, any of the authors satisfied the requirements of ss.18(1) or (2) [51].

7. The determination of whether the British Virgin Islands was a "prescribed foreign country" for the purposes of s.18(2) was not free from doubt. However, it was unnecessary to decide the point [52].

Ownership of copyright works

8. The respondents' submission that the Judge had erred in finding that Mr Burden was the owner of the copyright in the technical drawings and that neither of the respondent companies was an owner or co-owner, was accepted. Plantation International was the owner of copyright in the technical drawings created in the period up to the formation of Plantation Vietnam on 28 October 2003. While Mr Burden was a co-author during that period, he was employed by Plantation International meaning that by application of s.21(2), the first owner of the copyright in the technical drawings during this period was Plantation International [53]. For the period after 28 October 2003, Plantation Vietnam was a co-owner of copyright in the technical drawings (together with Plantation International) by reason of employing the Vietnamese draughtspersons who were co-authors. For the period after 28 October 2003, Mr Burden continued to be employed by Plantation International on the balance of probabilities [54].

9. Both Plantation International and Plantation Vietnam were entitled to bring proceedings for copyright infringement in New Zealand. This was regardless of whether or not the British Virgin Islands or Vietnam were prescribed foreign countries for the purposes of s.18(2), because that provision was concerned with authorship, not ownership [56].

Knowledge or Reason to Believe

10. The respondents accepted that they had not established the requisite knowledge of infringement at the time of the first importation on 30 July 2014.

11. By the time of the subsequent importations on 28 August 2014, and 5 and 12 September 2014, ESR knew or had reason to believe that the imported goods were infringing copies of the respondents' copyright works [64]. This was because ESR had received the 7 August 2014 letter and a period of two to three weeks following receipt of the letter was sufficient time to enable ESR to investigate the respondents' claims and take legal advice [63].


Validity of Customs Notices

12. ESR's submission that the Customs notice of 20 May 2013 was invalid was rejected on all grounds. While s.136(1) of the Act provided that a notice given under that section was to be given by the owner of copyright, it did not follow that an error as to ownership meant that the notice was invalid. The Act made "elaborate provision" for what was to happen on receipt of a notice under the section, including provisions enabling the chief executive of Customs to seek further information, to suspend the giving of acceptance of a notice, and for application to be made to the Court to resolve disputes. These provisions showed a clear statutory intention that any errors in the notice did not lead to its invalidity [69].

13. Regulation 4 of the Copyright (Border Protection) Regulations 1994 provided that every person giving a notice under s.136 was obliged to provide evidence in support of the claim that the items referred to in the notice are works in which the person owns copyright. It also allowed the chief executive to direct that such evidence be given at the time of the notice or at any subsequent time, allowing the chief executive to clarify matters or request further evidence [70]. In the present case, the chief executive had issued a notice on 13 June 2013, less than a month after the Customs notice, correctly listing the copyright holder as Plantation International [75]. After the importations began in 2014, the chief executive advised the respondents' solicitors that the notices under s.136 of the Act stating that Plantation International was the copyright owner had been accepted [76].
Beijing IP Court says NO to Trade Marks Filed in Bad Faith

On 24 April 2017, the Beijing Intellectual Property Court (Beijing IP Court) published 18 classic cases concerning trade marks filed in bad faith. The cases are divided into the six categories of: (1) preemptive registration of well-known marks; (2) preemptive registration of marks by agents or representatives; (3) preemptive registration on identical or similar goods of marks already registered; (4) preemptive registration that are detrimental to others' prior rights; (5) hoarding trade marks with no intention to use; and (6) preemptive registration of names of current or past public figures in the political, economic, cultural, religious, ethnic areas etc. The list is a useful guide now for the types of cases where a claim of bad faith would succeed. Two of the cases on the list are discussed below.

**Tiffany Case**

Tiffany and Company (Tiffany), a renowned luxury jeweller, prevailed in the invalidation action brought in 2013 against trade mark registration no. 8009772 for “蒂凡尼” (pronounced as “Di Fan Ni” in Mandarin) on wallpaper, carpets etc. in Class 27 in the name of Shanghai Zhendi Decoration Materials Co., Ltd. (Shanghai Zhendi).

Unhappy with the decision issued by the Trademark Review and Adjudication Board (TRAB), Shanghai Zhendi appealed to the Beijing IP Court.

The Beijing IP Court held that Tiffany’s “TIFFANY” mark registered in respect of jewellery and precious stones had become well-known prior to the application date of the subject “蒂凡尼” mark. Not only is the “蒂凡尼” mark phonetically similar to “TIFFANY”, there is also only one Chinese character difference between Tiffany’s mark and the corresponding Chinese mark “蒂凡尼”. The “蒂凡尼” mark therefore constituted an imitation of Tiffany’s marks.

**Tiffany Case Takeaway**

This is a classic case about deterring bad faith registrations under Article 13(2) of the Chinese Trademark Law. In deciding whether the mark concerned would mislead the public and cause detriment to the rights of the well-known trademark owner, the Court would consider all factors such as the extent of the reputation of the well-known mark, the similarity between the marks, how related the designated goods are, the intention of the owner of the mark concerned, etc. In this case, the extensive and substantial use by Tiffany of the mark “TIFFANY” and of its Chinese mark “蒂凡尼” had resulted in a strong reputation in the market and an immediate correlation of any similar or identical mark to goods associated with Tiffany, namely jewellery. Apart from registering the mark “蒂凡尼”, Shanghai Zhendi had also registered the English mark “DIFFANY” and the combination mark “蒂凡尼壁纸DIFFANY” (essentially “Di Fan Ni Wallpaper DIFFANY”) and used the mark “蒂凡尼” together with “DIFFANY”. “DIFFANY” is similar to Tiffany’s well-known “TIFFANY” mark. Shanghai Zhendi’s intention to ride on the reputation of Tiffany’s well-known mark could not have been more obvious. The Court considered that the relevant public would likely associate the two marks so that the source of the goods would be mistakenly be attributed to Tiffany and Tiffany’s rights would consequently be damaged.

**Michael Jackson Case**

The last classic case in the Beijing IP Court’s list concerns Michael Jackson, the late legendary pop singer. An application for the registration of “MICHAEL JACKSON” as a trade mark was made under application no. 8647078 in Class 25 by a party unrelated to the estate of the late Michael Jackson.

DUOFASHION INTERNATIONAL GROUP LIMITED (DUOFASHION) registered the mark “MICHAEL JACKSON” in 2013 and the mark was subsequently assigned to Fujian Fengshang Fashion Co, Ltd. (Fujian Fengshang). Triumph International, Inc. (Triumph International), trustee of the estate of late Michael Jackson, filed an Invalidation action against this registration in 2014. Dissatisfied with the decision issued by the TRAB to maintain the registration, Triumph International appealed to the Beijing IP Court.

With the voluminous evidence filed, Triumph International demonstrated that the late Michael Jackson, being a successful pop singer, had an extremely strong reputation and his music made an impact throughout the world. Although the singer passed away in 2009, his name and image have continued to have a substantial economic value.
Both Fujian Fengshang and DUOFASHION are unrelated to the late Michael Jackson, it is obvious therefore that by obtaining a registration for “MICHAEL JACKSON” they sought to take advantage of the late singer’s worldwide reputation and fame in order to obtain commercial gain for themselves.

Considering the fact that the late Michael Jackson could not take action to protect his own civil rights and the fact that the use of the mark concerned will very likely cause the relevant public to believe that goods or services offered under and by reference to the mark are authorised by or related to the late Michael Jackson, the use of the registered trade mark would likely result in misidentification as to the quality and source of the goods or services and cause damage to the public. The Court decided that in order to protect public interest, the registration should be invalidated as it was contrary to Article 10(1)(8) of the Chinese Trademark Law and constituted “an undue influence”.

Michael Jackson Case Takeaway

Chinese law offers no protection over the names of deceased persons, making it difficult for the estate of a deceased person to stop the unauthorised registration of the deceased’s name on the basis of personal name rights. The Michael Jackson case shows that in certain circumstances the Court may be prepared to suppress undue preemptive registrations of a deceased person’s name as a trademark. As the mark was registered by an entity unrelated to the estate of the late Michael Jackson, apart from possibly causing detriment to the rights of the estate of Michael Jackson, public interest would also be prejudiced by such a misleading registration. The Court’s ruling in favour of Triumph International is an encouraging application of the Chinese Trademark Law.

Good News to Brand Owners

These selected cases demonstrate the Chinese courts’ determination to reject or invalidate trade marks which amount to acts of copying another’s well-known mark in bad faith. Yet this cannot be achieved without the vigilance of the legitimate trade mark owners who need to be proactive, and take action as soon as such registrations are detected and be able to adduce satisfactory evidence to support their cases.

SINGAPORE

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Correspondents for Singapore

Bigfoot Internet Ventures Pte. Ltd. v Apple Inc.
[2017] SGIPPOS 4

Post-sale software support can, independent of any new sales of the software itself, amount to genuine use of a trade mark in the course of trade. However, once the software is rendered obsolete, the mere availability of that software for download from the internet does not constitute genuine use without at least evidence that it was still being downloaded in Singapore within the relevant time.

In this case, Bigfoot Internet Ventures Pte Ltd (Bigfoot) succeeded in revoking Apple Inc.’s (Apple) registered mark SHERLOCK on grounds of non-use. SHERLOCK was Apple’s integrated search tool within the Mac OS system. It could be used to perform searches on the internet, as well as of the system’s internal directories and files.

Bigfoot had applied for applied to revoke Apple’s SHERLOCK trade mark on grounds that it had not been used within the five-year non-use grace period immediately following the completion of its registration on 5 March 2001 (i.e. from 5 March 2001 to 5 March 2006; the “First Non-use Period”).

In the alternative, Bigfoot argued that Apple’s SHERLOCK trade mark on grounds that it had not been used within the five-year non-use grace period immediately preceding this application for revocation on 12 March 2015 (i.e. this five-year period would be from 12 March 2010 to 11 March 2015; the “Second Non-use Period”). Under Singapore law, if Apple could not prove that it had used the trade mark under either non-use period, its mark would be revoked.

First Non-use Period

Bigfoot did not succeed in respect of the First Non-use Period, as the Hearing Officer found that Apple had put the SHERLOCK software to genuine use in Singapore during that time. The evidence showed that the SHERLOCK software was only discontinued from 2007.

91
Hence, in relation to the First Non-use Period from 2001-2006, the Hearing Officer was able to presume that consumers had purchased or, at least, upgraded their original SHERLOCK software (which launched in 1998) to newer versions during that time.

