

Intellectual Property Forum

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Co-Editors
Fiona Phillips
Fiona Rotstein



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Intellectual Property Forum

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Fiona Phillips
Fiona Rotstein

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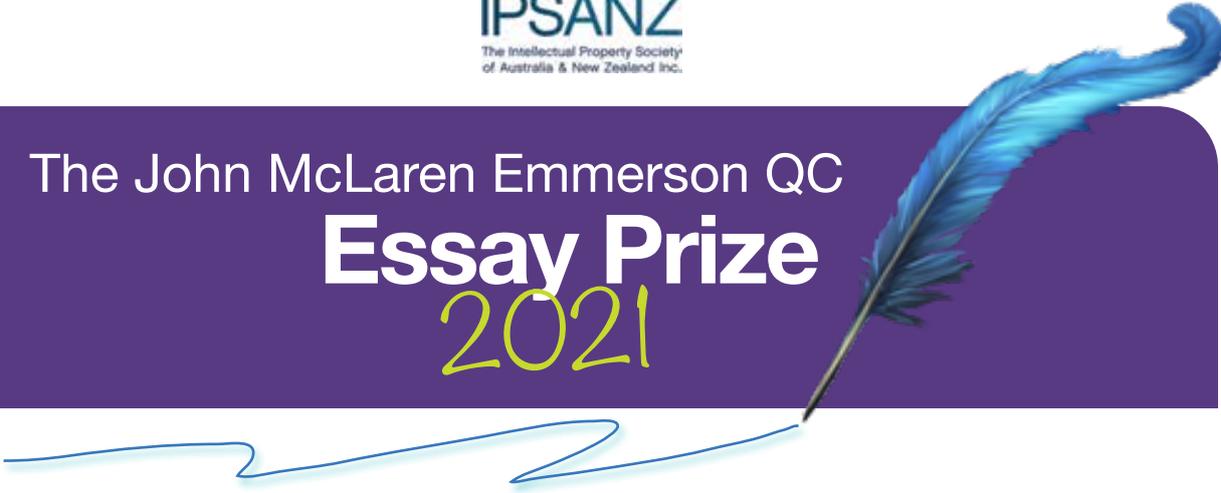
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The Intellectual Property Society of Australia and New Zealand Inc is an independent society whose principal objectives are to provide a forum for the dissemination and discussion of intellectual property matters.

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The John McLaren Emerson QC Essay Prize 2021



The Intellectual Property Society of Australia and New Zealand Inc. is pleased to announce its 2021 competition for an essay on a topic of the author's choice regarding intellectual property.

1st Prize of the John McLaren Emerson QC Essay Prize will comprise the sum of AU\$5,000 plus complimentary registration at the IPSANZ 34th Annual Conference scheduled to be held over the weekend of 10 – 12 September 2021 including 2 nights' accommodation at the Park Hyatt, Melbourne, Australia and a return economy airfare from within Australia or New Zealand to the conference.

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

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

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

COMPETITION RULES

- Entries must be unpublished essays, which are the original work of the author. Entries should be between 5,000 and 10,000 words (including endnotes).
- Entries should be substantive works displaying original thinking in an area of intellectual property of the author's choice. A maximum of two co-authors is permitted for entries. In the case of co-authors, the prize is to be shared between the authors. A maximum of two entries per author or pair of co-authors is allowed.
- Endnotes must appear at the end of the essay. Entries should include a summary of the essay (50-100 words). Entrants should keep a copy of the entry, as no entries will be returned.
- Each entry should be accompanied by a separate detached page giving the author's name and contact details and a short biography. No identification of the author should appear on the entry itself.
- The decision of the judging panel will be final and no correspondence will be entered into. The judging panel will retain the discretion not to award the Prize. No feedback or reasons will be provided.
- A copy of each entry should be submitted electronically (in Word format), typed, double-spaced and on A4 paper-size.
- Airfares, accommodation and entry to the IPSANZ Conference are non-transferable and not redeemable for cash. In the case of a winning entry from a country other than Australia or New Zealand a monetary contribution representing the cost of a return economy airfare from Sydney to the capital city in which the conference is to be held, will be made.
- No extensions of the closing date for entries will be granted to anyone under any circumstances.
- **Closing date for entries is Friday, 14 May 2021.**

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Editorial – Fiona Phillips and Fiona Rotstein



Photo by Claus Hattmannsch 2018

Fiona Phillips
Co-Editor



Photo by James Grant 2018

Fiona Rotstein
Co-Editor

Welcome to a new year and a new issue of *Intellectual Property Forum*. This issue has something for everyone: from copyright in music, to novelty in patent law. We also explore the protection of non-traditional forms of intellectual property (“IP”) such as shop designs and geographical indications (“GIs”).

This issue begins with a profile of Jo Oliver, a New Zealand native, whose career has taken her from Wellington, to New York, Sydney and then London, where she spent 11 years as General Counsel of the International Federation of the Phonographic Industry (“IFPI”). In recent years, Jo has relocated back to Wellington where she is General Counsel and Government Affairs at Recorded Music NZ. In her conversation with Fiona Phillips, Jo reflects on her career, the importance of mentorship, as well as changes in the music industry and enforcement of copyright over that time. Jo also discusses the *SoundCheck Aotearoa* initiative which is seeking to break down barriers to equality in the New Zealand music industry.

We also take the opportunity to mark the passing of another Australasian with a strong connection to IFPI, the late Professor Adrian Sterling, who died in London in November 2020. In a moving obituary, Emeritus Professor Sam Ricketson AM recounts Adrian’s enormous contribution to the world of IP and, in particular, international copyright law. We extend our sympathies to Caroline Sterling and to Adrian’s many friends.

In keeping with the musical theme, our first article, *Finding Harmony between “Commonplace” and “Copyright”: a Sound Legal Approach to Borrowing in Popular Music* by Chelsea Wong and Thomas Huthwaite examines the protection of music under copyright law. The authors draw on their knowledge of both music and law in their discussion of how recent high-profile cases in the United States of America (“USA”) have led to unpredictable results, and suggest an alternative approach for music copyright cases in New Zealand.

Next, Craig Smith examines the phenomenon of “parameteritis” (whereby patent attorneys seek to sidestep problematic prior art in their drafting of patent claims) in *Parameteritis in Patent Claims – New Diagnosis, Old Cures*. The article explores whether parameteritis is a substantive facet of Australian patent law. Following an examination of the relevant case law, the author concludes that a different approach to novelty is not justified in such cases and suggests that parameteritis may instead be cured by other grounds available under the *Patents Act 1990* (Cth).

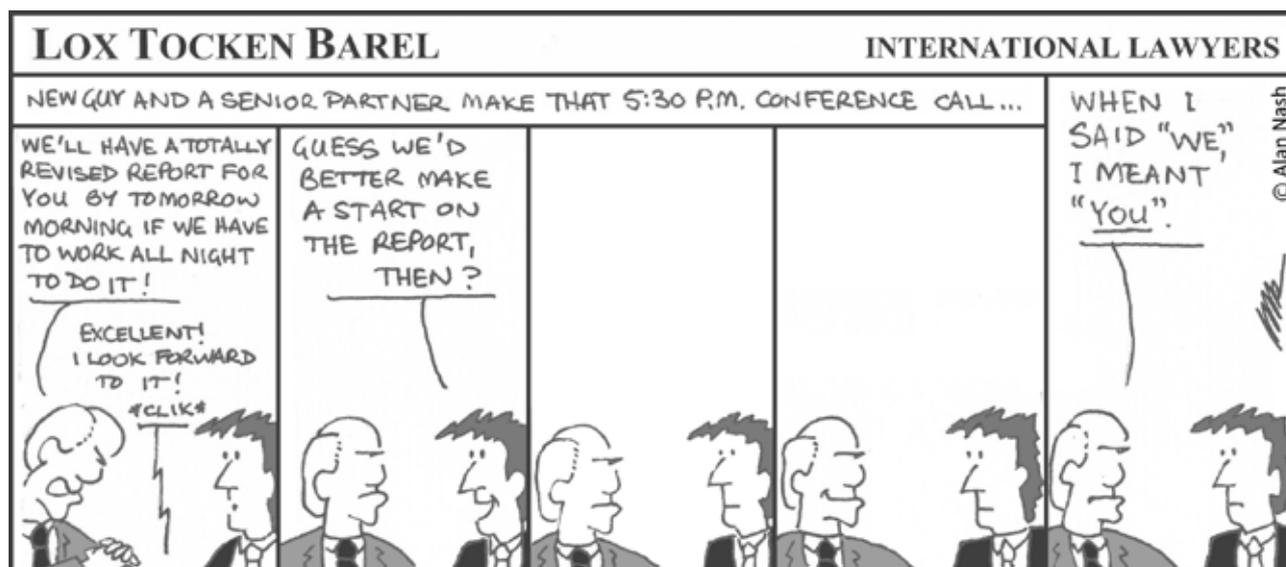
At a time when trade relations are in the spotlight, our next article, *Controversial Geographical Indications and the Australia-EU FTA Negotiations: an Assessment of the Potential Costs and Benefits to Australia* by Sini Karoliina Riipinen, unpacks some of the rhetoric around the protection of GIs. This article focuses on the role of GIs in the Australia-European Union (“EU”) Free Trade Agreement (“FTA”) negotiations and considers the costs and benefits to Australia if it were to accede to the demands the EU has presented during negotiations. It is worth noting that the contribution of our French correspondents, which covers a recent GI decision of the Court of Justice of the EU (in the Current Developments section of the Journal) also highlights the importance of GIs in the EU and how different this is from the Australian and New Zealand approach.

Our final article, *Store Layouts and the Trade Mark Apple: Will Australia Take a Bite?* by Lucas Spezzacatena compares the approaches to trade mark protection of store layouts in the USA and the EU to the approach in Australia under the *Trade Marks Act 1995* (Cth), with a particular focus on the Apple store layout. The article concludes that a valid rationale exists for extending trade mark protection to store layouts in Australia. This article provides an interesting counterpoint to the update from our Japanese correspondent which appears later in the Journal, and covers the recent amendments in that country to extend designs protection to building exteriors and interiors, such as store layouts.

Next, Adam Liberman takes a deep dive into the Full Court of the Federal Court of Australia’s decision in *Sandoz Pty Ltd v H.Lundbeck A/S* [2020] FCAFC 133 and examines its implications in pre-grant and post-patent term environments. We then turn to the world of art, and Dr Louise Buckingham’s review of *Art Law and the Business of Art* by Martin Wilson: a vast text, touching on everything from copyright to issues of cultural appropriation.

As usual, this issue is rounded out by updates on recent developments from Australia, New Zealand and around the world. In addition to local updates, we bring you contributions from our correspondents in China and Hong Kong, Japan, Singapore, the EU, France, Germany, the United Kingdom, Canada, the USA and Africa. In addition to GIs and designs protection for shop designs (as discussed above) these updates cover everything from joint authorship of copyright in film scripts, copyright collecting society governance, to IP reforms in Germany, strategies to protect against brand theft in China, and developments in IP mediation in Singapore.

While this is the first issue of *Intellectual Property Forum* for 2021, it is also Fiona Phillips’ last issue as Co-Editor. She would like to take this opportunity to thank IPSANZ and everyone who has contributed to the Journal over the last three years. Fiona Rotstein will be Editor and welcomes your feedback and emails to editors@ipsanz.com.au.



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In Conversation with Jo Oliver

Fiona Phillips

Jo Oliver's career has taken her to Australia, the United States of America ("USA") and London where she was General Counsel for the International Federation of the Phonographic Industry ("IFPI"), representing the global recorded music industry for 11 years. A few years ago, she moved back to her native New Zealand with her family. At the close of 2020, Fiona Phillips caught up with Jo to discuss career, international intellectual property ("IP") and diversity in the music industry in New Zealand.



Jo Oliver

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Q: What drew you to study law?

A: I don't know if anyone really knows at 17 why they do stuff! What I can say is what attracted me to law was the relationship to language and logic and argumentation. I didn't have lawyers in the family, but my parents said "you are so good at constructing arguments, you should go to law school" and maybe that was prescient.

Q: And how did you come to specialise in IP and, in particular, copyright?

A: I chose a couple of courses with Professor Susy Frankel when I was doing my undergraduate degree at Victoria University of Wellington and I found it fascinating.

There was a moment in one of her classes when she was introducing the cases that were coming out of the USA in relation to copyright and the internet such as *Religious Technology Center v Netcom On-Line Com*, 923 F Supp 1231 (ND Cal 1995). It was all very new at that stage and the technology was a mystery to many people, as much as the law that overlaid it. I actually remember talking about that case in class and deciding that copyright and the internet was what I wanted to understand better. And that is what I later made the basis of my study of copyright and the internet in the USA.

Q: You have studied and worked in New Zealand, Australia, the USA and the UK. Tell me about that journey. What are some of the stand out experiences?

A: After graduating I worked at Chapman Tripp for a few years cutting my teeth as a junior lawyer. I then went to do my masters degree at Columbia University where I studied under Professor Jane Ginsburg. My time at Columbia coincided with a number of significant copyright cases coming out. For example, the first Napster Decision (*A&M Records, Inc v Napster*

Inc 114 FSupp2d 896 (2000)). All the students were using Napster at the time and there was a real buzz, a real debate about protecting the rights of artists, and freedom on the internet, all against the backdrop of technology that was incredibly basic compared to how we live now. It felt like an important time to be there.

I then went to Sydney where I worked at Gilbert + Tobin in the litigation team with Michael Williams. Again, timing worked in my favour and I had the opportunity to work on some significant Australian copyright music cases such as "MP3s 4 Free" (*Cooper v Universal Music Australia Pty Ltd* [2006] FCAFC 187) and "Kazaa" (*Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* [2005] 222 FCR 465).

At the time, those cases really were pivotal in defining how the law would respond to the new ways technology was being used. It was a fantastic way to put into practice what I had studied in the USA.

From there I went to London and worked initially at Herbert Smith. I had learned about the IFPI during my time at Gilbert + Tobin and was keen to get a job there. I landed up working at IFPI for 12 years, 11 of those as General Counsel. In the early days the main part of my role was to devise and manage anti-piracy litigation around the world, which then developed into advising on copyright legislation. It was an incredible privilege to work in that position with a talented team in London and a wonderful network of people in national industry associations around the world. I am very grateful to the people along the way who helped me get a step up and move into what I wanted to do so early on in my career.

Q: Do you think IP is a truly global area of law?

A: IP is necessarily global, because the internet is global. And certainly, the music industry has been a global business for a long time. For example, every new

album or single is released around the world on the same day and is generally available on streaming services worldwide.

Of course the law is not global and needs to be developed and enforced on a country-by-country basis. One thing that has been interesting to observe is the change in how global copyright norms develop. During the '90s, these norms were developed through multilateral bodies such as the World Intellectual Property Organization (“WIPO”) and handed down from on high in the form of international treaties. In recent times, these norms have tended to develop organically. For example, the website blocking remedy began in Denmark and Ireland and has become part of European Union law as well as many other jurisdictions such as Australia (although not New Zealand yet).

Q: How transferrable have your skills been?

A: I certainly had a good grounding in copyright law principles as part of my studies, and I learned a huge amount from the work at IFPI.

But as you develop in your career it isn't really the knowledge of specific national laws that is important, it's the soft skills and the ability to see the bigger picture, while also respecting the local context and perspective, and working with different people from diverse backgrounds. In that sense my skills have definitely been transferrable.

Q: You have spent much of your career working for the music industry. Tell us about that? How has it changed over the years?

A: It's been incredible to witness those changes. When I first started working with IFPI on enforcement it was about closing CD plants in Russia and the Ukraine which now feels so irrelevant. I remember the early attempts to do enforcement on the internet and the cases against individual users that were so controversial.

It was fascinating to be working at global level alongside leaders in the business while they were working out where it would go. A pivotal moment in around 2007 or 2008 was when one of the major companies licensed YouTube and their whole music catalogue was suddenly available for free on the internet, after years of selling music as a product on a unit basis. I also recall the early discussions around the idea of a monthly subscription to listen to all the music you wanted. That was presented as real blue sky thinking and we wondered how it could possibly work. Now, of course, it is the norm as most people are enjoying music via streaming services. It is hard to think of another industry that has transformed so

dramatically over such a short space of time. What has remained is the commitment to music and to developing artists and creative talent, which makes a music company very different to a tech company.

Q: Do you think IP is still key to the creative industries?

A: Copyright is still the bedrock on which all creative industries are based and the music industry is no different. From an individual's perspective people need to get paid for the work and to have a say in how their work is used. And that all comes back to copyright. For much of my career I have represented record companies which take big risks investing in artists and their music. It's not realistic to take those sorts of risks without a means of getting a return on that investment. Again, that comes back to copyright.

Q: Since returning to live in New Zealand a few years ago, you have been heavily engaged in the New Zealand Government's review of copyright. Tell us about that?

A: In 2018, I moved back to New Zealand with my family to take up a role with Recorded Music NZ. It is in that capacity that I have been involved in the review. The Government announced a review of the *Copyright Act 1994* (NZ) and released a very detailed and comprehensive issues paper in November 2018.

After receiving submissions, the Ministry for Business Innovation & Employment (“MBIE”) issued a document outlining revised objectives for copyright law in November 2019. The commentary was somewhat controversial and the document was subsequently withdrawn by MBIE in July 2020. There was an election in New Zealand in November 2020, and since then, a new Minister has been appointed to the portfolio. At this stage we expect a consultation on the revised objectives early in 2021 and an options paper in July 2021. It's a slow process but critical to get it right as it sets the benchmark for the next 10, potentially 20 years.

The major issue in the review relates to the responsibility of host providers and how their role has changed since those early days of the internet and *Netcom*. We are all increasingly aware of the powerful role that digital platforms like Google, Amazon and Facebook are playing in our lives. New Zealand had its moment with the Christchurch Mosque attack, which has prompted new legislation to regulate certain kinds of offensive content. In a similar way but in a totally different context, copyright principles are being laid out by digital platforms based in California according to American law. Users of those platforms, and the artists whose music is available on them, have no option but to accept that. There is a power there that needs to be recognised in any review

of copyright. It is not the Wild West and there needs to be accountability.

Q: Much of your career has been spent working in-house. There is a view that in house roles are more compatible with family life than working in a firm. Has that been your experience?

A: I have certainly observed the challenges faced by my peers working in private practice. IFPI provided a different working environment from being at a law firm as many of my colleagues were women and they came from diverse backgrounds. I was grateful for the support I received while I had my two children.

But my role was busy and involved a lot of travel. Frankly, the biggest difference I have experienced has been in the working culture in New Zealand (where I also have an in-house role) compared with the working culture in London where there is greater pressure.

In some ways, COVID-19 has made flexible working practices more acceptable and workable, certainly in New Zealand. It will be interesting to see how that is managed going forward.

I also wanted to give a shout out to an initiative the New Zealand music industry has started called *SoundCheck Aotearoa* which is committed to bringing change to the industry.

Our first initiative is focussed on the prevention and response to sexual harassment in the music industry but we are hoping to work on gender and other diversity issues more broadly and to help break down some of the barriers that people face in the industry. We are working in partnership with Māori industry leaders which is something very special and unique to New Zealand.

Working on this project I have come to appreciate how privileged I have been and as a senior woman, I feel I have a responsibility to those coming into the industry to help make things better.

Q: Do you have any hobbies?

A: I like spending time with my husband Mark and our two boys who are seven and 10.

Q: As someone who used to travel for work all the time, what have you come to appreciate about the world post-COVID-19?

A: I did travel a lot but also worked remotely a lot. I learned that, while Zoom or a conference call is great for transactional work, there is nothing like living in someone else's reality for a while to deepen your understanding of that culture and context and to build trust and relationships. Most of all post-COVID, I have come to appreciate how lucky we are in New Zealand to be free and surrounded by natural beauty, and I try every day not to take that for granted.

Obituary: John Adrian Sterling, 17 April 1927 – 29 November 2020

Emeritus Professor Sam Ricketson AM

To many Australian intellectual property lawyers, even those working in the area of copyright and related rights, the name of Adrian Sterling may not be well known. This is because, although born and brought up in Australia, he left nearly 70 years ago and spent the bulk of his working life overseas, mainly in the United Kingdom (“UK”). Adrian was one of the leading figures in international copyright circles for many decades, as well as being a noted teacher and scholar. He was also a man of broad intellectual and cultural interests, a poet, linguist and collector.

Adrian was born in Melbourne – along with the late Jim Lahore and myself, although at later periods, we attended the same primary school in Hawthorn – but moved with his family to Sydney in the late 1930s where he finished school at Barker College. He graduated in law from the Sydney Law School in 1949, where his class mates included the late Ian Sheppard and the late Lionel Murphy. He then moved to London where he was called to the Bar in Middle Temple in 1953. Shortly after this, he was attracted by the following advertisement in the Personal section of *The Times* (an unlikely place for such an advertisement to appear):

Young barrister or solicitor needed for international organisation in London. Must speak French, additional language an asset.

Without knowing what the position entailed or even what the organisation was, Adrian, who was fluent in French and had knowledge of German, later recalled:

As soon as I read that, I knew that that was what I was going to do for the next 20 years.

The position turned out to be that of assistant to the Director General of the International Federation of the Phonographic Industry (“IFPI”) which was then only a small organisation located in London, but at this point Adrian’s copyright journey began and continued for the rest of his life.¹ In IFPI, he became intimately involved with the legal issues raised by the protection of phonograms, and came to know all the leading copyright lawyers and industry luminaries throughout Europe, North America and Australasia. He learnt, as he used to say, at the “feet of the masters”. One of these was Alfred Baum, a German Jewish lawyer who had successfully argued for the recognition of performing rights in sound recordings in the Reichsgericht, 14 November 1936, before having to leave Germany for Switzerland, where he was the legal adviser to IFPI for many years. Baum was a leading commentator on international copyright law and could fairly claim that he had known personally some of the original drafters of the *Berne Convention* (he was in

his early 80s when Adrian first met him in Zurich in 1954).

Adrian learnt well and quickly, mastering both the law and the practical aspects of the recording industry, and, for the next 20 years, he travelled widely, promoting its cause, but with a close awareness of the intersecting and complementary interests of authors, performers and broadcasters. His final position with IFPI was as Deputy Director General, and he was a member of the IFPI observer delegation at the Rome Conference of 1961 which led to the adoption of the *Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations*, as well as attending many other international meetings, including the Berne Union Permanent Committee in Geneva. He was also instrumental in advocating changes in national laws protecting record producers, including here in Australia and in Canada. In other capacities, he later attended the 1996 Geneva Conference at which the *WIPO Performances and Phonograms Treaty* was adopted and the 2012 Beijing Conference at which the *Treaty on Audiovisual Performances* completed the overall international protection regime for performers. Throughout his career, Adrian was a regular attendee and participant in numerous international, regional and national meetings, governmental and non-governmental, dealing with authors’ and related rights. In particular, he was a stalwart of the International Literary and Artistic Association (“ALAI”) and the British Literary and Artistic Association (“BLACA”). Adrian had an encyclopaedic knowledge of international copyright law – indeed, of most national laws as well – and an intimate acquaintance with all the personalities (and dramas) that had shaped the development of these laws from the 1950s on. Conversations with him were always illuminating, and provided the “real” stories lying behind many of the dry texts that we now encounter when seeking to interpret and apply treaty provisions and those of national laws.

In 1973, following nearly two decades with IFPI, Adrian stepped down and returned to the Bar, briefly in Sydney and then again in London. He also began an impressive

scholarly career, writing a number of seminal commentaries on copyright and related rights, in particular *Intellectual Property Rights in Sound Recordings, Film & Video* (1992) and *World Copyright Law* (1998, now in its fifth edition). Adrian's writing was magisterial and all-embracing, combining both the common law and civil law approaches to legal commentary, and it was infused throughout with his deep understanding of the policies and implementation issues underlying the international and national laws on which he wrote. At the same time, he began a third career of university teaching as a professorial fellow at Queen Mary University of London and later also at King's College London. For successive generations of graduate law students, both local and foreign, he introduced and guided them through the subtleties and complexities of international copyright law. The range and warmth of the student tributes on the Queen Mary webpage following his death make wonderful reading, as past students recounted their intellectual and personal debt to Adrian through his teaching and supervision of their research and his generous mentoring role.²

Although based in London, Adrian's interest and involvement in Australia did not cease: in earlier times he had represented the recording industry in arguing for, and obtaining, protection for their recording and performing rights in the debates that preceded the adoption of the *Copyright Act* 1968 (Cth). Later, he was a keynote speaker and participant in several important copyright conferences, notably one marking the 40th anniversary of the 1968 Act organised by Brian Fitzgerald and Benedict Atkinson at Old Parliament House in Canberra. Never content with just providing an all-encompassing and systematic exposition of existing laws and why they had come about, Adrian's active mind was always reaching into new areas. The most recent example of this was his investigation of the role of copyright in space; he was also closely involved with projects to reformulate copyright norms in the context of digital communications and dissemination.

In all his endeavours – scholarly, pedagogical, cultural and social – Adrian was strongly supported by Caroline, his loving spouse and *redactor*. As a couple, they provided stimulating and warm support to generations of students, colleagues and friends in London, whether in the form of picnics and poetry readings in Ladbroke Square and Lincolns Inn Fields, excursions over Hampstead Heath, or in convivial gatherings in establishments in or around Chancery Lane or, more generally, Holborn. Adrian had many intellectual and cultural interests stretching far beyond the purely legal, and an extraordinary ability to meld them together, whether in the form of a short poem (in various languages) reflecting on particular scenes, events or people encountered along the way, or even through the transposition of famous copyright identities of the past into characters in Dante's *Divine Comedy*. One particular poem of which I am very fond encapsulates Adrian's facility in this regard, and

highlights the contribution of those who are so critical to the completion of any scholarly endeavour – the indexer. Entitled, rather mischievously, *The oldest profession*, it reads:

Out of chaos

Came difference

Out of difference

Came life

And the need

To see difference

So God gave Adam

His first job

For which

To avoid repetition

And fruitless imbrication

He needed to make

An index

Adrian was a remarkable man of multiple talents and interests, whose generosity, warmth and insights will be sorely missed by his friends and colleagues in the UK, Australia and around the world.

1 *IFPI mourns former IFPI Deputy Director General, Professor Adrian Sterling* (Web Page, 2 December 2020) <<https://www.ifpi.org/ifpi-mourns-former-ifpi-deputy-director-general-professor-adrian-sterling/>>.

2 *JAL Sterling – In Memoriam* (Queen Mary Intellectual Property Research Institute Web Page, 2 February 2021) <<https://www.qmul.ac.uk/qmipri/news/2020/items/jal-sterling---in-memoriam.html>>.

Finding Harmony between “Commonplace” and “Copyright”: a Sound Legal Approach to Borrowing in Popular Music

Chelsea Wong¹ and Thomas Huthwaite²

The Building Blocks of Music Composition

Copyright law has long acknowledged that music composition, perhaps more so than any other art form, “borrows and must necessarily borrow, and use much which was well known and used before”.³ Successful composition requires prerequisite knowledge of the art form, as well as application of stylistic devices. Music is also incredibly finite: in the entire system of western music, there are just 12 notes from which music can be composed. From this limited palette, some combinations of notes are more pleasing to the ear than others because of the tonal hierarchy that underpins western music theory, and the necessary standardisation of some combinations that characterise musical styles and genres.

This is particularly relevant to popular music, the very purpose and namesake of which is to appeal to a mass audience. Popularity is regularly achieved through the use of familiar conventions and standards. Borrowing and reusing known material is thereby inherent in popular music, with top hits further perpetuating desirable combinations, and their musical clichés becoming accepted as commonplace building blocks of composition.

It has long been recognised in law that, while individual building blocks of composition cannot be protected,⁴ unique expressions and combinations of those building blocks can be protected as original copyright works.⁵ Yet, despite the recognition of these principles, recent high-profile cases in the United States (“US”) have rendered unpredictable analysis and results.

The US is the world’s largest recorded popular music market, producing more new musical works than any other territory.⁶ The cultural revolution of recorded music has played a major role in perpetuating commonplace ideas characteristic of popular music styles, which gives popular music its popularity and commercial value. However, this environment has also led to music copyright becoming a competitive commercial industry of its own, with many music copyright cases being taken to court for potentially the wrong reasons. The strong commercialisation and heavy-handed legal protection of recorded popular music has created an illusion of absolute exclusivity over original creative works. But the reality is that all works of popular music have inherent commonalities which need to be recognised.

Elements of Copyright Law

To prove copyright infringement in the US, a claimant must own copyright of an original work (which has been formally registered at the US Copyright Office before infringement proceedings are initiated),⁷ and show that protectable elements of that work have been copied.⁸ Where there

is no evidence of direct copying, a claimant also needs to show access to the original work, and substantial similarity between the original and allegedly infringing work.⁹

Substantial similarity is determined by a two-part test.¹⁰ The first part is an identification of similarities between the protectable elements of the two works, with assistance from expert evidence, often provided by musicologists.¹¹ The second part is to decide, from the view of an ordinary and reasonable person, whether the “total concept and feel” of the works is substantially similar. The similarity test involves separation of the protectable elements from non-protectable elements such as commonplace ideas or shared building blocks of music.¹² This is of fundamental importance in music copyright cases, given the shared material inherent in all music; copyright law must counterpoint the innately borrowed nature of music with individualised notions of ownership.

Australian and New Zealand (“NZ”) copyright law involve similar considerations when it comes to infringement of copyright in music, including: establishing copyright in an original work; subsequent reproduction of a substantial part of the original work (or the performance of another exclusive right)¹³ without permission of the copyright owner; and sufficient objective similarity between the original work and alleged copy.¹⁴ In relation to reproduction of a “substantial” part, it is important to consider the quality rather than quantity of what has been taken. Courts may refer to this as the “essence” or “substance” of a work.¹⁵ Any part of the work that is not original may be set aside,¹⁶ allowing the court to consider originality by looking at a collocation of elements and the work as a whole.¹⁷ While these principles are well established in our copyright law generally, music copyright cases are unfortunately few and far between, meaning we are often left looking to the US for interesting developments.

Unfortunately, the varying approaches of the US courts do

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not yet appear to have found harmony between music and law. Here, we take a look at three recent decisions of the US courts, tracking the judgments from the *Blurred Lines*¹⁸ and *Dark Horse*¹⁹ cases to the most recent decision of the US Court of Appeals for the Ninth Circuit in *Stairway to Heaven*.²⁰ The aim is to unpack how the US courts have struggled to develop a consistent basis for treating copyright infringement in music. The approaches have been unpredictable, leaving some musicians to take matters into their own hands. We then look to an alternative approach in the NZ High Court case *Eight Mile Style, LLC v New Zealand National Party*, a well-mastered decision that samples both musicological authorities and established principles of law.²¹ We explain why elements of this judgment make it a hit worth listening to.

Blurring the Lines

Our track list begins with Pharrell Williams, Robin Thicke, and Clifford Harris Jr’s song *Blurred Lines*, the global best-selling single of 2013.²² Thicke had stated in media interviews that he took inspiration from his favourite Marvin Gaye song *Got to Give it Up*, and wanted to create “something with that groove”.²³ This provoked pushback from the Gaye family, and after some preliminary arguments (including Williams et al seeking a court declaration that they had not infringed copyright), the District Court of the Central District California sent the case to a jury trial.²⁴ In 2015, the jury found Williams et al liable for copyright infringement. This was affirmed by the US Court of Appeal for the Ninth Circuit in 2018.²⁵ The verdict sent shockwaves through the music industry, as *Blurred Lines* had apparently infringed *Got to Give it Up* by evoking a “style” or “vibe”, raising the question whether the Gaye Estate effectively owned a whole sub-genre of music.

The District Court case centred around expert evidence by the Gaye Estate, which proposed a “constellation” of eight similarities between the two songs. Gaye’s expert claimed it was highly improbable for two independent works to feature these exact eight similarities in the same way; *Blurred Lines* must have been copied from *Got to Give it Up* to account for the volume and quality of the similarities.

Expert analysis was initially conducted from the sound recordings of *Blurred Lines* and *Got to Give it Up*. However, it is only the exact work registered with the US Copyright Office, known as the “deposit copy”, that is capable of forming the basis for an infringement claim. For the song *Got to Give it Up*, this meant one page of music notation registered at the Copyright Office in 1977, and bearing very little resemblance to the full musical work heard in Gaye’s recording. Instead, any evidence in the case had to be narrowed to reflect this skeleton representation of the song, prepared by someone other than Gaye who could read and write music fluently (something which even Gaye was not accustomed).²⁶ The District Court therefore reduced the

comparison to only similarities that could be seen (and not necessarily heard) between the songs.²⁷

The Court also had to consider whether the works contained unprotectable commonplace elements. The expert for Williams et al submitted that all of the purported similarities were commonplace. However, the Court found insufficient independent evidence for this and held that, even if that were the case, it is still possible for copyright protection if the selection and arrangement of those components combined to form a unique expression.²⁸ The jury was therefore left to decide whether the combination of elements was unique and protectable.

It was this hands-off approach that arguably left the jury ill-equipped to properly understand the musical significance of the evidence presented to them. By narrowing the scope of the potential similarities to the deposit copy only, noting that the expert evidence from Williams et al was weak, and then failing to identify specific protectable elements of the Gaye work, the jury was effectively misguided to assume that most of *Got to Give it Up* was unique and protectable. In making its similarity assessment and ultimately finding copyright infringement, the jury therefore failed to appreciate that the songs were full of shared ideas and borrowed musical tropes, not because each was unoriginal as a work, but because each shared commonplace elements of a particular musical style which should not belong to any one individual.

Ain’t No Groove High Enough

Perhaps worse still, on appeal, the Ninth Circuit Court (by majority) failed to rectify the shortcomings of the District Court approach. The Ninth Circuit has previously used the concept of “broad” v “thin” copyright protection.²⁹ Where there is a wide range of possible expressions based on the constituent musical elements or building blocks, then the resulting copyright protection may be “broad”, and a subsequent work will only infringe if it is substantially similar. However, where there is a narrow range of possible expressions, then copyright is “thin” and a subsequent work must be nearly identical in order to infringe.³⁰ In other words, works made up of commonplace elements may only achieve a narrow protection based on their particularly unique combination as a whole. This overlaps with other forms of intellectual property, in which we consider what already exists in the marketplace, the novelty or distinctiveness of the claimant’s work, and then the similarity of the allegedly infringing work in light of what has come before. The principle is also specifically shared by Australian authorities in relation to copyright originality: the more basic a copyright work, or lacking in substantial originality, the greater the degree of “taking” that is required before the substantial part test is satisfied.³¹

Thin copyright is the reality of most recorded popular music, because of its use of standardised expressions in order for music to be recognisable, catchy, and palatable to a mass

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audience. Works within the same genre will inevitably share a number of shared characteristics, for these are the elements that define the musical style. For example, Gaye’s music can be described as funk and/or soul, both styles of music based on dance and emerging in the 1970s from rhythm and blues (better known today as “R&B”). Funk and soul are characterised by a strong rhythmic focus, particularly featuring a “groove” created by a prominent bass line and drum pattern working together. The styles also contain rich textures created by interweaving instruments, rhythms, and sounds that combine and interact with the main groove to form a danceable track. Funk and soul generally feature greater subdivisions of notes in between the main beats, resulting in rhythms and melodies that are often syncopated, striking, and more memorable than straight rhythms because of the way musicians can “fill in” the musical spaces.³²

These features are clearly heard in *Got to Give it Up* and commented on in the expert analysis, including reference to the prominent bass line and groove, the multiple interweaving hooks and melodic parts, and prominent use of percussion to create unusual and distinct rhythms. Equally, these features can be heard in *Blurred Lines*, and also in various other works written in the style of today’s realisation of the funk and soul genre.³³

The majority of the Ninth Circuit Court rejected the argument that *Got to Give it Up* consists of thin copyright only. Instead, it held that musical compositions “are not confined to a narrow range of expression”, referring to previous cases which say music is comprised of “a large array of elements” and that there is no “magical combination” of factors that will create originality.³⁴ Unfortunately, this is a misinterpretation of music copyright principles. It is true that music consists of many elements, but those elements are limited. To simply say that music compositions attract broad copyright fails to recognise that if a piece of music has been written in a certain genre or style, it necessarily had to make use of many commonplace ideas. It is the unique selection and arrangement of those ideas that results in something protectable.

Justice Nguyen’s dissenting judgment in the Ninth Circuit Court reminds the majority that Williams et al did not disagree there were similarities between *Got to Give it Up* and *Blurred Lines*, but rather the crucial issue was whether these similarities were of a protectable nature, and therefore capable of establishing infringement.³⁵ However, the District Court failed to make an initial finding or even fully discuss the extent to which *Got to Give it Up* was made up of commonplace ideas. The Ninth Circuit Court majority did not consider this error significant enough to warrant revisiting this issue, despite Justice Nguyen’s strong dissent.³⁶ The result is a case mistakenly focused on the similarities of specific elements, when it should have been about whether those specific elements were protectable in the first instance.

No Joyful Noise

In 2019, Katy Perry’s chart-topping song *Dark Horse* was found by a jury to have infringed copyright of *Joyful Noise* by Marcus Gray, a rapper better known by his stage name Flame.³⁷ This case concerned the use of a short three or four note descending idea known in music as an “ostinato”³⁸ which Gray claimed Perry had copied from *Joyful Noise*. Both works use a short ostinato throughout, but the notes of each are not identical.

Each party presented expert musicological evidence with vastly different analysis. Gray’s expert made a case for substantial similarity by focusing on three key musical elements of the ostinatos specifically: rhythm, pitch and register.³⁹ Perry’s musicologist argued the need for a holistic approach, looking at the ostinatos in context of each song: any alleged similarities were merely the result of using commonplace building blocks of music that are not copyrightable on their own. To illustrate this, Perry exhibited more than 30 songs composed before *Joyful Noise* which shared a similar ostinato.⁴⁰ These previous songs come from a broad variety of genres, illustrating that a three- or four-note descending idea is a common building block that requires much more creative development and combination before becoming unique enough to attract copyright protection.

Although the jury was directed that commonplace elements are unprotectable, it was not instructed that the ostinato was in fact commonplace, or asked to consider the ostinato in relation to any broader context within the song.⁴¹ Once the jury became engaged in the comparison of a basic compositional device, a finding of substantial similarity was almost inevitable. Gray was effectively awarded copyright over an idea shared among hundreds if not thousands of musical works, and awarded US\$2.7 million in damages by the Californian District Court.

A Dark Horse Appeal

Perry appealed and in March 2020, after awaiting the result of *Skidmore v Led Zeppelin*,⁴² the District Court found that Perry’s song did not infringe copyright in Gray’s song, vacating the jury’s verdict.⁴³ Thankfully, the District Court carefully articulates how one must first identify the protected elements of the work, *before* determining whether there are objective similarities between the original and allegedly infringing works.⁴⁴ If there are no individually protectable elements, then what combination of elements may result in an original expression entitled to copyright protection, and how “broad” or “thin” is that level of protection?⁴⁵

On appeal, the Court found that “none of these individual elements are independently protectable”,⁴⁶ but rather are “precisely the kinds of commonplace elements that courts have routinely denied copyright protection, at least standing alone, as a matter of law.”⁴⁷

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The Court also considered whether the ostinato elements in question were unique enough in their selection and arrangement to warrant protection as a whole. As part of its analysis, the Court referred to new evidence prepared by numerous distinguished musicologists who strongly criticised the original jury directions and verdict. This evidence illustrated that a search of music databases housed at Stanford University, as well as the Répertoire International des Sources Musicales, resulted in at least six other compositions in the identical key containing the exact same pitch sequence, and more than 2000 other compositions containing the exact same pitch sequence if all other keys were considered.⁴⁸

The Court ultimately held that the combination of elements in and surrounding the ostinato was not original enough to warrant protection.⁴⁹ This undermined the remainder of the test for infringement, and enabled the court to vacate the jury’s verdict on the basis that it was clearly against the weight of the evidence.⁵⁰ Even if the combination was held to be original enough to attract copyright protection, that protection would be so “thin” that Perry’s work would have to be near identical in order to find infringement.⁵¹

The District Court’s Appeal of *Gray v Perry* shows how important it is to establish clear parameters in music copyright cases from the outset. These cases involve technical legal and musical issues. The Court even acknowledged that, although it did not find a protectable expression or sufficient similarity, it could see how a reasonable jury could have considered the “concept and feel” of the two ostinatos to be similar.⁵² From this, can we expect juries to make legally and musically sound decisions, even with clear directions from the court? Or is it too tall an order for even well-briefed courts to make sense of both the law and musicologist evidence?

Stairway to Heaven’s Precarious Path

Skidmore v Led Zeppelin has been decades in the making.⁵³ It began around 1966–67, when Randy Wolfe, the guitarist of the band Spirit, wrote an instrumental song called *Taurus*. This song was owned by Hollenbeck Music Co, who registered copyright in the unpublished work in December 1967 and named Wolfe as an author. In 1971, Led Zeppelin released their fourth untitled album featuring the now iconic rock song, *Stairway to Heaven*.

In 2014, one of the trustees for Wolfe’s estate, Michael Skidmore, filed copyright infringement proceedings against Led Zeppelin in the US District Court (Central District of California), claiming *Stairway to Heaven* infringed the copyright in *Taurus*. As in the *Blurred Lines* case, the District Court held that only the contents of the deposit copy – a one-page transcription of *Taurus* filed at the US Copyright Office – could be used to prove infringement, without any reference to sound recordings of the songs.⁵⁴ Skidmore’s

claim was that the opening notes of *Stairway to Heaven* are substantially identical to the opening eight bars of *Taurus* due to the inclusion of a descending A minor chromatic scale that forms the baseline of the opening material in both songs. It was argued that the particular combination of notes used, the harmony, the instrumentation, rhythm, and overall form were similar.⁵⁵ However, all that was submitted on the deposit copy was a rudimentary sketch of *Taurus*’ opening, bearing little resemblance to what can be heard on the recording.

A jury decided in 2016 that *Taurus* and *Stairway to Heaven* were not substantially similar and therefore copyright had not been infringed.⁵⁶ Skidmore appealed, challenging several jury instructions, and the Ninth Circuit Court of Appeal granted a rehearing.⁵⁷ The Ninth Circuit Court received insight from numerous interested groups, including intellectual property and musicology scholars, music professionals, and even the US Copyright Office, to the effect that, based on the deposit copy, the only real similarity under contention was the use of an A-minor chord and descending chromatic scale which are fundamentally building blocks of western music harmony.⁵⁸ Although they have been arranged into different variations of a bass line pattern, this particular combination involving standardised “arpeggiation” attracts only “at most, a thin copyright”.⁵⁹ The case raged on until March 2020 when the Court affirmed the jury’s finding of *no* infringement. This judgment has been long-awaited and highly anticipated by copyright lawyers, musicians, musicologists, and Led Zeppelin fans alike, particularly given the concerning outcomes of other US cases in recent years. And, although the outcome is favourable, there is still more work to be done.

The Court of Appeal sets out the established test for finding substantial similarity as an objective comparison of expressive elements of the two works, commenting that distinguishing between protected and unprotected material is crucially important.⁶⁰ The Court also acknowledges that commonplace elements firmly rooted in the genre’s tradition cannot be protected by copyright, interestingly citing Justice Nguyen’s dissenting argument from the *Blurred Lines* case.⁶¹ However, missing from the Court’s analysis is any discussion as to when the combination of unprotectable elements may become protectable based on original combination, selection, arrangement, and how that work as a whole might form the basis for comparison.⁶² This led to the Court’s clumsy defence of a jury direction relating to originality. The jury direction was that an original work may contain elements from prior works or the public domain, but these are not considered original parts; only those parts that have been independently created by the author are to be considered original.⁶³ While this direction is not strictly incorrect, it is misleading because it fails to acknowledge that the *overall work*, within which the incorporated unoriginal elements appear, may be original. Rather than a strict separation of

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“borrowed” and “new”, there may be originality through combination, selection, and arrangement.

The Ninth Circuit Court also dismissed Skidmore’s challenge that the District Court failed to instruct the jury to consider the combination of elements regarded as similar between *Taurus* and *Stairway to Heaven* as a selection and arrangement worthy of copyright protection. The Court responded that Skidmore failed to make the argument in the first place, only ever referring to “five categories of similarities” and not submitting any claims or evidence that the categories formed an overall combination worthy of copyright protection.⁶⁴ In dismissing Skidmore’s challenge as a procedural error, the Ninth Circuit Court judgment leaves us without a complete picture. The reality is that a combination of elements is likely to be at the very heart of most music copyright cases because some use of commonplace elements is inevitable. Skidmore’s failure to articulate this argument clearly in the first instance (and the Court’s refusal to consider it here), leaves us with an incomplete copyright infringement analysis that could prove a risky precedent.

The outcomes of *Williams v Gaye*, *Gray v Perry*, and *Skidmore v Led Zeppelin* demonstrate the US courts’ struggles to reconcile copyright principles with the inherently borrowed nature of music composition, all while making sense of the dense technical evidence given by musical experts. This current approach is not only cumbersome, but stigmatises “thin copyright” instead of recognising that this is the likely reality for most popular music. When the burden of finding originality and similarity is then passed on to juries, these cases have become especially unpredictable.

Attempting to Solve Copyright’s Woes by Maths

In response to this unpredictability, American duo Damien Riehl and Noah Rubin in 2020 combined their knowledge of computer programming, copyright law and music to launch the *All the Music* project.⁶⁵ In an attempt to save music copyright, Riehl and Rubin programmed a computer to compose every possible melody twelve notes long within an octave (eight note pitch range). After their algorithm churned through all possible combinations and the output material was saved, the duo purported to be the creators of this material and claimed ownership of copyright in each melody. They then promptly licensed all of this material under an open source Creative Commons Zero licence⁶⁶ so that it would be free for all to use. Part of their goal was to prevent opportunistic litigants from using similar musical building blocks as the basis for infringement proceedings, by providing an obvious source of material licensed for everyone to use. More importantly, Riehl and Rubin sought to show the inevitable borrowing or sharing of ideas in music composition by mathematically illustrating just how finite all music is from a melodic point of view.

Underpinning Riehl and Rubin’s project is the theory that “melodies are just numbers, which is just maths, which is just

facts, which is not copyrightable”.⁶⁷ Riehl explains that the way a computer reads music is called “Musical Instrument Digital Interface” or “MIDI”, which assigns numbers to notes and pitches. This is possible because the number of notes that exist in Western music are finite: there are just 12 notes in total, and eight notes in a key. This eight-note pitch range is known as an octave and make up the group of notes available to a composer for each key.⁶⁸ For example, a melody that is written in the key of “C” is formed out of those eight notes.

This means that all melodies within a certain parameter can be quantified. For their project, Riehl and Rubin chose a sequence within a single octave and 12 notes long,⁶⁹ as a median representation of the average melody in pitch range and length and likely to encompass all melodies ever written. To illustrate this, Riehl imagines a grid of 12 by eight squares representing all melodies possible, and filling some of these squares in red to show the ones that have already been taken or composed.⁷⁰ Given the finite range of possibilities, the likelihood of someone accidentally using someone else’s melody within this dataset is high, and most likely has already happened. The duo claim that if we assumed every new musical work contained a truly original melody, then we are running out of melodies and it is only a matter of time before all freely available melodies left in the dataset are taken. In order to preserve the future of music, these melodies need to be placed in the public domain. Otherwise, we continue seeing the trend of unpredictable music copyright cases because litigants are attempting to capitalise on protection of melodic material that is clearly commonplace and likely to be shared with other works in the first place.

Leaving aside the issues of creation by artificial intelligence and copyright ownership, Riehl and Rubin’s project attempts to resolve the US courts’ mishandling of thin copyright cases by removing the need for analysis in melodic similarity cases altogether. Melodic similarity is frequently presented as a ground for copyright infringement in the US (such as the ostinato in *Gray v Perry*), and also has a high probability of being shared, as demonstrated by Riehl and Rubin’s quantifiable dataset of MIDI melodies.⁷¹ However, the project does not take into account the many other musical elements which may also exist as commonplace ideas and be used in combination to form a unique expression worthy of copyright.⁷² Looking only to melodic components is potentially misleading (unless melody is the only element of the song in question – discussed further below). For example, the jury in *Gray v Perry* in the first instance were incorrectly directed to focus solely on the ostinato without greater context of other elements in the songs, and considered the works similar. On appeal however, the Court overturned the jury’s finding of similarity, recognising that the ostinato in and of itself was not protectable.⁷³

There are also other aspects of musicality which cannot be replicated by algorithm or machine (at least not yet). For

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example, practices such as improvisation, the particular articulation when executing a note such as “leaning” into it in a certain way, and other performance techniques that a musician will use to bring a song to life, often involve a quality of human imperfection. These elements go beyond communicating notes on a page and are fundamental to the dynamic nature of music. Many of these techniques are also commonplace. It is therefore important to look at the overall sound created in combination, because the relationship between musical elements, their context in relation to the song as a whole, and the particular way they are executed, all make a difference to overall musical effect. As such, rather than being a novel or selective point for courts or juries, the idea of a “combination of commonplace ideas to form a unique expression” should be central to the analysis of any music copyright case.

To date, there have been some commendable approaches to this issue, including Justice Nguyen’s dissenting judgment in the Ninth Circuit over *Blurred Lines*. Closer to home, the NZ High Court’s approach in the *Eminem* case is a music copyright standard worth aspiring to.⁷⁴

Lose Yourself in the Music ...

During the course of the 2014 NZ Government election, the incumbent National Party aired a television and online advertisement which used a soundtrack similar to Eminem’s *Lose Yourself*. The soundtrack was a piece of production music (often referred to as a “sound-alike”) titled *Eminem Esque*, designed, as its title suggests, to sound like Eminem’s music. In particular, *Eminem Esque* was alleged to have copied the instrumental introduction of one of Eminem’s most famous works, *Lose Yourself*, featuring a distinctive guitar riff made up of repeated notes, a steady beat, and percussive articulation. *Eminem Esque* was licensed by the National Party’s campaign manager from a legitimate NZ music licensor who had obtained the licence from a production music service. Despite the chain of warranties allegedly indemnifying the various parties from liability, Eminem’s publishers Eight Mile Style, LLC and Martin Affiliated, LLC (together referred to as “Eminem”), sued the National Party for copyright infringement of Eminem’s chart topping, Grammy Award-winning original work *Lose Yourself*.

In NZ copyright law, three elements must be established to prove copying: (a) reproduction of a substantial part of the original work; (b) sufficient objective similarity between the original work and copy; and (c) causal connection between the original work and the copy.⁷⁵ Eminem claimed that all three elements had been met; that the objective similarity between *Lose Yourself* and *Eminem Esque* was obvious, that there was an obvious casual connection not least evident in the title, and that the use of the music in the advertisement had substantially reproduced the original work.⁷⁶ The National Party on the other hand argued that *Lose Yourself* had not been substantially reproduced in *Eminem Esque*, because

Lose Yourself is largely constructed out of commonplace musical elements and therefore not every part of the song is original.⁷⁷ Because of the parts of *Lose Yourself* which have a low level of originality, *Eminem Esque* did not have to be too different in order to avoid copyright infringement, and its subtle differences to the original should be sufficient.⁷⁸

In the same way US courts must determine which objectively similar elements are protectable, the NZ Court was required to determine *how* original *Lose Yourself* was, and whether there were features in the work that were not original. To fully understand the song’s originality, the NZ Court courageously took it upon itself to first investigate whether there is originality in popular music and whether borrowed musical elements can be protected by copyright.⁷⁹ The Court emphasised that evidence throughout the case highlighted the issue of borrowing in the music tradition and noted that there is an extensive school of academic thought on this issue in both legal and music scholarship.⁸⁰ In stark contrast to the US approaches, the NZ Court took the time to peruse this scholarship because it considered that understanding the issue was highly relevant to being able to define the boundaries of copyright in this case.⁸¹

As discussed above, the ideas around borrowing in music are far from new. The Court in *Eminem* even referenced a 1739 composition treatise by Johan Mattheson which stated:

*Borrowing is permissible; but one must return the thing borrowed with interest, i.e. one must so construct and develop imitations that they are prettier and better than the pieces from which they are derived.*⁸²

This compositional teaching shows that borrowing, or using existing commonplace ideas, is inherently part and parcel of the way music is composed and should be reflected in the way copyright analysis is conducted. It is necessary to assess originality by considering the overall “collocation” of elements, looking at them altogether rather than examining them individually in a piecemeal manner.⁸³ Otherwise, similarities that exist between works merely due to the shared form or foundational elements – also known as commonplace ideas – risk being incorrectly scrutinised during analysis. In music cases, this means it is important to avoid an overly technical analysis or note-for-note comparison, and rather ask whether the substance or “essence” of the original work has been taken.⁸⁴

... But Do You Own It?

Ultimately, the Court in the *Eminem* case held that although it is beyond dispute that musicians compose by being influenced by prior art:

*Musical components that are borrowed from a music genre or from other musicians can engage copyright protection, where the compilation of those components produces a distinctive and recognisably different musical work.*⁸⁵

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This approach firmly recognises the thin copyright of a lot of music, particularly works from the same genre, and their ability to still be afforded copyright. The Court came to this conclusion after considering evidence that showed well known pop songs *La Bamba* (Los Lobos), *Twist and Shout* (the Beatles), *Total Control* (the Motels) and *Kashmir* (Led Zeppelin) used similar chords and musical elements to *Lose Yourself* as well as each other; yet they all sound “distinctly different” and are “original and recognisably distinctive works in their own right”.⁸⁶

The All the Music project is a novel illustration of why copyright cases need to stop relying on musical building blocks in isolation, but it falls short of providing a resolution to music copyright cases that involve commonplace elements other than melody. The *Eminem* case, however, is demonstrative of why the combined elements approach (mirroring the US court’s selection and arrangement theory) is critical to achieving balance between integrity of commonplace ideas and creative freedom in copyright works.

In the *Eminem* case, Justice Cull ruled that commonplace ideas combined in a substantial way to form a particular sound underpinning Eminem’s *Lose Yourself*.⁸⁷ This is despite the work not having a dominant melodic element or distinctive melody; the Court instead rightfully looked to the “integrated sound of musical elements”.⁸⁸ The building blocks in question included rhythm, harmony, instrumentation (timbre), and texture, all of which combined to form a unique expression eight bars long, which was repeated throughout the rap song *Lose Yourself*. It is typical of rap music to not feature a dominant melodic line, as it tends to consist of looping musical material to form a sonic foundation for lyrics to “flow” over.⁸⁹ But an omission of melody – regardless of genre – does not necessarily preclude protection.

Copyright infringement was established in the *Eminem* case because the sound-alike instrumental song *Eminem Esque* replicated the core sound of *Lose Yourself*.⁹⁰ This was the song’s essence, created out of a combination of otherwise commonplace ideas. The causal connection was also evident because it was inconceivable that a sound-alike aptly titled *Eminem Esque* was composed in any other way other than having reference to *Lose Yourself*.⁹¹ Although there were subtle harmonic, rhythmic and instrumental variations, this was not enough to affect the overall sound created by all the elements combined: the songs were “strikingly similar”.⁹² The Court drew strongly on expert musicologist evidence, which gave the analogy of commonplace musical elements being features of a face common to everyone (nose, eyes, lips, chin); only when they are woven together do we see distinct and recognisable identities.⁹³ By focusing on the overall resulting expression created by the elements, it is possible to infringe the copyright in a musical work without taking the actual notes – or by subtly changing the notes from the

original work as was the case with *Eminem Esque* – because the test for substantial reproduction involves listening to and comparing the *sounds* of the copyright work and of the infringing work.⁹⁴

If, on the other hand, melodic material *was* the crux of the resulting expression, the principles underpinning the *Eminem* approach could still apply, by looking for replication of the original work’s essence. The Australian case of *EMI Songs Australia Pty Ltd v Larrikin Music Publishing Pty Ltd* involved the use of well-known Australian children’s song *Kookaburra* in the song *Down Under* by Australian band Men at Work.⁹⁵ The *Kookaburra* consists solely of melodic material arranged and performed as a round. As a children’s song (originally written as an entry for a Girl Guide’s competition), the melody is overtly simple.⁹⁶ After taking into account expert evidence showing *Kookaburra*’s simple phrases as its “signature”, giving the song its catchy nature and being a hook that “sticks in your head”, the Court considered that the simple phrases in fact constituted the essential air of the work.⁹⁷ Although *Down Under* included many other elements, the essence of *Kookaburra* was still reproduced – the melodic phrase practically identical – and therefore it infringed copyright in *Kookaburra*.⁹⁸

Infringement is found if the essence of the work is captured. But the task of determining the essence of a work is still a highly nuanced one, requiring deft understanding and handling of musical material. In *EMI Songs*, the Court held that although minimalistic in substance, the song was still original and worthy of protection in that some level of skill was required to write the melody.⁹⁹ It must surely have been at the thin end of protection, but given that the whole of the “catchy melody” was used, that was enough on the facts of the case. The result may well have been different had *Kookaburra* contained elements beyond melody, and/or if that same melody was shown to have existed in other songs before *Kookaburra*.

Similarly, even if the *Eminem* approach had been applied in the *Blurred Lines* case, it would have been possible for an ill-informed decision maker to apply an overly broad interpretation of the essence of Gaye’s music – the groove, the “vibe”, as is characteristic of funk and soul music – resulting in the same verdict. However, a closer and more knowledgeable reading would uncover that these songs merely share similar combinations of commonplace ideas of that genre. In order to find infringement for a work that has such thin copyright, the degree of similarity would have to be near identical in order to reproduce the essence and not just generic ideas – as was the case with both *Eminem Esque* and *Down Under*.

Justice Cull’s carefully considered and comprehensive discussion on musicology scholarship, particularly around composition and borrowing of ideas, should be commended. Her approach successfully distinguished inherently shared

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qualities of popular rap music from the essence which gives a work its originality and copyright protection.¹⁰⁰ It is not possible to complete this nuanced process without first appropriately framing what kind of similarity a judge or jury is looking for, and this must – as the *Sound of Music* taught us – “start at the very beginning, a very good place to start”.

When You Know the Notes to Sing, You Can Sing Most Anything

By establishing from the outset the borrowed nature of popular music, and the extent to which *Lose Yourself* is original, the Court in the *Eminem* case was able to freely discuss the similarities between *Lose Yourself* and *Eminem Esque* without the risk of being led astray by commonplace elements. This overture to the main discussion sets the judgment apart from the US cases, in which inaccurate, or at least muddled, approaches distract from the core issues at hand.

The necessary comparisons in *Eminem* were appropriately framed because there was consideration of how the commonplace elements fused together, and the emphasis was on the overall sound or essence of the songs.¹⁰¹ This approach destigmatises thin copyright, and can be applied regardless of whether a musical work has high or low originality.¹⁰² It ensures that the law is applied in a way that respects the limited scope of western composition, particularly in popular music, and the nuances of musical works. The *Eminem* approach advocates for artists to create using the tools they have freely, singing the notes they want to sing, while not impeding on others creativity. Without finding this harmony, copyright law risks reducing creativity to a meaningless commercial exploit, instead of championing original works of *creativity* as it should.

- 1 Solicitor, Dentons Kensington Swan. In addition to being legally qualified, Chelsea Wong is also a violinist and musicologist. This article draws on her musical knowledge and experience.
- 2 Senior Associate, AJ Park.
- 3 *Gray v Perry* (CD Cal, No CV15-05642-CAS (JCx)), Minutes of Defendants’ renewed motion for judgment as a matter of law, or alternatively for a new trial (16 March 2020) (“JMOL”) 9 citing *Campbell v Acuff-Rose Music, Inc*, 510 US 569, 575 (1994) which quoted *Emerson v Davies*, 8 F Cas 615, 619 (CCD. Mass 1845).
- 4 *Satava v Lowry*, 323 F3d 805, 810 (9th Cir. 2003) (“*Satava*”), cited with approval in *Skidmore v Led Zeppelin* 952 F3d 1051, 1069 (9th Cir, 2020) (“*Skidmore Appeal*”) 33.
- 5 *Satava and Swirsky v Carey*, 376 F3d 841, 848 (9th Cir. 2004) (“*Swirsky*”), cited in *Gray v Perry*, JMOL 6. See also *Eight Mile Style, LLC v New Zealand National Party* [2017] NZHC 2603 [122] (“*Eight Mile Style*”).
- 6 International Federation of the Phonographic Industry, *Global Music Report: The Industry in 2019* (Report, 2 May 2020) 7 <<https://www.ifpi.org/news/IFPI-issues-annual-Global-Music-Report>>. See also: Tim Ingham, ‘Music Business Worldwide’, *Global Recorded Music Industry Revenues Topped \$20bn Last Year – But Streaming Growth Slowed* (News Article, 4 May 2020) <<https://www.musicbusinessworldwide.com/the-global-recorded-music-industry-generated-over-20bn-last-year-but-streaming-growth-slowed/>>.

- 7 “Registration” under § 411(a) of the *US Copyright Act* (“17 USC”) recently confirmed to mean once an application has been formally examined and entered on the register by the US Copyright Office, rather than simply once lodged with the Office: *Fourth Estate Public Benefit Corp v Wall-Street.com, LLC* 139 S Ct 881 (2019). Note also that 17 USC § 407 requires a mandatory deposit of the complete work. One of the idiosyncrasies of US copyright law is the comparison made between the deposit copy and the allegedly infringing work. This creates real difficulties for cases in which the comparison to be made is between musical notation (particularly before 1 January 1978, when sound recordings were first allowed to attract copyright protection) and the recording of a modern, allegedly infringing song. These difficulties are noted in further detail below: see endnote 101.
- 8 *Swirsky* 844.
- 9 *LA Printex Industries Inc v Aeropostale Inc*, 676 F3d 841, 846 (9th Cir 2012).
- 10 *Three Boys Music Corp v Bolton*, 212 F3d 477, 485 (9th Cir 2000) (“*Three Boys Music Corp*”).
- 11 *Malibu Textiles Inc v Label Lane International Inc* 922 F3d 946, 952-52 (9th Cir 2019).
- 12 *Satava* 810.
- 13 Exclusive rights including, for example, copying, issuing of copies to the public, performance in public, communication to the public, and adaptations of original works.
- 14 *EMI Songs Australia Pty Limited v Larrikin Music Publishing Pty Limited* [2011] FCAFC 47 (“*EMI Songs*”) [45]–[57]; *Eight Mile Style* [49].
- 15 *EMI Songs* [47], [54]; *Eight Mile Style* [51], [64].
- 16 *EMI Songs* [52]; *Eight Mile Style* [52] citing *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273 (HL) (“*Ladbroke*”).
- 17 *EMI Songs* [48]; *Eight Mile Style* [52] citing *Ladbroke*.
- 18 *Williams v Gaye* 895 F3d 1106 (9th Cir 2018) (“*Williams v Gaye*”).
- 19 *Gray v Perry*, JMOL.
- 20 *Skidmore Appeal*.
- 21 [2017] NZHC 2603.
- 22 See: Gary Trust, ‘Robin Thicke’s “Blurred Lines” is Billboard’s Song of the Summer’ *Billboard* (News article, 5 Sept 2013) <<https://www.billboard.com/articles/news/5687036/robin-thicke-blurred-lines-is-billboards-song-of-the-summer>>.
- 23 *Williams v Bridgeport Music* (CD Cal, No CV13-06004-JAK (AGRx)) Motion for Summary Judgment (30 October 2014) 12.
- 24 *Williams v Bridgeport Music*, Plaintiff’s Complaint for Declaratory Relief (15 August 2013); Motion for Summary Judgment (30 October 2014).
- 25 *Williams v Bridgeport Music*, (CD Cal, No CV13-06004-JAK (AGRx), 2 Dec 2015); *Williams v Gaye*.
- 26 *Williams v Bridgeport Music*, Motion for Summary Judgment 2, 5.
- 27 *Williams v Bridgeport Music*, Motion for Summary Judgment 11.
- 28 *Williams v Bridgeport Music*, Motion for Summary Judgment 2, 4, citing *Three Boys Music Corp*.
- 29 *Williams v Gaye* 1120.
- 30 *Williams v Gaye* 1120, citing *Mattel, Inc. v MGA Entertainment, Inc.*, 616 F3d 904, 913-914 (9th Cir. 2010) (“*Mattel*”).
- 31 *EMI Songs* [55] per Emmett J, citing *Ice TV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458 [32]–[33].
- 32 Rickey Vincent, ‘Funk’ *Encyclopedia Britannica* (Web Site, 26 Aug 2020) <<https://www.britannica.com/art/funk>>.
- 33 Some listening examples can be found in: Sander Hidding, *Nu-Funk: Contemporary Soul & Modern Funk* (Spotify playlist) <<https://open.spotify.com/playlist/251fH4HdHlBGRNuo0ehzfwfF>>.
- 34 *Williams v Gaye* 1120.
- 35 *Williams v Gaye* 1139.
- 36 *Williams v Gaye*, Dissenting Judgment by Nguyen J 1138–52.
- 37 *Gray v Perry*, Minutes of 8th Day Jury Trial, verdict reached (29 July 2019).

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- 38 *Gray v Perry*, Wais Declaration in Support of Motion for Summary Judgment, Exhibit 3 Expert Report of Todd Decker (6 April 2017) 19: reference is made to the *Oxford Companion to Music* (Oxford University Press, 2002) definition of an ostinato: “An ostinato is ‘a fairly short, melodic, rhythmic, or chordal pattern repeated continuously throughout a piece or section.’”
- 39 *Gray v Perry*, Wais Declaration in Support of Motion for Summary Judgment, Exhibit 3 Expert Report of Todd Decker (6 April 2017).
- 40 *Gray v Perry*, Wais Declaration in Support of Motion for Summary Judgment, Exhibit 4 Expert Report of Lawrence Ferrara (5 May 2017).
- 41 *Gray v Perry*, Jury Instruction No 34: The jury were instructed that: “[T]he plaintiffs contend that the instrumental beat of the ostinato in ‘Joyful Noise’ is protectable expression. The defendants contend that any similarities between the instrumental beat of the ostinato in ‘Joyful Noise’ and ostinato #2 in ‘Dark Horse’ comprise solely of non-original and unprotectable commonplace expression”. Although this hints at unprotectable commonplace elements, it does not provide full and proper guidance, or give the jury context for considering the work as a whole. It directs their attention to the ostinato in itself.
- 42 *Skidmore Appeal*.
- 43 *Gray v Perry*, JMOL.
- 44 *Gray v Perry*, JMOL 6.
- 45 *Gray v Perry*, JMOL 9.
- 46 Namely, key of the ostinato, the use of an ostinato as a device in and of itself, use of repeated semiquavers, the particular pitch sequence, resolution of the pitch sequence, syncopated rhythm, the synthesizer timbre and the texture or layers of the composition. *Gray v Perry*, JMOL 14-15.
- 47 *Gray v Perry*, JMOL 10, 13.
- 48 *Gray v Perry*, JMOL 21. See also: Répertoire International des Sources Musicales, *RISM and Katy Perry* (News Article, 20 January 2020) <<http://www.rism.info/en/home/newsdetails/article/2/rism-and-katy-perry.html>>.
- 49 *Gray v Perry*, JMOL 19.
- 50 *Gray v Perry*, JMOL 22.
- 51 *Gray v Perry*, JMOL 22.
- 52 *Gray v Perry*, JMOL 24.
- 53 *Skidmore Appeal*.
- 54 *Skidmore v Led Zeppelin*, No. CV 15-3462 RGK (AGRx) (C.D. Cal.), Motion for Summary Judgment (April 18, 2016), at 17.
- 55 *Skidmore v Led Zeppelin*, Motion for Summary Judgment 4.
- 56 *Skidmore Appeal* 1060.
- 57 *Skidmore v Led Zeppelin*, 905 F3d 1116 (9th Cir 2018), reh’g en banc granted, 925 F3d 999 (9th Cir 2019).
- 58 *Skidmore Appeal*, Brief for the United States as Amicus Curiae in support of Appellees, (9th Cir 15 August 2019) (“US Amicus Brief”) 31.
- 59 *Skidmore Appeal*, US Amicus Brief, 31.
- 60 *Skidmore Appeal* 1064.
- 61 *Skidmore Appeal* 1069.
- 62 *Skidmore Appeal* 1075 citing *Satava*. See for comparison *Gray v Perry*, JMOL 6 citing *Satava*; *Williams v Gaye* Dissenting Judgment by Nguyen J1138-1152. .
- 63 *Skidmore Appeal* 1071.
- 64 *Skidmore Appeal* 1075.
- 65 See All the Music LLC, *Just Make Music* (Web Page, 13 January 2021) <<http://allthemusic.info/>> for more information on the project.
- 66 See Creative Commons, *CC0*, also defined as “No Rights Reserved” (Web Page, 13 January 2021) <<https://creativecommons.org/share-your-work/public-domain/cc0/>>.
- 67 See Damien Riehl, “TEDx Minneapolis’ *Copyrighting all the Melodies to Avoid Accidental Infringement* (YouTube Video, 31 January 2020) 6’15” <<https://youtu.be/sjtm0MoOgiU>>.
- 68 For interest, here is a quick tutorial on keys and scales in music theory: Ableton, *Keys and Scales* (Web Page) <<https://learningmusic.ableton.com/notes-and-scales/keys-and-scales.html>>.
- 69 As in, the length of the melody is made up of 12 notes, including any repetitions of note pitches. Not to be confused with the 12 individual notes that make up the entirety of notes available to a composer.
- 70 Riehl, *Copyrighting all the Melodies to Avoid Accidental Infringement* 4’52”.
- 71 See *Eight Mile Style* [127]: the Court acknowledges that American music copyright cases have traditionally placed focus on the melody of the original work as attracting copyright, however “the notion that melody today is the primary locus of music’s value, however defined, is a fiction” in itself, and cases are starting to move away from this.
- 72 *Williams v Bridgeport Music* was an attempt to find copyright in a combination of non-melodic elements.
- 73 *Gray v Perry*, JMOL 22.
- 74 *Eight Mile Style*.
- 75 *Eight Mile Style* [49] citing *Wham-O MFG Co v Lincoln Industries Ltd* [1984] 1 NZLR 641 (CA) 666.
- 76 *Eight Mile Style* [76].
- 77 *Eight Mile Style* [76].
- 78 *Eight Mile Style* [76].
- 79 *Eight Mile Style* [84].
- 80 *Eight Mile Style* [108]–[109].
- 81 *Eight Mile Style* [108]. For interest, see discussion from [109]. The Court refers to seminal texts on music borrowing scholarship by musicologist J Peter Burkholder. It also references *Theft: A History of Music*, a research thesis presented in a comic by James Boyle and Jennifer Jenkins of Duke University Law School with drawings by Keith Aoki. Duke Law, *Tales from the Public Domain – Theft: A History of Music* (Web Page) <<https://web.law.duke.edu/musiccomic/>>.
- 82 *Eight Mile Style* [109].
- 83 *Eight Mile Style* [89] citing *Ladbroke*.
- 84 *Eight Mile Style* [107] citing *Austin v Columbia Graphophone Co Ltd* [1917-1923] Mac CC 398 (Ch) 408 , 415. See also *EMI Songs* [47].
- 85 *Eight Mile Style* [122].
- 86 *Eight Mile Style* [118], [120].
- 87 *Eight Mile Style* [211], [217].
- 88 *Eight Mile Style* [203].
- 89 Kyle Adams, “The Musical Analysis of Hip-Hop” in Justin A Williams (ed) *The Cambridge Companion to Hip-Hop* (Cambridge University Press, 2015) 118. Cited in *Gray v Perry*, Wais Declaration in Support of Motion for Summary Judgment, Exhibit 8 Response of Todd Dekker to Expert Report of Lawrence Ferrara (9 June 2017)166.
- 90 *Eight Mile Style* [211].
- 91 *Eight Mile Style* [275].
- 92 *Eight Mile Style* [203], [213]. See also [131]: “As the musical copyright authorities reinforce, it is not sufficient, therefore, to simply alter a melodic line, to show that notes have been changed, when the sound remains the same or similar to the original”.
- 93 *Eight Mile Style* [147].
- 94 *Eight Mile Style* [107] citing *Sawkins v Hyperion Records Ltd* [2005] EWCA Civ 565, [2005] 1 WLR 3281 [54].
- 95 [2011] FCAFC 47.
- 96 *EMI Songs* [13].
- 97 *EMI Songs* [85], [136].
- 98 *EMI Songs* [93]–[94].
- 99 *EMI Songs* [84]–[85].
- 100 Although the case has progressed to the Supreme Court, the issue of copying itself has not been appealed and her Honour’s reasoning remains sound.
- 101 It should be noted that some of the shortcomings of the US cases are due to statutory requirements to only consider the deposit copy of original works, rather than being able to truly compare the sound of musical recordings. Deposit copies are an idiosyncrasy of the US system, and the impact of solely relying on notated material in a music case is a whole other issue worthy of discussion in itself.
- 102 *Eight Mile Style* [201].