Further, and more importantly, the Hearing Officer applied the principle originally stated in European Court of Justice case of Ansul BV v Ajax Brandbeveiliging BV [2003] IP & T 970 (Ansul) that the use of a trade mark in connection with goods that were no longer newly traded could nonetheless constitute genuine use if the mark was used in relation to integral component parts, or in relation to goods or services directly connected with the goods previously sold. Here, applying this principle, the post-sale support for the SHERLOCK software such as upgrades and updates could have amounted to genuine use of the mark in Singapore, even if there were no new sales of the software itself.

Second Non-use Period
However, Apple lost in relation to the Second Non-use Period, which to recall, was from 2010-2015. The last update for Apple’s SHERLOCK software released in 2007. By the start of Second Non-use Period in 2010, the SHERLOCK software had therefore been effectively discontinued, without new software support for more than two years.

Apple, however, argued that the Ansul principle should continue to apply, and that users of older Mac OS versions could technically still download or update their SHERLOCK software from the Apple website. The Hearing Officer did not accept that argument. According to her, she could only accept that users from Singapore had downloaded or updated their SHERLOCK software “in or around” the time of the last update, in 2007. That time since had passed, by the Second Non-use Period. By 2010, “with the effluxion of time, and the obsolescence of the ‘Sherlock’ application,” the burden fell on Apple to adduce “clear and convincing evidence” that users from Singapore were still downloading or updating their SHERLOCK software during the Second Non-use Period. However, Apple did not, or was not able to, adduce such evidence.

As such, the Hearing Officer ordered that Apple’s SHERLOCK trade mark be revoked from the date immediately following the Second Non-use Period, 12 March 2015.

Louis Dreyfus Commodities Mea Trading Dmcc v Orco International (S) Pte Ltd

Facts
As observed by the Registrar, it is a truism that the outcome of most trade mark disputes turns on the evidence. This case is an excellent example of that, especially since the Applicant, having filed its evidence, elected not to make any written or oral submissions.

On 5 May 2014, the Applicant applied the following trade mark in Class 30 for “Rice”:

![PADDY LEAF](image)

Subsequently, the Opponent filed an opposition claiming that it had made extensive use of (a) the word mark PADDY LEAF (including use in a specifically chosen font as follows):

![PADDY LEAF](image)

and (b) the Three Stalks Device.

The thrust of the Opponent’s case was that the Applicant had simply taken the device and the words “PADDY LEAF” in the specific font), added the words “LA FLEUR DE PADDY” below (which in its view was so small as to be practically insignificant) and applied to register the whole as a composite mark.

Decision

Relative Grounds of Opposition

The Opponent raised numerous grounds of opposition. Three of the relative grounds all shared a central common feature in that they concerned conflict with an “earlier trade mark”. These three grounds are briefly summarised as follows:
a. That the Application Mark is identical with an earlier trade mark.

b. That the Application Mark is similar with an earlier trade mark and there exists a likelihood of confusion.

c. That the Application Mark is similar to an earlier well known trade mark such that there would be a confusing connection resulting in damage to the proprietor of the well known mark.

In many trade mark disputes, the “earlier trade mark” relied upon is one that has been registered. Unusually in this case, the Opponent relied only on the following unregistered marks (Opponent’s Marks):

a. the word mark “PADDY LEAF”, used since 2007.

b. the words “PADDY LEAF” in a specific font: “PADDY LEAF” used since February 2008.

c. the Three Stalks Device.

d. the above marks used in combination.

The Opponent alleged that the Opponent’s Marks were well-known and therefore constituted “earlier trade marks” under the Trade Marks Act (Cap. 332), notwithstanding that they were not registered.

Was there Prior Use of the Application Mark by the Applicant?

The issue of whether the Opponent’s Marks can be “earlier trade marks” arose because the Applicant claimed to have evidence that it had used “Paddy Leaf La Fleur de Paddy” in relation to rice as far back as 1998, which was prior to the Opponent’s first claimed use of the word mark “PADDY LEAF” in 2007.

The Applicant adduced evidence of 21 shipments in 1998, all of which pertained to cargoes of rice which had markings described as “(IN BOLD GREEN COLOUR) PICTURE OF A PADDY LEAF” and “IN BOLD GREEN COLOUR (PICTURE OF A PADDY LEAF IN TOP LEFT)”.

Problematically for the Applicant, it was not clear what these markings looked like. Further, none of the bills of lading referenced the Applicant. The evidence thus did not establish use of the Application Mark by the Applicant in Singapore.

Was there Prior Use of PADDY LEAF in Singapore by an Unrelated Third Party?

The Registrar asked the Opponent to submit on whether the Opponent’s Marks could be “earlier trade marks” if, hypothetically, an unrelated third party had used PADDY LEAF in relation to rice.

The Opponent argued, based on first principles, that this would not be relevant. First, the definition of “earlier trade marks” in the Trade Marks Act did not include a requirement to establish that the well-known mark is the earliest such mark used in Singapore. Secondly, the relative grounds of opposition address the position of the parties vis-à-vis one another and no other person.

The Registrar agreed with these submissions obiter, though he also noted that ex hypothesi if some other trader had prior use of a trade mark that is identical (or similar to) the “earlier trade mark” which an opponent is relying upon, it would be more difficult, from an evidential standpoint, for such an opponent to succeed in showing that the mark relied upon was his well-known trade mark.

Were the Opponent’s Marks Well-known in Singapore?

The Opponent’s evidence constituted the following: print-outs from the Louis Dreyfus Group’s website concerning its global rice trading business; an interim financial report of the Louis Dreyfus Group for the year 2015; bills of lading and invoices evidencing the use of the PADDY LEAF word mark in relation to rice shipments dating as far back as 2007 and 2008, and up to as recently as 2013; and printouts from the internet describing the Louis Dreyfus Group as “the world’s largest rice trader”. The Opponent also claimed that the Louis Dreyfus Group was “thrust into the wider public consciousness in Singapore when it made headlines in 2011 for a proposed collaboration with Singapore-based agri-business giant Olam International Limited”.

As there was no evidence that rice bearing the Opponent’s Marks were sold to consumers in Singapore, the Opponent’s Marks were not well known to this segment of the public. Neither could it be said that the Opponent’s Marks were well-known to rice traders in Singapore, as inter alia none of the rice traders that the Opponent dealt with were in Singapore.

The Opponent thus failed to overcome the first hurdle (i.e. establishing an “earlier trade mark”) for
Current Developments – Asia

the above three relative grounds of opposition. As an aside, we observe that the Opponent also failed on the ground of passing off for similar reasons.

Ground of Bad Faith

Bad faith embraces not only actual dishonesty but also dealings which would be considered as commercially unacceptable by reasonable and experienced persons in a particular trade, even though such dealings may otherwise involve ‘no breach of any duty, obligation, prohibition or requirement that is legally binding’ upon the registrant of the trade mark’.

The Opponent’s first argument under this ground was its ‘direct copying’ argument. Essentially, it argued that Applicant, being in the rice trade, would have been aware of the Opponent’s use of its Marks. The Application Mark was thus calculated to take advantage of the worldwide fame of the Opponent’s Marks.

The Registrar found that none of the documents suggested actual dishonesty or dealings which would be considered as commercially unacceptable by reasonable and experienced persons in the trade. Neither did the Opponent apply to cross-examine the Applicant’s deponent. The argument was, in reality, premised on inference based on alleged similarity (or identity) of marks.

The Opponent’s second argument was its ‘disruptive conduct’ argument. Essentially, it argued that the Applicant’s conduct throughout the proceedings had been disruptive (e.g. not serving a copy of its Counter-Statement to the Opponent in accordance with the Trade Mark Rules).

The Registrar rejected this argument as the crux of the issue was whether the Application Mark was made (i.e. applied for) in bad faith. This had to be assessed at the time of the application, not by reference to the Applicant’s conduct after the commencement of opposition proceedings.

For the above reasons, the Opposition failed on all grounds.

JAPAN

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Colour Trade Marks Trends in Japan

Japan allowed the application and registration of non-traditional trade marks like sound marks, motion marks, hologram marks, colour *per se* marks and position marks on 1 April 2015. Nearly two years after the new law came into effect, the Japan Patent Office (JPO) granted the first two registrations of colour *per se* marks in Japan. This update will explore the current trade mark application and registration trends of colour *per se* marks in Japan.

Pioneering Colour Per Se Trade Mark Registrations

The first colour *per se* mark that was registered by the JPO consisted of three stripes in blue, white and black (see below) owned by stationery manufacturer Tombow Pencil Co. Ltd.

![Fig. 1](Japan TM Reg. No. 5930334 Registration Date: March 10, 2017 “Erasers” in class 16)

The successful prosecution of the two pioneering colour *per se* trade marks was not entirely smooth sailing as the JPO initially denied both color *per se* trade mark applications on the grounds that...
the marks lacked distinctiveness. In order to
overcome the non-distinctiveness objections, the
applicants submitted a considerable amount of
secondary meaning evidence demonstrating that
the colour mark had been extensively used in the
Japanese marketplace and had thereby acquired
distinctiveness through its actual use in commerce
and that it was a recognised source identifier in the
Japanese marketplace.

The secondary meaning evidence included:
documents indicating the sales figures of goods/
services with which the mark had been used,
advertisements of such goods/services, and mass
media articles about such goods/services. As a
result of the applicants’ extensive and detailed
submissions, evidence and arguments, the JPO
finally allowed the applications and the pioneering
colour per se trade marks were registered.

This somewhat protracted prosecution of the
first ever colour per se trademark applications
notwithstanding that the Tombow colour per se
mark was actually highlighted by the JPO in its
own materials as an example of a non-traditional
colour per se marks that was successfully registered
overseas. Based on the successful registrations, the
grant of a potential perpetual monopoly over the
use of a color in a particular industry is a high price
to pay in view of the efforts of the two successful
applicants.

The only conclusion from the registration
outcomes of these two trailblazing colour per se marks is that the JPO will be rigorously and
robustly examining colour per se trade mark
applications across the board, so trade mark
applicants should be ready to gather secondary
meaning evidence and even be prepared to prepare,
conduct and submit relevant and useful consumer
surveys, if necessary.

**Colour Mark Application Trends**

According to the JPO database, as of 10 July 2017,
there were 387 pending applications for non-
traditional colour trade marks. Some other
interesting colour per se trade mark applications
that are currently pending at the JPO are discussed
in the following section.