Parameteritis in Patent Claims – New Diagnosis, Old Cures

Craig Smith¹

Like their inventor clients, patent attorneys can display ingenuity, as seen in their drafting of patent claims to sidestep problematic prior art. Those who are thwarted in their efforts to neatly despatch claims by a lack of novelty attack may argue for a means of cutting through, so as to remedy a perceived gaming of the patent system. A label that has been applied to some of these drafting strategies, and which has developed some traction in Australia in recent years, has been that the claims involve “parameteritis”. That label is applied where claims are limited in an arbitrary way, including by arbitrary parameters. Some Patent Office decisions have suggested that where there is parameteritis, a different approach to assessing lack of novelty is warranted.

This article explores the case law that is referenced by those asserting that parameteritis is a substantive facet of Australian patent law, rather than a mere descriptive label. It also looks to an earlier body of case law that addressed similar attempts to expand the scope of the ground of novelty.

The conclusion reached is that the cases do not establish that any different approach to novelty may be taken in cases where parameteritis is diagnosed. The ground of novelty sits within a broader statutory framework, and its role is limited and logically distinct from other grounds. Its scope is also inextricably linked to that of infringement, connected by the “reverse infringement” test that is a necessary, but not sufficient, requirement for novelty.

Parameteritis may instead be “cured” by other grounds available under the *Patents Act* 1990 (Cth), in particular, lack of inventive step. The potential role for those grounds is canvassed, including the role that novelty may still play for some parametric claim integers.

A. Parameteritis and its Origins in Australian Law

Parameteritis (sometimes written as parametritis – it is, after all, a neologism) is a pejorative label that was adopted by Justice Laddie in *Raychem Corp’s Patents* [1998] RPC 31 (“*Raychem*”), who said it was a term that had become “known amongst patent lawyers”.² Laddie J described it as a:

*practice of seeking to repatent the prior art by limiting claims by reference to a series of parameters which were not mentioned in the prior art.*³

By including such parameters in patent claims, Laddie J explained that it may be:

*impossible to prove now that the prior art inevitably exhibited the parameters and therefore it is impossible for an opponent to prove anticipation.*⁴

While the term parameteritis had been referred to in three earlier Patent Office decisions, its principal introduction into the Australian patent law lexicon was through Justice Bennett’s use of that term in *Williams Advanced Materials Inc v Target Technology Co LLC* (2004) 63 IPR 645 (“*Williams*”). There, her Honour used the label parameteritis more broadly than in *Raychem*, in relation to claims that limited the ranges of constituent components of a metal alloy in an arbitrary way, where the specification did not suggest that those limitations formed part of the invention.⁵ Unlike Laddie J’s definition of parameteritis, the relevant claim integers *did* involve parameters that had been mentioned in the prior art.

In *Otsuka Pharmaceutical Co Ltd v Generic Health Pty Ltd* (2016) 120 IPR 431 (“*Otsuka*”) Justice Beach (giving separate reasons to Besanko and Nicholas JJ) considered that parameteritis was also apt to describe the inclusion in a claim of a scientific theory, where doing so involved an attempt to re-patent the prior art.⁶ His Honour said that this was a “variant form of parameteritis”.⁷ Beach J again referenced this aspect of parameteritis in *BlueScope Steel Limited v Dongkuk Steel Mill Co. Ltd (No 2)* [2019] FCA 2117, although not as part of any substantive consideration.⁸

Four other Australian court decisions have referred to parameteritis. In *Austal Ships Pty Ltd v Stena Rederi Aktiebolag* (2005) 66 IPR 420 (“*Austal Ships*”), Bennett J distinguished her earlier decision in *Williams*, and concluded that the relevant claim integers relating to the design of a ship hull were not arbitrarily selected, but were “carefully chosen” and “related to a claimed advantage” and so did not involve parameteritis.⁹

Rares J in *Orion Corp v Actavis Pty Ltd* [2015] FCA 909 (“*Orion Corp*”) considered an argument that specified ranges for weight and volume for a pharmaceutical tablet involved parameteritis, but concluded that the integers were not arbitrary.¹⁰

In *Meat and Livestock Australia Ltd v Cargill, Inc* (2018) 129 IPR 278 (“*MLA*”) Beach J rejected submissions that the claims involved parameteritis, because the relevant parameters (the number of single nucleotide polymorphisms (“SNPs”) that needed to be identified as associated with a particular trait, and the number of genes on which those SNPs were to be located) were not arbitrary.¹¹

And in *Interpharma Pty Ltd v Hospira, Inc (No 5)* (2019) 149 IPR 182 (“*Interpharma*”) Kenny J rejected an assertion of parameteritis by concluding that the relevant blood plasma concentration that had to be achieved by practising the method was not arbitrary.¹²

The term parameteritis has been used in these decisions in relation to a variety of claim integers, and in a manner that suggests its potential application to the use of arbitrary claim integers more generally, rather than being strictly limited to integers comprising a measurable parameter.

These decisions are considered further below, to assess whether their use of the term parameteritis was as a mere label to describe a class of claim integers, or whether those cases support a conclusion that considerations of parameteritis have a substantive role to play in assessing the validity of a claim.

B. Parameteritis as Referenced and Applied in the Patent Office

Parameteritis has been considered in a greater number of proceedings before the Australian Patent Office. It has been referred to in 26 proceedings, and considered as part of an assessment of validity in 22 of those cases.

The first decision to refer to parameteritis was *Nippon Steel Corp v BHP Steel (JLA) Pty Ltd* [1999] APO 70 (“*Nippon Steel*”). The Delegate referenced *Raychem* in finding that the claimed method of casting steel lacked an *inventive step* because none of the parameters which distinguished the claims from the prior art supported a finding of inventiveness. The Delegate agreed that each of the six integers was either meaningless or arbitrary. Notably, the Delegate’s approach was that such parameters:

might make the claims novel [but] did not make them inventive.

Raychem was again cited in *Eleven Lighting Pty Ltd v Interium Pty Ltd* [2003] APO 10 (“*Eleven Lighting*”), although without reference to parameteritis. The Delegate considered that a relevant feature of claim 1 was “essentially arbitrary”, but still resulted in the claim being novel. The arbitrariness of the feature was, however, relied on to conclude that there was no inventive step when compared with each piece of prior art available under section 7(3).

For the reasons developed below, the approach taken in *Nippon Steel* and in *Eleven Lighting* to support a finding

of lack of inventive step, but not lack of novelty, involved an orthodox application of established principles – the arbitrariness of a claim integer cannot justify a different approach being taken towards assessing novelty, but may be relevant to an assessment of obviousness.

Euroceltique – a Shift in Approach

Three other Patent Office decisions predated Justice Bennett’s decision in *Williams*, and cited *Raychem*, two of which also referred to parameteritis,¹³ but none applied any related principles to their facts. Two Patent Office decisions subsequent to *Williams*, in 2006 and 2008, referred to *Raychem*, but found that the relevant claim integer was functional and not arbitrary.¹⁴ Then in 2009, the decision in *Euroceltique SA v Sandoz Pty Ltd* [2009] APO 21 (“*Euroceltique*”) issued. The Delegate stated in that decision:¹⁵

It is clear that parameteritis is not objectionable per se. However, it may give rise to grounds of opposition, depending on the merits of the case.

The Delegate referred to *Williams*, noting that Bennett J found in that case that there was parameteritis *and* a lack of novelty, and then referred to *Austal Ships* and the basis on which her Honour distinguished *Williams*, which was that the parameters had been carefully chosen, and related to the claimed advantage of the combination. The Delegate then set out the following summary, which has been cited in many subsequent Patent Office decisions, and is referenced in the Australian Patent Office Manual:¹⁶

The critical question in the present case is whether the parameters used to define the dissolution of tramadol preparations have been chosen to achieve a technical effect, or whether they are an arbitrary convenience.

The Delegate did not explain *why* this was a “critical question”, and concluded that the relevant dissolution profile had a technical effect such that there was no parameteritis, and so did not take the analysis any further.

Since *Euroceltique*, the issue of parameteritis has been raised and considered in a further 21 Patent Office cases,¹⁷ 16 of those within the last five years, and about half of which have cited *Euroceltique*.

In many of those decisions the issue has been approached on the basis that if parameteritis were established, then the relevant claim integers were to be considered inessential, and hence able to be disregarded when considering novelty.¹⁸ For the reasons set out below, that approach is at odds with established case law.

Notwithstanding the extensive references to parameteritis in Patent Office decisions, and the consideration in most of those decisions of whether the subject claims involved parameteritis, no Patent Office decision since *Nippon Steel*

in 1999 has found there to be parameteritis on the particular facts under consideration. No Patent Office decision has used a finding of parameteritis to support a finding of lack of novelty (in *Nippon Steel* consideration of parameteritis went to obviousness only).

C. Parameteritis Does Not Provide a Basis for Disregarding Claim Integers

In *Raychem*, Laddie J made clear that even if parameteritis was involved “it does not alter the task of the court”, and said that “at the end of the day the test of invalidity must be the same, whatever the form of the claims”.¹⁹

Justice Bennett did not expound upon the implications of her conclusion that there was parameteritis in *Williams*. As explained in section F.2 below, her Honour’s conclusion that relevant claims lacked novelty appears to have been reached by applying conventional principles.

That view is consistent with her Honour’s later decision in *Austal Ships*, in which Bennett J addressed the issue of parameteritis at greater length, and said that a conclusion that a claim involves parameteritis:

*does not affect the need to demonstrate anticipation or want of novelty.*²⁰

In *Orion Corp*, Rares J considered a submission that the claims involved parameteritis in the context of his consideration of the ground of novelty, but his Honour did not refer to any applicable case law, and did not articulate what the consequences of a finding of parameteritis would have been.²¹

Otsuka Pharmaceutical v Generic Health

In *Otsuka*, Beach J considered the issue of parameteritis by way of *obiter* only, because his Honour concluded that the relevant claim integer was properly construed as a “prefatory description”, rather than a separate substantive claim integer, and therefore found that those words did not need to be considered when assessing novelty.²²

The relevant claim integer was one that specified, as part of a method of treatment claim using a known pharmaceutical compound (aripiprazole), that it be for treating “disorders of the central nervous system associated with [the] 5HT_{1A} receptor subtype”. The prior art had not referred to the association with that particular type of receptor, although it had taught the use of aripiprazole for treating different forms of schizophrenia.

Nevertheless, Beach J appeared to treat parameteritis as *potentially* affecting the approach that may be taken in assessing lack of novelty. His Honour said that, if he had accepted the appellants’ construction that the relevant claim integer was a separate and essential integer, the claims would *still* be invalid for lack of novelty, and the claims would be “infected with what patent lawyers would diagnose as parameteritis”.²³

Justice Beach explained his conclusion of parameteritis as follows, which he addressed in case he was wrong about the inessentiality of the relevant claim integer:²⁴

In the present case, the parameter is a statement in essence of a scientific theory positing a link between relevant disorders of the central nervous system and the 5-HT_{1A} receptor subtype. But to inject this parameter adds nothing to the invention. It does not create a new process or method. It does not create a new use of an old product. In substance, one still has an old use of an old product or a more limited class of an old use of an old product. Scientific knowledge may have been enhanced by the identified association, whatever “association” or “associated” means, between the receptor subtype and the disorder. But there is no new invention by the addition of such knowledge to the claim language or using it as a limitation.

It may be noted that Beach J’s language in this passage echoes that used in relation to the issue of manner of manufacture, and in particular the “*Microcell* test”,²⁵ as to whether a claim involves a mere use of a known product for a use for which its known properties make it suitable. But his Honour was not considering that ground.

A claim will lack novelty if practising a prior art disclosure will inevitably result in all of the claim integers, and in the concluding section of his judgment Beach J referred to and approved the trial judge’s reasons on novelty, which included a conclusion of inevitable result.²⁶ It is possible that his Honour was intending to refer to those principles in the passage quoted above, although he did not expressly do so.

Importantly, Beach J did not address what the practical effects of a conclusion of parameteritis would be when assessing novelty, and there is no clear statement in *Otsuka* that suggests a different approach may be taken towards establishing lack of novelty in a case involving parameteritis.

Meat and Livestock Australia v Cargill

Justice Beach returned to the issue of parameteritis in *MLA*, although as noted above he rejected such a characterisation on the facts of that case, finding that the relevant claim integers did not involve an arbitrary parameter.

Significantly, Beach J made the following observation, which reinforces that there is nothing inherently wrong with a narrowing claim integer that is arbitrary:²⁷

[T]here is no need for any particular scientific or technical justification to be given in the specification for what is a limiting feature of the claim. And even if a feature was included so as to narrow the claim and avoid an argument about the prior art, that does not of itself defeat a patent.

Later, in the context of considering novelty, his Honour noted that MLAs:

attempt to elide integers of the claims by recourse to parameteritis should also be rejected.

Beach J elaborated as follows:²⁸

These integers, such as the identification of at (sic) minimum number of SNPs (or the use of more than one gene) to be used in the claimed method, or the particular traits to be inferred, are not just parameters that have arisen from new measuring techniques or a statement of an underlying scientific theory. They are essential and limiting integers of the claimed method.

Again, this decision provides no clear suggestion that any different approach should be taken towards establishing lack of novelty where it is concluded that the claims involve parameteritis, notwithstanding the potential suggestion that the claim integers may have been “inessential” if a different conclusion had been reached about their role.

Conclusion on Parameteritis

Parameteritis is not a term that has any foundation in the *Patents Act* 1990 (Cth). In each of *Austal Ships*, and *Raychem*, the court expressly confirmed that, whether or not claims are considered to involve parameteritis, the same tests of invalidity apply. None of the other Australian cases that have considered parameteritis provides any clear support for a different approach to be taken in assessing novelty.

D. Parameteritis, “Mechanical Equivalents” and “Inessential Integers”

The references to parameteritis in recent court and Patent Office decisions echo an earlier debate as to the proper boundaries of the ground of novelty.

Griffin v Isaacs and the Patents Act 1903 (Cth)

In the High Court of Australia (“High Court”) decision *Griffin v Isaacs* (1938) 1B IPR 619, Dixon J said, in the context of an appeal from a patent opposition:²⁹

Where variations from a device previously published consist in matters which make no substantial contribution to the working of the thing or involve no ingenuity or inventive step and the merit if any of the two things, considered as inventions, is the same, it is, I think, impossible to treat the differences as giving novelty.

Modern-day patent lawyers will recognise that statement as forming the basis for the test of innovative step, introduced into Australian patent law in 2001³⁰ (being phased out from 26 August 2021).

The Patent Office decision *Re National Research Development Corporation* (1992) 24 IPR 123 illustrates the similarity between such an approach to novelty and parameteritis. The Assistant Commissioner of Patents cited *Griffin v Isaacs* and relied on it to uphold the examiner’s lack of novelty objection on the basis that the narrowing claim integer (the dosage amount of a pharmaceutical) was arbitrary,

and hence made no contribution to the working of the invention, and concluded that it could therefore be ignored when considering whether the claim was novel.³¹

In *RD Werner & Co Inc v Bailey Aluminium Products Pty Ltd* (1989) 25 FCR 565 (“*Werner*”) Gummow J (with whom Jenkinson J agreed³²) explained why the approach in *Griffin v Isaacs*, and other High Court cases from that time, did not apply to patents granted under the 1952 Act. He explained that the approach taken in *Griffin v Isaacs* could partly be explained by the fact that obviousness was not a ground of opposition under the *Patents Act* 1903 (Cth), and the High Court was likely reluctant to permit the grant of a monopoly for an invention that might readily be revoked for obviousness.³³ But the law had developed in subsequent cases, and the legislation had changed, such that the distinction between lack of novelty and obviousness had become of “crucial importance”.³⁴ More recent High Court authority than *Griffin v Isaacs* referred to novelty as being fundamentally different from obviousness,³⁵ and Gummow J concluded that consideration of inventiveness could no longer form any part of the law of novelty.³⁶

“Mechanical Equivalents”

Despite Gummow J’s conclusion in *Werner* as to the distinction between novelty and inventive step, his Honour considered that the trial judge had been correct in considering whether the claimed invention differed from the prior art by something other than a “workshop variation” or “mechanical equivalent”.³⁷ That is, the Court retained some flexibility in applying the test of novelty.

A Full Court of the Federal Court of Australia (“Full Court”) comprising the same members revisited the ground of novelty the following year in *Nicaró Holdings Pty Ltd v Martin Engineering Co* (1990) 16 IPR 545 (“*Nicaró*”), and refused an appeal from a finding that the claims were novel. Gummow J noted that there had historically been “some drift in the authorities as to the degree of rigour with which the alleged anticipation is to be tested”.³⁸ Correcting his approach in *Werner*, he said that consideration of “workshop improvements” was properly confined to the requirement of inventive step,³⁹ and explained that while the prior art is to be viewed through the eyes of a skilled addressee:⁴⁰

[H]is Lordship [in Van der Lely]⁴¹ was not saying that an alleged anticipation of a combination claim, which did not include an integer thereof, nevertheless would constitute an effective disclosure if what was required of a skilled addressee to produce that claimed combination was the taking of an obvious and non-inventive step by way of workshop improvement.

However, Gummow J maintained his view that lack of novelty would be established if the claim differed from the prior art only by a “mechanical equivalent”, saying:⁴²

[W]here what is in question is an inessential integer, a device which contains the essential integers will fall within the claim, whether or not an inessential integer is replaced by an obviously equivalent device or omitted altogether; hence, the expression “mechanical equivalent” ...

There was no further explanation as to why or how an integer would be found to be “inessential”. Six months later, Gummow J tangentially returned to this issue in *Prestige Group (Australia) Pty Ltd v Dart Industries Inc* (1990) 26 FCR 197, and confirmed that the concept of “mechanical equivalents” only applied to integers that had been construed as being “inessential”, rather than “essential”,⁴³ but did not address why or how a claim integer would be found to be “inessential”.

In *Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 44 IPR 481 the Full Court referred with approval to English authority to the effect that a prior document is only anticipatory if it explicitly teaches something within the claim, or a skilled person would understand it to be teaching something within the claim.⁴⁴ It referred to the issue of “mechanical equivalents” and said that any scope for that concept was narrow since it only applies to inessential integers.⁴⁵ Again, the Court did not address why or how a claim integer could be identified as being “inessential”.

“Inessential Integers”

None of the above cases expanded upon the issue of what is meant by an “inessential” claim integer. It cannot be the case that a claim integer is inessential *if* it has a “mechanical equivalent”, as that would be circular (although that is an approach that has been applied in some Patent Office decisions).⁴⁶

The cases also do not answer the question of why, in the case of an “inessential” integer, there is a need to consider issues of “mechanical equivalents” at all in applying a reverse infringement analysis (rather than disregarding the inessential integer). The reason for the enduring references to “inessential” integers and “mechanical equivalents” seems to lie in the evolution in meaning of “essential” and “inessential” integers over time.

Early Patents

The requirement for patents to include at least one claim was only introduced in 1883.⁴⁷ The doctrine of “pith and marrow”, which looks to the substance of what is disclosed, was of more importance when a patent either did not have claims, or claimed matter by reference to the whole, or a part of, the specification.⁴⁸

The claim in *Clark v Adie* (1877) 1A IPR 12, which is the House of Lords decision that developed the “pith and marrow” doctrine, illustrates the approach taken towards patent claiming at that time.⁴⁹ The relevant claim required

a review of the specification to determine the nature of the improved horse clipper that was being claimed, and to determine which “parts” or “steps” of what was described might be omitted while still amounting to only a “colourable departure” from what was described.⁵⁰ Lord Cairns explained that, for some patents, there might be “an invention which is a subordinate integer in the larger invention”, which might involve one step, or a number of steps, and which constituted a “minor invention”, and that taking that minor invention might also infringe.⁵¹

A Shift Towards Detailed Claims

During the 20th century the role of the claims in defining the scope of the monopoly acquired greater importance. That role was emphasised by the House of Lords in *Electric & Musical Industries Ltd v Lissen Ltd* (1938) 56 RPC 23, which explained that the public should know the “exact boundaries” of the monopoly being claimed.⁵²

In *Rodi & Wienberger AG v Henry Showell Ltd* [1969] RPC 367 Lord Hodson explained that the doctrine of “pith and marrow”, in respect of infringement, had lost much of its importance in the United Kingdom (“UK”) since the passing of the 1949 *Patents Act* because the:

modern form of claim covers all essential features, whereas in earlier days it was often necessary sometimes to search the specification for the “pith and marrow” of what was claimed⁵³

Justice Gibbs cited *Rodi & Wienberger* in *Olin Corporation v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236 for the following propositions (emphasis added):⁵⁴

*[T]he principle that there may be infringement by taking the “pith and marrow” or the substance of an invention does not mean that there will be an infringement **where the patentee has by the form of his claim left open that which the alleged infringer has done. And it does not affect the fundamental rule that there will be no infringement unless the alleged infringer has taken all of the essential features or integers of the patentee’s claim.***

In *Minnesota Mining and Manufacturing Co v Beiersdorf (Aust) Ltd* (1980) 144 CLR 253, the High Court said that while the doctrine of “pith and marrow” had become “less often applicable”, it was still the law that a defendant may not:

take the substance of an invention unless the wording of the claims make it clear that the relevant area has been deliberately left outside the claim.⁵⁵

“Inessential Integers” and Claim Construction

In *Populin v HB Nominees Pty Ltd* (1982) 41 ALR 471, the Full Court expanded on the issue of essential and inessential integers, and explained that, because claims operate as a disclaimer of what is not specifically claimed, the patentee must be “vigilant” in claiming only the essential integers,

and to distinguish what is essential from what is inessential. The Court said:⁵⁶

[I]f, on its true construction, the claim in a patent claims a particular combination of integers and the alleged infringer of it omits one of them he will escape liability.

The Court explained that this strict position was ameliorated by courts avoiding “too technical or narrow a construction of claims”, and that “in reliance on” such an approach towards claim construction, courts have not allowed respondents to “escape infringement by adopting what are immaterial variations”.

Of course, because of the logic of “reverse infringement”, prior art can similarly anticipate a claim because of the same approach to construction. That is, there can be anticipation where the prior art includes an “immaterial variation” if the prior art still falls within the claim, *as construed*. But this does not involve an integer of a claim being found to be “inessential”.

The language of “immaterial variation” used in *Populin* is similar to that used by Hoffmann J in formulating what became known as the “*Improver* questions”, from *Improver Corporation v Remington Consumer Products Ltd* [1990] FSR 181. Those questions are directed to whether a patent claim should be *construed* more broadly, so as to encompass a “variant” that falls outside the scope of a narrower construction of that claim integer.⁵⁷

In *Sachtler GmbH & Co KG v RE Miller Pty Ltd* (2005) 65 IPR 605, Bennett J said that the *Improver* questions were of only limited assistance, but noted that they potentially operated as a:

*“check” on the conclusion reached as to the characterisation of essential or inessential integers present in the allegedly infringing article.*⁵⁸

In that comment, her Honour recognised that the issue of whether an integer is “inessential” can only be resolved by *construing* the claim.

The terminology of “essential” and “inessential” claim integers in the context of modern claims, and as used in *Werner* and *Nicaro*, is confusing. In an earlier era, when claims did not perform the role that they do now, there was a need to review the specification to determine what were the essential integers, as distinct from the inessential integers, because it was the specification that defined the invention.

Once patentees were required to circumscribe the boundaries of their claimed monopoly using detailed claims, the terminology of “inessential integer” appears to have been retained as a shorthand to refer to a related concept, which involved consideration of the *construction* of a claim to determine what was defined as the invention.

In *Nicaro*, Gummow J expressly refrained from considering the potential implications of purposive construction for the consideration of novelty,⁵⁹ despite the clear interrelationship between infringement and novelty – in both cases the claims need to be construed, and then compared with either the alleged infringement, or the prior art disclosure.

As used in *Werner* and *Nicaro* in connection with “mechanical equivalents”, an “inessential integer” cannot be referring to a claim integer *per se* being “inessential” in the sense of being able to be disregarded (or struck out), but to a narrower literal *construction* of a claim integer being inessential, where the proper construction of that claim integer is broader. That does not sit neatly with a more conventional understanding of a claim “integer”, because it does not involve discrete words in a claim being effectively struck out or ignored as being “inessential”.

The Modern Approach to “Essential” Claim Integers

In *GlaxoSmithKline Australia Pty Ltd v Reckitt Benckiser Healthcare (UK) Ltd* (2016) 120 IPR 406 the Full Court said:⁶⁰

In the context of modern claim construction, it would be a most unusual case where a feature expressly set out in the claim is not essential.

Examples of inessential claim integers do exist, such as a reference to a “preferred” feature in a claim, a listing of options within a claim, or a cascade of narrowing ranges within a single claim, each of which is sometimes seen in patent claims.⁶¹

While an Australian court has some flexibility in *construing* the language used in a claim, including by applying principles of purposive construction,⁶² such an approach does not permit extending the scope of a claim integer to cover something *solely* on the basis that it is a mechanical equivalent: *Grove Hill Pty Ltd v Great Western Corp Pty Ltd* (2002) 55 IPR 257.⁶³

And a conclusion that a claim integer is not essential to the *operation* of the invention does not make that claim integer inessential: *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 67 IPR 230.⁶⁴ In *Otsuka*, the Full Court noted that its finding that the scientific theory claim integer was non-limiting was not reached by concluding that the integer was inessential, but rather by a process of construction, from which the Court concluded that it was merely descriptive of a quality of the disorders that would be treated – that is, it did not comprise a *separate* claim integer that needed to be satisfied for the purpose of establishing infringement.⁶⁵

Modern claim construction proceeds on an assumption that a patentee may have had good reason for including a claim integer, despite that reason not being apparent from the specification, and that one such “good reason” may be

to avoid argument as to anticipation by prior art that is not described in the patent.⁶⁶ Such an approach necessarily requires such unexplained (potentially trivial) claim integers to be treated as essential. This reasoning was noted by the Full Court in *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 67 IPR 230 in support of the conclusion that finding a claim integer to be inessential would be “rare”.⁶⁷

This approach to claim construction allows for a large measure of certainty for the public in assessing the scope of the claims of a granted patent, which is in the public interest.⁶⁸ That interest in achieving certainty would be undermined by allowing considerations of parameteritis to provide a rationale for ignoring aspects of claim language when assessing novelty.

The fact remains, however, that claim construction is frequently a contentious issue, and involves uncertainty. It is commonly the case that a defendant will consequently assert lack of novelty as a “squeeze” to guard against the possibility of a court being persuaded that the claims should be construed broadly enough to capture the defendant’s product or process.

E. Limiting the Scope of Patent Claims is a Legitimate and Necessary Strategic Consideration

Patents are invariably drafted using cascading sets of claims. While all of the claims must be properly supported by the disclosure in the specification – applying the requirements of the applicable version of section 40 of the *Patents Act* 1990 (Cth) – narrowing claim integers will routinely be included in dependent claims, or in narrower independent claims.⁶⁹ The intention is to achieve one or more claims that strike a balance between being broad enough to capture a commercially valuable monopoly, while being narrow enough to avoid revocation.

A patentee may claim both more broadly, and more narrowly, than the detailed embodiments described in the specification.⁷⁰ A patentee can claim more narrowly than what they have invented,⁷¹ and it can only be in the public interest for a patentee to claim less than they are entitled to.

One practical difficulty for the person drafting the claims is that the validity of those claims may ultimately need to be tested against prior art that the drafter is unaware of. That is one reason for including a range of different claim limitations in a set of patent claims.

Limiting a claim by reference to a parameter, *arbitrary or otherwise*, is one means by which the drafter may seek to craft a claim that avoids reading onto prior art. The narrowing integer need not be parametric, and product claims will often involve incorporating narrowing physical integers into a combination claim, even where such features may have no connection, or only limited connection, with the inventive

concept that is disclosed. Many alternative strategies are also employed.

While a narrowing claim integer may make a novelty attack more difficult, that does not mean that the principles for assessing lack of novelty should necessarily be more liberally applied. Nor does it mean that a narrowing claim integer is improper. As referred to above, the relative certainty that the public requires as to the scope of patent claims, from the perspective of infringement, is an important countering consideration. Novelty has its own separate “logically precise”⁷² role to play. As the High Court said in relation to submissions as to the shortcomings of fair basis in *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274, any perceived “unfairness ... ha[s] to be remedied under other heads of invalidity”.⁷³ Some of those alternative heads of invalidity, and their potential application to cases of parameteritis, are considered below.

If it is not possible to revoke an “unmeritorious” patent claim, that may instead signal that the calibration of the suite of grounds of invalidity in the *Patents Act* 1990 (Cth) needs to be revisited. This process of recalibration occurs over time, and has included the following significant changes:

- Introducing a worldwide prior art base for lack of novelty, with the commencement of the 1990 Act;
- Allowing the use of a document which is not part of the common general knowledge to supplement a lack of inventive step attack, which was introduced with the 1990 Act (section 7(3)), although originally subject to a threshold requirement that the document be one that could be ascertained, understood and regarded as relevant; and
- Extending common general knowledge to a worldwide basis, and allowing the automatic availability of an additional document when considering inventive step, each of which was introduced with the *Intellectual Property Laws Amendment (Raising the Bar) Act* 2012 (Cth) (“Raising the Bar”) amendments.

The second and third of those changes has reduced the practical need to resort to considerations of parameteritis or “mechanical equivalents” in order to address concerns about unmeritorious patents. Those changes may also partly explain why issues of “mechanical equivalents” feature far less frequently in more recent case law.

Limiting Claim Scope and Redefining the Nature of an Invention

There remains a tension between two concepts, which partly explains the motivation to label some patent drafting strategies as involving parameteritis:

1. a patentee may claim more narrowly than the disclosed embodiments, and more narrowly than they are entitled to; but

2. a narrowing integer (or integers) may be afforded (unjustified) significance in defending the validity of the claim from an obviousness attack.

Often that concern can be adequately addressed by analysing whether there is a lack of inventive step as part of a measured approach that does not give undue weight to the significance of the inclusion of trivial or arbitrary integers in the claim. This approach is expanded upon in section G below.

This tension has also been considered in the context of fair basis and support. Even where a *narrowing* amendment is made, if the amendment is construed as redefining the nature of the invention, then the claim may be found to lack fair basing or support (as applicable).⁷⁴ A similar approach applies under European law, although if an amendment is expressly made for the purpose of narrowing a claim to avoid a prior art disclosure it may be allowable.⁷⁵

A related issue arose in *Smith & Nephew Pty Ltd v Wake Forest University Health Sciences* (2009) 82 IPR 467, in relation to the ground of manner of manufacture. The relevant claim was to a combination of a particular bandage apparatus together with an “aseptic package”. The patentee submitted that the package integer was simply a narrowing claim integer, which did not affect the scope of the invention.⁷⁶ The Full Court rejected this submission, based on its construction of the claim within the context of the specification (and concluded that the claim was not to a manner of manufacture). The Court also emphasised that claims should be construed in a uniform manner when considering *all* grounds of invalidity.⁷⁷

F. Lack of Novelty

Establishing Lack of Novelty Involves a Strict Test, but with Attenuating Aspects

A relatively strict test is applied in establishing lack of novelty. For a prior art document to anticipate, it must contain “clear and unmistakeable directions” to do or produce something that would fall within the scope of the claim: *Flour Oxidizing Company Ltd v Carr & Co Ltd* [1908] RPC 428.⁷⁸

In *AstraZeneca AB v Apotex Pty Ltd* (2014) 226 FCR 324 (“*AstraZeneca*”) a five-member Full Court explained that the prior art must provide a sufficient disclosure of something falling within the claims:

*which involves a determination about whether a prior document has “planted the flag” as opposed to having provided merely “a signpost, however clear, upon the road” or, perhaps, something less.*⁷⁹

That statement picks up the language used in *The General Tire & Rubber Company v The Firestone Tyre and Rubber Company Limited*,⁸⁰ where the UK Court of Appeal explained (in a widely cited passage):

A signpost, however clear, upon the road to the patentee’s invention will not suffice. The prior inventor must be clearly shown to have planted his flag at the precise destination before the patentee.

While the test for lack of novelty is a strict one, there are a number of aspects in which the developed principles involve some flexibility, which may be effective in addressing a particular claim involving parameteritis:

- a prior art citation may implicitly disclose a relevant claim integer – the prior art disclosure is to be construed by a skilled person, who may discern features not evident to a layperson;⁸¹
- a prior art citation may disclose more than one thing, including a range of alternatives (see section F.2 below);⁸² and
- sufficient disclosure might result where, following the directions in the prior art, it *inevitably* results in disclosure of an undisclosed claim integer.⁸³

Novelty in respect of Arbitrary Limits

It will always be necessary to properly assess, through the eyes of a hypothetical skilled person, what a prior art document discloses. Where a relevant parameter is arbitrary, this may be logically relevant to how broadly a prior art disclosure may be interpreted, as explained below.

The reasoning of the Full Court in *AstraZeneca* is illustrative, although in that case the relevant parameter *was* considered to be substantive (not arbitrary). The Court overturned a finding of lack of novelty by the trial judge. The trial judge had found that the prior art 471 Patent anticipated a claim to the administration of a 5 to 10 mg dose of rosuvastatin by recommending that it be taken at a dose between 1 and 100 mg. On appeal the Full Court said that:⁸⁴

- if the trial judge had interpreted the 471 Patent as recommending all doses from 1 to 100 mg then her Honour was wrong, since the 471 Patent was clear that the relevant dose would depend on various factors, including the disease to be treated;
- but if, on the other hand, the trial judge had interpreted the 471 Patent as disclosing that a suitable dose could be found within the range from 1 to 100 mg, then that was not a sufficient suggestion or recommendation of any particular dose within the claimed 5 to 10 mg dose range.

Because the parameter range in that case, the dosage amount, was *not* arbitrary, the prior art disclosure lacked the required specificity to anticipate the claim.

The opposite conclusion was reached on the facts in the first instance decision in *Otsuka Pharmaceutical Co Ltd v Generic Health Pty Ltd (No 4)* (2015) 113 IPR 191 (upheld on appeal).⁸⁵ There Yates J considered a claim limitation that limited the method to a “third line” treatment, which would

be given only where there had been at least two previous alternative drugs used to treat the patient's schizophrenia. That claim limitation was found to be arbitrary, but, consistently with the authorities considered in section D.3 above, Yates J found that the claim limitation was an "essential feature of the invention as claimed".⁸⁶ Yates J said that the arbitrariness of the feature was significant to the invalidity case,⁸⁷ and construed the prior art disclosure as including all lines of treatment because there was "simply no reason for the person skilled in the art to have selectively read down" that document.⁸⁸

It can be seen that the two concepts are linked – the same reasoning that leads to a conclusion that the claim integer is an arbitrary limitation is why the skilled person would not read the disclosure in a prior art document narrowly in that relevant respect.

In *Williams* the prior art was similarly interpreted broadly because it was found that the parameters relating to the alloy content were arbitrary. The claims in suit were directed towards an optical storage medium, such as a CD, that included a reflective layer with prescribed amounts of silver and palladium (as a cheaper alternative to gold). Bennett J concluded that two of the claims lacked novelty over the prior art. In respect of the narrower of those claims (claim 10), that finding was reached despite the fact that the prior art taught an *overlapping* range as to the proportion of palladium required by the claim. In the course of her reasoning Bennett J observed that there was:

*nothing in the specification that suggests that the proportions or the ranges of the metals in the alloys are in any way part of the invention.*⁸⁹

It should be noted that there was also no *evidence* to suggest that those proportions would be understood to form part of the invention (although the patentee did not appear at the hearing).

Her Honour's quoted observation could additionally be understood as rejecting the possibility of any assertion by the patentee that the claims were to a "selection". To the extent that "selection patent" principles form part of Australian law (which remains unclear),⁹⁰ any selection would need to be supported by a disclosed substantial advantage, which is antithetical to an arbitrary range.

Novelty in respect of Newly Coined Parameters

Justice Laddie characterised parameteritis in *Raychem* as involving the use of parameters that "were not mentioned in the prior art".⁹¹ He identified a subset of such integers, involving the use of parameters "measured on test equipment which did not exist at the time of the prior art."⁹²

In practice, there may be difficulty in obtaining acceptance for claims containing such integers, in part because

patent offices recognise the clear risk that such claims will improperly re-patent the prior art.⁹³

If a claim is granted that includes such an integer, then lack of novelty would need to be established by proving anticipation by inevitable result. That may involve following the instructions provided in a prior art document and then making the relevant measurement according to the claimed integer. Alternatively, it may be possible to infer the inevitable result by proving that the prior art taught the making of something that is disclosed in the patent, and relying on a corresponding measurement disclosed in the patent itself that was made using the new test equipment.

If neither is readily possible, then the issue may instead need to be addressed under another ground; in particular, lack of inventive step.

G. Inventive Step

Lack of inventive step will often be the simplest and most effective ground to rely on in seeking to address an issue of parameteritis.

Where the parameter, the parameter range limits, or some other claim integer, adds nothing of substance to what has been claimed, then such a claim integer should not be capable of supporting the existence of an inventive step. Such integers may, however, obscure the process of demonstrating an absence of inventive step. An approach that is based on proving that a skilled person would be directly led to try something falling within the claim (such as the modified Cripps question)⁹⁴ may not be appropriate in such a case.⁹⁵

Jacob LJ gave an example illustrating this point in *Actavis UK Limited v Novartis AG* [2010] EWCA Civ 82, highlighting the limitations of the "problem-and-solution" approach commonly used in Europe.⁹⁶ His example was that of a 5¼ inch diameter dinner plate, where it is supposed that no-one can find a plate of that specific diameter in the prior art. Applying a "problem-and-solution" approach he reasoned that there would be "no particular reason to choose that diameter", but a conclusion that such a plate is therefore patentable was "absurd".⁹⁷ He noted that the limitation (a parameter) was "purely arbitrary", and said:⁹⁸

Trivial limitations, such as specifying the plate diameter, or painting a known machine blue for no technical reason are treated as obvious because they are not inventive.

In *Aktiebolaget Hässle v Alphapharm Pty Ltd* (2002) 212 CLR 411 the High Court, while endorsing the use of a "modified Cripps question" on the facts of that case, recognised that an assessment of what would have been "obvious" to the skilled addressee is ultimately a type of "jury question",⁹⁹ although one guided by principles developed in the case law. In *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2)*¹⁰⁰ the High Court did not apply the reformulated

Cripps question, and said that an inventive step required that there be “a scintilla of invention”, or “some difficulty overcome, some barrier crossed”, and required something “beyond the skill of the calling”. An arbitrary claim integer could not assist in satisfying the requirement of non-obviousness.

Where a claim integer is arbitrary, obviousness may alternatively be demonstrated by proving that the claim integer will *inevitably* be taken by a skilled person who is employing one or more obvious solutions to a relevant problem, as Laddie J explained in *Raychem*:¹⁰¹

Although it may not be obvious, in the common use of that word, to limit a claim by reference to this particular meaningless and arbitrary parameter, that has nothing to do with patentability. Patents are not given for skill in inventing technically meaningless parameters. Many [compositions] having obviously desirable characteristics will happen to fall within the limits of these claims. As such they cover what is obvious and would be invalid for this reason.

The above statements touch on two broad ways in which demonstrating a lack of inventive step may be approached for claims that include arbitrary claim integers:

1. Establishing that it would be obvious to do something falling within the scope of a broader (possibly hypothetical) claim that does not include the arbitrary claim integer, and then arguing that the limitation involving the arbitrary claim integer cannot separately give rise to an inventive step; and
2. Establishing that it would be obvious to do a range of things, *some* of which would inevitably involve satisfying the requirements of the arbitrary claim integer.

The *first approach* is often adopted in addressing whether a *suite* of dependent claims lacks an inventive step when the inventive step argument has focused on an independent claim, and resulted in a conclusion of lack of inventive step.¹⁰² Of course, care must always be taken to consider the validity of each combination, where a combination is claimed, and not merely the obviousness of the individual integers.¹⁰³

Such an approach may even be taken for an independent claim, where *all* of the claim integers are arbitrary, and the claim does not solve any problem, as the Full Court concluded in *Konami Australia Pty Ltd v Aristocrat Technologies Australia Pty Ltd* (2016) 119 IPR 402.¹⁰⁴

Where an arbitrary claim integer has been included to avoid a specific prior art disclosure, then such an integer is unlikely to give rise to an inventive step if that prior art document is available as a “plus one” document pursuant to section 7(3). For post-Raising the Bar patents,¹⁰⁵ such a document will always be available.

The *second approach* to establishing lack of inventive step requires evidence that, among potentially multiple approaches to solving the relevant problem, there is at least one obvious approach that *includes* a solution incorporating the arbitrary integer. That is because it is sufficient to demonstrate that a claim *includes* subject matter within its scope that is obvious.¹⁰⁶

In *Raychem*, the relevant “parameter” was a ratio of particle diameter to surface area per unit mass for relevant carbon black particles to be included in rubber or plastic so as to achieve electrical conductivity. However, the expert evidence showed that there was no technical significance for that parameter, and using the claimed parameter range would not ensure that conductivity would be achieved (which also raised a separate issue of inutility).¹⁰⁷ Laddie J concluded that some of the compositions that fell *within* the claimed range were obvious, which established invalidity.

H. Lack of Clarity

Both the Australian Patent Office Manual¹⁰⁸ and the European Patent Office Manual,¹⁰⁹ raise clarity as a potential ground of objection where an unusual parameter is raised.

If the relevant parameter is not capable of being reproducibly measured, then the claim may lack clarity, and be liable to be revoked under sections 40(3) and 138(3)(f). A claim must define the invention such that a skilled person can “ascertain the precise extent of monopoly claimed”.¹¹⁰

Alternatively, if there is more than one way to measure a particular parameter, and the results differ depending on the methodology used, but the patent does not specify which method is to be used, that may result in a lack of clarity since the boundaries of the claim will be unclear.

I. Lack of Support

The ground of “support” is concerned with whether the scope of the claims corresponds with the technical contribution disclosed in the specification. This ground may potentially be relied on in challenging the validity of a claim that involves parameteritis, and the Australian Patent Office Manual suggests that this is a ground of objection that examiners may raise.¹¹¹

The requirement of “support” was introduced by amendment of section 40(3) as part of the Raising the Bar amendments in 2013, and applies to more recent patents.¹¹² Claims must be “supported by matter disclosed in the specification”. The Explanatory Memorandum for the amending bill explained that the concept of “support” was intended to pick up two concepts: that there must be basis in the description for each claim; and the claims must not be broader than is justified by the description, drawings and contribution to the art.¹¹³

The requirement of “support” is meant to more closely align Australian law with European law.¹¹⁴ Under European

law, “support” requires that each claim should correspond in scope with the technical contribution disclosed in the specification.¹¹⁵ The description must be such as to “fairly entitle the patentee to a monopoly of the width claimed”.¹¹⁶

Where a claim integer is arbitrary, it may be that the claim integers are ineffective in limiting the scope of the claim to correspond with the technical contribution made by the patentee.

An issue of “support” may also arise if the relevant claim integer introduces an issue as to the plausibility of the asserted claim scope, raising an objection that the claim scope exceeds the technical contribution.¹¹⁷ That might arise, for example, in relation to a parameter like that considered in *Raychem*, where the claim was limited by reference to a defined formula that had “little technical significance”, and so was not effective in limiting the claim scope to subject matter that was disclosed as being useful.¹¹⁸

J. Manner of Manufacture

Where a claim integer does not have an interrelationship with the balance of the claim integers, then a potential manner of manufacture issue arises under section 18(1)(a) of the *Patents Act* 1990 (Cth), if the claim is found to be to a “mere collocation”.

This particular aspect of manner of manufacture is not commonly relied on, and lack of inventive step will often be a clearer and simpler ground, particularly for post-Raising the Bar patents where there is no issue with relying on the closest prior art. The ground potentially¹¹⁹ has greater practical significance for innovation patents, where the incorporation of additional “trivial” claim integers can thwart a lack of novelty case, but still constitute an “innovative step”, because of the very low bar that has been set by the courts’ interpretation of section 7(4).

As referred to above, in *Smith & Nephew Pty Ltd v Wake Forest University Health Sciences* (2009) 82 IPR 467 the Full Court considered the validity of a claim for a bandage apparatus for applying negative wound pressure, which included as a claim integer an “aseptic package”. The Court noted that the aseptic package had practical utility, and “may facilitate the healing of wounds”, but observed that it “has nothing to do with the application of negative [wound] pressure, the function of the apparatus itself”.¹²⁰ That is, the advantage given by having an aseptic package did not relate to the advantage given by the combination of the rest of the claim integers, which operated together to achieve a *separate and distinct* advantageous result.

The Full Court concluded that the claim was therefore to a mere collocation, and so it was not a manner of manufacture.¹²¹ The principle that a mere collocation of integers is not patentable subject matter is also supported by High Court,¹²² and other Full Court authority.¹²³

In *Smith & Nephew* the Full Court quoted¹²⁴ with approval the following statement from Lord Davey’s speech in *Re Klaber’s Patent*,¹²⁵ and noting it had been cited with approval by Dixon J in *Palmer v Dunlop Perdriau Rubber Co Ltd*:¹²⁶

A proper combination for a patent is the union of two or more integers, every one of which elements may be perfectly old, for the production of one object which is either new, or at any rate is for effecting an old object in a more convenient, cheaper or more useful way. But the point in a combination patent must always be that the elements of which the combination is composed are combined together so as to produce one result. (Full Court’s emphasis).

In *Palmer*, Dixon J quoted with approval¹²⁷ what was then an “often-cited passage” from the judgment of Buckley LJ in *British United Shoe Machinery Co Ltd v A. Fussell & Sons Ltd*¹²⁸ which differentiated between what Lord Buckley characterised as “simple” and “complex” results. Using the illustration of a watch, the various elements – the case, face, internal machinery etc – combined to form what he termed a “complex result”. However, Buckley LJ said that the *relevant*, patentable combination must combine to achieve what he called a “simple result” – that is, it must relate to what achieves the *specific* identified improvement in the product as disclosed by the specification.¹²⁹

K. Conclusion

The evolution of the law of novelty has been towards a ground that has a clear and separate sphere of operation from the ground of obviousness.

Parameteritis may be a convenient label to apply in advancing a submission that a claim integer contributes nothing of substance, or merit, towards the claimed invention, but it is not a label that denotes any substantive legal concept of invalidity. As addressed above, the term is not founded on statutory language, and the types of claim integers to which it refers remain unclear.

The case law that discusses parameteritis provides no clear support for the proposition that any different legal principles should be applied in assessing novelty where there is parameteritis. The suggestion in Patent Office decisions that a conclusion of parameteritis allows a claim integer to be disregarded when assessing novelty is at odds with case law on novelty and claim construction.

Interestingly, *one* of the reasons for insisting upon a clear separation of the grounds of novelty and inventive step no longer applies to post-Raising the Bar patents, since most documents that may be used to assess lack of novelty (other than “whole of contents” citations) can *automatically* be used as a “plus one” document for assessing lack of inventive step.¹³⁰

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However, a further reason for maintaining the strict separation between those two grounds is the correlative relationship between novelty and infringement, as demonstrated by the general applicability of a “reverse infringement” test¹³¹ for assessing novelty. There are distinct principles and issues of public policy involved as to why claims should be construed relatively strictly when assessing infringement, including the need for the public to have a relative degree of certainty as to the asserted scope of a granted patent monopoly.

The principles that are applied in assessing whether there is an inventive step differ from those for assessing novelty, and it follows that applying a looser assessment of novelty (for which parameteritis becomes a relevant consideration) may involve an unsafe shortcut by excluding consideration of those principles. For example, the inventive step may be found to exist in the perception of the problem to be solved, rather than its solution,¹³² common general knowledge may teach away from the solution, and secondary indicia may potentially still have some role in considering whether there is an inventive step.¹³³

Patentees (and their patent attorneys) will continue to develop new and ingenious ways of structuring their claims to maximise their prospects of achieving a valid claim with a commercially useful scope. The interests of the public in having certainty as to the scope of patent claims will remain better served by maintaining a relatively strict approach towards assessing the scope of those claims *both* for the purposes of assessing infringement, and for assessing lack of novelty, and allowing other grounds to provide the “cure” to any perceived problems of parameteritis.

- 1 Barrister, Castan Chambers. The author would like to thank David Shavin QC, Tom Cordiner QC and Clare Cunliffe for providing feedback on earlier drafts.
- 2 37.
- 3 37.
- 4 37.
- 5 [48].
- 6 [115], [177].
- 7 [177].
- 8 [1032].
- 9 [104], [108].
- 10 [228], [250]–[251].
- 11 [318], [321], [323], [325], [326].
- 12 [491].
- 13 [2000] APO 67 (referenced *Raychem*, but no express application to the facts), [2001] APO 32 (referenced *Raychem* and “parameteritis”, but no express application to the facts), [2002] APO 38 (referenced *Raychem* and “parameteritis”, but found lack of novelty established without needing to consider “parameteritis”).
- 14 [2006] APO 3 (also citing *Williams*), [2008] APO 8.
- 15 [110].
- 16 [112]. See *Australian Patent Office Manual of Practice and Procedure*, 2.11.2.3.12.
- 17 [2011] APO 34, [2012] APO 39, [2014] APO 86, [2015] APO 8 & 84, [2016] APO 10, 24, 36, 43 & 76, [2017] APO 3, 54 & 61, [2018] APO 8, 19, 30, 58, 62 & 73, [2019] APO 36 & 40.
- 18 See for example [2015] APO 8 [47], [2016] APO 43 [61], [63], [2018] APO 73 [37].
- 19 37.
- 20 [104].
- 21 [228], [251]–[252].
- 22 [114], [116], [163]–[169].
- 23 [115].
- 24 [115].
- 25 *Commissioner of Patents v Microcell Ltd* (1959) 102 CLR 232, 246–9.
- 26 Including quoting paragraph [320] from the trial judgment.
- 27 [322]. See also [326].
- 28 [525].
- 29 IPR 624.
- 30 See the summary in *Dura-Post (Aust) Pty Ltd v Delnorth Pty Ltd* (2009) 177 FCR 239 [63]ff.
- 31 128.
- 32 586, Lockhart J dissenting on this issue at 584.
- 33 590.
- 34 593.
- 35 591, referring to *Graham Hart (1971) Pty Ltd v SW Hart & Co Pty Ltd* (1978) 141 CLR 305.
- 36 601–2.
- 37 See 589, 592, 594 and 601–2.
- 38 561.
- 39 560, 564.
- 40 564.
- 41 *Van der Lely NV v Bamfords Ltd* [1963] RPC 61.
- 42 559–60.
- 43 209, which picked up references in *Nicaró* 559–60.
- 44 [23].
- 45 [24].
- 46 See *Novo Nordisk A/S v Eli Lilly and Company* [2000] APO 67.
- 47 See *D’Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 [14]. See also *Advanced Building Systems Pty Ltd v Ramset Fasteners (Aust) Pty Ltd* (1998) 194 CLR 171 [17]. Under the *Patent Act* 1852 (UK) there was a more general requirement that the specification describe the nature of the invention, so that others could understand what monopoly is granted – see *Edison & Swan United Electric Light Company v Holland* (1889) 6 RPC 243 at 279 per Lindley LJ.

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- 48 See *AMP Incorporated v Utilux Pty Ltd* (1971) 45 ALJR 123, 130.
- 49 See 13.
- 50 14.
- 51 15.
- 52 39.
- 53 384.
- 54 246.
- 55 286 per Aickin J (with whom Barwick CJ, Stephen, Mason and Wilson JJ agreed), citing *Olin*.
- 56 475 per Bowen CJ, Deane and Ellicott JJ.
- 57 189.
- 58 [67].
- 59 560–1.
- 60 [52] per Allsop CJ, Yates and Robertson JJ.
- 61 See for example *SNF (Australia) Pty Ltd v Ciba Speciality Chemicals Water Treatments Ltd* (2011) 92 IPR 46 [41].
- 62 See for example *GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No 2) Ltd v Generic Partners Pty Ltd* (2018) 264 FCR 474 [106]–[110] per Middleton, Nicholas and Burley JJ.
- 63 [311] per Gyles J, with whom French J [93] and Dowsett J [151] agreed, cited with approval in *Jupiters Ltd v Neurizon Pty Ltd* (2005) 65 IPR 86 [68] per Hill, Finn and Gyles JJ.
- 64 [69], [87]–[90] per Wilcox, Branson and Bennett JJ.
- 65 [98]–[99] per Besanko and Nicholas JJ.
- 66 *Kimberly-Clark Australia Pty Limited v Multigate Medical Products Pty Limited* (2011) 92 IPR 21 [45] per Greenwood and Nicholas JJ. See also *Kirin-Amgen Inc v Hoechst Marion Rousel Ltd* (2004) 64 IPR 444 [35] per Lord Hoffmann, which has been widely cited with approval by Australian courts.
- 67 [87]–[88] per Wilcox, Branson and Bennett JJ. See also [92].
- 68 See *Populin* 476.
- 69 See generally *Populin* 475 (lines 14–19).
- 70 *Kimberly-Clark Australia Pty Limited v Multigate Medical Products Pty Limited* (2011) 92 IPR 21 [44] per Greenwood and Nicholas JJ.
- 71 *Insta Image Pty Ltd v KD Kanopy Australasia Pty Ltd* (2008) 239 FCR 117 [90] per Lindgren, Bennett and Logan JJ.
- 72 *Sunbeam Corp v Morphy-Richards (Aust) Pty Ltd* (1961) 180 CLR 98, 111 per Windeyer J.
- 73 [103] per Gleeson CJ, McHugh, Gummow, Hayne and Heydon JJ.
- 74 See *Coopers Animal Health Australia Ltd v Western Stock Distributors Pty Ltd* (1987) 15 FCR 382, 391 and 400 where a relevant narrowing amendment was found not to be fairly based, and also *AstraZeneca AB v Apotex Pty Ltd* (2014) 226 FCR 324 [247], where a narrowing amendment resulted in a shift of priority date (external fair basis).
- 75 See Richard Miller, Guy Burkill, His Honour Judge Birss, Douglas Campbell, *Terrell on the Law of Patents*, 17th ed, (Sweet & Maxwell 2011) [15]–[31], [15]–[35].
- 76 [19].
- 77 [19].
- 78 457.
- 79 [302] per Besanko, Foster, Nicholas and Yates (with whom Jessup J agreed at [447]).
- 80 [1972] RPC 457,486, 1A IPR 12, 138.
- 81 *Ramsel Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd* (1999) 44 IPR 481 [18] per Burchett, Sackville and Lehane JJ, *Nicaró* 563 per Gummow J (cited with apparent approval in *AstraZeneca* at [346], see also [348]), *Zetco Pty Ltd v Austworld Commodities Pty Ltd (No 2)* [2011] FCA 848 [93] per Bennett J.
- 82 See also *Eli Lilly and Co Ltd v Apotex Pty Ltd* (2013) 100 IPR 451 [273] per Middleton J.
- 83 *H Lundbeck AIS v Alphapharm Pty Ltd* (2009) 177 FCR 151 [169], [171], [185], [182] per Bennett J, with whom Middleton J agreed [250], *General Tire & Rubber Co v Firestone Tyre and Rubber Co Ltd* (1971) 1A IPR 121, 138.
- 84 [304]–[305].
- 85 *Otsuka* [108]–[112] per Besanko and Nicholas JJ, with whom Beach J agreed [179].
- 86 [161].
- 87 [162].
- 88 [324]–[325].
- 89 [48].
- 90 *Eli Lilly & Co Ltd v Apotex Pty Ltd* (2013) 100 IPR 451 [379]–[387].
- 91 37.
- 92 37.
- 93 See: *Australian Patent Office Manual of Practice and Procedure* at 1.1.7.2.2 ‘Types of Broad Claims’, and 2.11.2.3.12 ‘Parametric Claims’ (Feb 2019); *Guidelines for Examination in the European Patent Office* (November 2019) section 4.11.1 ‘Unusual parameters’, Part F, Chapter IV pages 22–3.
- 94 As applied in respect of the facts in *Aktiebolaget Hässle v Alphapharm Pty Ltd* (2002) 212 CLR 411 [53].
- 95 See also *Generic Health Pty Ltd v Bayer Pharma Aktiengesellschaft* (2014) 222 FCR 336 [71] per Besanko, Middleton and Nicholas JJ – the modified Cripps question is not always applicable.
- 96 The “problem-and-solution” approach (now called the “problem-solution approach”) is specified in the European Patent Office Guidelines for Examination (now in Part G Chapter VII section 5). It involves determining the closest prior art, establishing the objective technical problem to be solved, and considering whether the claimed invention would be obvious to a skilled person starting from the closest prior art.
- 97 [36], with whom Stanley Burnton and Lloyd LJ agreed.
- 98 [37].
- 99 *Aktiebolaget Hässle v Alphapharm Pty Ltd* (2002) 212 CLR 411 [79].
- 100 (2007) 235 CLR 173 [52].
- 101 46–7.
- 102 See for example *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* (2019) 138 IPR 402 [425]–[427] per Nicholas J, *Garford Pty Ltd v Dyvidag Systems International Pty Ltd* (2015) 110 IPR 30 [33] (citing the trial judge’s reasons, Yates J, not disturbed on appeal).
- 103 *Minnesota Mining and Manufacturing Co v Beiersdorf (Aust) Ltd* (1980) 144 CLR 253, 267, 293 per Aickin J.
- 104 [102] per Perram J, with whom Besanko and Jagot JJ agreed.
- 105 See *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth), Schedule 1 Items 3 & 55(1). For pre-Raising the Bar patents, s.7(3) requires that the prior art document have been “ascertained, understood [and] regarded as relevant”.
- 106 *AstraZeneca AB v Apotex Pty Ltd* (2014) 226 FCR 324 [195] per Besanko, Foster, Nicholas and Yates JJ (with whom Jessup J agreed), *D’Arcy v Myriad Genetics Inc* (2015) 115 IPR 1 [283] per Gordon J.
- 107 46.
- 108 See *Australian Patent Office Manual of Practice and Procedure* 2.11.2.3.12.
- 109 See *Guidelines for Examination in the European Patent Office*, Chapter F Part IV section 4.11.
- 110 *Nesbit Evans Group Australia v Impro Ltd* (1998) 39 IPR 56 at 94 per Lindgren J, with whom Hill J agreed. See also *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610 per Dixon CJ, Kitto and Windeyer JJ.
- 111 See *Australian Patent Office Manual of Practice and Procedure* 2.11.2.3.12.
- 112 *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth), Schedule 1 Items 9 & 55(1)
- 113 Explanatory Memorandum, *Intellectual Property Laws Amendment (Raising the Bar) Bill 2011* (Cth), (“Explanatory Memorandum”) 48–9.
- 114 Explanatory Memorandum 48, *Merck Sharp & Dohme Corporation v Wyeth LLC (No 3)* (2020) 155 IPR 1 [512]–[514].
- 115 *Merck* [529]–[533], [547]. See also *Warner-Lambert Co LLC v Generics (UK) Ltd* (2018) 136 IPR 504 (UK Supreme Court) [17], citing the *Exxon/Fuel Oils* (T409/91) decision of the European Patent Office Technical Board of Appeal. See also *Australian Patent Office Manual of Practice and Procedure* 2.11.7.1A and 2.11.7.1.1A. The principles were also summarised in *BASF Corporation* [2019] APO 34 [58].
- 116 *Re Schering Biotech Corp’s Application* [1993] RPC 249, 253 per Aldous J, *Merck* [546]–[547].

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- 117 See more generally *Warner-Lambert Co LLC v Generics (UK) Ltd* (2018) 136 IPR 504 (UK Supreme Court) [17]–[20], [36]–[37] per Lord Sumption, with whom Lords Reed and Briggs agreed.
- 118 See 46.
- 119 This ground was relied on in relation to two innovation patents in *Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd* (2014) 110 IPR 82 but was construed restrictively (at [308]ff, because [320] the required “new result” was construed extremely broadly).
- 120 [26] per Finn, Bennett and Middleton JJ.
- 121 [43].
- 122 In *Firebelt Pty Ltd v Brambles Australia Ltd* (2002) 188 ALR 280 [21], citing its previous decisions in *Welch Perrin Co Pty Ltd v Worrel* (1961) 106 CLR 588, 611 and *Minnesota Mining and Manufacturing Co v Beiersdorf (Aust) Ltd* (1980) 144 CLR 253,266, 293.
- 123 *Grant v Commissioner of Patents* (2006) 154 FCR 62 [39] and *Interact Machine Tools (NSW) Pty Ltd v Yamazaki Mazak Corporation* (1993) 27 IPR 83, 98.1 per Wilcox J, with whom Black CJ agreed.
- 124 [21]–[23].
- 125 (1906) 23 RPC 461.
- 126 (1937) 59 CLR 30, 73.
- 127 73–74.
- 128 (1908) 25 RPC 631.
- 129 Beach J declined to follow this approach in *Streetworx* (supra) [318].
- 130 See *Werner* at 593, *AstraZeneca* [352].
- 131 *Meyers Taylor Pty Ltd v Vicarr Industries Ltd* (1977) 137 CLR 228, 235.
- 132 *AB Hässle v Alphapharm Pty Ltd* (2002) 212 CLR 411 [51], [52], citing *Wellcome Foundation v VR Laboratories* (1980) 148 CLR 262, 281.
- 133 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2)* (2007) 235 CLR 173 [115]–[116], although the significance of evidence of secondary indicia may be reduced (or even negated) where s.7(3) is relied on, see *AstraZeneca* [550]–[551], depending on all of the facts.

Controversial Geographical Indications and the Australia-EU FTA Negotiations: an Assessment of the Potential Costs and Benefits to Australia

Sini Karoliina Riipinen¹

Introduction

Australia and the European Union (“EU”) share a valuable and constructive bilateral relationship that is based on a like-minded approach to various international affairs.² To date, their economic and trade relations have been conducted under the EU-Australia Partnership Framework established in 2008.³ On 18 June 2018, Australia and the EU opened negotiations for a free trade agreement (“FTA”) to further deepen their bilateral relations and targets for economic growth, market access, and job creation.⁴ Australia and the EU held the ninth round of negotiations virtually from 30 November to 11 December 2020 and are currently heading to the 10th round of negotiations in the coming months.⁵

As a single market, the EU is Australia’s second largest trading partner. The EU represented Australia’s third largest export destination, second largest services export market, and the largest source of foreign investment in 2018.⁶ An FTA would help exporters to maximise growth in their sectors and in accessing larger export markets.⁷ The current FTA negotiations have particularly ambitious aims, and provisions on trade and sustainable development show that these partners have a shared commitment to environmental protection and labour rights in trade. A free trade deal would benefit consumers and businesses on both sides through better market access to goods and services at lower prices.⁸

Australia and the EU made constructive and consistent progress across different chapters in early negotiations.⁹ However, particular chapters of the FTA are creating challenges for the partners, including the intellectual property (“IP”) chapter. In particular, the issue of geographical indications (“GIs”) is proving to be highly contentious.

As explained in the next section, a GI identifies a good that originates from a particular region where a given quality, reputation, or other characteristic of the good is attributable to the place of its origin.¹⁰ Under the *Agreement on Trade-Related Aspects of Intellectual Property Rights* (“TRIPS Agreement”), World Trade Organization (“WTO”) Members must protect GIs against unfair competition and uses that mislead the public, and must afford a higher level of protection to GIs for wines and spirits.¹¹ Under its domestic laws, the EU affords the enhanced level of protection for GIs for all products, not just wines and spirits. Australia, on the other hand, meets, but does not exceed, its TRIPS Agreement obligations. The EU has identified enhanced GI protection as one of the main objectives in the FTA negotiations with Australia, and because of the parties’ differing legal frameworks and agricultural policies, the issue generates debate between parties.¹²

In July 2018, the EU presented Australia with a draft negotiating text of an IP chapter for the EU-Australia FTA.¹³ It also provided a list of GIs which it wants protected in Australia.¹⁴ The Australian Government has not yet agreed to protect EU GIs, but it has, however, committed to engage with the EU on its GI interests. The decision will be determined at a later point in the negotiations and any commitment Australia is going to make in regard to protecting EU GIs will most likely depend on what the EU is prepared to offer Australia in return.¹⁵

This article focuses on the role of GIs in the Australia-EU FTA negotiations and considers the costs and benefits to Australia if it were to accede to the EU’s demands. It will be argued that while most Australian stakeholders and commentators on the FTA negotiations have focused on the costs to Australian producers and consumers, a more dispassionate view shows that potential benefits might flow to Australian parties as well. This article aims to identify and assess such costs and benefits, arguing that even though the costs still outweigh the benefits, the debate is perhaps more finely balanced than it is often presented. The next section will begin by setting the international legal framework for GI protection, before discussing the EU’s GI and trade agreement policies as well as EU-Australia bilateral relations. Then, the following section will specifically focus on the costs and benefits to Australia in acceding to the EU’s demands, including discussion on their previous bilateral agreements as well as the EU’s recent FTA negotiation outcomes with other countries. The final section will conclude and consider Australia’s need to secure market access and potential concessions from the EU in the negotiations.

The Role of GIs in Trade Negotiations: the Australia-EU FTA

This section seeks to present why the GI provisions of the proposed Australia-EU FTA are so controversial. It starts by outlining the obligations that WTO Members have under

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the TRIPS Agreement before it moves to considering the approaches the EU and Australia have taken to protect GIs. This section will also go through the EU's FTA demands as these are important to understand for the cost-benefits analysis in the following section.

GI Protection and the TRIPS Agreement

Geographical names and marks have been used for products in trade throughout history.¹⁶ GIs are usually location names, or in some instances, words associated with a location, used to identify unique products that have a particular geographical origin and possess qualities, reputation, or other characteristics that are attributable to that particular geographical origin.¹⁷ Examples of the attributes of products include the method of production, agricultural or environmental characteristics of the region, and a prominent reputation of the region that may have developed from producing a product of certain quality with the passage of time.¹⁸ Champagne from France, Parmigiano Reggiano from Italy, and Tequila from Mexico are examples of famous GIs known throughout the world.¹⁹ This section starts by introducing the different mechanisms used to protect GIs, before setting out the current international legal framework to better understand the controversies between the EU and Australia.