There are two dueling red colour per se trade mark
applications (see below) directed to women’s shoes
with the earlier trade mark application no. 2015-
029921 filed by the famous French shoemaker,
Christian Louboutin. The second trade mark
application no. 2015-033058 was filed by one of
Japan’s larger women’s shoe companies, Mode Clea
K.K., that was founded in 1987. The red colour
claims of the respective heels are different and it
will be interesting to see the JPO’s treatment to the
applications.

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<td>Candy lime green fuel tank</td>
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Iconic motorbike manufacturer, Kawasaki Heavy
Industries K.K., filed a colour per se trade mark
application directed to a candy lime green fuel tank
(see below). The lime green is one of the colours
that of the famous Kawasaki Ninja motorcycle
series and this trade mark application will
probably be closely watched by other motorcycle
manufacturers since this particular lime green
is also widely adopted and used in the custom
motorbike industry.

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<td>Filing Date: April 1, 2015</td>
<td>Fuel tank in lime green RGB combination</td>
<td>12</td>
</tr>
</tbody>
</table>
Another interesting colour *per se* trade mark application was filed by Japanese food giant, Nisshin Seifun Group Holding KK directed to the blue penumbra colour gradation mark for pouched soup, pasta and other goods (see below). This colour mark is currently used by Nisshin for its premium branded pasta products and sauces.

Japan Application No. 2015-063466
Filing Date: July 3, 2015
“retort pouch soup” in class 29 and “pasta and other goods in class 30”
Applicant: Nisshin Seifun Group Holding KK

**Fig. 6**

**Conclusion**

The new non-traditional trade mark legal regime has encouraged innovative Japanese trade mark owners to become more and more creative with their branding strategies and use colour trademarks to protect the distinctive ways that they are engaging consumers in one of the world’s most sophisticated markets in the world. In addition, based on the successful colour *per se* trade mark registrations, it is a tough, but not impossible, effort for applicants to demonstrate to the JPO that a colour *per se* trade mark possesses sufficient distinctiveness and it is almost imperative that secondary meaning evidence of use of such a colour mark is has to be demonstrated to the JPO and the JPO is willing to consider survey evidence indicating that the color mark has been used by the applicant as a trademark and is capable of being associated with the goods or services of the applicant by members of the public.

*John A. Tessensohn, Board Member, SHUSAKU YAMAMOTO. This article reflects only the personal views of the author & should not be attributed to the Author’s Firm or to any of its present or future clients.*
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Stichting Brein, AG Media and Svensson Cases: Comments on the Interpretation of an “Act of Communication to the Public”

CJEU’s Decision on Stichting Brein v Ziggo

On 14 June 2017, the European Court of Justice (CJEU) handed down its judgment in the copyright case of Stichting Brein v Ziggo BV, XS4ALL Internet BV (Case C-610/15) concerning whether sharing of torrent files without the consent of the rightholders on online sharing platform constitutes an act of communication to the public and thus amounts to copyright infringement. This is a case brought by a foundation Stichting Brein, which safeguards the interests of copyright holders, against Dutch internet access providers, Ziggo BV and XS4ALL Internet BV, requiring Ziggo BV and XS4ALL to block the domain names and IP addresses of the online sharing platform “The Pirate Bay” (online sharing platform TPB).

The Court ruled that:

“The concept of ‘communication to the public’, within the meaning of Article 3(1) of 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, must be interpreted as covering, in circumstances such as those at issue in the main proceedings, the making available and management, on the internet, of a sharing platform which, by means of indexation of metadata relating to protected works and the provision of a search engine, allows users of that platform to locate those works and to share them in the context of a peer-to-peer network.”

The judgment on Ziggo and other is consistent with the judgment of 13 February 2014, Svensson and Others (C-466/12) and judgment of 9 September 2016, GS Media v Sanoma Media Netherlands and Others (C-160/15), which provide similar determination of an “act of communication to the public” and the liability of the operators of online sharing platform.

Determination of an “Act of Communications to the Public”: The Two Cumulative Criteria

According to the previous judgment of 26 April 2017 on Stichting Brein v Jack Frederik Wullems (C 527/15) concerning the sale of a multimedia player enabling free access to audiovisual works protected by copyright without the consent of the right holders, “communication to the public” involves two cumulative criteria, namely an “act of communication” of a work and the communication of that work to a “public”. The Court points out that there are also several complementary criteria within the two cumulative criteria. The two cumulative criteria are not autonomous and are interdependent, which must be applied both individually and in their interaction with one another, since they may, in different situations, be present to widely varying degrees. From a technical point of view, being “present to widely varying degrees” means that various key properties of the software may affect the extent to which the two criteria of “communication to the public” are met. For example, the software containing a curated list of hyperlinks to network streams of protected content, or a mechanism to allow the user to search for protected content would give credence to “communication of a work”. Likewise, the software being made widely available on download websites, being advertised in banner ads or other means, or being supplied with claims of access to free protected content would give credence to “communication to a public”.

The Court delivering the judgment of 14 June 2017 on Ziggo and other seeks for further clarification on the cumulative criteria for the determination of an “act of communication to the public” and the liability of the operators of online sharing platform.
knowledge of the relevant facts, provides its clients with access to protected works is liable to constitute an ‘act of communication’ for the purposes of Article 3(1) of Directive 2001/29”.7

With regard to the interpretation of the “public”, the judgement of 14 June 2017 on Ziggo and other is in line with the previous judgment of judgment of 26 April 2017 on Stichting Brein v Jack Frederik Wullems (C 527/15). The concept of the “public” is threefold:

• Referring to an indeterminate number of potential viewers and a fairly large number of people;8
• Using specific technical means, different from those previously used;9 or
• Communicating to a “new public” that was not already taken into account by the copyright holders when they authorised the initial communication of their work to the public.10

The judgment of Ziggo affirms that the interpretation of the “public” which closely links to the number of persons, and that the concept of the “public” involves “a certain de minimis threshold taking into account the cumulative effect of making the works available to potential recipients, which excludes from that concept groups of persons concerned which are too small, or insignificant” [emphasis added].11 The Court observes that the communication on the TPB online sharing platform is aimed at an indeterminate number of potential recipients and involves a large number of persons.12 With regard to the understanding of a “new public”, it is held that “such a public is a public that was not taken into account by the copyright holders when they authorised the initial communication”.13

The Role of the Operators of Online Sharing Platform

It is pointed out by the judgment of 14 June 2017 on Ziggo and other that, although works referenced by the online sharing platform, are not placed by the platform operators but by its users, the operators still intervene to provide access to protected works, by indexing torrent files and classifying the works under different categories in a way that the works to which the torrent files refer may be easily located and downloaded by the users of that sharing platform.14 The Court uses the determining factor of the operators being “with full knowledge of the consequences of their conduct” due to the fact that the operators make that platform available and are managing it;15 indexing and classifying files; and deleting obsolete or faulty torrent files; and actively filtering some content.16

In addition, it is clear that “the operators of the online sharing platform TPB could not be unaware that this platform provides access to works published without the consent of the rightholders, given that, as expressly highlighted by the referring court, a very large number of torrent files on the online sharing platform TPB relate to works published without the consent of the rightholders”.17 The operators, thus, should be regarded as playing an essential role in making the works in question available,18 but not just making a “mere provision of physical facilities” for enabling or making a communication, within the meaning of recital 27 of Directive 2001/29.19 The Court, thus, establishes a rule that “with full knowledge of the relevant facts, provides its clients with access to protected works is liable to constitute an ‘act of communication’ for the purposes of Article 3(1) of Directive 2001/29”.20

The “full knowledge” test in Ziggo is similar to the hyperlinkers’ awareness test in the previous case of AG Media, which uses it as one of the two factors of assessing whether a hyperlink to a protected work placed online without the consent of the rights holder is a communication to the public.21 The two determining factors in AG Media are: the pursuit of financial gain and the hyperlinkers’ awareness test. It appears that the test of pursuit of financial gain appears to be under knowledge thresholds which are based on a distinction between ordinary and commercial internet use. It is argued that the introduction of knowledge thresholds seems to contradict with a bottom line that primary infringement of exclusive rights should be considered as a matter of strict liability, and it also does not help identifying financial gain of hyperlinking.22

Determining Factors for Copyright Infringement in the Digital Market

Although the Court affirms that the concept of “communication to the public”, within the meaning of Article 3(1) of Directive 2001/29, requires an individual assessment,23 the general determining factors of an “act of communication
to the public”, via hyperlinking, multimedia player pre-installed add-ons with hyperlinks and file-sharing platform with torrent files, without the consent of rightholders, and thus constituting copyright infringement, are similar in that:

- There must be an intervention to provide access to protected works.
- There must be with full knowledge or awareness (of the relevant facts and/or of the consequence of their conduct).
- There must be a new public if not using specific technical means that are different from those previously used.
- There must be intention of making profits.

For example, in AG Media ((C-160/15) and Svensson (C-466/12) judgement concerning hyperlinking, the Court looks into four determining factors of an “act of communication to the public”: nature and functions of a hyperlink (i.e. targeting a new public); fair use (i.e. the factor of “irreparable harm”, “temporary copying” or “transient or incidental reproduction”); the pursuit of financial gain; and the hyperlinkers' awareness test. However, there are further concerns as to whether it is necessary to examine whether any technical measures are in place to help achieving those expected functions of hyperlinking; and to ascertain whether there is an intervention to technical measures for hyperlinking.25 As such, questions concerning technical measures, which were not addressed by the recent Svensson case and AG Media case, were raised as follows:

“Does 'restricted’ refer only to technical restrictions (and how sophisticated?), or does it also encompass licence or contractual restrictions?

“Does the reservation for subsequently removed or restricted works apply only to new links created after the initially freely available work was withdrawn or restricted, or do existing links to unauthorised copies automatically become infringing?

“What is the position where initially the work was lawfully made freely available on the internet under an exception to copyright, such as fair dealing? Is that different from when it was done with the authorisation of the copyright holder? On the face of it the Svensson version of the ‘new public’ test would not of itself legitimise linking in the former situation.”26

The GS Media case confirms that “the Court intended to refer only to the posting of hyperlinks to works which have been made freely available on another website with the consent of the rightholder”,27 which adds more clarification compared with the Svensson case because freely available websites should be considered as those being authorised by the rightholder initially. However, GS Media may still need to further clarify whether “another website” means only the website linked to or encompasses any website or other location on the internet.28

In both cases of Stichting Brein v Jack Frederik Wullems (C 527/15) concerning a multimedia player with pre-installed add-ons containing hyperlinks to streaming websites and Stichting Brein v Ziggo BV and XS4ALL Internet BV (Case C-610/15) concerning online sharing platform with the indexation of torrent files, the courts also look into four determining factors of an “act of communication to the public”: intervention; with full knowledge; new public and profit-making nature. In both cases, the courts also look into assessment of general technical intervention enabling an easy link/access to protected work, without which the users would find it difficult from benefit from those protected works. It is noteworthy that, in all these cases, the courts do not examine specific technical means but assess whether there are intervening technical means (different from the mere provision of physical facilities) which contribute to gain easy access to protected works rather than being used as a mere provision of physical facilities.