In legal terms, there are strong similarities between GIs and trade marks as they both signal the origin of a product and act as a guarantee of quality. Additionally, both GIs and trade marks can be very valuable assets for businesses.²⁰ The functional similarity between them has been appreciated in various jurisdictions, such as the United States, which considers GIs to be a subset of trade marks, and protects them primarily as certification trade marks ("CTMs").²¹ A GI registered as a CTM may be used by authorised users to guarantee that the goods meet certain standards, providing the owners with rights to prevent unauthorised use of similar designations where such use would be likely to mislead the public or cause consumer confusion as to the true origin of the product.²²

However, other jurisdictions, such as the EU, provide sui generis protection for GIs that differs from that given to trade marks.²³ In a sui generis system, the right to use a GI can be acquired through a registration process, where an applicant needs to provide specifications relating to the product and its link to the geographical area.²⁴ A right holder can prevent the use of a GI, or a sufficiently similar term, by a third party when that third party's product does not correspond with the specification for the GI. For example, the "Champagne" appellation is protected in various jurisdictions throughout the world, allowing Champagne producers to exclude the use of the appellation "Champagne" for sparkling wine if the product does not originate from the Champagne region in France or is not produced according to the determined standards of the GI specification.²⁵ A protected GI does not

give an exclusive right to a single right holder as someone else could produce a similar product according to the standards of the indication in the same region using the same techniques.²⁶ It does, however, afford protection against misuse and imitation even in situations where such conduct would not mislead or confuse consumers. Such protection is designed to prevent free riding that attempts to benefit from the reputation of the GI, sometimes in cases where the use is on products of poor quality.²⁷

Thus, GIs are protected through various approaches in different countries and regional systems. Different legal traditions have contributed to the development of these approaches, in addition to different local economic and historical conditions. These differences reflect the controversial nature of GIs today and may cause barriers to international trade in goods that indicate their geographical origin. As GI rights are territorial, a registered GI might not have a reputation elsewhere or it might have become a generic term in other countries and regions.²⁸ For example, the status of "Feta" cheese remains an internationally debated issue but there is a common understanding that camembert and cheddar have become generic terms used for a kind of cheese. Multilateral treaties that establish minimum standards of protection have been adopted to balance the system, but they have not been entirely successful in achieving an effective framework for the protection of GIs.²⁹

The most important multilateral treaty is the TRIPS Agreement, which contains the present framework for the international protection of GIs.³⁰ The TRIPS Agreement defines GIs as:

*indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristics of the good is essentially attributable to its geographical origin.*³¹

Under Article 22(2) Members are required to provide the legal means for interested parties to prevent:

(a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good;

*(b) any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967).*³²

However, Article 23 requires Members to provide a higher level of protection for GIs for wines and spirits and protect them against misuse even if this does not mislead the public. Under Article 23(1), Members are obliged to provide the legal means for interested parties to prevent the use of a GI for wines and spirits not originating in the place indicated by the GI, "even where the true origin of the goods is indicated

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or the geographical indication is used in translation or accompanied by expressions such as ‘kind’, ‘type’, ‘style’, ‘imitation’ or the like.”³³ Both Articles 22 and 23 are subject to a range of exceptions in Article 24 that may result in outcomes where the protection can be limited or a GI does not have to be protected. These exceptions include instances where a name has transformed into a generic term, or a conflicting trade mark has been registered.³⁴

As stipulated in Article 1 of the TRIPS Agreement:

*Members shall be free to determine the appropriate method of implementing the provisions of this Agreement within their own legal system and practice.*³⁵

Thus, the TRIPS Agreement does not set requirements as to how its provisions are to be implemented and WTO Members can decide how they want to protect GIs within their territory. Accordingly, Members have implemented differing means to meet their obligation to provide protection to GIs, such as sui generis models or protecting GIs as CTMs. Besides, Article 1 provides that:

Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement.

Members are therefore free to protect GIs for goods other than wines and spirits at the Article 23 levels of protection.

Throughout the years, there has been debate about amending the TRIPS Agreement so that the higher minimum standard of protection provided by Article 23 is provided to GIs for all goods. Various Members are in favour of extension.³⁶ The most notable example is the EU as it has long afforded “TRIPS-Plus” levels of protection to GIs under its domestic laws. As the level of protection afforded to GIs in some of the EU’s export markets is lower than that provided by the EU law, this has raised concerns for the EU in international trade. For example, even though “Feta” is a protected GI in the EU, the name has already become generic elsewhere and is not required to be protected as a GI in those jurisdictions.³⁷ For this reason, Greek “Feta” producers would benefit greatly from an international regime that prevented the use of “Feta” on non-Greek goods.³⁸

Thus, the EU has proposed the TRIPS Agreement to be amended so that its products would receive EU-like levels of protection around the world.³⁹ However, the EU’s agenda to increase the international minimum standards of GI protection has been firmly opposed by a number of agricultural exporters including Australia and the United States.⁴⁰ This opposition is based on their position that the existing level of protection provided by Article 22 is adequate, and extended protection is unjustified. They bring attention to the fact that the higher level of protection might negatively affect current marketing practices and become

a burden on their agricultural producers and exporters. Therefore, the EU’s proposal to extend the higher level of protection in the TRIPS Agreement has not succeeded nor progressed to this date. Members remain divided on this issue and no compromise is in sight. At an international level, the higher minimum standards of protection remain limited to products other than wines and spirits.⁴¹

EU’s GI Policy and the New Generation Trade Agreements

As the EU’s attempts to amend the TRIPS Agreement have not been successful, it has changed its tactic and pursued bilateral FTAs with prominent trade partners where provisions on GIs are included. GIs are considered to be the foundation of the EU’s quality policy in terms of agricultural products and the EU has been historically active in trying to secure increased protection for its GIs in international markets.⁴² This section concentrates on the EU’s agricultural policies and domestic legal framework for GI protection. It also reviews some of the EU’s recent trade treaty outcomes to understand the importance of GIs for the EU in the FTA negotiations with Australia.

Before a harmonised sui generis system, separate countries in Europe had already developed national legislation for GI protection.⁴³ The EU’s model of protection is particularly strict due to the substantial impact GIs have on its economy. Currently, the EU protects more than 3300 local names of certain products under its quality schemes.⁴⁴ The protection is provided to wines, spirits, aromatised wine products, and agricultural products and foodstuffs.⁴⁵ In the 1970s, the EU started the protection of wines as part of the common market organisation.⁴⁶ However, it was only in 1992 that the EU adopted its current GI policies, partially due to the pressures to reform the Common Agricultural Policy (“CAP”).⁴⁷ At that time, it was noted that GIs may contribute to areas in which the farming sector is of greater economic importance, and especially, to disadvantaged areas.⁴⁸

Since then, the EU’s GI system has been amended and separate harmonised regulatory frameworks have been created for spirit drinks,⁴⁹ agricultural products and foodstuffs,⁵⁰ and aromatised wine products.⁵¹ More specifically, the EU schemes for GIs identify protected designations of origin (“PDOs”) and protected geographical indications (“PGIs”). PDO registered product names have the strongest link to their place of origin while registered PGIs link agricultural products and foodstuffs to a geographical region where at least one step of production has taken place.⁵² Under these frameworks, producers must provide the product’s specifications and its potential link to the geographical origin in order to register the name of a product.⁵³

The level of protection afforded to both PDOs and PGIs goes beyond Article 23 of the TRIPS Agreement: registered names must be protected against “any direct or indirect

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commercial use of a registered name, including when those products are used as an ingredient”⁵⁴ and against:

*any misuse, imitation or evocation, even if the true origin of the products or services is indicated or if the protected name is translated or accompanied by an expression such as “style”, “type”, “method”, “as produced in”, “imitation” or similar, including when those products are used as an ingredient.*⁵⁵

It is also provided that registered names cannot become generic.⁵⁶

The benefits to the EU of having high levels of domestic GI protection have been long recognised. A 2013 study on the value of GIs by the European Commission notes that GIs provide quality assurance for consumers as they guarantee the origin of the product and their possession of particular qualities. Generally, products that indicate their geographical origin have stronger demand in the market and therefore producers benefit from using the geographical name to indicate the origin of the goods.⁵⁷ As a matter of fact, a recent study indicates that the sales value of a GI marked product is on average double that for a complementary non-GI product.⁵⁸

The EU has argued that a higher level of international protection for its GIs would improve the marketability of its goods by enabling them to be more effectively differentiated from those of competitors and would also prevent “misuses” of those GIs.⁵⁹ It is estimated that the value of GI infringing products was around €4.3 billion in the European market in 2014.⁶⁰ The EU has thus sought to use various policy tools to expand the scope of GI protection in other countries, with bilateral and preferential agreements playing a central role.⁶¹

In 2006, the EU initiated “new generation” trade agreements to pursue its targets, including enhanced GI protection.⁶² This has involved the EU putting forward a list of GIs it wants protected, even if the other party is not obliged to protect these terms under the TRIPS Agreement, and demanding that the other party provide the same level of protection to GIs to that existing in the EU, even though the level would exceed the TRIPS Agreement minimum standards.⁶³ The first example of such an agreement is the *Free Trade Agreement between the European Union and the Republic of Korea* (“EU-South Korea FTA”),⁶⁴ in which commercially important European GIs were afforded a higher level of protection reflecting the standards of Article 23 of the TRIPS Agreement,⁶⁵ and in which South Korea agreed to afford GI protection to certain terms understood as generic in other markets, such as “Feta”.⁶⁶ From that time forward, the EU has concluded more trade negotiations where it has made the protection of GIs a priority, respectively with Singapore, Canada, and Japan.⁶⁷

The *Free Trade Agreement between the European Union and the Republic of Singapore* (“EU-Singapore FTA”) includes an extensive list of GIs consisting of 196 GI names for foodstuffs, spirits, and wines.⁶⁸ Under the Agreement,

Singapore was committed to establish a system of registration for GIs and extending the level of protection afforded to GIs for wines and spirits under Article 23 of the TRIPS Agreement to all registered GIs.⁶⁹ Like the EU-Singapore FTA, both the *Comprehensive Economic and Trade Agreement between Canada and the European Union* (“CETA”) and the *Agreement between the European Union and Japan for an Economic Partnership* (“EU-Japan EPA”) include extensive lists of European GIs.⁷⁰ CETA is perhaps among the EU’s greatest bilateral achievements in extending the higher level of protection for GIs as, for the first time, the EU was able to enter into an agreement concerning GIs with a country that has historically opposed the EU’s approach for GI protection.⁷¹

All these negotiation outcomes suggest that the EU’s tactic to pursue bilateral FTAs with its trade partners has succeeded, at least to a certain extent, as provisions on GIs have been included to secure their protection. However, although the EU might have succeeded, it has not been entirely on its own terms, as all these agreements include exceptions to its demands. In particular, CETA includes an extensive provision on exceptions for certain GI names. Such exceptions will be scrutinised at a later point as they are relevant to understand Australia’s position in negotiating with the EU about the potential commitment to protect European GIs.

EU-Australia Bilateral Relations and the EU’s Treaty Demands

On 18 June 2018, the EU started FTA negotiations with Australia. This section explores Australia’s current model of GI protection and the EU’s demands in the FTA negotiations, to situate the later discussion on the costs and benefits to Australia, should Australia accede to the EU’s demands.

The EU and Australia have long had clashing agricultural policies, and the EU’s highly protectionist CAP has historically raised controversies in agri-food trade between the parties.⁷² A major issue on which the parties have diverged is GIs. Australia has decided to meet, but not exceed, its TRIPS obligations. It protects GIs in three ways. First, it affords protection through provisions in consumer protection legislation preventing parties from engaging in misleading or deceptive conduct,⁷³ and a common law tort of passing off preventing misrepresentations in trade that harm reputation or goodwill.⁷⁴ Second, it ensures that GIs can be protected as registered CTMs.⁷⁵ The CTM registration system has been mostly used by foreign organisations for registration of geographical names, however, not all foreign GI owners have been able to register their GIs as CTMs.⁷⁶ For example, “Gorgonzola”⁷⁷ and “Asiago”⁷⁸ were recently rejected on distinctiveness grounds.⁷⁹ The system has not yet gained popularity among Australian regional producers, even though some domestic applications have been filed,⁸⁰ such as for “Mornington Peninsula Produce”⁸¹ and “Northern Rivers Food”.⁸²

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The third way Australia meets its TRIPS obligations is through a separate, *sui generis* registration system for GIs for wines.⁸³ Importantly, the design of this system reflects historical negotiations between the EU and Australia that resulted in agreements on trade in wine in 1994 and 2008.⁸⁴ These agreements are important to understand because Australia's experience from these negotiations sheds light on the potential costs and benefits to Australia in agreeing to the EU's current demands on GIs. The first agreement, which was concluded before the implementation of the TRIPS Agreement,⁸⁵ required Australia to implement a GI registration system for wines to protect European wine GIs (including some that were probably generic terms in Australia) and to register Australian GIs if protection for those terms was sought in the EU.⁸⁶ The agreement left various issues unresolved,⁸⁷ resulting in the second wine agreement (the "Wine Agreement") in 2008.⁸⁸ Dacian Cioloş, Commissioner for Agriculture and Rural Development, described the agreement as "a win-win outcome which achieves a balanced result for European and Australian wine makers."⁸⁹ From the EU's perspective, the agreement provides full protection to European GIs and secures its wine labelling regime by regulating the indication of vine varieties on labels and listing elective details that may be used by Australian wines. It requires Australia to phase out certain terms, including "Champagne", "Sherry", and "Port", even though these were understood as generic product descriptions in Australia at that time.⁹⁰ For Australian wine producers, the agreement guaranteed and improved access to the European export market.⁹¹ The negative impacts of the phase-out requirements were described as being limited, as many of the terms were not used to describe Australian wines largely in the industry anymore. The Australian Government indicated that, while the wine industry has strong potential to grow, domestic growth was limited, and the Wine Agreement provided a favourable solution to ensure better market access to European markets.⁹²

The EU's current demands have moved far beyond wine GIs and are causing controversy. When the EU and Australia opened the FTA negotiations, the EU provided a proposal draft text,⁹³ which included an IP chapter and an extensive list of product names the EU wants protected in Australia.⁹⁴ The list includes 172 foodstuffs names and 236 spirit names from various sectors.⁹⁵ In its draft text, the EU has requested that Australia afford a considerably higher level of protection for GIs than it currently does under its passing off and consumer protection laws and CTM regime. More specifically, the EU has requested Australia to protect, in addition to its current protection level, GIs against "any direct or indirect commercial use of a protected name for comparable products not compliant with the product specification of the protected name, or in so far as such use exploits the reputation of a geographical indication, including when that product is used as an ingredient".⁹⁶ Moreover, the EU has requested GI names to be protected

against "any misuse, imitation or evocation, even if the true origin of the product is indicated or if the protected name is translated, transcribed, transliterated or accompanied by an expression such as 'style', 'type', 'method', 'as produced in', 'imitation', 'flavour', 'like' or similar, including when those products are used as an ingredient."⁹⁷

Terms that the EU wishes to see protected as GIs in Australia include "Feta", "Roquefort" and "Parmigiano Reggiano" for cheese, "Prosciutto di Parma" for ham, "Kalamata" for olives, and "Grappa", "Ouzo" and "Cognac" for spirits. Accordingly, Australian producers would be prevented from using any of these names on their Australian products, even as an ingredient. However, in some instances, the EU is not seeking to extend the protection to the use of parts of names. Some provided examples include, "Camembert de Normandie", "Mozzarella di Bufala Campana", and "Gin de Mahón", with no claim for protection being made to the underlined term when used by itself, unless the use might deceive or mislead consumers about the origin or quality of the product.⁹⁸ Notwithstanding this, many GIs included in the list raise controversies between the EU and Australia, since they are understood as generic product names in Australia, rather than an indication of the place of origin.⁹⁹

The Australian Government has not made any commitments to protect EU GIs yet. However, with a comprehensive and ambitious FTA in sight, Australia has expressed its willingness to consider protecting EU GIs in a mutually acceptable way,¹⁰⁰ which involves hearing opinions from agricultural industry and other interested parties.¹⁰¹ As a result, the Australian Government ran a public objections procedure in 2019 where it asked anyone to lodge an objection if they thought that protection of a certain GI on the list would adversely affect their interests.¹⁰² The Australian Government has also invited and accepted general submissions on issues related to the FTA through regular submissions, including issues related to GIs, where Australian stakeholders and commentators seem to have rather conservative views about the costs and benefits on the FTA negotiations.¹⁰³ Essentially, it tends to be argued that there are significant costs in accepting the EU's proposal and that Australia should not consider extending GI protection unless it receives the EU's commitment for better market access for agricultural products.¹⁰⁴

The most recent development in the process is IP Australia's GI consultation, where public consultations on a possible new GI right were accepted from 4 September to 30 November 2020. The consultation paper seeks viewpoints on key GI policy considerations where, in fact, the core questions raise the crucial issue on costs and benefits to Australia in creating a new GI right.¹⁰⁵ The following section will seek to identify and analyse such costs but also puts emphasis on the potential benefits, which have not yet been widely considered.

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Analysing the EU's Demands on GIs: An Assessment of the Costs and Benefits to Australia

This section will focus on the implications to Australian industry, producers, and consumers by considering the arguments presented by Australian stakeholders and commentators on the FTA negotiations. This section aims to show that even though the costs to Australian producers in Australia agreeing to more expansive GI protection would still outweigh the benefits, the debate is perhaps more finely balanced than it is often presented.

Costs and Benefits to Australia in Acceding to the EU's Demands

The Potential Costs to Australia

Extending GI protection would impact highly on the food, alcohol, and agricultural industries in Australia. Among the main costs is said to be the loss of the ability to use certain European geographical names that have become generic or descriptive due to Australia's rich migration history, such as feta, parmesan, and gorgonzola. As migrants have brought these names and their traditions to Australia years ago, they are nowadays used to describe a specific style of goods rather than a specific product.¹⁰⁶ If Australian producers are not allowed to use these names anymore,¹⁰⁷ they will need to generate new names to describe their products, change their labelling, and re-educate consumers with their new products. This will likely place Australian producers at a competitive disadvantage for a certain period of time.¹⁰⁸

For example, Australian dairy producers are concerned that many of their products might need to undergo a name change in order to satisfy the EU's demands. More than 50 cheese names are currently included in the EU's GI list. From these names, feta and parmesan producers are at the highest risk as there are more than 70 different Australian feta brands and 30 Australian parmesan brands in the market.¹⁰⁹ The Australian Dairy Industry Council has estimated that local products with more than AU\$650 million worth of annual sales will be at some commercial risk due to the proposed extension of GI protection. Costs of AU\$70 million to AU\$90 million per year are estimated from lost sales, marketing, repackaging, and rebranding, should Australia accede to the EU's demands. It is also estimated that the dairy industry might lose up to 1,000 employees.¹¹⁰

A related cost to Australia is that it is likely to be required to give up the use of certain generic terms not only on goods that are sold in Australia but also on goods exported from Australia. However, it is important to appreciate that Australia is already prevented from exporting goods under such names to countries that separately agreed with the EU that they will not allow the sale of goods under such names. For example, Australia is prevented from selling Australian-made "Feta" in Singapore, Japan, and South-Korea under their obligations to the EU to protect the name, even though the true origin of the product would be indicated, and the

term accompanied by an expression such as "style", "kind", or "type".¹¹¹ The more bilateral FTAs the EU pursues, the less Australia will be able to export such products to countries that agree to protect European GIs. Therefore, it might not be such a significant cost to give up these names after all as such export products need to undergo re-naming and re-branding in any case.

Separate concerns have also been raised about the costs to Australia if it agrees to protect the EU's listed terms against any "misuse", "imitation" or "evocation", even though the true origin of the product is indicated.¹¹² The requirement would prevent any use of figurative signs evoking the geographical origin of a GI as clarified in a recent Judgment of the European Court of Justice concerning PDO for Manchego cheese.¹¹³ Therefore, Australian regional producers would be prevented from using any symbols, such as flags, writing, or colours in their packaging or labelling that links the product to the original location.¹¹⁴ In addition, the EU has requested that GIs be protected also when used as an ingredient, or when translated.¹¹⁵ For example, the use of the term "Parmesan" is potentially at risk, even though the name itself is not included in the list, if it is considered to be a translation of the listed "Parmigiano Reggiano". Therefore, the EU's proposal would in fact require Australia to provide a more extensive protection that goes far beyond from solely protecting the listed names themselves.¹¹⁶ These challenges do not concern only Australian dairy producers, but also producers from all industries affected by the EU's proposal to extend the GI protection.

An additional cost is that "any direct or indirect commercial use of a protected name" would be prohibited for corresponding products,¹¹⁷ which would seem to restrict non-misleading comparative advertising. For example, Australian producers would be prevented from referencing a protected GI in a completely fair and non-misleading comparison of the qualities of the product sold under the GI with the qualities of the locally made product. This has the potential to restrict legitimate competition in Australia, creating an unfair inconsistency with Australian trade mark law (which recognises a defence to infringement for comparative advertising).¹¹⁸

A final concern relates to the requirement to protect GIs in situations where a prior trade mark already exists.¹¹⁹ This is inconsistent with current Australian trade mark law and has the potential to harm trade mark holders, including those who have acquired their unregistered rights through use. This would potentially cost trade mark owners as the value of their trade mark might deteriorate due to the granted protection of a later recognised GI.¹²⁰

In summary, it has been suggested that should Australia accede to EU's demands and significantly strengthen the level of protection afforded to agricultural and food GIs, there would be less flexibility for Australian producers and

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traders to market their competing products in Australia and internationally.¹²¹

Experiences from the Wine Industry

This section will move to consider the impact of the previously concluded wine agreements between the EU and Australia. These experiences enlighten the potential costs and benefits to Australia in agreeing to the EU's current demands on GIs and therefore provide a foundation for the following assessment.

In 2010, when the Wine Agreement came into force and replaced the one signed in 1994, Australia was under an obligation to prohibit the use of various European GIs to describe a wine sold in or exported from Australia. However, the Agreement contained phase-out dates for certain sensitive GIs. The obligation to prohibit the use of European GIs within 12 months after the Agreement entered into force included names like “Burgundy”, “Champagne”, “Port” and “Sherry”. Australia also agreed to protect the Hungarian GI “Tokay” for wine with a transition period of 10 years. The impact was described as limited, as the industry had already moved away from using these GIs, except in the fortified wine industry for which the impact was more significant.¹²²

Australian Fortified Wines developed a strategy to respond to both immediate and long-term challenges faced by the industry. First, Australian wine producers needed to rebrand Sherry and Tokay. Among the main challenges was to invent new names that were available for registration as trade marks in Australia and in more than 40 other jurisdictions. In addition, the new names needed to be readily understood and accepted by consumers. Consequently, the new names generated as a replacement for Sherry and Tokay were, respectively, Apera and Topaque. Development of the strategy and these new names was made possible through funding provided by the Commonwealth Government and support by industry contributions. No other industry in Australia had needed to replace generic terms used to describe their products before, which made the project exceptional. Certain producers were affected more than others, particularly in Rutherglen in Victoria, where unique Australian Tokay wines had been produced for generations.¹²³

During the negotiations, stakeholders and commentators emphasised that remarkably improved access to EU markets was to be gained to balance the costs incurred in “trading away” the generic names. The National Interest Analysis of the 2008 Trade in Wine Agreement noted the administrative costs associated with the update of the Register of Protected Names under Australia's obligations and costs associated with the support provided for the fortified wine industry.¹²⁴ However, it also highlighted that the justification for the adoption of the agreement and higher standards of GI protection was the guaranteed market access and maintaining a mutually beneficial trade relationship with the EU.¹²⁵ Specifically, the Australian wine industry had formerly faced

great obstacles in accessing European markets. However, reforms to the EU's wine law between 2007–09 considerably reduced the barriers to trade.¹²⁶ A much-improved and ongoing access to EU markets was gained due to the Wine Agreement, which was essential to Australia's increasingly export-contingent wine industry at that time.¹²⁷

While it is clear that there were costs for Australia in entering the Wine Agreement in having to re-name and re-label various products, not to mention the need to re-educate consumers, moving to a system of new names was not greatly difficult nor costly as to result in a competitive disadvantage in the long term.¹²⁸ From the perspective of the Australian wine industry, the security of access to European markets was realised at *relatively* low economic costs, which were absorbed over a lengthy transition time.¹²⁹ In addition, it seems that the Australian wine industry was able to respond creatively to the obligations under the Wine Agreement by using inventiveness with naming and labelling, in addition to establishing prestige for individual Australian wine regions.¹³⁰

Over time, the distinctiveness of grape qualities and varietal mixes in Australian wine, not to mention the reputation of Australia's wine regions, has been growing and, consequently, consumers are more aware of different grape varieties with popular regions. A lot has changed since Australia implemented its GI framework for wines as the business model has changed from brand based to a model where typicality and regionality are particularly important to both winemakers and consumers.¹³¹

In 2016, the South Australian wine region of Barossa signed the Joint Declaration to Protect Wine Place & Origin (the “Declaration”), which aims to protect wine place names and prevent consumer confusion regarding the true origin of wines. Victoria and Western Australia are also among various notable wine region signatories of the Declaration. After Barossa joined the coalition, Barossa Grape & Wine Association CEO, James March commented that “despite the fierce competition in the worldwide marketplace, we all agree that location is the most important ingredient in creating truly unique and distinctive wines.”¹³² The Declaration has raised the attention of the importance to protect wine place names and the members of the Napa Valley Vintners voluntary agreed to abandon the use of the name Port to respect their alliance with Porto in the Declaration, even though they had a legal right to use the semi-generic term following the signing of the 2006 Agreement between the European Community and the United States of America on trade in wine.¹³³ Drawing from these experiences from the wine industry, the potential costs of agreeing to the EU's current demands on GIs need to be analysed and weighed up with the potential benefits to Australian industry, producers, and consumers.

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Assessment of the Potential Costs and Benefits to Australia

Given the positive experiences of the Australian wine industry, some commentators have argued that, in fact, potential benefits might flow to Australian producers if a GI register was implemented for food and agricultural products.¹³⁴ Jen Cleary and William van Caenegem note that the demand for provenanced food and beverages is increasing along with consumer awareness, and that the direct attribution to place and quality may benefit producers who utilise this in marketing.¹³⁵ Paula Zito shares similar thoughts and emphasizes how in recent years South Australian regional food producers have started to become aware of the intangible value of including Australian geographical names on food labels.¹³⁶ In fact, consumers are often willing to pay more for food products with an Australian geographical location included on food labels identifying where the food or its ingredients originate from.¹³⁷

Zito recommends that Australia implement a *sui generis* GI system for agricultural products and foodstuffs due to the limitations of the CTM system, which does not adequately protect the value that exists in Australian regional names as identifiers of authentic regional food products and creates uncertainty to consumers about the accurate information regarding the origin of food products. According to Zito, agricultural and food industries would benefit greatly from consumer confidence through increased sales, which could be achieved by implementing a *sui generis* food GI system.¹³⁸

Zito highlights in her work that the Australian Government should re-evaluate its view and consider ways to improve its trading position in the future. The issues related to GI protection are topical, as many of Australia's neighbouring countries and trading partners have either agreed to protect European GIs or have adopted *sui generis* regimes for GI protection. For example, China has implemented a food GI system and is more likely to trade with partners who may reciprocally provide for GI protection.¹³⁹ If acceding to the EU's demands bears certain costs, such as prevented use of certain generic terms sold in Australia and exported from Australia, at the same time it may create new opportunities for Australian producers as implementing a *sui generis* regime for agricultural and food products may give them advantage in international markets in the long term. Additionally, it might present an opportunity for Australia to correlatively protect unique Australian regional names in the EU.¹⁴⁰

Other scholars have also suggested that Australia should implement a GI system as inadequacies and limitations exist in Australian law to protect GIs. It has been proposed that all Australian GIs should be protected under a uniform Australian GI system as otherwise they face the risk of becoming misused or falling into the common language.¹⁴¹ Elyse Kneller believes that Australia and the EU have an opportunity to converge in the GI negotiations if Australia considers implementing a *sui generis* system which would

diminish their most significant procedural differences.¹⁴² Although Kneller also highlights the important lessons learned from the Wine Agreement, on the other hand she presses not to overstate the positive developments the GI system has generated in the wine industry, particularly when considering whether similar development could be achieved for food and agricultural products. Kneller stresses that it is important first to assess whether the quality and quantity of eligible GI products exists before establishing a *sui generis* GI system.¹⁴³

Furthermore, it is possible to point to examples of Australian businesses which see the FTA as an opportunity even though there would be costs due to prevented use of certain generic names and the use of symbolic features in packaging and labelling. Alison Lansley, head of the Australian Specialist Cheesemakers' Association, commented that "giving up" generic names is not necessarily a threat as it might open an opportunity for artisan cheesemakers to better distinguish themselves in the market and proudly promote products made in Australia.¹⁴⁴ This would, however, require improved market access, which will be considered at a later point. A relatively similar shift happened in the wine industry, except with the fortified wines, where producers were eventually able to overcome the challenges by responding creatively to re-naming and re-labelling products, and by developing a strategy to respond to both immediate and long-term challenges.¹⁴⁵ In fact, the experiences from the wine industry show that moving to a system of new names was not as difficult or costly as initially thought when compared to the long-term benefits of the agreement.¹⁴⁶

The EU's Trade Counsellor, Cornelis Keijzer, highlights how Australian producers could benefit from the EU's proposal by introducing GIs to agricultural and food sectors, noting that GIs will generate more jobs in regional and rural areas. In addition, GIs attract more tourists looking for unique food experiences and prevent imposters from misusing unique products.¹⁴⁷ These suggestions indicate that Australian regional producers and traders might genuinely benefit from a GI system despite the inevitable costs, especially considering future trade in international markets. This is consistent with the experiences from the wine industry where the typicality and regionality have become particularly important to both winemakers and consumers.¹⁴⁸

These different views show that there are multiple ways of looking at this important issue while assessing the potential costs and benefits in the light of the current FTA negotiations. When considering costs from reduced flexibility for producers and traders to operate with competing products, it is difficult to assess the extent of harm involved. Also, the requirement to protect GIs in situations where a prior trade mark already exists will inevitably create costs for trade mark owners, yet the consequences may be hard to predict. In any case, there will be costs in agreeing to higher levels of protection as it requires significant changes to currently permitted

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operations making many of them illegal. It is important to note that the costs identified above are only anticipations, and the outcome of the objection procedure will give a more precise indication of potential harm related to particular GIs in the EU's proposal.¹⁴⁹ Therefore, even with the potential benefits that might be gained from establishing a sui generis GI system, they do not prove to outweigh the potential costs.

This section has considered the costs and benefits to Australia if it agrees to the EU's proposal on IP text and list of terms. However, these may be subject to negotiation, and in assessing costs and benefits, consideration needs to be given to concessions Australia might be able to gain from the EU in the FTA negotiations.

Australia's Position to Negotiate Potential Concessions with the EU

From the commencement of the negotiations with Australia, the EU has emphasised that GIs are a non-negotiable element that must be included in the FTA.¹⁵⁰ However, when considering the EU's recent trade negotiation outcomes, it appears that other countries have not been required to protect GIs as extensively as what the EU is demanding in the draft text presented to Australia. The final form of these other agreements has involved compromises or specified exceptions on GIs. Therefore, it is useful to consider the outcomes of these agreements, and especially CETA, in which Canada – another country opposed to GI extension at an international level – was able to negotiate exceptions to GI protection. This section will explore some of the concessions Canada and other countries were able to achieve in their negotiations with the EU. It will also consider whether similar concessions would diminish the costs to Australia identified above.

Albeit not devoid of criticisms, the recently concluded CETA was able to eliminate approximately 98 per cent of the tariffs between the EU and Canada.¹⁵¹ Achieving the agreement was not easy as Canada did not historically have any tradition on GIs.¹⁵² The EU was able to achieve its objective in the negotiations, at least partially, as Article 20(19)(3) of the CETA extends the TRIPS-Plus protection of GIs to agricultural products and foodstuffs. The scope of protection though remains limited due to the numerous exceptions Canada succeeded in negotiating, meaning that many European GIs do not, in fact, receive the full protection the EU demanded. The parties used creativity to draft these exceptions, as they deal with particular GIs the EU proposed but which conflicted with names that had already been used in Canada.¹⁵³ These exceptions apply to certain GIs listed in Part A of Annex 20, which includes terms such as "Feta", "Gorgonzola", "Gouda Holland", and "Edam Holland" for cheeses and "Elia Kalamatas" for olives.¹⁵⁴ These specific terms are exempt from the requirement to provide protection "when the use of such terms is accompanied by expressions such as "kind", "type", "style", "imitation" or the like and is

in combination with a legible and visible indication of the geographical origin of the product concerned."¹⁵⁵

Another exception was made for five cheeses identified in Annex 20-A, including "Asiago", "Feta", "Fontina", "Gorgonzola" and "Munster", as CETA allows for producers already present in the market to continue producing these products for a certain period of time.¹⁵⁶ A similar type of exception was included in the EU-Japan EPA, which allows grandfather rights for producers as they have a maximum transitional period of seven years to halt the use of European GIs on agricultural products,¹⁵⁷ and five years on wine, spirits, and other alcoholic products.¹⁵⁸ Even the EU-Singapore FTA allows continued and similar use of agricultural products when the GI has been formerly used in a continuous manner and good faith, or for at least 10 years.¹⁵⁹ In addition, Singapore is not under an obligation to provide protection for later GIs in instances where there is a "reputed or well-known" trade mark and the protection might mislead consumers.¹⁶⁰

Additionally, CETA allows the English and French translations of certain GIs, as long as it does not mislead consumers.¹⁶¹ These terms are identified in Part A of Annex 20-B, which includes the term "Parmesan" among other terms.¹⁶² A concession was made also to translations of terms identical or containing a term used in common language.¹⁶³ Similar exceptions can be found from the EU-Japan EPA, which has specified numerous exceptions for the protection of European GIs, including the term "Parmesan" and "Kalamata", which may continue to be used on similar goods, as long as it does not mislead consumers.¹⁶⁴

In the end, other countries have been able to achieve numerous concessions to the EU's initial proposals, even though they have agreed to extend the protection beyond the minimum standards required by the TRIPS Agreement. If Australia succeeds in negotiating certain concessions, perhaps similarly as Canada did, the costs of "giving up" generic product descriptions and agreeing to higher levels of protection would not certainly turn up to be as high as initially thought.¹⁶⁵ This is especially the case if Australia is able to negotiate concessions allowing regional producers already present in the market to continue producing certain agricultural, food, and spirit products, at least for a decent transitional period,¹⁶⁶ and continue using certain translated names commonly used in Australia, such as the term "Parmesan",¹⁶⁷ in addition to negotiating exceptions to certain GIs to be used with descriptive expressions.¹⁶⁸ Also, if the use of GIs were allowed for comparative advertising during the transitional period it might significantly help producers in the marketing of re-branded products to secure existing business continuity. These concessions would lower the competitive disadvantage due to re-naming and re-labelling of products in addition to re-educating consumers, especially in the dairy sector, which would likely experience one of the most significant impacts.

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The Costs and Benefits of the FTA

When considering the costs and benefits in the context of the wider FTA, suddenly GIs become only a part of much broader and complex negotiations. The whole purpose of an FTA is to ease market access for both parties and reduce business costs in trade between them, across a large number of sectors.¹⁶⁹ As tariffs and duties are in place mainly to protect domestic industries, they increase the costs of imported products compared to those products which are produced domestically.¹⁷⁰ The trade between the EU and Australia in agricultural and food products has had a recession during the last decades and currently amounts to only a small share of their bilateral relationship. However, an FTA could provide new possibilities to expand the agricultural and food product trade.¹⁷¹ According to Australian Minister for Trade, Steven Ciobo, Australian exporters are currently at a disadvantage compared to many trading competitors as they do not have preferential access to EU agricultural markets.¹⁷² Even though Australian consumers and producers stand to benefit from a free trade deal with the EU through better market access to goods and services at lower prices in agriculture and in professional and financial services, the agreement is not going to be successful without some degree of compromise on controversial issues.¹⁷³ Inevitably Australia will need to agree on some unfavourable requirements in order to achieve a negotiated FTA with the EU, and agreeing on the EU's GI demands, at least partially, therefore ends up being a collateral cost in an otherwise beneficial agreement.

What is more, the experiences from the wine industry show that the industry was able to innovate and succeed despite the challenges, and ultimately has benefitted from the agreement it made with the EU. The further development of reputable Australian wine regions is a prime example of the acquired long-term benefits, and there is no reason similar development could not happen in the agricultural and food industries, not to mention the spirits industry. The current FTA negotiations establish a timely opportunity for Australian regional producers to consider creating a system that could provide protection to the reputation of their products, similarly to the wine industry. As noted above, it has already been suggested that Australia could implement a sui generis system for food and agricultural products. This is also what Singapore did under the FTA with the EU as it committed to establish a GI registry.¹⁷⁴ On the other hand, South-Korea operates two parallel systems where there is a sui generis registration system solely for European GIs. It has been suggested Australia should consider implementing a separate administrative system, which would only include GI names listed in trade treaties, so unnecessary interference with the current trade mark system could be avoided.¹⁷⁵ This might be a valid option for Australia if heavy reasons arise for it not to implement a sui generis system for agricultural and food GIs.

All things considered, the EU has stated that there will be no agreement without GIs, which is a position Australia needs to acknowledge. Therefore, Australia needs to prepare for at least some inevitable costs, as creating more opportunities in a vast and stable market such as the EU is more important than ever while recovering from the current COVID-19 pandemic. An FTA with preferential terms will support and drive Australia's economic and trade interests far in the future as long as Australia secures improved market access for trading off the use of various geographical names, as the EU has demanded.¹⁷⁶ If Australia also secures exceptions to GI protection in the agreement, along the lines of what Canada was able to achieve in CETA, this most likely ensures that the overall benefits from the agreement outweigh the costs considered.

Concluding Remarks

The objective of this article has been to identify and assess the costs and benefits to Australia in acceding to the EU's demands on the FTA negotiations. In particular, this article has concentrated on weighing up potential benefits with the costs involved as the primary focus Australian stakeholders and commentators have taken on the FTA negotiations has been on the costs to Australian industry, producers and consumers. As a result, it seems that the potential benefits have not in fact been widely considered or recognised and that the discussion has rather concentrated on the immediate costs.

As noted above, it is evident that there are costs involved, should Australia accede to the EU's demands. Concerns have been raised that extending GI protection would impact highly on the food, alcohol, and agricultural industries in Australia and might also place them temporarily at a competitive disadvantage. Acceptance of the EU's proposed level of GI protection would unquestionably give less flexibility for producers and traders to operate with competing products in Australia when compared to the current situation, in addition to denying them the use of certain generic names and the use of symbolic features in packaging on Australian produced products. Additionally, inconsistencies with trade mark law might harm trade mark holders where the protection and use of a conflicting trade mark and GI is possible.

Although the outlined costs might have a significant impact on Australian regional producers, this article has also identified potential benefits, particularly in the long term through increased sales and protection from misuses for unique products. Implementing a sui generis regime for agricultural and food products might turn out to be beneficial for Australian regional producers in both national and international markets. The experiences and developments in the wine industry since the Wine Agreement further support this view, as the costs incurred by the sector did not

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result a competitive disadvantage in the long term and the industry has benefitted from the agreement made with the EU, particularly in the export market.

Further, some of the costs of the agreement can be mitigated if Australia negotiates concessions in the form of the GI provisions, similarly to other countries in their FTAs with the EU. Acquiring certain exceptions, such as allowing Australian regional producers grandfather rights to continue producing certain agricultural, food, and spirit products, in addition to allowing them to use certain translated names commonly used in Australia, most likely ensures that the overall benefits of the agreement outweigh the costs. Such benefits are realised especially when considered in the context of the wider FTA, as long as Australia secures improved access to the EU market. In the end, there will be no FTA without GIs, so the EU and Australia must overcome their differences in order to achieve a negotiated FTA, as cooperation between the partners in the current global COVID-19 situation is of greater importance than ever before.

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Store Layouts and the Trade Mark Apple: Will Australia Take a Bite?

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Abstract

This article adopts a comparative lens to analyse the approaches to trade mark protection of store layouts in the United States (“US”) and Europe, with particular regard to the attempts by Apple, Inc. The article then examines whether a store layout could obtain trade mark registration in Australia under the *Trade Marks Act 1995* (Cth) (“TMA”) and the challenges likely to confront an applicant. The paper briefly considers whether or not trade mark protection should be afforded to store layouts. The ultimate conclusion is that a valid rationale exists for extending trade mark protection to store layouts and the legal hurdles should not be viewed as limiting by applicants as they can potentially be overcome.

Introduction

The rapid rise in online shopping and e-commerce, driven in part by the restrictions on movement introduced as a response to COVID-19, might suggest that traditional bricks and mortar stores have lost their relevance altogether. Despite the upwards trajectory of online sales, they are perhaps surprisingly, still dwarfed by those made in-store. For example, in the first half of the 2019 to 2020 financial year, online sales accounted for only 10.4 per cent of total sales for Australian department store David Jones.² The figures rise somewhat within the luxury sector, with online sales representing 12 per cent of total global sales for Kering, the international conglomerate which owns luxury brands such as Balenciaga, Bottega Veneta and Gucci.³

The effects of the COVID-19 pandemic across the globe have evidently been more persistent than one might have predicted. As a result, the pandemic has perhaps heightened the importance of trade marks as badges of authenticity, particularly for bricks and mortar stores, as consumers turn even more consciously towards brands that they view as being familiar and trustworthy. Rather than neglecting the traditional physical store, retail companies have instead recognised the potential to leverage bricks and mortar stores in an attempt to create a richer and more immersive brand experience. The key reasons underpinning this shift appear to stem from the inherent limitations of online shopping. Despite the ease and efficiency of purchasing online, consumers will arguably always want to see, touch, feel and try on products which can only be accommodated by bricks and mortar stores. As consumers move through different economic stages and reduce discretionary spending, they expect their excursions to physical retail stores to be a memorable and multi-sensory experience, perhaps even a fleeting escape from daily life.

In the context of this ever-evolving consumer market, the protection of intellectual property rights including the registration of a trade mark can provide intangible value to a brand’s identity as well as foster much sought-after goodwill. In January 2013 global technology giant Apple Inc (“Apple”) recognised this potential and successfully registered two trade marks for the design and layout of its bricks and mortar retail stores in the United States. Apple subsequently filed a trade mark application in Australia as part of an international application,⁴ however the application lapsed on 17 October 2012 with no further action taken. The Australian Trade Marks Office (“ATMO”) issued an adverse examination report on 17 January 2011, refusing the application under the former section 43(6) of the TMA, stating that:

*Your International Registration Designating Australia is refused because your trade mark is not capable of distinguishing the specified goods/services. This is because your trade mark is an ordinary depiction of the premises from which you offer your services. With nothing particularly striking or unique about these premises it is unlikely that they will serve to distinguish your services from those of other, similar traders.*⁵

Interestingly, no trader has obtained a trade mark in respect of a store layout in Australia as at the date of this paper. This article examines the difficulties an applicant can expect to be faced with when seeking to register a similar trade mark in Australia, namely whether a store layout could be characterised as a “sign” for the purposes of the TMA and whether a store layout could meet the distinctiveness requirements.

Position Overseas

US

The attempts by retail companies to obtain trade mark registrations in relation to their store layouts, although few,

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have enjoyed moderate success particularly in the US and Europe. On 22 January 2013, Apple was granted trade mark protection for the design and layout of its retail stores in the US. The application process exceeded three years, with the US Patent and Trademark Office initially rejecting the applied-for mark on the grounds that it lacked an inherent distinctiveness. Apple subsequently filed close to 1,000 pages of evidence outlining the consistent success of its brick and mortar stores and initiatives forming part of Apple's marketing strategy to increase consumer awareness in its store design. Through these declarations Apple successfully proved that its store layouts had acquired the requisite distinctiveness for trade mark protection. In addition to an image of the store layout, the trade mark registration description states:

Color is not claimed as a feature of the mark. The mark consists of the design and layout of a retail store. The store features a clear glass storefront surrounded by a paneled facade consisting of large, rectangular horizontal panels over the top of the glass front, and two narrower panels stacked on either side of the storefront. Within the store, rectangular recessed lighting units traverse the length of the store's ceiling. There are cantilevered shelves below recessed display spaces along the side walls, and rectangular tables arranged in a line in the middle of the store parallel to the walls and extending from the storefront to the back of the store. There is multi-tiered shelving along the side walls, and an oblong table with stools located at the back of the store, set below video screens flush mounted on the back wall. The walls, floors, lighting, and other fixtures appear in dotted lines and are not claimed as individual features of the mark; however, the placement of the various items are considered to be part of the overall mark.⁶

The trade mark of a store layout is not unique to Apple, as Microsoft Inc ("Microsoft") previously obtained trade mark protection for the design of its freestanding stores in 2011.⁷ However, the mark was cancelled on 11 May 2018 for unknown reasons. The Microsoft trade mark registration bore some similarities to the Apple mark, with the description including:

Color is not claimed as a feature of the mark. The mark consists of three-dimensional trade dress depicting the interior of a retail store with four curved tabletops at the front and rear side walls and a rectangular band displaying changing video images on the walls. The matter shown depicted in the drawing in broken lines is not part of the mark and serves only to show the continuous stream of changing video content on the video band and the position or placement of the mark.⁸

The attempts to trade mark a store layout in the US have not been limited to the technology market. For example, in June 2010 New York based luxury shoe retailer Stuart Weitzman successfully registered a trade mark in relation to the peculiar ribbon shape design of its retail stores, with the registration

description explicitly including colour as a feature of the mark:

The color(s) white is/are claimed as a feature of the mark. The mark consists of the three dimensional trade dress of the interior design of a retail store with a color white 'ribbon' pattern traversing walls and making up the design of tables, counters, and chairs, and the color white background covering the walls, ceiling and floor. The 'ribbon' design consists of long bands that invert, fold and twist to give the illusion of a large scale ribbon. The matter shown broken lines is not part of the mark and serves only to show the position or placement of the mark.⁹

The intellectual property in store layouts has long secured protection in the US under the notion of trade dress, and the term was notably included in the description of Microsoft and Stuart Weitzman's trade mark registrations. Historically, trade dress embodied the "arrangement of identifying characteristics or decorations connected with a product that makes the source of the product distinguishable from another and promotes its sale".¹⁰ This protection is derived from the US *Trademark Act* of 1946 ("Lanham Act").¹¹ The Lanham Act prohibits any word, term, name, symbol, device or combination thereof, whether registered or unregistered, from being used in a manner that is likely to cause confusion or deception as to the origin of products or services.¹² In order to warrant protection, the trade dress in question must allow customers to distinguish a product and determine the source of that product.¹³ As far back as 1895, in *Weinstock, Lubin & Co v Marks*,¹⁴ the US Supreme Court entertained the idea that the "look and feel" of a store could be protected, highlighting that a certain store layout could forge goodwill in the company and bear a considerable recognition value.¹⁵ In 1992, the Supreme Court confirmed the view that trade dress extends to the decor, design and layout of retail premises.¹⁶ More recently, coffeehouse chain Dunkin' Donuts in *Dunkin' Donuts Franchised Restaurants LLC v D&D Donuts Inc*¹⁷ was afforded trade dress protection for the distinct building designs and interior colour schemes of its outlets.¹⁸ The registration of trade marks in relation to the store layouts of Apple, Microsoft and Stuart Weitzman in the US does not appear to be a particularly radical advancement in light of the historical recognition of trade dress as a protectable form of intellectual property. There now appears to be little distinction between trade dress and trade marks as a result of the Lanham Act and the judicial expansion of trade dress.

Europe

The success in the US led Apple to subsequently file an international trade mark application under the Madrid Protocol¹⁹ which included the designation of nine European nations.²⁰ The application was rejected in Germany on account of inadequate distinctiveness.²¹ The German Patent and Trade Mark Office emphasised that the diagram of the

Apple store interior dedicated to selling Apple products was merely a depiction of a core feature of Apple's business which would not be considered a symbol of the trade origin of the products in the minds of consumers.²² The matter was appealed to the German Federal Patent Court and ultimately came before the Court of Justice of the European Union ("CJEU") for a preliminary ruling in 2014 in *Apple, Inc v Deutsches Patent – und Markenamt* ("Apple Deutsches case").²³ The CJEU held that the representation of the layout of a retail store by a design alone, in the absence of size or proportions, is registrable as a trade mark provided it can be regarded as a sign capable of distinguishing the services of the applicant.²⁴ The CJEU also ruled that such a layout could not be registered with respect to services forming an integral part of retail.²⁵ The CJEU ruling was the first authoritative European decision confirming that a store layout can operate as a trade mark. Although characterised broadly as a shape mark, it is not framed as possessing a particular shape and the mark appears to deal more with the linking of various specific components in one setting without an indication of size or proportion. Given that the physical shape appears to be of little importance, the CJEU has arguably expanded legal protection to an entirely new form of trade mark.²⁶ In any event, the decision demonstrates an openness on the part of the CJEU in welcoming signs of an unconventional nature into the existing trade mark regime.

Notwithstanding the apparent support of the CJEU for using the trade marks regime to protect store layouts, the experience of other applicants in relation to similar marks has illustrated the difficulty in registering unconventional marks due to their tendency to be regarded as non-distinctive. This was notably brought to light by the decision of the Opposition Division of the European Union Intellectual Property Office ("EUIPO") in relation to a trade mark application by Kiko S.pA ("*Kiko* case").²⁷ The Milan-based company lodged an application to register the layout of its Kiko cosmetic stores as a trade mark in September 2014. The application included a graphical depiction of the layout accentuating the arrangement of tables, use of specific colours and lighting as well as sweeping windowless entrance doors.²⁸ The mark was rejected by the EUIPO on the basis that it did not possess the requisite distinctive capacity, either inherently or acquired by use. The EUIPO commented that the essential forms within the store were either rectangular or circular, which were overly simplistic and insufficient to establish distinctiveness. Although the side tables were diagonal, this was held to be merely functional as they were intended to increase the prominence of the goods. Additionally, the colour scheme of black, white, grey and lilac was deemed common and not distinctive when referenced against the wider cosmetics and beauty industry. The EUIPO ultimately determined that none of the core features of the proposed mark "significantly departed, whether taken in isolation or considered as whole, from the norms and customs of the cosmetics retail sector".²⁹ The argument made by Kiko that the mark had acquired

distinctive capacity through extensive use was firmly rejected by the EUIPO on the grounds that the store layout depicted in the trade mark application was not applied consistently across all stores.³⁰ Whilst the EUIPO followed the criteria outlined in the *Apple Deutsches* case, this decision illuminates the difficulties that applicants should expect to be faced with in order to successfully register a store layout as a trade mark, particularly in relation to proving that the mark is sufficiently distinctive.

Potential in Australia

The treatment of store layouts as potential trade marks in the US and Europe is of limited precedential value to traders considering registering a similar mark in Australia. Importantly, Australia does not recognise the concept of trade dress in the same way as the American courts. As a result, there appears to be a lack of legal basis for the protection of a store layout as a trade mark. However, the willingness demonstrated by other jurisdictions to protect store layouts as trade marks warrants a discussion about whether such a mark could be recognised and successfully registered under Australia's existing trade mark regime.

Trade Mark Use

The TMA expressly defines a trade mark in s.17 as "a sign used, or intended to be used, to distinguish goods or services dealt with or provided in the course of trade".³¹ The concept of a "sign" is deemed to "include the following or any combination of the following, namely, any letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour, sound or scent".³² Importantly, this definition of "sign" is non-exhaustive by virtue of the word "includes". The trade mark must be independent and distinct from the products which it references.³³ The TMA saw the addition of four non-conventional marks to the definition of "sign", namely colours, scents, shapes and sounds in 1995. To some extent, this appears to indicate a certain willingness on the part of the legislature to recognise new and unconventional marks. The layout of a retail store, comprising a specific arrangement of objects and perhaps proportions could well be regarded as a combination of "shapes" and thereby fall within the definition of a "sign" in s.6 of the TMA. There is also the possibility for a store layout to be a collocation of multiple signs, as the definition in the TMA allows for any combination of signs. Following the approaches taken by Apple and Stuart Weitzman in the US, the author considers that an applicant would be best placed to characterise the mark as a composition of shapes and colours when submitting an application for registration in Australia.

Arguably the most onerous requirement facing an applicant seeking to trade mark a store layout is the need to substantiate that this sign is used or intended to be used as a trade mark. This notion requires a mark to be used as a badge of origin which allows consumers to draw a connection between the

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goods or services in question and their origin of trade.³⁴ There is a parallel between the decisions in Europe and Australia, with Australian courts also commenting that if a product bears a particular shape for the reason of improving functionality, then that shape cannot function as a trade mark and other traders should be able to freely use that shape.³⁵ However in *Woolworths Ltd v BP plc (No 2)* (“*Woolworths*”),³⁶ the court indicated that a trade mark may serve multiple purposes and could be registered provided one of those purposes worked to distinguish the goods of the applicant from those of other traders.³⁷

An additional danger arises from using the applied for mark concurrently with another trade mark because this has the potential to preclude a finding that the mark is being used as a trade mark. In *Chocolaterie Guylian NV v Registrar of Trade Marks* (“*Guylian*”),³⁸ it was held that the seahorse shape was not used as a trade mark by Guylian as a result of it being used in conjunction with other distinctive marks such as “GUYLIAN” and “G” on chocolate boxes, marketing materials and signage which diluted the capacity of the seahorse shape to act as a trade mark.³⁹ As a result, the court was unable to conclude with certainty that the seahorse shape alone had become distinctive of the chocolate products in question.⁴⁰ Similarly in *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd*,⁴¹ the court found that featuring Remington’s name on the shaving product was a mark and not the shape of the picture of a specific shaver. This particular issue in relation to shape marks was given judicial consideration more recently in *Clipsal Australia Pty Ltd v Clipso Electrical Pty Ltd (No 3)* (“*Clipsal*”).⁴² Clipsal Australia produced a range of light switches and electrical accessories and brought an infringement action against Clipso Electrical. As part of the proceedings, Clipsal Australia sought to rely on the registered shape mark of its light switches. The Federal Court of Australia (“Federal Court”) was persuaded that the design of the light switches were more than merely functional and that traders had many shapes to freely select from.⁴³ However, the court was not inclined to conclude that the shape was being used as a trade mark by the respondent. This was because consumers would draw a link to the origin of the light switches from Clipsal’s logo which was used together with the shape and not from the shape in of itself.⁴⁴ The court reached this conclusion despite being presented with evidence of Clipsal’s high sales, examples of the light switches included in marketing collateral and a statement on the product packaging indicating that the light switch shape was a registered trade mark.⁴⁵ This case perhaps serves as a pertinent example of the difficulties associated with establishing trade mark use in respect of a shape.

In order to succeed in a trade mark application Apple (or any other trader for that matter) will need to demonstrate that its store layout is distinctive or imaginative to such an extent that it serves as an indicator of trade origin. The description of Apple’s US trade mark indicates that its retail stores consist

of a simple layout and minimalist design but this is arguably precisely where their distinctive nature lies. The case law arising out of Europe suggests that the most onerous obstacle facing Apple will be establishing that the purpose of its store layouts extends beyond being decorative or functional and that they have the capacity to act as an indicator of trade source for its consumers. If the design choices of the store layout are primarily to present products in a more attractive light or increase prominence of particular technology services, the use of that layout is unlikely to be considered use as a trade mark for the purposes of the TMA. At first glance, it is not difficult to conceive how the layout of Apple stores is perhaps designed to serve a functional purpose. For example, it is plausible that the arrangement of tables and separation between them encourages the streamlined flow of customers and makes products more accessible for viewing and testing. Another example is the use of cantilevered shelving combined with lighting throughout the store, which arguably serves to display particular products more prominently and enable consumers to readily compare options. However, following the reasoning in *Woolworths*, this aesthetic or functional element is not necessarily fatal to the ability of the Apple store layout to be registered as a trade mark.

Looking more closely at the example of the Apple store layout as a functional shape, it is submitted that while the functionality element is undeniably present, the degree of functionality is not sufficiently significant to preclude registration. This is because firstly, it appears that the shape is unlikely to be essential to the use or purpose of a retail store selling or offering technology goods and services. In this regard, a distinction can be drawn between the store layout and the example of the shape of a pair of scissors which is evidently necessary for the proper functioning of that product. Secondly, it is difficult to imagine how the shape of a store layout could be regarded as achieving a particular technical result or solving a technical problem. It is equally difficult to find a reason why such a shape would have any form of engineering advantage, in the way that a shape might improve performance. There is the potential for the shape of Apple’s store layouts to be characterised as resulting from a simple and inexpensive method of manufacture. However, this argument is unlikely to succeed on the assumption that Apple would adduce evidence of the considerable creativity, funds and time that were required to commission the design of its store layouts.

Additionally, Apple’s store layouts are frequently used concurrently with the company’s other trade marks, namely the well-known Apple logo featuring the partially eaten apple device. This creates difficulty in assessing whether or not consumers view the Apple store layout as an indication of trade origin or instead rely upon the logo splashed on the front of all stores and featured prominently within the store itself. It is submitted that at the time of writing, there

is a reasonably strong chance that ordinary consumers of technology goods and services in Australia would identify an Apple store purely from the store layout, in the absence of any logos or related trade marks. Perhaps the key to the uniqueness of Apple's store layouts lies in their sheer simplistic and minimalist aesthetic, which it appears consumers have come to identify the brand itself with on a broader scale. There do not appear to be any technology stores in Australia which comprise the same store layout as Apple and if there were such stores, consumers would likely recognise that those layouts have been designed to mimic the appearance of Apple stores. In making these arguments, Apple or any other trader, would have the opportunity to present consumer survey evidence to substantiate such claims.

In light of the uncertainty surrounding this point, it is likely that Apple would prefer to mitigate any risk before commencing the preparation of a trade mark application. The most effective mode of mitigation would involve Apple embarking on a prolonged nationwide strategic marketing campaign focused solely on the promotion of its store layouts. This approach could potentially increase the recognition of Apple stores and boost their status. However, there must be sufficient evidence that this has occurred to such a degree that consumers draw a clear and unequivocal relationship between the store layout and Apple. Although the outcome is uncertain, it is by no means outside the realm of real possibility given the historical aggressive marketing behaviours of global technology companies such as Apple.

Distinctiveness

If a store layout is indeed found to be a sign capable of acting as a badge of origin, the next hurdle requires an applicant to demonstrate that the store layout meets the distinctiveness threshold under the TMA. Section 41 of the TMA, which is relevant to distinctiveness, was amended by the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth) which came into operation on 15 April 2013. The amended section 41 applies to all trade mark applications with a filing date on or after 15 April 2013. An applicant's mark will satisfy the distinctiveness requirements under sections 41(3)–(5) of the TMA if it is inherently adapted to distinguish, or it has acquired the requisite distinctiveness through use.

Inherent Distinctiveness

Turning to section 41(4), an applicant must illustrate that its mark is sufficiently "inherently adapted to distinguish" its goods and services from the goods and services of other traders. The historical test for examining the extent to which a mark is inherently adapted to distinguish was established by Kitto J in *Clark Equipment Co v Registrar of Trade Marks* ("*Clark Equipment*").⁴⁶ However, the historical test was recently reformulated by the High Court of Australia in the landmark decision *Cantarella Bros Pty Limited v Modena Trading Pty Limited* ("*Cantarella*").⁴⁷ Both *Clark Equipment* and *Cantarella* indicated that the starting point in examining

inherent adaptability to distinguish requires a consideration of the mark itself. In *Cantarella*, the majority set out a two-step test to determine whether a mark is "inherently adapted to distinguish". Firstly, the court must determine what the "ordinary signification" of the mark is to people in Australia concerned with the goods or services which are the subject of the trade mark. Secondly, the court must then consider the likelihood of others trading in similar goods or services, thinking of that mark because of its ordinary signification and wishing to use it in respect of their own goods without improper motives.⁴⁸ Importantly, *Cantarella* stated that a decision-maker must only proceed to the second step of the test if a mark has an ordinary signification. If a mark does not have an ordinary meaning, the inquiry does not proceed beyond the first step and the mark is taken to be inherently adapted to distinguish for the purposes of section 41 of the TMA. In relation to the concept of "ordinary signification", the majority in *Cantarella* distinguished between marks that are a direct reference to the character, purpose or quality of the goods or services and marks which make a clever or skilful allusion to the goods or services.⁴⁹ Thus, a mark is registrable if it falls into the latter group.

In light of the experiences in Europe and the US, it is likely that an applicant will attempt to characterise its store layout as a combination of shapes and colours when seeking trade mark registration in Australia. The TMA does not preclude non-conventional signs such as shapes and colours from being inherently adapted to distinguish and they remain subject to the same distinctiveness requirements as the more common letter and word marks. In *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* ("*Kenman Kandy*"),⁵⁰ the court drew a useful comparison between a shape that was entirely concocted, and an ordinary or well-known shape.⁵¹ The latter could not be held to be sufficiently inherently adapted to distinguish while the former could, in the same manner as an invented word or combination of words would be. *Kenman Kandy* concerned the registration of the shape of the "millennium bug" confectionery lolly. At first instance, Wilcox J refused registration and noted in relation to distinctiveness that although the bug shape was concocted, it was reminiscent of a variety of insects and that the possibilities for concoction of animal-like shapes were finite.⁵² On appeal, the Full Federal Court of Australia ("Full Federal Court") overturned the first instance decision and stated that although the shape might be "suggestive" of an insect, the better view was that in the absence of any description by the owners, it may just as well be characterised as an extra-terrestrial object or space equipment.⁵³ The applicability of the reformulated distinctiveness test arising out of *Cantarella* to non-word marks currently appears to be somewhat unclear. However, the practice of ATMO appears to be that *Cantarella* applies equally to all trade mark applications, including those for non-conventional signs such as shapes and colours.⁵⁴ Although *Cantarella* reformulated the test for distinctiveness some 12 years

later, there are evident parallels to the reasoning in *Kenman Kandy*. As discussed earlier, the court in *Cantarella* drew a distinction between marks which directly refer to the goods or services and marks which merely allude to those goods or services, with the former lacking an inherent adaptability to distinguish but the latter deemed registrable. Accordingly, what the court was essentially stating in *Kenman Kandy* is that although the bug shape alluded to insects by virtue of it being “suggestive of insect life”, it was in fact not the shape of any specific bug or insect existing in nature and therefore was inherently adapted to distinguish.

The capacity for shapes to be inherently adapted to distinguish was also considered by the Federal Court in *Guylian*. This case was an appeal from a decision of the Registrar of Trade Marks who refused a trade mark application which attempted to register the shape of Guylian’s seahorse chocolates on the basis that it lacked the ability to distinguish Guylian’s chocolates. On appeal, the Federal Court ultimately upheld the first instance decision. Unlike in *Kenman Kandy*, this case concerned a seahorse shape which had an ordinary signification in nature and would be immediately recognised by consumers of chocolate products. The seahorse shape in question was found not to be unique or distinct from a normal seahorse shape, which distinguished the facts from *Kenman Kandy*. The court noted that seahorse or marine creatures were a popular shape amongst traders of such products and those traders might legitimately wish to use a similar shape in connection with their goods or services.⁵⁵

The US trade mark registrations of Apple and Stuart Weitzman included colour as a claimed feature of their respective marks, and it is likely that colour would be claimed as an aspect of any application by a trader seeking to register its store layout in Australia. The extent to which colours can be inherently adapted to distinguish under Australian trade mark law appears to be less clear and has not been met with the same enthusiasm as shape marks by the judiciary. The Federal Court in *Philmac v Registrar of Trade Marks* (“*Philmac*”)⁵⁶ has previously expressed the view that inherent adaptation to distinguish could be found in favour of a single colour mark. In *Philmac*, Mansfield J stated that a single colour mark may be inherently adapted to distinguish in limited circumstances, such as where the colour does not have a utilitarian, ornamental or economic function, or where there is no evidence of a competitive need to use that colour in the relevant market.⁵⁷

However, the remaining case law illuminates the difficulty in establishing such distinctiveness. In *BP plc*,⁵⁸ the ATMO was tasked with examining an application by BP to register the colour GREEN, being Pantone shade 348C in relation to its service stations in Australia. The Registrar concluded that the single colour mark could not be inherently adapted to distinguish because it was merely descriptive of the goods or services. In reaching this finding, the Registrar cited the

comments made in *Woolworths Limited v BP PLC*,⁵⁹ that a green striplight affixed to a canopy of a service station is not, to any extent, inherently adapted to distinguish and that “something as ubiquitous utilitarian and decorative as a coloured striplight on a shopfront could never be otherwise”.⁶⁰

Previously, the test for whether a mark is inherently adapted to distinguish set out in *Clark Equipment* was premised on the legitimate need for other traders to use that same or a similar mark in connection with their goods or services. The test arising out of *Cantarella* has been reformulated to firstly require an assessment of the ordinary signification of the mark. Only once the ordinary signification is determined, does the inquiry turn to whether other traders might desire to use that mark. In the absence of an ordinary signification, a mark must be deemed to be inherently adapted to distinguish. Thus, *Cantarella* has perhaps improved the chances of an applicant seeking to register a store layout as a trade mark. This is because a store layout appears to be an entirely concocted or invented shape analogous to the “millennium bug” in *Kenman Kandy* and can be distinguished from the ordinary and well known seahorse shape in *Guylian*. It is difficult to imagine on what grounds the shape of Apple’s store layout could be found to be descriptive or even suggestive of technology products or services. The layout of Apple stores is an original, commissioned design and it is submitted that it would not have any ordinary signification to consumers of technology goods or services in Australia.

Following the test in *Cantarella*, in the event that a store layout is deemed to possess an ordinary signification, the question turns to whether other traders would think of that store layout and legitimately wish to use it for their technology stores. As discussed earlier, Apple stores are known for their minimalist and “scandi” aesthetic including the colour white and light-coloured wood joinery. Although this aesthetic alone is not unique, the specific design of the layout and arrangement of elements within that layout are arguably unique and distinctive of Apple. That is, the purposeful arrangement of multiple shapes and colours which form the store layout. There appears to be no meaningful reason why other traders in the same market as Apple would think of the same or substantially identical store layout and wish to use it, without improper motives. The argument that there are a limited number of ways in which a bricks and mortar store can be laid out and arranged is unfounded. One only has to look at the abundance of retail stores in major cities around the world to see that traders are increasingly finding new and novel ways to design retail spaces, even against the backdrop of a trend in the adoption of minimalist or Scandinavian-inspired aesthetics. The registration of Apple store layouts as a trade mark will not award Apple exclusive use of the stripped down, minimalist design of store layouts in the technology market and will not preclude other traders from capitalising on the minimalist trend.

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In relation to colours, the comments made by Mansfield J in *Philmac* are somewhat reminiscent of the EUIPO's reasoning in the *Kiko* case, whereby the colour scheme of black, white and grey was found to lack distinctiveness because it was commonly used within the cosmetics industry. The extent to which other traders may wish to use that colour in connection with their goods or services must be assessed against the backdrop of the relevant marketplace. It is also important to note that the likelihood of a colour mark being accepted is arguably increased if the mark consists of two or three colours as opposed to a single colour, because a combination of colours is more likely to be regarded as original and distinct. Accordingly, it may be prudent for a trader to include multiple colours in conjunction with shapes in any trade mark application, particularly colours that are not commonly associated with the relevant industry or goods and services.

Factual Distinctiveness and Alternatives

An applicant who fails to demonstrate that its store layout is inherently adapted to distinguish will not be precluded from registration if it can adduce evidence that the store layout has been used extensively throughout Australia and as a result, has acquired a secondary meaning.⁶¹ This inquiry requires careful examination by the decision-maker and is essentially a question of fact. Given the historical reputation of Apple and its success in the US and Europe, it appears that Apple is now familiar with the depth of evidence required. Accordingly, the author considers there is a relatively strong likelihood that Apple could successfully persuade an Australian decision-maker that its store layouts have acquired distinctiveness through use.

Alternatively, Apple may be inclined to take a similar approach to that which was adopted (whether inadvertently or not) by PI Design-AG (otherwise known as Bodum) prior to seeking to register its shape mark in 2012. Bodum is a kitchenware manufacturer and has been selling its Chambord coffee plunger in Australia since at least 1986. In 2010, Bodum brought an action against DKSH Australia for misleading and deceptive conduct under sections 18 and 29 of the *Australian Consumer Law* or alternatively under the common law tort of passing off.⁶² At the time, Bodum had not obtained trade mark registration for the shape of its coffee plunger but had established a significant reputation in the shape. The Full Federal Court was ultimately persuaded by the evidence that Bodum had established a reputation in the shape and found in favour of Bodum.⁶³ This prompted Bodum to subsequently file a trade mark application for the shape of the Chambord plunger, which was unsurprisingly accepted in 2015.⁶⁴

Conclusion

The concept of a store layout being permitted to obtain trade mark protection in Australia is understandably a somewhat controversial one. Within the past decade, traditional bricks

and mortar retail stores have fought fiercely in an attempt to maintain relevance in the face of strong competition from the online shopping sphere. The recognition of the meaningful role which store layouts play in relation to consumer perception of a brand has become a crucial aspect of this contest. The author considers that the nature of the in-store experience is becoming increasingly influential and brands are expending considerable amounts of time, creative effort and funds into creating a unique, immersive and multi-sensory in-store experience. It is submitted that if a brand has invested both creatively and financially in a specific store layout to such a degree that it becomes distinctive and serves as a badge of origin in the minds of consumers, then that brand should be able to avail itself to trade mark protection and prevent other traders from using the same or similar store layout.

The international intellectual property landscape appears to have welcomed the potential for a store layout and design to be recognised as a trade mark. However, an applicant in Australia is likely to face serious obstacles to achieving registration. Applicants should not underestimate these obstacles. Perhaps this is why no trader has yet achieved registration of a store layout as a trade mark in Australia.

The most onerous requirement will be to demonstrate that the store layout is being used or intended to be used as a trade mark. Despite this difficulty, there is potential for an ambitious company to establish that its store layout is or has become an identifier of trade origin. The facts in the *Kiko* case serve as a warning to an applicant in Australia that it must ensure that its store layout is implemented consistently across all stores. In relation to distinctiveness, the reformulation of the relevant test by *Cantarella* appears to have reduced the burden on applicants seeking to establish that its store layout is inherently adapted to distinguish its goods or services. The outcome may well be the same in the event that the ATMO or the courts insist on focusing on the historical *Clark Equipment* test because the mark is non-conventional. Notwithstanding the uncertainties, it will be fascinating to observe the inevitable first outcome on this issue in Australia and the reasons underlying the ultimate rejection or acceptance of a trade mark for a store layout.