Afterthoughts

It is consistent that the Court has specified that the concept of “communication to the public”, within the meaning of Article 3(1) of Directive 2001/29, requires an individual assessment in the two recent Stichting Brein cases and also the previous AG Media case and the Svensson case.

As such, the judgment of Stichting Brein v Ziggo BV and XS4ALL Internet BV (Case C-610/15) provides some clarity as to the role and liability of the operators of online sharing platform, whilst the judgement of Stichting Brein v Jack Frederik Wullems (C 527/15) provides further clarification on preventing the sale of a multimedia player with pre-installed add-ons containing hyperlinks to copyright-protected works to the public without the consent of the right holders. With regard to
hyperlinking cases, the AG Media case provides much more clarity as to the determination of hyperlinking infringement compared with the Svensson case.

However, as discussed above, the determining factors of an “act of communication to the public” for the establishment of copyright infringement in the era of internet, are similar. It appears that it is more efficient if there is a harmonised EU legal framework concerning indirect copyright liability and direct copyright liability of the different types of internet service providers (e.g. access providers and website operators etc.), other than relying on a case-by-case interpretation by courts.

With the maturity of the judge-made interpretation of an “act of communication to the public”, in particular the two recent Stichting Brein cases, some wording in the two judgements reflects closely on the current legislative development – Proposal for a Directive of the European Parliament and the Council on Copyright in the Digital Single Market (hereafter “the Proposal of the EC Copyright Directive”).

For example, Recital (38) of the Proposal of the EC Copyright Directive provides that: \[\text{Where information society service providers store and provide access to the public to copyright protected works or other subject-matter uploaded by their users, thereby going beyond the mere provision of physical facilities and performing an act of communication to the public, they are obliged to conclude licensing agreements with rightholders, unless they are eligible for the liability exemption provided in Article 14 of Directive 2000/31/EC of the European Parliament and of the Council.}\]

In respect of Article 14, it is necessary to verify whether the service provider plays an active role, including by optimising the presentation of the uploaded works or subject-matter or promoting them, irrespective of the nature of the means used therefor.

In order to ensure the functioning of any licensing agreement, information society service providers storing and providing access to the public to large amounts of copyright protected works or other subject-matter uploaded by their users should take appropriate and proportionate measures to ensure protection of works or other subject-matter, such as implementing effective technologies. This obligation should also apply when the information society service providers are eligible for the liability exemption provided in Article 14 of Directive 2000/31/EC.

In the light of the provision of “hosting” under Article 14(1) of the E-Commerce Directive, the liability exemption conditions are provided as twofold: where an information society service is provided that consists of the storage of information provided by a recipient of the service, Member States shall ensure that the service provider is not liable for the information stored at the request of a recipient of the service, on condition that: (a) the provider does not have actual knowledge of illegal activity or information and, as regards claims for damages, is not aware of facts or circumstances from which the illegal activity or information is apparent; or (b) the provider, upon obtaining such knowledge or awareness, acts expeditiously to remove or to disable access to the information.

As shown above, “actual knowledge” has been used as one of the conditions to exempt the liability of service providers for hosting service. In the judgement of the four cases discussed above, the wording of “full knowledge” is used as a benchmark to assess the liability of service providers other than “actual knowledge”. The difference between “full knowledge” and “actual knowledge” requires further definition and clarification. Moreover, Article 14 of the E-Commerce Directive itself refers to the so-called notice and takedown procedure which has generated heated debate over the standard and practicality of its implementation. That provision was under review through two sets of consultation – “Public consultation on the future of electronic commerce in the internal market and the implementation of the Directive on Electronic commerce (2000/31/EC)” in 2010; and “A clean and open Internet: Public consultation on procedures for notifying and acting on illegal content hosted by online intermediaries” in 2012.

The review of E-Commerce Directive, together with the proposal of the EC copyright law, may help promoting a harmonised legislation concerning direct and indirect (secondary) liability of internet service providers which may result in copyright infringement in the digital market.
1 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 1.

2 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 2.

3 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 3.


5 Case C-527/15, Judgment of the Court (Second Chamber), Stichting Brein v Jack Frederik Wullems, 26 April 2017, para. 30.

6 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 30.

7 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 34.

8 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 27; and see also Case C-527/15, Judgment of the Court (Second Chamber), Stichting Brein v Jack Frederik Wullems, 26 April 2017, para. 32.

9 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 28; and see also Case C-527/15, Judgment of the Court (Second Chamber), Stichting Brein v Jack Frederik Wullems, 26 April 2017, para. 33.

10 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 28; and see also Case C-527/15, Judgment of the Court (Second Chamber), Stichting Brein v Jack Frederik Wullems, 26 April 2017, para. 33.

11 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 41; and see also Case C-527/15, Judgment of the Court (Second Chamber), Stichting Brein v Jack Frederik Wullems, 26 April 2017, para. 44.

12 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 42.

13 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 44.

14 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 38.

15 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 36.

16 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 38.

17 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 45.

18 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 37.

19 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 38.

20 Case C-610/15, Judgment of the Court (Second Chamber), Stichting Brein v Ziggo BV and XS4ALL Internet BV, 14 June 2017, para. 34.

21 Case C-160/15, Judgment of the Court (Second Chamber), GS Media BV v Sanoma Media Netherlands BV, Playboy Enterprises International Inc., Britt Geertruida Dekker, 8 September 2016, para. 33; and see also Case C-527/15, Judgment of the Court (Second Chamber), Stichting Brein v Jack Frederik Wullems, 26 April 2017, para. 20.


24 Case C-160/15, Judgment of the Court (Second Chamber), GS Media BV v Sanoma Media Netherlands BV, Playboy Enterprises International Inc., Britt Geertruida Dekker, 8 September 2016, para. 33; and see also Case C-527/15, Judgment of the Court (Second Chamber), Stichting Brein v Jack Frederik Wullems, 26 April 2017, para. 20.


27 Case C-160/15, Judgment of the Court (Second Chamber), GS Media BV v Sanoma Media Netherlands BV, Playboy Enterprises International Inc., Britt Geertruida Dekker, 8 September 2016, para. 41.


Recall? – Scope of Cease and Desist claim in Preliminary Injunction Proceedings
Federal High Court (29 September 2016)

Recall of RESCUE Products

Preliminary injunction proceedings serve as an effective tool of IP litigation in Germany. More than 80% of German IP litigation consists of such preliminary injunction proceedings. And in most of these cases the preliminary ruling serves as a basis for a later settlement between the parties. German procedural rules hereby allow such preliminary injunction proceedings to be one sided, i.e. the court bases its decision solely on the submission of the claimant. In general, the proceedings are initiated after a warning letter was either rejected or if there was no reaction at all. However, under certain circumstances the proceedings can also be initiated without a prior warning. The right of the infringer to be heard is safeguarded by his/her right to object to the preliminary injunction whereupon the court will schedule a hearing. However, the preliminary injunction is enforceable once served upon the infringer and an opposition has no effect on enforceability.

In preliminary injunction proceedings an IP owner mainly asserts and enforces its cease and desist claim. If successful, the court will order the infringer:

- under penalty of being sentenced to a coercive fine of up to EUR 250,000.00 for each count of violation and, for the case that such payment cannot be obtained, to coercive detention of no longer than a total of two years or coercive detention of up to six months to cease and desist from [actions as specified in the respective case].

While this formula has been used in Germany by all courts for decades, the interpretation of what has to be ceased and what concrete actions have to be taken in order to adhere to the cease and desist order differed from court to court.

**Example 1**

In a case decided by the Higher Regional Court of Frankfurt a.M. regarding a preliminary injunction in a trademark dispute (OLG Frankfurt a.M., decision dated 19 September 2016, docket number 6 W 74/16), the court expressly stated that an infringer is not obligated to recall infringing products from distributors that are not part of his distribution structure. According to the court, the infringer is only obligated to cease and desist the further distribution of the infringing product but not to recall products already delivered to wholesalers.

**Example 2**

In a case decided by the Higher Regional Court of Cologne regarding a preliminary injunction enjoining the distribution of certain furniture (OLG Cologne, decision dated 12 March 2008, docket number 6 W 21/08), the court held that the obligation to cease and desist also includes the obligation to actively take the necessary steps to prevent third parties from further distributing the infringing products if the products have already been delivered to the next intermediary.

Recall of RESCUE Products

Now, the German Federal High Court issued a just recently published judgment (judgement dated 29 September 2016, docket number I ZB 34/15) which clearly defines the obligations of the infringer in case of a cease and desist order. It says:

The obligation to cease and desist from an action, which creates an ongoing interference with rights, has generally to be construed – absent any indications to the contrary – that it not only encompasses the omission of the action but also the performance of possible and reasonable actions to eliminate the interference with rights. This can also include the obligation to – within what is possible and reasonable - appeal to third parties, if this is required to eliminate the interference with rights. Accordingly, an obligor who was enjoined from distributing a product generally has to recall a product to ensure that products already delivered to his customers are not distributed further.

Thus, the German Federal High Court follows the more broad interpretation of the Higher Regional Court of Cologne. Infringers basically have to take all necessary actions to prevent further infringements in the market, be it by their own
actions or by actions of third parties. In particular, distribution partners have to be informed and requested to immediately cease and desist from further infringing. If these distributors do not follow these requests, the infringer even has to put pressure on the distributor in order to ensure that future infringements will be avoided where possible.

The required steps, however, depend on the concrete circumstances. If an infringement may be avoided by, e.g. relabelling of the packaging, the recall may be prevented by such relabelling within the shops in the market.

**Risks and Duties for Both Sides**

This decision implies chances for IP owners and risks for both sides. Infringers have to establish a functioning system to evaluate which steps are necessary and a system for an effective recall.

IP owners have to carefully consider the chances and risks of the case. Their cease and desist claim is a very effective tool. But potential damage claims in case the preliminary injunction is lifted might be immense and have to be taken into account when assessing the risk before going to court.

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1 This report contains a personal view of the author and should not be attributed to the author’s Firm or to any of its present or future clients.

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**Patent Revocation Actions in France: Interest to Sue and Statute of Limitation**

**Background and Procedural History**

Zodiac Aerotechnics is the holder of a European patent No. 2 004 294, filed on 13 April 2006, published on 25 October 2007 and granted on 21 July 2010 which relates to a respiratory gas supply circuit for aircraft carrying passengers.

On 2 September 2011, Zodiac Aerotechnics brought its patent to the attention of Aerospace Systems, asking whether the latter developed products claimed in the patent.

On 19 October 2012, Aerospace Systems initiated an action for the revocation of the German designation of Zodiac Aerotechnics’s European patent, before the Bundespatentgericht, and on 6 May 2014, the Bundespatentgericht revoked the German designation of this patent.

Aerospace Systems wrote to Zodiac Aerotechnics to mention that a similar action would be initiated in France, unless Zodiac Aerotechnics agreed to abandon the French designation of its patent or to grant it a royalty free licence.

Because Zodiac Aerotechnics did not comply with Aerospace Systems’s request, the latter initiated a patent revocation action, in France on 30 June 2015.

Zodiac Aerotechnics disputed the claimant’s right to sue and opposed the statutes of limitation to dispute the admissibility of Aerospace Systems’ claims for patent revocation.

**On the Standing to Sue**

Zodiac Aerotechnics disputed the claimant’s standing to sue by arguing that it did not demonstrate that the patents at issue could be an obstacle to products or activities it developed in France or under development by the claimant in France.

The Court indicated that, in order to be admissible to sue for patent revocation, the claimant must show a sufficient interest to free the patented
technique from any patent protection and demonstrate that the patent is an actual threat to its economic activity.

The Court then considered that, in this matter, these conditions were satisfied because:

- the parties were competing in the market of airplane equipment supply, in particular respiratory gas supply circuit.
- there is an objective link between the claimant’s products and the invention covered by the patent.
- the claimant demonstrated that it was working on the development of products not yet marketed, but in relation to which the patents could be a concern.

This decision confirms that the French court strictly controls the interest of claimants to sue for patent revocation and that not anyone can initiate such an action.

It confirms a previous decision of the cour d’appel de Paris of 17 February 2012 which considered that claimants in a patent revocation action must prove an intention to practice the patented technology and that such intention is affected by the patent.

**On the Statute of Limitation**

This decision confirms the position of French courts, as described in the article published on June 2017 entitled the “statute of limitation of patent invalidity actions”, that:

- actions for patent revocation are subject to a five years of statute of limitation because Article 2224 of the French Civil Code as amended by the French Act of 19 June 2008 provides that “Personal actions or movable rights of action shall be time-barred after five years from the day the holder of a right knew or should have known the facts enabling him to exercise his right” and because actions for patent revocation are considered to be personal actions within the meaning of this Article.
- the starting point of the statute of limitation should be examined in concreto in view of the activity of the claimant which requires to determine at which date the claimant knew or should have known the patents at issue, in view of its products and activities, and that this date is the date on which the patent was a threat or was of interest to the claimant.

In the present case, the Court concluded that the starting point cannot be the date of the publication of the patent; it is only when the patentee brought its patent to the attention of the claimant that the latter knew the facts enabling it to initiate the patent revocation action, so that the action is not time barred.

It can therefore be concluded that the notification of a patent triggers the five years statute of limitation for patent revocation action.

This could give additional reason to patentees to notify their patent rights to possible infringers.

* * *

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**Obtaining an Infringement Seizure does not Require to Evidence Infringing Acts**

France is known around the globe for the Eiffel Tower, its food, its wine, but also for a specific legal procedure that exists since the end of the 18th century: the saisie-contrefaçon or infringement seizure (the “saisie”). The saisie permits to a right holder, after having been allowed by a judge, and without the adverse party being brought to the proceedings, to request a bailiff to search for evidence within the premises of the adverse party.

Due to its exceptional nature and as it contravenes the adversarial principle, the requirements enabling the judge to order the saisie are often debated by scholars and practitioners. More recently, the implementation under French law of Directive 2004/48 of 29 April 2004 on the enforcement of intellectual property rights has led to several contradicting decisions from the Court.

Indeed, once the saisie has been conducted by the bailiff, the adverse party “may refer back to the judge who has given the order” and challenge to legality of the initial order granting the saisie (article 496 of the Code of Civil Procedure). In light of article 7.1 of the Directive, adverse parties were claiming that the petitioner or the right holder had to duty to establish the existence of infringing acts to be granted the authorisation to perform a saisie. The article provides that measures such seizures of documents or detailed description or samples of the infringing goods or related materials “shall be taken, if necessary, without the other party having been heard, in particular where any delay is likely to cause
The article also provides that the petitioner present "reasonably available evidence to support his allegations that his intellectual property right has been infringed or is about to be infringed".

On the basis of this article the Paris Court of Appeal stated on 28 January 2014, "that, being a measure of an exceptional seriousness as it authorises the seizure of the infringing goods and the access to a company's documents in a non adversarial way, the petition should not only be based on bald assertions or allegations unsupported by a minimum of evidence". The Court therefore cancelled the saisie and further indicated that the petitioner should have explained how the patent was implemented by the adverse parties.2

In line with this appeal decision, several lower courts considered that the infringement seizure could not and should no longer rely on a mere allegation of an infringement of an intellectual property right.

However, Article L. 615-5 of the Intellectual property code is not drafted like the EU Directive. This has been interpreted by some practitioners as permitting a more protective system for right owners. Such article allows "any person having standing to institute infringement proceedings to direct, in any place, any bailiff, if need be accompanied by experts of the petitioner's choice, on an order issued by the competent civil jurisdiction on petition, to proceed either with a detailed description, with or without sample collection, or with an effective seizure of the allegedly infringing articles or processes as well as any document in relation with them. The order may authorize the effective seizure of any document relating to the allegedly infringing articles or processes in the absence of said items".

In three decisions dated 16 and 26 May 2017, the Court of appeal of Paris considered that the petitioner did not have an obligation to provide the judge with reasonably available evidence that the adverse party infringes the patent.

In the decision of 16 May 2017, the Court of appeal indicated that it is sufficient for the petitioner to prove the existence of its patent and to explain the elements on the basis of which the infringement is suspected.

In the two remaining decisions of 26 May 2017, the other section of the Paris Court of Appeal stated even more clearly that the petitioner does not have to adduce any evidence of the alleged infringement. This principle was affirmed in a context where the adverse party contended that several evidence allegedly proving infringement were merely mentioned in the petition, but not served as exhibits. The Court of Appeal considered that this was sufficient to enable the judge to exercise its scrutiny and whether the saisie was proportionate.

 Needless to say that these appellate decisions are very favourable for right owners and will allow them to obtain infringement seizures without having to evidence that the adverse party infringes the patent.

Should there be any appeal before the Cassation court, their outcome would be of the utmost importance as the Cassation court only rules on points of law.

1 This report reflects the personal views of the authors and should not be attributed to the authors’ Firm or to any of its present and future clients.
2 Court of Appeal of Paris, Chamber 3, 28 January 2014, 13/08128,
A New Approach to Determining the Scope of Patent Protection in the UK

Eli Lilly v Actavis UK Ltd & Ors
[2017] UKSC 48
12 July 2017

Introduction
In a landmark decision, the UK Supreme Court has set out a new approach for determining the scope of protection of a patent claim. This approach involves the application of a variant of the ‘doctrine of equivalents’ in circumstances where allegedly infringing products and processes do not, as a matter of ‘normal interpretation’, fall within the scope of a claim. Although the full effect of this judgment is only likely to become apparent once it is applied by the lower courts, it will no doubt be welcomed by patentees.

Background
Although the UK Patents Act 1977 (the “Act”) does not specifically address the issue of claim scope, section 130(7) of the Act states that it is “framed as to have, as nearly as practicable, the same effects in the United Kingdom as the corresponding provisions of the European Patent Convention”.

Article 69(1) of the European Patent Convention provides (EPC) that “The extent of the protection conferred by a European patent or a European patent application shall be determined by the claims. Nevertheless, the description and drawings shall be used to interpret the claims.”

The Protocol on the Interpretation of article 69 as amended in 2000 (the “Protocol”) provides further guidance. Article 1 of the Protocol states that:

Article 69 should not be interpreted as meaning that the extent of the protection conferred by a European patent is to be understood as that defined by the strict, literal meaning of the wording used in the claims, the description and drawings being employed only for the purpose of resolving an ambiguity found in the claims. Nor should it be taken to mean that the claims serve only as a guideline and that the actual protection conferred may extend to what, from a consideration of the description and drawings by a person skilled in the art, the patent proprietor has contemplated. On the contrary, it is to be interpreted as defining a position between these extremes which combines a fair protection for the patent proprietor with a reasonable degree of legal certainty for third parties.

Article 2 of the Protocol states that, “For the purpose of determining the extent of protection conferred by a European patent, due account shall be taken of any element which is equivalent to an element specified in the claims.”

Previously, when applying Article 69(1) EPC and the Protocol, the English courts focused on how the claim was to be construed in order to determine its scope of protection. The following questions (which were formulated by Hoffman J (as he then was) in Improver Corp v Remington Consumer Products Ltd [1990] FSR 181) were applied in order to determine:

1. Whether a feature embodied in an alleged infringement which fell outside the primary, literal or a contextual meaning of a descriptive word or phrase in the claim (‘a variant’) was nevertheless within the language as properly interpreted [

2. Whether the variant had a material effect upon the way the invention works? If yes, the variant is outside the claim. If no –
3. Would this (ie that the variant had no material effect) have been obvious at the date of publication of the patent to a reader skilled in the art? If no, the variant is outside the claim. If yes –
4. Would the reader skilled in the art nevertheless have understood from the language of the claim that the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention? If yes, the variant is outside the claim.

In Kirin-Amgen Inc v Hoecht Marion Roussel Ltd [2005] RPC 9, Lord Hoffman, by then in the House of Lords (now the UK Supreme Court), emphasised that the approach to construction was a purposive one. Lord Hoffman stated,

“Purposive construction” does not mean that one is extending or going beyond the definition of the technical matter for which the patentee seeks protection in the claims. The question is always what the person skilled in the art would have understood the patentee to be using the language of the claim to mean. And for this purpose, the language be
has chosen is usually of critical importance. The conventions of word meaning and syntax enable us to express our meanings with great accuracy and subtlety and the skilled man will ordinarily assume that the patentee has chosen his language accordingly.

He also noted that adopting a purposive approach to construction obviated the need to have a separate ‘doctrine of equivalents’ and he stated that (in his view) Article 69 EPC “firmly shuts the door” on such a doctrine.