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- 3 Kering, *2019 Financial Document* (12 January 2020) 31.
- 4 *WIPO Trademark Registration No 1060320*, filed on 6 January 2011.
- 5 Letter from IP Australia to International Bureau, WIPO, 17 January 2011 <<https://www.wipo.int/documentaccess/documentAccess?docid=582574501>>.
- 6 *US Trademark Registration No 4277914*, filed on 12 May 2012 (Registered on 22 January 2013). For a visual representation of the trade mark see: <<http://tmsearch.uspto.gov/bin/showfield?f=doc&state=4801:50ggeq.2.1>>.
- 7 See Ben McEniery, 'Trade marks for the design and layout of retail premises' (2014) 24 *Australian Intellectual Property Journal* 1, 2.
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- 12 *Lanham Act* § 1125.
- 13 See, e.g., Scott Sandberg, 'Trade Dress: What Does It Mean?' (2009) 29 *Franchise Law Journal* 10, 12.
- 14 109 Cal 529 (1895).
- 15 See, e.g., Nicholas Hohn-Hein, 'Registering Store Design as a Trademark in the United States and Germany: A Comparative Analysis' (2015) 105 *The Law Journal of the International Trademark Association* 1295, 1299.
- 16 *Two Pesos Inc v Taco Cabana Inc* 505 US 763 (1992).
- 17 566 F Supp 2 dd 1350, 1362 (MD Fla 2008).
- 18 566 F Supp 2 dd 1350, 1362 (MD Fla 2008).
- 19 *Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks (as amended on 12 November 2007)*, (entered into force 1 September 2008).
- 20 *WIPO Trademark Registration No 1060320*, filed on 6 January 2011. The application designated Benelux, Germany, Spain, France, the United Kingdom, Italy, Norway, Poland and Sweden. The application was accepted by the French, Italian, Polish and Spanish offices. The remaining five offices issued provisional refusals against the registration.
- 21 *WIPO Trademark Registration No 1060320*, filed on 6 January 2011 (Refused on 25 May 2011) <<https://www.wipo.int/documentaccess/documentAccess?docid=606941901>>.
- 22 See, e.g., Cheuk Fai James Kwong, 'Should the Registration of Trade Marks for Store Layouts be Welcomed in the European Union?' (2018) 13 *Journal of Intellectual Property Law and Practice* 212, 213.
- 23 *Apple, Inc v Deutsches Patent – und Markenamt* (Court of Justice of the European Union, C-421/13, 10 July 2014).
- 24 *Apple, Inc v Deutsches Patent – und Markenamt* (Court of Justice of the European Union, C-421/13, 10 July 2014) [16]-[19].
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- 27 Case R 1135/2015-1, Kiko, European Union Intellectual Property Office, First Appeal Division, 29 March 2016 (*Kiko*).
- 28 *Kiko*; see also, Michele Giannino, 'Kiko: The EU IPO Rejects an EU Trade Mark Application For the layout of Cosmetics Retail Stores' (2016) 11(9) *Journal of Intellectual Property Law & Practice* 648, 649.
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- 30 Michele Giannino, 'Kiko: The EU IPO Rejects an EU Trade Mark Application For the layout of Cosmetics Retail Stores' (2016) 11(9) *Journal of Intellectual Property Law & Practice* 648, 649.
- 31 *Trade Marks Act* 1995 (Cth) s.17 ("TMA").
- 32 *TMA* s.6.
- 33 See, e.g., *Smith Kline & French Laboratories (Aust) Ltd v Registrar of Trade Marks* (1967) 116 CLR 628, 639 (Windeyer J); *Coca-Cola v All-Fect Distributors Ltd* (1999) 96 FCR 107.
- 34 See, e.g., *E & J Gallo Winery & Lion Nathan (Aust) Pty Ltd* (2010) 241 CLR 144 [43] (French CJ, Gummow, Crennan and Bell JJ).
- 35 *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 177 ALR 167 ('*Philips*') [12]-[20] (Burchett J).
- 36 *Woolworths Ltd v BP plc (No 2)* [2006] 154 FCR 97.
- 37 *Woolworths Ltd v BP plc (No 2)* [2006] 154 FCR 97 [77].
- 38 *Chocolaterie Guylian NV v Registrar of Trade Marks* (2009) 180 FCR 60 ("*Guylian*").
- 39 *Guylian* [97] (Sundberg J).
- 40 *Guylian* [101] (Sundberg J).
- 41 *Philips* (2000) 177 ALR 167.
- 42 *Clipsal Australia Pty Ltd v Clipsal Electrical Pty Ltd (No 3)* (2017) 122 IPR 395 ("*Clipsal*").
- 43 *Clipsal* [149]-[153] (Perram J).
- 44 *Clipsal* [149]-[155] (Perram J).
- 45 *Clipsal* [158]-[166] (Perram J).
- 46 *Clare Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511.
- 47 *Cantarella Bros Pty Limited v Modena Trading Pty Limited* (2014) 109 IPR 154 ("*Cantarella*").
- 48 *Cantarella* [26]-[30].
- 49 *Cantarella* [26]-[30].
- 50 *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* (2002) 56 IPR 30 ("*Kenman Kandy*").
- 51 *Kenman Kandy* [157]-[159], [162]-[163] (French J, Stone J agreeing).
- 52 *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* (2001) 52 IPR 137 [33] (Wilcox J).
- 53 *Kenman Kandy* [163] (French J, Stone J agreeing).
- 54 IP Australia, *Trade Marks Office Manual of Practice and Procedure*, Part 22, 12 <http://manuals.ipaustralia.gov.au/trademarks/Part_22.pdf>
- 55 *Guylian* [77] (Sundberg J).
- 56 *Philmac v Registrar of Trade Marks* (2002) 56 IPR 452 ("*Philmac*").
- 57 *Philmac* [65] (Mansfield J).
- 58 *BP plc* [2014] ATMO 59 (17 June 2014).
- 59 *Woolworths Limited v BP PLC* (2013) 103 IPR 73 ("*Woolworths*").
- 60 *Woolworths* [26] (C Murray).
- 61 Section 41(4) *Trade Marks Act* 1995 (Cth).
- 62 *Peter Bodum A/S and Others v DKSH Australia Pty Ltd* (2011) 280 ALR 639 ("*Peter Bodum*").
- 63 *Peter Bodum* [192]-[195] (Greenwood J, Tracey J agreeing).
- 64 *AU Trade Mark Registration No 1502792*, filed on 18 July 2012 (Registered on 16 July 2015).

The Decision of the Full Federal Court of Australia in *Sandoz v Lundbeck* and its Implications in Pre-Grant and Post Patent Term Environments

Adam Liberman¹

Introduction

The Full Federal Court of Australia (the “Full Court”) decision in *Sandoz Pty Ltd v H.Lundbeck A/S* (“Lundbeck A/S”) [2020] FCAFC 133 (“*Sandoz v Lundbeck*”) marks a significant milestone in the long running and complex disputes involving the parties, as well as Lundbeck and other generic suppliers of pharmaceuticals. These proceedings relate primarily to patent infringement proceedings brought by Lundbeck A/S and its Australian subsidiary Lundbeck Australia Pty Ltd (“Lundbeck Australia”) (collectively “Lundbeck”) against Sandoz, as well as applications to extend the term of a patent sought by Lundbeck A/S in relation to Australian Patent 623144 (the “Patent”).

The decision however has implications which cover a wider range of matters including relating to:

- (a) contract interpretation and drafting;
- (b) protections and licences in a post patent term environment;
- (c) exclusive licences and rights of exclusive licensees; and
- (d) the termination of licences upon patent expiry.

The proceedings before the Full Court resulted in Sandoz’s appeal being successful and Lundbeck’s cross-appeal being unsuccessful.

What follows is a consideration of relevant aspects of those primary matters as well as the implications of the decision in relation the abovementioned wider range of matters.

Background

The disputes between the parties date back to at least 2006. It is best to understand the context of this dispute by the following chronology.

13 June 1989: Application for the Patent filed.

22 December 2003: First application filed by Lundbeck A/S to extend the term of the Patent based on the registration of escitalopram oxalate on the Australian Register of Therapeutic Goods (“ARTG”) on 16 September 2003 (the “Lexapro registration”).

27 April 2004: The term of the Patent based on the Lexapro registration was extended by the Commissioner of Patents to 13 June 2014.

26 September 2005: Date of deed between Lundbeck A/S as licensor and Lundbeck Australia as licensee, “which constituted an exclusive licence within the meaning of the Act”.²

13 April 2006: Sandoz initiates proceedings in the Federal Court seeking the revocation of the Patent.

Late February 2007: Sandoz and Lundbeck enter into a Settlement Agreement in relation to the revocation proceedings.

The critical provision of the Settlement Agreement is clause 3 which reads as follows:

3. Licence to exploit the Patent

(1) *Lundbeck Denmark*³ and *Lundbeck Australia* jointly and severally grant Sandoz an irrevocable non-exclusive licence to the Patent effective from:

- (a) 31 May 2009 if the Patent expires on 13 June 2009;
- (b) 26 November 2012 if the Patent expires on 9 December 2012;
- (c) 31 May 2014 if the Patent expires on 13 June 2014; or
- (d) 2 weeks prior to the expiry of the Patent if the Patent expires on a date other than a date described in clause 3(a) to (c).

(2) In addition to the licence granted under clause 3(1), *Lundbeck Denmark* and *Lundbeck Australia* jointly and severally grant Sandoz an irrevocable non-exclusive licence to the Patent effective from the beginning of the calendar month in which the licence granted under clause 3(1) becomes effective, for the sole purpose of manufacturing, importing, marketing and offering to sell (but not selling or supplying) pharmaceutical products containing escitalopram.

(3) For the avoidance of doubt, nothing in this Agreement is to be taken as granting a licence of, or authorisation to exploit, any patent other than the Patent.

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24 April 2008: Lindgren J in *Alphapharm Pty Ltd v H Lundbeck A/S*⁴ holds that the extension of term to 13 June 2014 was invalid because the relevant date under s.71(2) of the *Patents Act* 1990 (Cth) (the “Act”) was the date of the Cipramil registration on the ARTG – 9 December 1997 – and not the Lexapro registration.

19 June 2008: Lindgren J orders that the Register of Patents should be rectified by removing reference to the extension of term to 13 June 2014. This order is stayed, pending Lundbeck A/S’s appeal.

11 June 2009: The Full Court dismisses Lundbeck A/S’s appeal.⁵ The stay of the rectification order continues pending Lundbeck A/S’s application for special leave to the High Court.

12 June 2009: The day after the abovementioned Full Court ruling, Lundbeck A/S applies for an extension of time to 12 June 2009,⁶ (being the date on which Lundbeck A/S lodged its application for extension) in which to make an application to extend the term of the Patent to 9 December 2012, based on the Cipramil registration.

13 June 2009: The term of the Patent expires.

15 June 2009: Sandoz and various other generic suppliers commence the supply of their generic escitalopram oxalate products in Australia.

11 December 2009: The application for special leave is refused by the High Court of Australia.

9 February 2010: The Register is rectified by removing the entry extending the Patent’s term to 13 June 2014.

9 December 2012: Expiration of the term of the Patent based on the Cipramil registration – valid.

13 June 2014: Expiration of the term of the Patent based on Lexapro registration – invalid and removed from Register on 9 February 2010.

25 June 2014: The Commissioner grants an extension to the term of the Patent to 9 December 2012⁷ based on the Cipramil registration.

26 June 2014: Lundbeck A/S commences infringement proceedings against Sandoz and other generic companies in respect of their sales for the period from 13 June 2009 to 9 December 2012. Lundbeck A/S relies on s.79 of the Act in bringing those proceedings.

Settlement Agreement – s.79 of the Act, interpretation and drafting

The Settlement Agreement needed to be considered in the context of s.79 of the Act which provides:

If:

- (a) a patentee applies for an extension to the term of a standard patent; and
- (b) the term of the patent expires before the application is determined; and
- (c) the extension is granted;
- (d) the patentee has, after the extension is granted, the same rights to start proceedings in respect of the doing of an act during the period:
- (e) commencing on the expiration of the term of the patent; and
- (f) ending the day on which the extension was granted;

as if the extension had been granted at the time when the act was done.

Section 79 gave Lundbeck A/S, as patentee, the entitlement to start proceedings for infringement, because its application for extension of the term of the Patent based on the Cipramil registration was not granted until after the Patent expired. Therefore Lundbeck A/S, as patentee, could seek to recover damages for infringement for the period from 13 June 2009 until 9 December 2012. The entitlement or otherwise of Lundbeck Australia, as exclusive licensee to recover damages for infringement under s.79 will be considered below. Sandoz in turn relied on the licence granted in the Settlement Agreement as a defence to a claim for infringement of the Patent founded on s.79 of the Act.

The Primary Judge construed clause 3(1) on the basis that there was a distinction between the Patent before expiry of its term on 13 June 2009 and the Patent after expiry which had its term extended to some later date. Using that reasoning the Primary Judge came to the conclusion that Sandoz was granted an irrevocable licence to the “first” Patent and not the “second Patent”. Accordingly:

(her Honour reasoned that, since it was not necessary for Sandoz to have a licence after the Patent had expired, it could be inferred that both parties intended that the licence under cl 3(1) would operate for a period of no more than two weeks. On the basis of this construction her Honour concluded that Sandoz enjoyed the benefit of a two week licence under cl 3(1) that ended when the Patent expired on 13 June 2009.⁸

The Full Court did not agree with the above distinction stating:

We do not think it is open to construe the word “Patent” as applying only to the Patent before expiration. The Patent that was the subject of the extension of term granted on 25 June 2014⁹ was the same Patent that expired on 13 June 2009. Sandoz either had a licence under the Patent or it did not. If it did have such a licence in the weeks leading up to the expiry of the Patent on 13 June 2009, then we do see any basis for concluding that the licence would not provide

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*Sandoz with a defence to a claim of infringement of the Patent founded on s.79 of the Act.*¹⁰

In the end result, the Full Court held that Sandoz was granted:

*an irrevocable non-exclusive licence from 31 May 2009 if the Patent expires on 13 June 2009. Subject to that condition being fulfilled, the licence under cl 3(1) is effective from 31 May 2009 and is irrevocable. The parties' intention, objectively ascertained, was to stipulate a **start date** for the licence, but **without any end date**.*¹¹ (Emphasis added).

Accordingly, Sandoz had a defence to the infringement claim made under s.79 of the Act.

Whilst the “commercial sense” of each of the Primary Judge’s and the Full Court’s construction of clause 3 was criticised by the other¹², there is no doubt that from Sandoz’s point of view it made vastly more commercial sense that it have no end date to its licence to sell the relevant products, than having just two weeks to do so.

A few observations arise from the construction alternatives discussed above:

- (a) Firstly, cl 3(1) did not, as stated by the Full Court, have “a start date”. The clause had the choice of four start dates as referred to in paragraphs (a)–(d) inclusive. The necessity for such choice and how that choice was to be made is not clear from that clause, but choosing 31 May 2009, as used by the Full Court, certainly provided a good outcome for Sandoz.
- (b) Secondly, as correctly pointed out by the Full Court, the licence did not provide for an end date. Also, it did not provide for an express means to determine an end date. Normally a licence would include such features.

Protections and licences in a post patent term environment

Notwithstanding that Sandoz was found to have a defence under s.79 by reason of the licence contained in the Settlement Agreement, the Full Court by way of obiter nevertheless considered Sandoz’s argument that s.223(10) of the Act:

*prevented Lundbeck from bringing proceedings for infringement of the Patent because the Patent “ceased” on 13 June 2009 and was not “restored” until 25 June 2014 when the Commissioner granted to extension of term.*¹³

Section 223(10) is part of the provisions in s.223 which deal with “extensions of time” as opposed to “extensions of term”¹⁴ and reads as follows:

(10) Infringement proceedings cannot be brought in respect of an infringement committed:

- (a) ...;or

(b) between the day on which the patent ceases and the day on which it is restored.

Both the Primary Judge¹⁵ and the Full Court¹⁶ held that patents which are the subject of a granted extension of term cannot be “restored” only those patents that are the subject of an application to extend time can be “restored”. Accordingly, it is only in respect of the latter, that s.223(10) offers protection.

Also, whilst not expressly considered by the Full Court as part of its observations on s.223, it follows that in order for a licence to be granted by the Commissioner under s.223(9) and Regulation 22.21 of the *Patent Regulations* 1991 (Cth), such a right would only arise if an application to extend time was relevant, as opposed to an application to extend the term of a patent.

The interesting question which is not addressed by the Full Court in its obiter, is the nature of the interaction between the s.79 and ss.223(9)(10). That question is considered by Beach J in *H Lundbeck A/S v Alphapharm Pty Ltd & ors*¹⁷ as follows:

*the regimes (ss70-79A dealing with extensions of term and s223 dealing with extensions of time) also work harmoniously together by reason of the fact that the extension of time regime is anterior to the extension of term regime. In other words, until the extension of time has been made or validly given, there is no extension of term validly made or given....Sections 223(2), 223(4), 223(7) and 223(9) have independent work to do... I do not propose to dwell on s223(10)...save to say that there is substance to the contention...that to the extent of any inconsistency (with s79), s223(10) would override.*¹⁸

It is however beyond the scope of his article to consider the above interaction in any greater detail.

Exclusive licences and the rights of exclusive licensees

The Primary Judge held that Lundbeck Australia was entitled to be party to the infringement proceedings under s.79 of the Act notwithstanding that it was an exclusive licensee of the Patent and notwithstanding that the express words of s.79 only gave that entitlement to the patentee – Lundbeck A/S. Sandoz appealed that ruling. In coming to that conclusion, her Honour viewed that s.79 was ambiguous for at least two reasons.

One, it does not refer to the patentee having the same exclusive rights to exploit the invention (as per s13 of the Act), as if the extension had been granted at the time that the (infringing) act was done even though this must be the case. Two it refers instead to the patentee having the “same rights” to start proceedings as it would have had if the extension had been granted at the time that the (infringing) act was done, when, on my view as to how the section must

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*be understood (as giving the patentee the same right to exploit the invention (as in s13)).*¹⁹

Additionally, the fact that s.120 gave an express right to each of the patentee and the exclusive licensee to commence infringement proceedings and s.79, did not sway her Honour's view that "s.79 cannot be given its literal meaning"²⁰. Accordingly, "the objects and purposes of the Patents Act are best given effect by reading s.79"²¹ not to exclude exclusive licensees.

The Full Court on the other hand found that there was no ambiguity in s.79 and that its plain language meant that "only the patentee ... may commence proceedings in respect of acts done during the relevant period".²²

One of the direct implications of the Full Court's view is identified by the Full Court as follows:

*But the question whether a person remains an exclusive licensee of a patent after it has expired is problematic. If an exclusive licence is expressed to operate for the term of the patent then it would, subject to any term to the contrary, cease to do so once the patent expired.*²³

It is not unusual for patent licence agreements which grant exclusive licences within the meaning of the Act, to provide that exclusive licensee status continues in the event that the term of the relevant patent(s) is extended. Given the outcome of these proceedings the following may need to be considered:

- (a) from a licensor's perspective it may need to expressly disclaim any right in an exclusive licensee in its own right to commence infringement proceedings during the relevant extended period; and
- (b) from a licensee's perspective it may need to obtain an express indemnity for any loss it suffers by reason of infringement during the relevant extended period.

A less obvious consideration which the decision prompts is the status of an exclusive licensee to commence proceedings for infringement under s.57 of the Act – i.e. prior to grant of the patent but after publication of the complete specification. The relevant provision reads as follows:

57(1) After a complete specification relating to an application for a standard patent has become open to public inspection and until a patent is granted on the application, the applicant has the same rights as he or she would have had if a patent for the invention had been granted on the day when the specification became open to public inspection.

(3) Subsection (1) does not give the applicant a right to start proceedings in respect of an act unless:

- (a) a patent is granted on the application; and*

(b) the act would, if done after the grant of the patent, have constituted an infringement of a claim of the specification.

As in the context of s.79, s.57²⁴ does not expressly provide for a right in an exclusive licensee to commence proceedings in the circumstances set out in that section. That right is only expressly given to "the applicant".

Again, it is not unusual for patent licence agreements which grant exclusive licences to include patent applications as some or all of the subject matter covered by the licence.

Given the outcome in *Sandoz v Lundbeck*, the following may also need to be considered in the post publication of patent pending grant context:

- (a) from a licensor's perspective it may need to expressly disclaim any right in an exclusive licensee in its own right to commence infringement proceedings during the relevant post publication period; and
- (b) from a licensee's perspective it may need to obtain an express indemnity for any loss it suffers by reason of infringement during the relevant post publication period.

Additionally, once an "applicant" becomes a "patentee" of the relevant patent – i.e. upon being entered in the Register as the grantee or proprietor of a patent a question that arises is whether the licensee, who otherwise meets the definition of "exclusive licensee" under the Act,²⁵ thereby automatically becomes an "exclusive licensee" for the purpose of the Act upon the applicant's change of status or whether some additional requirement arises. Regrettably, there are no authorities on this point²⁶.

A further aspect considered by the Full Court was whether, as alleged by Sandoz, what is referred to as the "Deed of Exclusive Licence" dated 26 September 2005 was varied by clause 3 of the Settlement Agreement. In that context Sandoz did not dispute that the Deed was an exclusive licence for the purposes of the Act. Regrettably however the precise terms of the alleged Variation of the Deed were never made clear by Sandoz, although it was said to have "resulted in a state of affairs in which Lundbeck Australia no longer retained for itself the right to authorise others to exploit the patented invention."²⁷ The Full Court rejected the "variation argument" having no substance²⁸.

There is however another possible view, not based on any variation argument, which focuses on whether as a result of the Settlement Agreement, Lundbeck Australia ceased to be an exclusive licensee for the purposes of the Act. Although the significance of Lundbeck Australia being an "exclusive licensee"²⁹ becomes moot, given the Full Court's abovementioned decision in relation to s.79. The alternate argument is that by Lundbeck A/S being a party to granting rights to Sandoz under the Settlement Agreement it must

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have reserved rights from those granted to Lundbeck Australia under the Deed. That being the case and based on the decision in *Bristol Myers Squibb Company v Apotex Pty Ltd*³⁰, “an exclusive licence cannot be one that reserves to the patentee, or any other person, any residual right with respect to the exploitation of the invention”³¹ – “the right to exploit” must be viewed as a single indivisible right.³²

Termination of licences upon patent expiry

The incidental reference in the decision to s.145³³ of the Act prompts a consideration of how the patent extension provisions interact with s.145. That interaction will be examined in the context of the following scenarios using the 9 December 2012 extension date for the Patent, as the basis:

- (a) Assume Lundbeck A/S grants a licence to the Patent to a third party X for Australia for the term of the Patent plus any extension (Scenario 1).
- (b) Assume Lundbeck A/S grants a licence to the Patent and Patent A to a third party X for Australia for the longer of the term of those patents plus any extension of those patents where the expiry date of Patent A is after the expiry date of the Patent (Scenario 2).
- (c) Assume Lundbeck A/S grants a licence to the Patent and United States (“US”) Patent B to a third party X for Australia and the United States of America for the longer of the term of those patents plus any extension of those patents, where the expiry date of both the patents is the same (Scenario 3).

It should be understood however that many other scenarios can be posited and that the above are merely basic examples of the situations that can arise.

Section 145 reads as follows:

(1) A contract relating to the lease of, or licence to exploit, a patented invention may be terminated by either party, on giving 3 months’ notice in writing to the other party, at any time after the patent, or all the patent by which the invention was protected at the time the contract was made, have ceased to be in force.

(2) Subsection (1) applies despite anything to the contrary in that contract or in any other contract.

Section 145 has been the subject of a Full Court decision in *Regency Media Pty Ltd v MPEG LA LLC*³⁴ where the Court took the view that:

*Section 145 requires that there may be termination of a contract only after all the patents the subject of the contract, that is, all the patents for all the inventions the subject of the contract have expired.*³⁵

Whilst on the face of it the application of the above may appear simple, amongst the questions that arise in its

application include whether the reference to “all patents for all the inventions the subject of the contract have expired” refers to all Australian patents or all patents in all jurisdictions? If just Australian patents and the licence covers patents in other jurisdictions, the expiration of all the Australian patents could give rise to a right to terminate a licence that is still relevant in the non-Australian jurisdictions. Other circumstances which may pose difficulties is where a licence covers subject matter other than patents, such as confidential information and trade marks or where it covers patent applications. The simplicity of the scenarios to be considered below should not mask the above and many other complexities that arise from the interpretation of s.145 which are beyond the scope of this article to consider.³⁶

In Scenario 1, assume the term of the Patent expires, and the day after, Lundbeck A/S terminates the licence pursuant to s.145. As a consequence, X loses its contractual right to any extension. If X continues to exploit the Patent following termination of the licence and an extension is granted to Lundbeck A/S to 9 December 2012, then Lundbeck A/S will, pursuant to s.79, be entitled to commence infringement proceedings against X relating to the period from expiry of the Patent until 9 December 2012. X will not have a basis for claiming relief under ss.229(9) and (10) as no application to extend time is relevant. If X is the party who terminates the licence under s.145 and continues to exploit the Patent then the above outcome will also apply.

X should however mitigate its risk of continuing to exploit the Patent post expiry of the term by monitoring the Official Journal to check whether any applications for extension of term (s.72) and extension of time (s.223(4)) have been advertised, whether it opposes³⁷ such extensions or not.

In Scenario 2, assume the term of the Patent expires. In those circumstances, neither party has the right to terminate the licence pursuant to s.145, as not all the patents for all the inventions the subject of the licence have expired.

In Scenario 3, assume the term of the Patent expires. If all that s.145 requires is that the term of the Patent expires then the outcome as set out in Scenario 1 applies. If, however, both the term of the Patent and US Patent B have to expire, then the outcome set out in Scenario 2 applies.

Conclusion

Beyond the specific matters addressed in the decision in *Sandoz v Lundbeck* its significance also lies in the fact that it prompts a focus on patents and the agreements associated with patents, not only from the narrow perspective of the patent term, but also on factors that impact on the life of patents and their associated agreements pre grant, upon expiry and following expiry.

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- 2 *Sandoz Pty Ltd v H.Lundbeck A/S* [2020] FCAFC 133 [111].
- 3 Referred to in this report as “Lundbeck A/S”.
- 4 [2008] 76 IPR 618.
- 5 *H.Lundbeck A/S v Alphapharm Pty Ltd* [2009] FCR 151.
- 6 The application was about 10 years outside the time limit specified in s.71(2) of the Act.
- 7 *Alphapharm Pty Ltd v H.Lundbeck A/S* [2014] 109 IPR 323.
- 8 *Sandoz Pty Ltd v H. Lundbeck A/S* [2020] FCAFC 133 [55].
- 9 The extension to 9 December 2012.
- 10 *Sandoz Pty Ltd v H. Lundbeck A/S* [2020] FCAFC 133 [56].
- 11 *Sandoz Pty Ltd v H. Lundbeck A/S* [2020] FCAFC 133 [67].
- 12 *Sandoz Pty Ltd v H. Lundbeck A/S* [2020] FCAFC 133 [40], [44], [49], [68].
- 13 *Sandoz Pty Ltd v H. Lundbeck A/S* [2020] FCAFC 133 [70].
- 14 Sections 70 to 79A of the Act deal with extensions of term.
- 15 See *H Lundbeck A/S v Sandoz Pty Ltd* [2018] FCA 1797 [151].
- 16 See *Sandoz Pty Ltd v H Lundbeck A/S* [2020] FCAFC 133 at [75]–[78].
- 17 [2017] FCA 56.
- 18 [2017] FCA 56 [111]–[112].
- 19 *H Lundbeck A/S v Sandoz Pty Ltd* [2018] FCA 1797 [188].
- 20 *H Lundbeck A/S v Sandoz Pty Ltd* [2018] FCA 1797 [192].
- 21 *H Lundbeck A/S v Sandoz Pty Ltd* [2018] FCA 1797 [191].
- 22 *Sandoz Pty Ltd v H. Lundbeck A/S* [2020] FCAFC 133 [110].
- 23 *Sandoz Pty Ltd v H Lundbeck A/S* [2020] FCAFC 133 [109].
- 24 For a more detailed consideration of s.57, see Andrew Stewart, William van Caenegem, Judith Bannister, Adam Liberman and Charles Lawson, *Intellectual Property in Australia* (Lexis Nexis 6th ed, 2018) [22.27].
- 25 “Exclusive licensee” means a licensee under a licence granted by the patentee and conferring on the licensee, or on the licensee and persons authorised by the licensee, the right to exploit the patented invention throughout the patent area to the exclusion of the patentee and all other persons.
- 26 See Andrew Stewart, William van Caenegem, Judith Bannister, Adam Liberman and Charles Lawson *Intellectual Property in Australia* (Lexis Nexis 6th ed, 2018) [22.24] 850 where this issue is discussed in greater detail.
- 27 *Sandoz Pty Ltd v H Lundbeck A/S* [2020] FCAFC 133 [112].
- 28 *Sandoz Pty Ltd v H Lundbeck A/S* [2020] FCAFC 133 [113].
- 29 See Andrew Stewart, William van Caenegem, Judith Bannister, Adam Liberman and Charles Lawson *Intellectual Property in Australia* (Lexis Nexis 6th ed, 2018) [22.24] for a detailed discussion of the issues relating to “exclusive licensees”.
- 30 [2015] 109 IPR 390.
- 31 [2015] 109 IPR 390 [103].
- 32 [2015] 109 IPR 390 [104].
- 33 *Sandoz Pty Ltd v H Lundbeck A/S* [2020] FCAFC 133 [74] citing the Primary Judge.
- 34 [2014] 231 FCR 588.
- 35 [2014] 231 FCR 588 [35].
- 36 See Andrew Stewart, William van Caenegem, Judith Bannister, Adam Liberman and Charles Lawson *Intellectual Property in Australia* (Lexis Nexis 6th ed, 2018) [22.30] for a more detailed discussion of the issues relating to s.145.
- 37 See ss.75 and 223(6) concerning the entitlement to oppose.



EXPRESSIONS OF INTEREST

Expressions of interest are invited from intellectual property (“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 significant contributions to the advancement of IP law in Australia and New Zealand. Expressions of interest are now invited from IP lawyers and writers who wish to suggest, facilitate or contribute profiles of local and international leaders and emerging leaders in the field of IP.

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- leading IP players such as Frank Moorhouse AM, Anna Funder, Kim Williams AM.

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Book Review: *Art Law and the Business of Art*

Dr Louise Buckingham¹

Art Law and the Business of Art

By Martin Wilson

[Elgar Practical Guides, 2019 pp. 456. The e-Book version is priced from £60/AU\$90.53 from Google Play and other e-Book vendors. While in print, the book can be ordered from the Edward Elgar Publishing website.]

In addition to the aesthetics and business dealings embodied within them, the laws, rules, practices and norms associated with art and cultural institutions are fascinating for what they reveal about the societies and jurisdictions in which they “live”. The management of conflicts and disputes (from the individual, to the global); relationships with other countries’ “art legal systems”; and, regulations and the various protocols in place domestically and governing interactions with similar organisations elsewhere and indeed, internationally, may speak to the role of art and appreciation for art and cultural heritage in a particular place. Whether a nation formally subscribes to an approach of cultural property internationalism² usually says something about its place in the pecking order of global heritage protection efforts and international relations.

Based firmly in the United Kingdom (“UK”), Martin Wilson’s *Art Law and the Business of Art* paints a picture of a thriving art business world, in which sales of art and antiques at auctions account for US\$29.1 billion (representing an upward trend as it indicates an increase of 30 per cent from worldwide auction sales figures from 2016);³ and, where the UK is heavily influenced by Europe, and, if no longer mandatorily so, still engaged with directives from the European Union (“EU”). Thus, now, as the full implications of Brexit and COVID-19 set in (by some accounts, the impact of the pandemic on art auctions in Australia includes the slowest trade in 22 years),⁴ these aspects of the book now make for a nostalgic journey all the way back to 2019, before the world turned upside down. For Australians and New Zealanders, the legalities contained within the book, though specific to the UK, are nonetheless relevant and current. And so, overall, *Art Law and the Business of Art* is a welcome contribution that will be useful, informative and enjoyable for anyone even remotely interested in art law and cultural property/cultural heritage and/or the related transactional aspects. Examples that are both actual and hypothetical are plentiful throughout the work, lists of key components to include in crucial and common “art law” contracts are clear and practical, and references to case law and relevant statutes (mostly UK-based), and international treaties/conventions are extensive.

The author’s practical expertise (he is Chief General Counsel at Phillips Auctioneers and had been Co-Head Legal and

Compliance at Christie’s Auctioneers) is reflected in the sustained and detailed focus in the work on art auctions. In addition, ethical issues and ongoing debates about the best ways for the arts, and particularly institutions like galleries and museums, to come to terms with colonialism and imperialism, and to deal with ongoing practices of (mis)appropriation, for instance, are touched upon, helpfully providing food for reflective thought about histories and best practices for the future. In one chapter (10), for example, Holocaust and restitution claims are considered. Wilson talks about the Washington Principles (to return Nazi-looted art – introduced in 1998 but have arguably achieved little, with an estimated 100,000 looted works still unreturned). The inclusion of these issues is unsurprising; as well as his experience at Phillips and Christie’s, Wilson is billed (in the blurb in the book), as “one of the first lawyers to specialise in the legal aspects of the global art business”, who “has experienced and participated in the development of the discipline of art and cultural property law”.⁵

Whilst First Nations peoples’ claims around restitution and related concerns are not directly addressed in this work, and nor are the repatriation efforts that Australia has engaged in with institutions like the British Museum, for instance, the implications of the activities discussed in the book involving the UK’s taking of cultural property and misuse of cultural heritage in its empire-building will resonate in Commonwealth countries and indeed all settler states. Arguably, the current shape of efforts towards due recognition and protection for ‘Indigenous Traditional Knowledge’ in various forms (for example, efforts in the World Intellectual Property Organization’s (“WIPO”) Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (“IGC”) and in the United Nations Educational Scientific and Cultural Organization (“UNESCO”)⁶ and the registered discontent of some First Nations participants,⁷ is also reflective of the fact that key influencers in such efforts tend to come from historically dominant member states, like the UK.

It is often said, in reviews of this kind, that a book will be productive and helpful for students, scholars and practitioners of the law. In this instance, it is necessary to add to the list that artists and art entrepreneurs who may only, at the outset, have been interested in art/business law

to the extent that it impacts their daily professional lives, as well as buyers and sellers of art, who will also find the work engaging, accessible and genuinely helpful. For artists and arts professionals, relevant laws in this field are often prohibitively unwieldy, impractical and opaque, much less actually helpful or protective in practice. Likewise, for lawyers dealing with the visual arts, applying complex legal norms and rules to the realities of creative arrangements and deals and communicating them clearly to clients can be challenging. With this in mind, Wilson's book represents a significant step towards the goal of clarifying and simplifying what are effectively two different languages, approaches and sets of concerns (to this reviewer's way of thinking, it might also have been titled, "Bridging the chasm between art and law").

As suggested, the range of the subject matter covered in the text is vast, stretching from the foundations of copyright and related rights and contracts, to surveying international cultural property treaties, to professional roles relating to collections, to taxation, to provenance, to correcting common misconceptions in art transactions (such as the notion that the auction house is a neutral body, when in fact, it works for the seller of the work at issue, for instance).⁸ Further demonstrating the need to interpret across disciplines, a "glossary of art terms" is included upfront. This includes the full gamut of formal terminology used in the field, e.g. "consignor" and "introductory commission", to the colloquial and informal: "burnt" (a lot unsold at auction) and "flipping" (purchasing and reselling shortly afterwards at a profit) and also the practical "paddle" (in physical auctions), and so on. Whilst the work opens with coverage of copyright and moral rights (the chapter is titled, "The Artist and the Artwork") suggesting that the focus of the work may continue to be the rationales underlying various legal mechanisms for the protection of artistic outputs and their creators, in fact, the majority of the book is concerned with the intricacies and practicalities of auctions, all aspects of high end, traditional physical art auctions, and online auctions (the "eBay model").