It is against this legal background that the case in issue proceeded. Eli Lilly is the proprietor of a patent (EP (UK) 1 313 508) (the “Patent”) primarily claiming the use of pemetrexed disodium in the manufacture of a medicament for use in combination with vitamin B12 (and optionally folic acid) for the treatment of cancer. Actavis sought from the English High Court a declaration of non-infringement in respect of proposed products that contained other forms of pemetrexed (such as, for example, pemetrexed dipotassium).

At first instance, the High Court held that none of Actavis’ proposed products would directly or indirectly infringe the Patent. On appeal, the Court of Appeal agreed with the trial judge’s finding of no direct infringement but disagreed with his conclusion on indirect infringement. Both parties appealed to the Supreme Court, with Eli Lilly and Actavis appealing against the Court of Appeal’s finding on direct and indirect infringement respectively.

The indirect infringement argument was predicated on the basis that Actavis’ proposed products would be dissolved in saline when provided to a doctor or pharmacist. Eli Lilly argued that in such a solution, pemetrexed disodium, which is the specific compound identified in the Patent, would be present (due to the attachment of sodium ions to pemetrexed ions in the solution). The indirect infringement argument does not give rise to the same complicated issues of claim scope that the direct infringement argument did and, for brevity, we focus in this article on the latter.

The Supreme Court was also asked to consider the extent to which it is permissible to make use of the prosecution history of a patent when determining its scope and its findings on this point are addressed briefly below.

**The Decision**

Lord Neuberger (with whom the other Supreme Court Justices unanimously agreed) disagreed with the approach of Lord Hoffmann in Kirin-Amgen. Lord Neuberger stated:

> in my view, to characterise the issue as a single question of interpretation is wrong in principle, and unsurprisingly, therefore, can lead to error.

He considered that infringement is best approached by addressing the following two issues (through the eyes of the skilled person):

1. **(1) does the variant infringe any of the claims as a matter of normal interpretation; and, if not,**
2. **(2) does the variant nonetheless infringe because it varies from the invention in a way or ways which is or are immaterial? If the answer to either issue is “yes”, there is an infringement; otherwise, there is not.**

He went on to say that issue 1 raises questions of interpretation whereas issue 2 (which concerns equivalents that fall outside the normal interpretation of a claim) raises a question which would normally have to be answered by reference to facts and expert evidence.

Lord Neuberger held that there was no doubt that Actavis’s proposed products did not infringe the Patent directly “according to the normal principles of interpreting documents”. However, the question as to whether the variation is immaterial, was more difficult. Lord Neuberger considered that the three Improver questions provided assistance but only with some reformulation. His reformulated questions are set out below:

1. **(1) Notwithstanding that it is not within the literal meaning of the relevant claim(s) of the patent, does the variant achieve substantially the same result in substantially the same way as the invention, ie the inventive concept revealed by the patent?**
2. **(2) Would it be obvious to the person skilled in the art, reading the patent at the priority date, but knowing that the variant achieves substantially the same result as the invention, that it does so in substantially the same way as the invention?**
3. **(3) Would such a reader of the patent have concluded that the patentee nonetheless intended that strict compliance with the literal meaning of the relevant claim(s) of the patent was an essential requirement of the invention?**

On applying this test, Lord Neuberger held, subject to considering the issue of prosecution history, that Actavis’s proposed products would directly infringe the Patent.
As regards the relevance of the Patent prosecution history, Actavis argued that because Eli Lilly had, in response to objections raised by the examiner during prosecution, narrowed down the relevant claims from a methylmalonic acid to pemetrexed, and from pemetrexed to pemetrexed disodium, the scope of protection of the Patent should be strictly limited to pemetrexed disodium. However, Lord Neuberger considered that "it is appropriate for the UK courts to adopt a sceptical, but not absolutist, attitude to a suggestion that the contents of the prosecution file of a patent should be referred to when considering a question of interpretation or infringement, along substantially the same lines as the German and Dutch courts". He saw only two scenarios where it would be appropriate to refer to the prosecution history of the Patent, which are set out below:

1. "Where the point at issue is truly unclear if one confines oneself to the specification and claims of the patent, and the contents of the file unambiguously resolve the point, or
2. it would be contrary to the public interest for the contents of the file to be ignored (exemplified by a case where the patentee had made it clear to the EPO that he was not seeking to contend that his patent, if granted, would extend its scope to the sort of variant which he now claims infringes)."

In this scenario, although Lord Neuberger considered that even if the Patent examiner's objections were well founded (which he doubted), that did not, in this case, have a bearing on the variants that would be caught by the claim. Lord Neuberger explained that the whole point of the doctrine is that it entitles a patentee to contend that the scope of protection "extends beyond the ambit of its claims as construed according to normal principles of interpretation".

Comment
This decision substantially changes the approach to determining the scope of protection of patent claims in the UK. The previous approach which focused on a 'purposive construction' has been replaced by a two-stage test, which appears to require not only interpretation of the patent claim ('normal interpretation' as Lord Neuberger put it) but followed by, if necessary, an application of a new 'doctrine of equivalents'.

It remains to be seen how the new law will develop as it is applied by the lower courts. It is not yet clear how a "normal interpretation" of a patent claim should be conducted and whether this should differ to an application of the Kirin-Amgen approach to construction, and the English courts are in unchartered territory as far as applying a new doctrine of equivalents is concerned. All that is certain for the moment is that patentees are likely to be very pleased with this decision.

A Stark Warning for Repair and Spare Part Specialists
Bayerische Motoren Werke Aktiengesellschaft v Technosport London Limited and George Agyeton
[2017] EWCA Civ 779
21 June 2017
http://www.bailii.org/ew/cases/EWCA/Civ/2017/779.html

Introduction
On 21 June 2017, the Court of Appeal allowed an appeal by BMW, holding that the use by the respondents of the sign TECHNOSPORT BMW (and certain minor variants of this sign) was 'misleading use', such that it amounted to trade mark infringement under Article 9(1)(b) of the Council Regulation (EC) 207/209 of 26 February 2009 on the Community trade mark (the "Regulation").

Background
Under Article 12 of the Regulation, Community trade marks (as such marks were known at the relevant time) do not entitle the proprietor to prohibit a third party from using, in the course of trade, either indications which concern, amongst other things, the kind, quality, intended purpose, value or other characteristic of the goods or services being provided; or the trade mark itself, where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts.

Technosport is a vehicle repair and maintenance company, which specialises in repairing and maintaining BMW cars. At the relevant time, Technosport was not an authorised dealer of BMW cars and had no formal connection with BMW, but it made use of three trade marks (two Community trade marks and one international registration designating the EU) that were owned by BMW and registered in respect of services which included 'maintenance and repair of cars, motors, engines and parts of these goods'. These marks were for the letter combination "BMW" and the following two logos:
Technosport had made use of each of the registered trade marks in connection with various aspects of its business, including on the exterior and interior of business premises, on the outside of a van and on business cards, and BMW started proceedings in the UK Intellectual Property and Enterprise Court claiming that such uses were infringing. Technosport’s defence (so far as it remained relevant for the appeal) was effectively that the signs did no more than accurately convey the message that Technosport was a garage specialising in the maintenance and repair of BMW cars.

On 13 April 2016, at first instance, HHJ Hacon held that the use of the two logos would lead the average consumer to believe that Technosport was a BMW authorised dealer when it was not and, accordingly, held that those uses were infringing. However, the first instance judge did not side with BMW when it came to assessing infringement of the word mark, which had been used: (1) on certain shirts that had been worn by Mr Agyeton, where the mark was depicted, in one instance, immediately following the word TECHNOSPORT and, in a separate instance, immediately below the word TECHNOSPORT; (2) on the company’s Twitter page, including in the handle “@TechnosportBMW”; and (3) in the form TECHNOSPORT – BMW on the back of its van (which also displayed the BMW logo). We shall refer to these signs, together, as the “TECHNOSPORT BMW signs”. The uses of the TECHNOSPORT BMW signs were held at first instance not to amount to infringement under either Articles 9(1)(b) or 9(1)(c), and it was this aspect of the judgment that BMW sought to appeal.

The Decision

It has long been established, thanks to the Court of Justice in C-63/97 BMW v Deenik ([1999] ETMR 339), that the proprietor of a trade mark cannot prohibit a third party from using its mark for the purpose of informing the public that he carries out or is a specialist in the repair and maintenance of goods covered by that trade mark unless the mark is used in a way that may create the impression of a commercial connection between the two undertakings. However, despite this, the boundaries of what does and does not amount to infringement are often far from clear.

The Court of Appeal took the opportunity in this case to clarify the position. The Court noted that one cannot start from the proposition that any use of the BMW mark in the course of a business specialising in the repair of BMW cars would be an infringement, as use of the mark is necessary and legitimate to explain what the business actually does (such as being used in phrases like “BMW specialists”). But equally, one cannot start from the proposition that the use of the BMW mark in connection with the business can never be an infringement. It all depends on the message that is being conveyed, in the light of the context of the use in question; and whether that use is “informative use” (e.g. to convey the message that my business provides a service which repairs BMWs and/or uses genuine BMW spare parts) or “misleading use” (e.g. to falsely convey the message that my repairing service is commercially connected with BMW).

In rejecting the infringement case at first instance, HHJ Hacon appeared to come to the conclusion that to succeed BMW would have needed to produce evidence of actual consumers, to establish the average consumer’s perception of the use of BMW signs, and specifically that the juxtaposition of the mark “BMW” with a dealer’s name would convey the message that the dealer is an authorised one. However, the Court of Appeal considered that the judge had erred in coming to this conclusion in a number of respects.

• First, if, as argued by the respondent, the judge concluded that the lack of evidence meant it could not be assumed by the average consumer that use of the BMW mark in juxtaposition to the trading name indicated that the business was authorised by BMW, then this was wrong; the judge failed to consider that Technosport was styling its business as “Technosport BMW”, using the TECHNOSPORT BMW signs as identifiers of the business and services rather than a description of what the company did, and it did not require specialist knowledge on the part of the average consumer to understand this message.

• Secondly, the Judge failed to decide whether the use of the TECHNOSPORT BMW signs was informative use or misleading use; this was a matter of impression portrayed by the signs, rather than evidence of how authorised dealers use the BMW sign or what consumers think when they see the BMW sign juxtaposed with the dealer’s name.
Thirdly, a court is not normally assisted by the evidence of individual consumers when assessing the impression of a sign which is used in connection with ordinary consumer products; instead, the court can make its own decision.

Ultimately, the Court of Appeal held that the Judge had lost sight of the need to consider each use in context (as per the Court of Appeal’s earlier judgment in *Specsavers v Asda Stores* [2010] EWCA Civ 24). The court held that, had HHJ Hacon done so, he would have inevitably concluded that each use of the TECHNOSPORT BMW signs was misleading rather than informative. With respect to the use on the van and the shirts, even if the nearby presence of the BMW logo in the contextual assessment was not taken into account, the court held that a risk of confusion would still arise.

Having found infringement under Article 9(1)(b), the judge refrained from going on to consider the position under Article 9(1)(c) and, by so doing, deferred the tricky question as to whether use which is held to be purely informative can nevertheless take unfair advantage of a well-known mark. We will have to wait for another case to address this.

Comment

This decision seems sensible and will be very well-received by trade mark owners, particularly those in the automobile industry, who continually face challenges to protect the integrity of their authorised dealership networks. It also provides a welcome reminder of the law and a clear test for those working in the spare parts and repairs market.

However, it does deliver a rather stark warning for those businesses who seek to incorporate third party trade marks into their trading name or trading style. The case is also likely to have implications beyond the spare parts market, as it is easy to see how the ‘informative vs misleading’ test can be applied to other industries and businesses who rely on the descriptive use defence under Article 12(b) of the Regulation.

The dispute primarily concerned the alleged infringement of a Community registered design by PMS’ product. The issues were, in Carr J’s view, typical of this type of dispute. Previous guidance from the Court of Appeal had been issued for such cases, and had said that admissible evidence is limited, and hearings should be short. In advance of the CMC, the parties submitted cost budgets for the trial – the defendant’s budget was approximately £360,000 and the claimant budgeted £776,000. The claimant had also estimated that the trial would take six days, and the defendant estimated four days. Carr J expressed surprise that the costs budgets were so high given the simplicity of the issues.

Decision

Carr J referred to the Court of Appeal’s guidance in *Procter & Gamble Co v Reckitt Benckiser (UK) Limited* [2007] EWCA Vic 936 that was repeated in *Dyson Ltd v Vax Ltd* [2011] EWCA Civ 1206. In considering the issues raised by the parties at the CMC, he applied the previous guidance and highlighted the following points:

- The parties had raised 10 areas of dispute at the CMC, which included requests for further information and amendments to pleadings. Addressing the request for further information relevant to the claim, Carr J encouraged the use of enlarged photographs to show the similarities and differences that were being relied upon by...
both parties and rejected the request for further information. Carr J also rejected amendments that would allow the complex issues surrounding potential copying of the claimant’s products from being examined. Issues of copying were considered to be largely irrelevant, although they might be permitted at a later stage if the infringement claim was ultimately successful. Finally, Carr J considered the admissibility of expert evidence and found that there was very little need for expert evidence. He permitted limited evidence on the issue of the design corpus with expert evidence on functional similarity and design freedom. He expressly disallowed any expert evidence on the overall impression of the products which could be determined by the Court.

- Regarding the length of time for the trial, there was a balancing exercise to be carried out to ensure that both parties consider that they have had an adequate hearing against the interests of the court. The existing Court of Appeal guidance was clear and there is no reason that a registered design infringement case should last for days. Carr J decided that, given that there was also a counterclaim for unjustified threats, this case could take a few days to decide, and that evidence of fact would be relevant with several witnesses requiring cross-examination. However, the estimated four or six days was still too long and the Judge considered three days to be sufficient, with a view to further shortening the estimated time at pre-trial review.

- Other issues concerning alternative dispute resolution and evidence relevant to unjustified threats were also considered.

In his decision, Carr J set out the following steps to be considered (and which he tellingly entitled “lessons for the future”) when seeking to achieve shorter trials in registered design cases:

(i) The parties should produce images at an early stage to show the differences or similarities upon which they rely or where features are wholly functional or have limited design freedom. Further information requests are unlikely to be helpful.

(ii) Disclosure relating to copying should not be introduced and the parties should question whether disclosure is necessary at all.

(iii) For cases concerning consumer products, expert evidence on the overall impression on the informed user should not be included.

(iv) Parties should limit expert evidence to an agreed number of pages.

(v) The court should be satisfied that any evidence of fact is actually relevant.

(vi) At the pre-trial review, the parties should be able to identify the issues on which they require cross-examination and explain why.

(vii) Where multiple designs and/or multiple infringements are claimed, a selected number of samples should be identified so that the relevant issues can be tested.

(viii) Careful thought should be given to whether issues can be postponed to a damages enquiry, i.e. after liability has been established.

**Comment**

It is clear from this decision that the UK courts are looking to dispense with registered design infringement cases in a quick and efficient manner. Whilst this guidance provides a useful reminder of how the courts seek to streamline such cases, it is noteworthy that the UK Designs Registry (part of the UK IPO) also has a new route for appealing its decisions concerning UK registered designs, allowing appeals from decisions of the UK IPO Hearing Officer to the ‘Appointed Person’ as an alternative to the High Court. A system for appeals to the Appointed Person has existed for the Trade Marks Registry for a number of years and the Designs Registry followed suit in 2014. The first Appointed Person decision was issued on 18 May 2017 (O-253-17) and concerned an invalidity application against two UK registered designs for clothing items that featured a modified Union Jack flag, and which were similar to designs that had been sold as London souvenirs for many years beforehand. These cases show that parties to registered design disputes in the UK now have multiple options in enforcing and defending claims in a less complex and less costly way.
Amendments to the Trademarks Act

The next step toward the amended Trademarks Act being proclaimed in force has been taken. Major amendments to Canada’s Trademarks Act were passed in 2014 but the legislation has not yet been proclaimed in force. This is expected to occur in early 2019. On 19 June 2017, the Canadian Intellectual Property Office (“CIPO”) released its draft Regulations under Canada’s new Trademarks Act.

The draft Trademark Regulations define detailed processes, procedures and time frames for the filing and prosecution of Canadian trademark applications, as well as for opposition and section 45 proceedings. The amended Trademarks Act and Regulations will give effect to Canada’s agreement to harmonise its trademark process with the standard procedures in the Singapore Treaty and the Nice Agreement. They will also allow for implementation of the Madrid Protocol. These changes will more closely align Canada’s trademark laws with those of its major international trading partners.

Key changes of note in the draft Trademark Regulations include the following:

Filing and Prosecution Process and Requirements

Applications will not have to include dates of first use and the filing of a declaration of use will not be required for a mark to proceed to registration.

New applications will have to comply with the Nice classification system which classifies all goods and services included in an application. Currently this can be done voluntarily. Existing registrations will have to be amended to include classified goods and services descriptions that comply with the Nice Agreement within six months from receipt of a CIPO notice and as part of the renewal process.

Third party correspondence relating to the registrability of a mark will be permitted during the prosecution of an application. This will enable third parties to correspond directly with the Trademarks Examiner for the purpose of raising a registrability issue, similar to the Letter of Protest procedure in the USPTO.

Registration Term and Renewals

The new term of registration will be ten (10) years for registrations issued after the coming into force date of the amended Trademarks Act and renewal requests will only be accepted within the six (6) months prior to the renewal deadline or the six (6) months after the renewal deadline. The term for registrations in existence before the coming into force date will remain at fifteen (15) years and will not be converted to a ten (10) year term until the next renewal deadline.

Fees

The trademark application filing fee will be $330 for the first class, plus $100 for each additional class of goods / services. This is an increase from the current fee of $250 for all goods and services, regardless of the number of classes.

The $200 registration fee will be eliminated.

The renewal fee will be $400 for the first class, plus $125 for each additional class of goods / services. This is an increase from the current fee of $350 for all goods and services, regardless of the number of classes.

Opposition and Cancellation Proceedings

The party conducting the cross-examination in an opposition proceeding will be responsible for the service and filing of the transcript and the party whose affiant has been cross-examined will be responsible for the service and filing of the responses to undertakings given during the cross-examination.

The filing of written submissions will be in sequence rather than simultaneous. In an opposition proceeding the opponent’s submissions will be filed first, followed by the applicant’s submissions. In a s.45 proceeding, the requesting party’s submissions will be filed first, followed by the registrant’s submissions.

It will be possible for parties to file copies of affidavits and statutory declarations with CIPO rather than originals, provided that the original be...
retained for one year following the appeal deadline in any proceeding. Evidence will be permitted to be filed electronically.

**International Applications**
The amended regulations will allow foreign trademark applicants to include Canada in their international applications filed pursuant to the Madrid Protocol. Canadians will also be able to secure international registration of a trademark through a single Madrid Protocol application.

Owners of trade marks in Canada should consider the implications of the wide array of changes that will be implemented when the amended *Trademarks Act* is proclaimed in force and adopt appropriate filing and prosecution strategies.
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:

**Leading IP Judges**
- Chief Justice James Allsop AO
- Justice Arthur Emmett
- Justice Andrew Greenwood
- Justice Susan Kenny
- Justice David Harper AM
- Justice John Middleton
- Justice Brendan Brown
- Former Chief Justice Robert French AC
- Former Justice William Gummow AC, QC
- Former Justice Michael Kirby AC, CMG
- Former Justice Ian Callinan AC, QC
- Former Justice Susan Crennan AC, QC
- Former Justice Kevin Lindgren AM, QC
- Former Justice Peter Heerey AM, QC
- Former Justice Alan Goldberg AO, QC
- Former Justice Catherine Branson
- Former Justice Kenneth Raphael
- Former Justice Dr Annabelle Bennett AO, SC
- The late Rt. Hon. Sir Thomas Munro Gault KNZM, QC
- The late former Justice Ian Sheppard AO, QC

**Leading IP Lawyers**
- The late Dr John McLaren Emmerson QC
- Andrew Brown QC
- John Katz QC
- David Shavin QC
- Clive Elliott QC
- Angela Bowne SC
- Anthony Franklin SC
- Barry Hess SC
- Katrina Howard SC
- Jack Hodder SC
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- Ann Duffy
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- Jane Owen
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- Professor James Lahore
- Professor Sam Ricketson
- Professor Michael Blakeney
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- Dr Francis Gurry
- Dr Christopher Kendall
- Dr Robert Dean
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- Professor Natalie Stoianoff

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- Emeritus Professor Sir Gustav Nossal AC, CBE
- Professor Adrienne Clarke AO
- Professor John Mills AO
- The Honourable Daryl Williams AM QC
- Frank Moorhouse AM
- Tamara Winikoff
- Rhonda Steele
- Kathy Bail
- Kim Williams AM

Initial enquiries or expressions of interest to contribute a Profile are most welcome, and may be directed to:

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**VICTORIA**

**Kadri Elcoat**  
Senior Associate, Corrs Chambers Westgarth  
Victorian Committee

On 31 May, Scott Bouvier, Partner of King & Wood Mallesons, presented on “Licensing Lessons: Navigating the Traps and Pitfalls” to Victorian members. This meeting was very well-attended, with 90 registrations. Scott covered issues arising from recent domestic and international case law with respect to drafting, negotiating and enforcing terms of intellectual property licence agreements. The presentation was very well-received and informative.

On 14 June, Clive Elliott QC presented to Victorian members at a dinner meeting, attended by 54 members. Clive gave his annual NZ IP update, giving a snapshot of key developments in:

- patents/TMs/copyright;
- procedure;
- case law; and
- legislation.

This year Clive also made comparisons with the law in Australia in a couple of key areas. As usual the presentation was informative and well-received by members.

On 26 July, Professor Mark Davison of Monash University presented a clear, concise and erudite session on case law and legislation relating to parallel importations, with 70 in attendance. Several challenging questions were directed to Professor Davison, resulting in further useful discussions. An interesting snapshot of the current position with regard to challenges by tobacco companies to plain packaging legislation was also included in the presentation.

**NEW SOUTH WALES**

**Gillian Woon**  
Special Counsel, Baker & McKenzie  
New South Wales Committee

Over the past few months, we have organised a well-attended panel session jointly with the Copyright Society of Australia on *Parody and Satire in Australian Copyright and Trade Mark Law* in May, as well as hosted Clive Elliott’s New Zealand update in June followed by a very well-received presentation by Professor Mark Davison on parallel importing of trade marked goods with a brief update on plain packaging of tobacco products.

We are now looking forward to hosting Nicholas Smith who will be presenting on *What’s changed in Domain Name Disputes – the WIPO Overview 3.0* on 2 August at Norton Rose Fulbright. This will be followed up by the annual trade marks and patent updates by Ed Heerey and Andrew Fox scheduled for 31 October at Gilbert + Tobin and 16 November at Allens respectively.

We are also excited to confirm a new location for our End of Year Party to be held on 6 December 2017 at Kittyhawk. All are asked to save the date for what has become a great occasion for the IP community in Sydney to catch up and celebrate our year’s achievements.

**SOUTH AUSTRALIA**

**Matt Murphy**  
Barrister, Anthony Mason Chambers  
South Australia Committee

On 13 June, Clive Elliott QC presented his New Zealand roadshow presentation. Given the comparisons between Australian and New Zealand law drawn by Clive, it might more appropriately be referred to as the Trans-Tasman roadshow. The presentation was highly informative and very well received by the members.

The next presentation is anticipated to be a copyright and design update presentation by Warwick Rothnie.

**QUEENSLAND**

**Ben McEniery**  
Barrister, Deane Chambers  
Queensland Committee

In June, Queensland members enjoyed Clive Elliott QC’s New Zealand update seminar at the offices of Bennett & Philp and heard Marion Heathcote of Davies Collison Cave give a lighthearted presentation entitled, “Making Trade Marks Great Again” at a local wine bar.

In terms of upcoming events, the Queensland committee and members look forward to Ed Heerey QC and Ben Gardiner giving their annual trade marks update at the offices of Thomson Geer in August and David Logan QC and me giving our annual patents update at Corrs in September.
NEW ZEALAND

Richard Watts
Partner, Simpson Grierson
New Zealand Committee

In June, we welcomed Willy Akel, one of New Zealand’s most senior media lawyers, to provide an update on international privacy laws, with a particular focus on the various developments in New Zealand, Australia, USA and the UK. Willy was both authoritative and entertaining.

In June, we hosted a formal dinner, and welcomed Justice Brendon Brown to speak. His Honour spoke on “presenting to the Court of Appeal” – which was both informative and amusing. The dinner was well-attended at all levels of the profession.

In August, we have Kevin Glover lined up to present on “Patents – sufficiency, support and best method”.


The 31st Annual Conference of the Intellectual Property Society of Australia and New Zealand Inc. is scheduled to be held at the Sheraton Grand Mirage Resort, Gold Coast, Queensland over the weekend 8-10 September 2017.

**Friday**
- 3:00 pm – 6:30 pm    Early Registration
- 3:00 pm – 4:30 pm    Table Topics Session
- 4:45 pm – 5:30 pm    Annual General Meeting
- 6:00 pm – 8:00 pm    President’s Welcome drinks

**Saturday**
- 8:30 am – 9:00 am    Registration
- 9:00 am – 5:00 pm    Conference Sessions
- 6:30 pm – 10:30 pm   President’s Dinner

**Sunday**
- 9.30 am – 12.30 pm   Conference Sessions
- 12.30pm – 2.00 pm    Lunch
- 2.00 pm               Close

**For further information contact:**
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31ST IPSANZ ANNUAL CONFERENCE
8 – 10 September 2017

CONFERENCE PROGRAMME

Friday, 8 September 2017

3:00 – 6:30 pm Early Registration

3:00 – 4:30 pm Table Topics Session
i. Assessment of Damages for Patent infringement – Food for Thought: Bayer v Generic Health
   Facilitator: Mr David Shavin QC, Victorian Bar
ii. Ambush Marketing – Telstra Goes to Rio
   Facilitator: Ms Caroline Ryan, King & Wood Mallesons, Melbourne
iii. Patent Issues Relating to Non-Practising Entities
   Facilitator: Mr Philip Kerr, Allens Linklaters, Sydney
iv. Reality Television and IP: How to Achieve Fame, Fortune and a Winning Litigation Strategy
   Facilitator: Ms Natalie Hickey, Victorian Bar
v. Capacity to Distinguish: How the Fabulous Gold Coast and Glorious Hinterland has shaped our understanding of what is, or is not, a trade mark or a place name
   Facilitator: Mr Andrew Musgrave, Queensland Bar
vi. Recent developments in site blocking under s 115A of the Copyright Act 1968
   Facilitator: Mr Timothy Web, Clayton Utz, Sydney
vii. Adopting and Using Overseas Trade Marks in Australia or New Zealand
   Facilitators: Mr Ben Gardiner, Queensland Bar and Ms. Sheana Wheeldon, New Zealand Bar
viii. To Appeal or Not to Appeal: Standard of Proof in Patent Oppositions and Other Considerations
   Facilitators: Ms Cynthia Cochrane and Ms Catherine Bembrick, New South Wales Bar

4:45 pm Annual General Meeting

6:00 – 8:00 pm Welcome Drinks
Saturday, 9 September 2017

8:30 – 9:00 am  Registration and Arrival Tea and Coffee

9:00 – 10:30 am  Session 1
   International  Session
   His Honour Judge Richard Hacon, the Intellectual Property Enterprise Court
   Richard Hacon was formerly a barrister practising in IP at 11 South Square chambers, Gray’s Inn. He argued many cases in all the English and Community courts involving all aspects of intellectual property law. Following the creation of the Intellectual Property Enterprise Court (IPEC) on 1 October 2013, he was appointed the Presiding Judge, sitting from 3 December 2013
   Chairperson: Mr Clive Elliott QC, Barrister, New Zealand Bar

10:30 – 11:00 am  Morning Tea

11:00 – 12:30 pm  Session 2
   Patent  Session
   International Pharmaceutical Patent Litigation – Warning: Results may Vary
   A global perspective on why the outcomes in pharma patent interlocutory injunctions and validity cases in Australia and New Zealand vary compared to the rest of the world
   Speakers:
   Ms Julia Pike, Vice President of Intellectual Property - North America, Sandoz, U.S.A
   Mr Matthew Swinn, Partner, King & Wood Mallesons, Melbourne
   Mr Andrew Brown QC, Barrister, New Zealand Bar
   Chairperson: Ms Clare Cunliffe, Barrister, Victorian Bar

12:30 – 1:30 pm  Lunch

1:30 – 3:00 pm  Session 3
   Copyright  Session
   Is Fair Use a Fair Go?
   Should Australia and New Zealand Adopt ‘Fair Use’ as a General Exception to Copyright Infringement and How Would it Work?
   Speakers:
   Ms Kate Haddock, Partner, Banki Haddock Fiora, Sydney
   Professor Graeme Austin, Professor of Law, the University of Melbourne;
   Chair of Private Law, Victoria University of Wellington
   Chairperson and Commentator: Dr Warwick A. Rothnie, Barrister, Victorian Bar

3:00 – 3:30 pm  Afternoon Tea
3:30 – 5:00 pm  
**Session 4**  
Trade Mark Session  
A Use by Any Other Name: A Review of Trade Mark Use in Different Contexts  
Speakers:  
Mr Hamish Bevan, Barrister, New South Wales Bar  
Mr Greg Arthur, Barrister, New Zealand Bar  
Chairperson: Ms Jenny Mackie, Partner, Pizzeys, Brisbane

6:30 – 10:30 pm  
**President's Dinner**  
*After Dinner Speaker:*
Mr Bryan Dawe, one of Australia’s finest political satirists and humourists

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**Sunday, 10 September 2017**

9:30 – 10:30 am  
**Session 5**  
Judge’s Session  
The Honourable Justice Roger Derrington, Federal Court of Australia  
Chairperson: Mr Andrew Maryniak QC, Barrister, Victorian Bar

10:30 – 11:00 am  
**Morning Tea**

11:00 – 12:30 pm  
**Session 6**  
ADR Session  
What’s the Alternative? Why IP Clients Love ADR  
Speakers:  
Ms Angela Bowne SC, Barrister, New South Wales Bar  
Mr Andrew Crowe QC, Barrister, Queensland Bar  
Chairperson: Ms Robynne Sanders, Partner, DLA Piper, Melbourne

12:30 – 2:00 pm  
**Lunch and Close**
Submissions to Journal
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1. 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.
2. The article will be submitted by the contributor for publication on the basis that:
   a. the article has not been previously published
   b. the article is an original work of the contributor
3. The contributor is responsible for the accuracy of the article including citations and information.
4. The following information must be included with the article:
   a. the contributor’s name, title, contact details: address, facsimile, telephone and e-mail details
   b. a summary of the article (50-100 words)
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Submission Dates for Contributions:

<table>
<thead>
<tr>
<th>Journal Issue</th>
<th>Submission Deadline</th>
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<tbody>
<tr>
<td>December 2017</td>
<td>before 1 November 2017</td>
</tr>
<tr>
<td>March 2018</td>
<td>before 1 February 2018</td>
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<tr>
<td>June 2018</td>
<td>before 1 May 2018</td>
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<tr>
<td>September 2017</td>
<td>before 1 August 2018</td>
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