The first chapter is really dedicated to the impact of legal protection of artistic works from the perspective of artists, an exploration of copyright and related rights and how they function and apply to different artistic expressions. Copyright in the UK specifically is explained, however, the initial description includes the common, foundational elements featured also in Australia's and New Zealand's copyright systems and elsewhere in the world: "Copyright law prevents the artist's work being copied or reproduced without the consent of the artist."⁹ Similarly, the chapter also discusses the strengths and weaknesses of the UK's resale royalty rights regime (adopted in accordance with an EU Directive; unlike Australia's scheme, introduced later, the UK's artists resale right caps the percentage of the sale price payable to the artist upon resale of the work).¹⁰ It also includes issues of criminality, ownership and copyright/

moral rights arising from graffiti art. As in other parts of the book, well-known, popular artists are drawn upon by way of illustration (Banksy in this instance; Duchamp's readymade, *Fountain*, and Lucasfilm stormtroopers as sculptures, or not, are others from this chapter; Picasso features in a hypothetical elsewhere). Wilson also considers the somewhat overdone "hot" topic of Artificial Intelligence and copyright, deploying the example of the computer-generated *The Portrait of Edward de Belamy* (the 2018 Christie's sale of which achieved US\$432,500).

What might be described as the book's enduring concern to explain to readers why art law matters is conveyed in its opening statements:

*When an artist produces a work he or she creates something unique – a combination of the artist's imagination and a tangible way of expressing that imaginative idea. The artist also invests labour and time in the work. Just as an inventor of a new technology needs legal protection to prevent others copying and making use of his new invention, so too an artist needs legal protection to allow him or her to control the use by others of the fruits of his or her own creativity.*¹¹

Chapters 2–8 and 15 discuss the auction process in depth (including about cataloguing; the roles of the auction house and auctioneer; reserve price; agency agreements and the psychology behind and theatre of auctions, and disputes including the implications of missed bids, for instance). Together, these chapters take the reader on an auction house laws expedition, including coverage of fiduciary duties, duties of skill and care, consumer law and rights, liabilities and parties' ability to "contract out" of what are otherwise binding obligations that attach to them. Within this the importance of parties to an agreement understanding the terms therein and risks in particular, the obligations they are effectively signing up to, is emphasised in Wilson's account, as are the risks that confront legal departments (in-house) that are associated with auction houses. Issues around title, authenticity and ownership, are discussed in the context of financial arrangements. The practicalities of art deals, including key terms that ought to appear in private sale agreements, are set down and the roles of agents and sub-agents and commissions are considered.¹² Online auctions and the peculiar challenges for vehicles facilitating them are covered in chapter 7 and there are some parallels with the chapters dealing with museums, the nature of creativity, and concerns for anonymity, reputation and consumer protection (Wilson observes:

*Our response to art tends to be visual, emotional and tactile. We all know how different it is to view an image of a painting in a book and to view it in a museum.)*¹³

Perhaps a future edition of this work will consider the utility (necessity?) of online art auction vehicles in the age of COVID-19.

Chapter 9 is concerned with private sales of art which, Wilson points out, comprise the majority of art sales rather than auctions. Key components of agreements are helpfully set out: parties; price; warranties and disclaimers; condition; passing of title and so on, as well as comments about how to structure and suggestions for negotiating particular deals. The *Consumer Rights Act 2015* (UK) and the *Unfair Contract Terms Act 1977* (UK) are included in this chapter.

Chapter 10 covers “ethics, public policy and art” (including the Holocaust Restitution claims referenced earlier, as well as statutes like the *Obscene Publications Act 1959* (UK); the *Protection of Children Act 1978* (UK); and relevant sections of other criminal law statutes. As with other chapters implicitly grappling with ethical conundrums in art and cultural heritage law, this chapter includes practical guidance for collectors, buyers and sellers (and other stakeholders) who wish to avoid inadvertently courting controversy or transgressing ethical boundaries. Wilson’s method of supplying pragmatic advice following thorny (and interesting) dilemmas, is one of the great strengths of this work.

The apparently drier areas of art law, for entertaining reading purposes, are dealt with towards the end of the book: tax is in chapter 11; shipping, export and insurance in chapter 12 (and includes issues surrounding export/import and cultural property); art funds are covered in chapter 14; and, data protection (confidentiality and the General Data Protection Regulation) is dealt with in chapter 18.

The chapter on museums (13) will be of great interest to stakeholders in the collecting/cultural institutions sectors around the world and the earlier chapters in the work talking about issues around ownership, provenance, ethics and public policy provide helpful foregrounding for this.

Fakes, fraud and origin are of course constant themes in markets where the authentic and genuine generate the kinds of profits that Wilson refers to early on in his book (and that gave rise to the perceived need for resale royalty schemes in many jurisdictions; *The Portrait of Edward de Belamy* represent a disruption to the traditional concern for human-production and provenance). Chapters 16–17 are concerned with anti-money laundering and sanctions compliance and the UK’s *Bribery Act*, introduced, as Wilson puts it, to “address instances of bribery both within and outside the United Kingdom.”¹⁴

Art Law and the Business of Art is a text that could be enjoyably and usefully read as a whole in one sitting, or, as a kind of practical encyclopedia, to be dipped into from time-to-time as particular conundrums or situations arise. Some critics might find that the vast and varied subject matters are given broad brush treatment, necessarily, because such a wide range is contained within the book’s covers. However, Wilson does a magnificent job of delving in deep and

masterfully providing great detail in a concise way across a huge range of areas (and doing so in an accessible way). Ideally the great utility of this work will become apparent in the near future in accordance with a revitalised and robust art scene that has definitively shaken off the ravages of the pandemic in the UK and around the world.

- 1 Dr Louise Buckingham is Knowledge and Innovation Lawyer, Intellectual Property (“IP”), Gilbert + Tobin, and casual academic in IP, human rights, and “art law” (including UNSW’s College of Fine Arts Masters subject, “cultural heritage, ethics and law”) who has, amongst other roles, worked as the Australian Copyright Council’s Senior Lawyer, and as a senior solicitor for the Arts Law Centre of Australia.
- 2 The view that, distinct from the claims of communities/countries from which important cultural artefacts have been taken, the preservation of such items of cultural property in key collecting/cultural institutions in major global cities (such as the Parthenon marbles in the British Museum, for example) is warranted on the grounds that their survival is more certain and the whole world should have access to them. See John Henry Merryman, ‘Cultural Property Internationalism’, *International Journal of Cultural Property*, Volume 12, Issue 1, February 2005, 11-39.
- 3 Martin Wilson, *Art Law and the Business of Art*, (Elgar Practical Guides 2019) 41.
- 4 See for instance Michaela Boland, ‘Art auction sales the slowest in 22 years as coronavirus sidelines sellers and buyers’ *ABC News*, 13 July 2020 <<https://www.abc.net.au/news/2020-07-13/coronavirus-hits-art-world-auction-sales-slowest-in-22-years/12437660>>.
- 5 Martin Wilson, *Art Law and the Business of Art*, (Elgar Practical Guides 2020,) back flap book cover.
- 6 See World Intellectual Property Organization’s (“WIPO”) Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (“IGC”) (Web Page) <https://www.wipo.int/meetings/en/topic.jsp?group_id=110> and Evana Wright, *Protecting Traditional Knowledge: Lessons from Global Case Studies Elgar Intellectual Property and Global Development* (Edward Elgar Publishing Limited 2020) (reviewed in 122 *Intellectual Property Forum* 64).
- 7 For example, see Catherine Saez, ‘Indigenous Peoples Walk Out of WIPO Committee on Genetic Resources’ *Intellectual Property Watch* (22 February 2012) <<https://www.ip-watch.org/2012/02/22/indigenous-peoples-walk-out-of-wipo-committee-on-genetic-resources/>>.
- 8 Martin Wilson, *Art Law and the Business of Art* (Elgar Practical Guides 2019) 41.
- 9 Martin Wilson, *Art Law and the Business of Art* (Elgar Practical Guides 2019) 1.
- 10 *Resale Royalty Right for Visual Artists Act 2009* (Cth) <<https://www.legislation.gov.au/Details/C2009A00125>>. Following reviews of its effectiveness (in 2013 and 2019), the scheme has been criticised. For example, see Gina Fairley, ‘Review of Resale Royalty Scheme outdated and opaque’, *ArtsHub* (3 January 2020) <<https://www.artshub.co.uk/news-article/opinions-and-analysis/visual-arts/gina-fairley/review-of-resale-royalty-scheme-outdated-and-opaque-259498>>. Wilson notes that the UK’s version has been “controversial” (Martin Wilson, *Art Law and the Business of Art* (Elgar Practical Guides 2019) 34).
- 11 Martin Wilson, *Art Law and the Business of Art* (Elgar Practical Guides, 20219) 1.
- 12 *Accidia Foundation v Simon C Dickinson* [2010] EWHC 3058 (Ch) <<https://www.bailii.org/ew/cases/EWHC/Ch/2010/3058.html>>.
- 13 Martin Wilson, *Art Law and the Business of Art* (Elgar Practical Guides 2019)164.
- 14 Martin Wilson, *Art Law and the Business of Art* (Elgar Practical Guides, 2019) 380.



34th IPSANZ Annual Conference

10-12 September 2021

The 34th Annual Conference of the Intellectual Property Society of Australia and New Zealand Inc. is scheduled to be hosted at the Park Hyatt Melbourne, Australia over the weekend 10 – 12 September 2021.

Friday

2:00 pm – 6:00 pm Registration
6:00 pm – 8:00 pm President's Welcome Drinks

Saturday

8:30 am – 9:00 am Registration
9:00 am – 5:30 pm Conference Sessions
6:30 pm – 10:30 pm President's Dinner

Sunday

9:00 am – 12:30 pm Conference Sessions
12:30 pm – 2:00 pm Lunch
2:00 pm Close

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Current Developments – Australia

IP AUSTRALIA

Roseanne Mannion and Martin Friedgut
Spruson & Ferguson

Indigenous Knowledge Project

Two new research papers prepared by Terri Janke & Company have been published on IP Australia's Indigenous Knowledge Project Page. The *Options for IP Australia's Indigenous Advisory Panel* paper considers the governance structure and functions of an Indigenous Advisory Panel and the *Protocols and Processes of Consent relevant to Trade Marks* considers the existing consent processes for the use of Indigenous Knowledge as it relates to trade mark applications. The publication of these papers is part of IP Australia's Indigenous Knowledge Workplan 2020–21 in anticipation of further consultations later this year.

COVID-19 Initiatives

Official fees for some extensions of time for patent, trade marks and designs continue to be waived until 28 February 2021. For more information about IP Australia's response to the COVID-19 pandemic, please refer to IP Australia's business continuity and COVID-19 page.

Upgrade to Online Services

An upgrade to the eServices platform is well underway with a number of customers upgrading to the new platform at the end of 2020. All intellectual property rights can now be renewed through the new online services platform as well as the filing of new design right applications. The filing of trade mark applications is next to be rolled out and all online services will continue to migrate to the new platform in a staged approach throughout 2021. IP Australia welcomes feedback from all users which can be submitted via the feedback tool in the new platform.

Designs Amendment Bill

The *Designs Amendment (Advisory Council of Intellectual Property Response) Bill 2020* (Cth) is currently before Parliament. Aiming to protect designers who publish their designs before filing for protection, the Bill will:

- introduce a 12-month grace period for the filing of design applications;
- make improvements to clarify and simplify the designs system; and
- provide more flexibility for designers.

CASES

Tom Cordiner QC & Melissa Marcus¹
Barristers, Victoria

In this issue we wish to say thanks and farewell to our former co-correspondent, Peter Heerey AM, QC, who has delighted us and, we trust, readers of this journal with his poetic flair, amusing quips and his inciteful knowledge from his years at the Bar and Bench. His contribution will be missed dearly.

Below, we discuss Justice Davies' decision in *State of Escape v Schwartz*, particularly whether the handbags in question are a work of artistic craftsmanship. We then discuss the resulting costs fallout in *State of Escape v Schwartz (No 2)*. We also consider the Full Court of the Federal Court of Australia's ("Full Court") decision in *Urban Alley Brewing v La Sireene*, particularly whether the words "Urban Ale" are capable of distinguishing.

State of Escape Accessories Pty Limited v Schwartz

[2020] FCA 1606

(6 November 2020)

Copyright – artistic works – work of “artistic craftsmanship” – innocent infringement – additional damages – Passing off and ACL misleading or deceptive conduct claims – accessorial liability

In this case before Justice Davies, State of Escape ("SOE") alleged that the corporate respondent, Chuchka, was infringing copyright in SOE's tote bag, as a work of artistic craftsmanship, by importing and selling its own Chuchka bags, and that Chuchka had engaged in misleading or deceptive conduct and passing off. It was also alleged that Ms Schwartz, the sole director of Chuchka, was a joint tortfeasor with Chuchka in respect of the alleged copyright infringement and acts of passing off, and accessorially liable in respect of Chuchka's alleged contravention of the *Australian Consumer Law* ("ACL").

The tote bag at the centre of the dispute is SOE's Escape bag; a soft, oversize tote bag. The essential features of the bag were said to be its composition from perforated neoprene fabric, its distinctive silhouette and shape, and sailing rope (or rope of that appearance) as handles to wrap around the body and base of the bag. Further key features included an internal, detachable pouch made of perforated neoprene rather than a stitched in pocket, and press studs at either end of the bag. The bag also had other aspects such as hand punched holes

¹ Where either of us was involved in a case reported below and the matter is still running, or potentially so, the other correspondent has taken the role of reporting that case.

where the rope goes in, heat seal tape finish on the top lip of the bag and certain finishes on the inside of the bag. The Escape bag was created in 2013. Chuchka began selling its bags in late 2015.

Copyright Claim

The issues on the copyright claim were: (a) does copyright subsist in the Escape bag as “a work of artistic craftsmanship” (within s.10(1) of the *Copyright Act* 1968 (Cth) (“Copyright Act”))? (b) Had the respondents infringed SOE’s copyright in the Escape bag? (c) If so, were the respondents able to rely upon the defence of innocent infringement under s.115(3) of the Copyright Act? (d) Was Ms Schwartz personally liable for Chuchka’s copyright infringement as a joint tortfeasor? (e) Whether there ought to be an award of additional damages pursuant to s.115(4) of the Copyright Act.

The Escape bag was not a registered design. The effect of s.77 of the Copyright Act is to extinguish copyright protection for an artistic work, except if it is a work of artistic craftsmanship, where a “corresponding design” of the work has been applied industrially with the licence of the copyright owner. By the operation of ss.32(1) and 77 of the Copyright Act, if the Court found that the Escape bag was a work of artistic craftsmanship then copyright would subsist. If not, SOE would have no protection under the Copyright Act.

The Court considered (at [77]) the guiding principles settled by *Burge v Swarbrick* (2007) 232 CLR 336 in determining whether the Escape bag was a “work of artistic craftsmanship”. Justice Davies noted (at [79]) that the more the functional considerations of a work dictate the form of expression of the work, the less the scope for real or substantial artistic expression.

Applying the principles set out in *Burge*, Davies J concluded that the Escape bag was not a work of artistic craftsmanship, noting (at [108]):

[i]t is undoubtedly a work of craftsmanship but I am not persuaded that it is artwork of artistic craftsmanship, notwithstanding its aesthetic and design qualities.

Her Honour concluded that determining whether the bag is a work of artistic craftsmanship turns on the extent to which the Escape bag’s artistic expression, in its form, was unconstrained by functional considerations. The matter had to be considered objectively, looking at the bag as a whole, not by disintegrating the design choices made by the creator, Ms MacGowen, within the functional limitations of the bag she created.

Her Honour concluded (at [110]) that Ms MacGowen’s design approach was constrained by functional considerations, stating that Ms MacGowen:

set out to create a stylish carry all bag and, in that endeavour, the function and utility of the bag as a carry all bag governed the overall design of the bag.

Her Honour found that the choice of various features for the bag were not merely matters of visual and aesthetic appeal but also, critically, resolved functional issues in the design of the bag. Moreover, her Honour noted that the experts agreed that the functional issues were overcome using methods that were common practice and that none of the features alone represented a departure from bags known in November 2013. Her Honour accepted that the choice of perforated neoprene was unconstrained by the function and utility of the Escape bag and was governed by considerations of appearance and aesthetics. However, once the fabric was selected, the design choices embodied within the bag were constrained by functional considerations. Moreover, Ms MacGowen did not approach the design and manufacture of the Escape bag as an artist-craftsperson. She had no special training, skill and knowledge in the design and manufacture of handbags and many of the issues she encountered were purely functional in nature.

Infringement

In case she was wrong in her conclusion on copyright, her Honour went on to consider whether the respondents had infringed copyright. SOE alleged infringement in respect of 34 of the approximately 67 neoprene tote bags with rope sold by the respondents since late 2015, by way of direct infringement under s.36 of the Copyright Act, and indirectly by importation and sale pursuant to ss.37 and 38 of the Copyright Act. Her Honour accepted that if copyright did subsist in the Escape bag, the infringement claims under ss.36, 37 and 38 of the Copyright Act would have been established, the respondents would not have been entitled to rely upon the defence of innocent infringement, but, despite continuing to sell after notice of SOE’s claimed rights, there would have been no basis for an award of additional damages on the basis that it was not obvious that copyright subsisted in SOE’s tote bag.

Consumer Law and Passing Off Claims

The ACL claims related to sale of the Chuchka bags themselves and the promotion of the bags in conjunction with certain words and phrases. SOE was only successful in relation to the latter part of the ACL claim.

The key issue with SOE’s ACL claim in relation to the sale of Chuchka bags was that Davies J was not satisfied on the evidence that SOE has established a reputation in the features of the Escape bag, as distinct from a reputation in the SOE brand, noting that there was no consumer or trade evidence.

Despite obvious similarities between the SOE Escape bag and the Chuchka bags, her Honour did not think a reasonable consumer within the relevant bag buying class would have

been misled or deceived into believing that the Chuchka bags were SOE products. Key to this determination was SOE's failure to establish a reputation in the features of the Escape bag; that the Chuchka bags were labelled with the "Chuchka" word mark or Chuchka logo and had Chuchka swing tags; that the Chuchka word mark and logo had also been used in connection with its bags in various trade channels; that given the price, these products are a considered purchase, and there was a price differential; and finally there was no evidence of actual confusion.

The respondents were engaging in misleading or deceptive conduct in relation to certain promotional representations, such as "entirely Australian designed" and "the classic original tote". The respondents accepted this. Appropriate relief in relation to this conduct was to be assessed at a later date (see below). Ms Schwartz was found to be knowingly concerned in and a party to the contraventions and "involved" in the contraventions for the purposes of s.236(1) of the ACL.

State of Escape Accessories Pty Limited v Schwartz (No 2)

[2020] FCA 1778

(11 December 2020)

Consumer law – orders for relief – declarations – injunction granted – damages. Costs – apportionment of costs

Following its finding that promotional representations relating to its Chuchka bags were misleading or deceptive, the Court made declarations to that effect, permanently restrained the respondents from engaging in such conduct, and ordered that there be an assessment of damages in relation to such conduct. As SOE had been unsuccessful in most of its claim, it was ordered to pay 80 per cent of the respondents' costs of the proceeding. The Court weighed up a number of factors in coming to this figure. However, this figure principally reflected the fact that SOE's copyright claim was the main claim it pursued in the proceeding and it failed entirely on this claim. A substantial portion of the evidence and the parties' written and oral submissions concerned the copyright claim.

Urban Alley Brewery Pty Ltd v La Sirene Pty Ltd

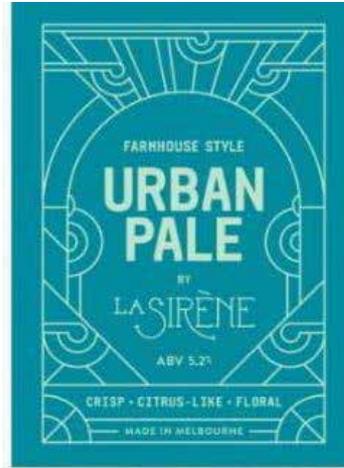
[2020] FCAFC 186

(4 November 2020)

Trade marks – appeal from judgment dismissing trade mark infringement claim – inherently adapted to distinguish – deceptive similarity

This was an appeal from the decision of the Primary Judge in *Urban Alley Brewery Pty Ltd v La Sirene Pty Ltd* [2020] FCA 82. The appellant, Urban Alley, had sued the respondent, La Sirene, for infringement of its trade mark registration in class 32 for beer, comprising the words "urban ale" ("Word Mark"). The alleged infringement was in relation to La Sirene's use of the words "Urban Pale" on the label of its

beer products (below), as well as on its website and in social media.



Relevantly, before the Primary Judge, the Word Mark was cancelled under s.88(1)(a) of the *Trade Marks Act 1995* (Cth) ("TMA"), based on ss.41(1) and 44(1) of the TMA. That is, the Primary Judge found that the Word Mark was not capable of distinguishing Urban Alley's goods from those of other persons, and that the Word Mark was deceptively similar to an earlier registration comprising the words "Urban Brewing Company", owned by an unrelated company. Based on these findings, Urban Alley's infringement claim could not be supported. In any event, the Primary Judge found that the infringement claim could not be made out as La Sirene was not using the words "Urban Pale" as a trade mark on or in relation to its beer product.

On the question of distinctiveness, the Full Court did not accept that the Primary Judge erred in finding that the Word Mark was not capable of distinguishing Urban Alley's beer within the meaning of s.41(1) of the TMA. The Full Court accepted that the Primary Judge's findings as to the descriptive and laudatory meaning of the word "urban" in relation to beer was open to him. The Full Court noted (at [70]):

The corollary of the primary judge's findings is that the meaning of "urban ale", when used in relation to beer, is not allusive or metaphorical (as the appellant contended them to be). His honour so found at [141]. As his Honour put it, the evidence established that the word "urban", in its relevant context, has a tangible meaning – beer produced in an inner-city craft brewery.

A live question in the case was whether a "characteristic" of beer could extend to the location in which it was brewed. The Full Court agreed with the Primary Judge that it does. A "characteristic" of beer was not confined to its style or flavour, but rather, could encompass other attributes, including the fact that the beer is a craft beer brewed in an inner-city location. The Full Court agreed with the Primary

Judge that other traders would seek to use, without improper motive, the word “urban” to describe this characteristic in relation to their own goods (beer) having this characteristic.

Another ground of appeal concerned the Primary Judge’s finding that the Word Mark was deceptively similar to the Urban Brewing Company Trade Mark within the meaning of s.44(1) of the TMA. Urban Alley submitted that as the Primary Judge found that the words “brewing company” and “ale” conveyed different things (when assessing substantial identity), the two marks could not be deceptively similar.

The Full Court rejected Urban Alley’s contentions, noting the substantial differences between the test as to whether marks are substantially identical (side-by-side) and that of whether marks are deceptively similar (imperfect recollection). The Full Court stated that once the differences between the tests are recognised, it can be seen that even though the words “brewing company” and “ale” might convey different things when the marks are compared side-by-side to determine whether they are substantially identical, that conclusion loses much of its significance when the comparison is not a studied comparison but one based on recollection alone. Critical to the Primary Judge’s conclusion was that, for the purpose of deceptive similarity, the words “brewing company” and “ale” have a close association. Further, each mark shares as their first element the word “Urban”. The Full Court also stressed that it was impermissible to dissect each mark to emphasise its disparate elements and then compare the disparate elements of each to reach a conclusion on deceptive resemblance. That would leave out entirely the impact of the common element “urban”.

Finally, the Full Court determined that it did not need to re-visit the Primary Judge’s findings on infringement given its conclusions on revocation. The Primary Judge found that La Sirene was not using Urban Pale as a trade mark. Of note is the comment by the Full Court [119] in obiter dictum namely:

...it is entirely possible—indeed likely—that, absent the finding of the Word Mark’s lack of inherent adaptation to distinguish because of the ordinary signification of the word “urban”, the primary judge would have come to a different conclusion on trade mark use in relation to the respondent’s use of the name “Urban Pale” on the depicted label. This is particularly so when regard is had to the prominence and location of the name “Urban Pale”. Such use would normally be regarded as persuasively suggesting trade mark use, a consideration which his Honour seems to have recognised.

And in other news: The High Court of Australia ([2020] HCATrans 193) dismissed Kraft Foods’ special leave application to appeal the Full Court’s decision in *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65. In short (as it always is) Nettle and Gordon JJ were not persuaded that the Full Court’s construction of the master

trademark agreement was attended by sufficient doubt to warrant the grant of special leave, and so the case was not “an appropriate vehicle for consideration of the questions of principle as to the assignability of goodwill that the applicant seeks to agitate”. Accordingly, the Full Court’s decision regarding those questions of principle currently stand, but might be open to consideration by the High Court should an appropriate vehicle come along.

Dr Dimitrios Eliades
Barrister, Queensland

In this issue, I consider an unsuccessful application for leave to appeal the Primary Judge’s decision in relation to an unsuccessful appeal for leave to appeal the Primary Judge’s decision on an interlocutory application to amend a secret use ground in a pleading. In addition, the question has been considered in an appeal from a decision of a delegate of the Registrar of Trade Marks, if the parties in such appeal may seek orders for the delegate’s decision to be set aside by consent.

Mickala Mining Maintenance Pty Ltd v Southern Cross Mining Services Pty Ltd

[2020] FCA 1635

(12 November 2020)

Application for leave to appeal from the primary judge’s decision to refuse an application to amend the statement of cross claim — whether decision of the primary judge attended with sufficient doubt to warrant it being reconsidered by a Full Court — question of whether the proposition that deliberate concealment is not an essential element of a plea of secret use is sufficiently arguable for the grant of leave — question of whether an advertisement of the patented product by the patentee before the priority date satisfied the criteria for a secret use of the obtaining of a commercial benefit is sufficiently arguable for the grant of leave

In the proceeding, these reasons for judgment of Justice Besanko, deal with an application for leave to appeal an unsuccessful interlocutory application by the corporate first respondent (Mickala), made to the Primary Judge: *Southern Cross Mining Services Pty Ltd v Mickala Mining Maintenance Pty Ltd* [2020] FCA 1064 (“the primary judge’s decision”). Mickala’s interlocutory application sought leave pursuant to the *Federal Court Rules* 2011 (Cth) rule 16.53 (the “Rules”), to file an amended statement of cross-claim (“SOCC”), amending two paragraphs of the SOCC. The application for leave to appeal the Primary Judge’s dismissal of Mickala’s interlocutory application was limited to only one of the paragraphs of the SOCC.

In the principal proceeding, the applicant, (“Southern Cross”), sought relief in respect of alleged infringements of its Australian Innovation Patent No 20130095 (the “095 Patent”) against Mickala and an individual said to be

Mickala's sole shareholder, sole director and secretary. The 095 Patent is a patent for an invention titled "Lighting Tower" and claimed an earliest priority date of 30 January 2013.

Mickala defended the infringement claim and cross claimed for revocation of the 095 Patent relying on the *Patents Act* 1990 (Cth) (the "Patents Act") s.138(3)(b). Mickala claimed that the 095 Patent was not a "patentable invention", within the meaning of the Patents Act s.18(1A) on several grounds, but relevant to the leave to appeal application, under the secret use provision which states:

Subject to subsections (2) and (3), an invention is a patentable invention for the purposes of an innovation patent if the invention, so far as claimed in any claim:

...

(d) was not secretly used in the patent area before the priority date of that claim

by, or on behalf of, or with the authority of, the patentee or nominated person or the patentee's or nominated person's predecessor entitled to the invention.

The proposed amendment to the SOCC is reproduced at [4] of his Honour's reasons for judgment. Mickala sought to expand on the pleading that it was used in secret by Southern Cross in Australia before the priority date by providing details of the secret use case being that:

- Southern Cross caused an advertisement to be published in Australia, in an edition of the publication *Australasian Mine Safety Journal* on or before 8 January 2012; and
- Southern Cross' object in placing the advertisement, was to bring about a sale of one or more lighting towers made in accordance with the alleged invention.

His Honour referred to the relevant test at [7], being whether the decision of the Primary Judge was attended with sufficient doubt to warrant it being reconsidered and whether substantial injustice would result if leave were refused, supposing the decision at first instance to be wrong: *Decor Corporation Pty Ltd v Dart Industries Inc* (1991) 33 FCR 397, 398–99.

Besanko J noted at [8], that the Primary Judge after reviewing the authorities, identified that there were four matters to be established for a successful revocation on the secret use ground. His Honour noted that the Primary Judge concluded:

Thus as to a claim for revocation of a patent on the ground that the invention, as claimed, is not a patentable invention having regard to s 18(1A)(d), it seems clear enough that (a) there must be a "use" of the invention in the sense that the patentee has derived a commercial benefit by doing

something with the invention (process or product) that produces the benefit; (b) that something, must engage use of the invention "as claimed" in the sense that the process or product used so as to produce a benefit must engage each of the essential features (or in later terms, integers as filed) of the invention; (c) the use of the invention as claimed in these senses, must engage deriving a commercial benefit from what was done before the priority date as an exercise of a de facto monopoly arising out of or "owing to" the patentee's conduct of concealing the essential features of the process or product before the priority date; and (d) the concealment must be an act of deliberate concealment. (the Primary Judge's decision [103]).

Deliberate Concealment

Mickala had not pleaded deliberate concealment, saying that a specific plea was not necessary because deliberate concealment was not an essential element of a successful plea of secret use within the Patents Act s.18(1A)(d). Besanko J noted at [11], that the Primary Judge did not agree, thus providing a basis upon which the application to amend should be refused.

Besanko J referred to the leading case on whether deliberate concealment was a necessary element of secret use is the English case of *Bristol-Myers Co v Beecham Group Ltd* [1974] AC 646 ("*Bristol-Myers*"). In that case, the House of Lords majority of three to two, held that, in the absence of deliberate concealment by the prior user, the prior use was not a secret use. His Honour also noted, as a matter of significance, that there was no Australian appellate authority addressing the point. Ultimately, his Honour concluded that the point of whether deliberate concealment was a necessary element to make out a s.18(1A)(d) secret use ground, was reasonably arguable from either perspective. Further, that if that were the only issue on the application for leave to appeal, his Honour would have allowed it: [17]. However, it was not.

Commercial Benefit

The other issue was whether causing an advertisement to be published amounted to a "use" of the invention as claimed. Besanko J noted at [18], Lord Diplock's comments in *Bristol-Myers* at 680-1, that the other mischief addressed in the statute, was that the recipient of the statutory monopoly should not have their term extended (in a de facto sense), by reaping a commercial benefit and at the same time, concealing from other traders the way in which the invention could be made.

Mickala agreed that the obtaining of a commercial benefit was a necessary element of the secret use ground, however it submitted to his Honour and before the Primary Judge, that its plea was sufficient. His Honour had difficulty with this submission, as did the Primary Judge. Besanko J also agreed with the Primary Judge, that if sales were made from the

advertisement, that would be a different matter and would have to be pleaded.

Justice Besanko, dismissing the application for leave to appeal with costs, considered that the separate issue of commercial benefit, was proposed in a manner falling short of an arguable commercial benefit. The absence of a feasible plea of a commercial benefit was fatal to the application to amend.

Shekhawatia v Freshii One LLC

[2020] FCA 1765

(8 December 2020)

Trade marks - consideration of whether the Court is satisfied that proposed consent orders ought to be made in resolution of an application by way of notice of appeal from the decision of the delegate of the Registrar of Trade Marks

The applicant (NS) filed a notice of appeal from a decision of a delegate of the Registrar of Trade Marks. NS had filed trade mark application 1659029 on 20 November 2014 for a composite mark involving an irregular oval device and the word “freshii” (the “029 mark”). The specification of the application in Class 29 for the goods “Salads” and Class 30 for goods described as “Sandwiches; Wrap (sandwich)”.

The application proceeded to registration. On 29 March 2018, Freshii One LLC (“FOLLC”) filed an application under the *Trade Marks Act 1995* (Cth) (“Trade Marks Act”) s.92(4)(a), to remove the trade mark in suit from the Register of Trade Marks. Before the delegate, Urmila Investments Pty Ltd (“Urmila”), through its predecessor in title, NS, unsuccessfully opposed the removal application.

The delegate thereby directed the removal of the 029 mark after a month from the delegate’s decision but subject to the resolution of any appeal of the delegate’s decision. Although described as an “appeal”, an appeal under the Trade Marks Act s.104, invokes the Court’s original jurisdiction as is heard as a hearing *de novo*: [8].

As a result of a mediation between the parties, the parties agreed that the appeal from the delegate’s decision be allowed and the decision of the delegate to remove the trade mark be set aside, each party bearing its own costs. The question arose, that notwithstanding the parties’ consent to orders reflecting this agreement, the Court should be satisfied that the orders should be made, particularly when Order 1 of the proposed consent orders, “allowed” the appeal: [11]. At paragraphs [13]–[15], his Honour consider three cases which, it was said by the parties, supported the proposition that the delegate’s decision could be set aside by consent and observed that in two of those cases there was evidence about exchanges with the Registrar regarding the parties’ consent to set aside the delegate’s decision. In the third case, his Honour drew an inference that such an exchange had also taken place.

After considering the affidavit evidence filed in the proceeding and the registration of the mark for “some years”, his Honour considered that the orders ought to be made. The author notes that it appears that the removal applicant FOLLC, is now the owner of the mark in suit.

Vector Corrosion Technologies Ltd v DuoGuard Australia Pty Ltd

[2020] FCA 1624

(6 November 2020)

Application to vacate trial dates – considerations

Before his Honour was an interlocutory application to vacate the hearing dates of two patent related proceedings, which were to be heard together on 30 November 2020 and where the evidence in one proceeding was to be the evidence in the other. The application was resisted by the respondents.

The first proceeding (QUD 649/2018) related to patent infringement claims which was defended and a cross claim for revocation of the patent in suit. The second proceeding (QUD 117/2019) related to a claim for entitlement in which the applicant claimed to be entitled to have Australian Patent No 2006224340 transferred to it.

The following timeline was relevant in the consideration. In the first proceeding, the applicant filed affidavits on 28 October 2019. Affidavits were filed in response to those affidavits. The parties to the proceedings attended a mediation on 27 October 2020.

Five affidavits which were listed in [5] of the reasons for judgment, were filed between 30 October 2020 and 2 November 2020 by the respondents. These affidavits were to be filed by 9 October 2020, however as a result of an order on 23 November 2020, the affidavits were to be filed by 30 October 2020. These five affidavits were responding to eight affidavits filed by the applicant, which, in turn, were responsive to the affidavits filed by the respondents in answer to the affidavits of the applicant filed in October 2019.

Two matters were of importance in his Honour determining to vacate the hearing dates. Firstly, it was necessary for his Honour to read all the expert and non-expert evidence filed by the parties in order to understand the sequence of factual and technical matters in the material, so as to consider the applicant’s contention that the respondent’s five affidavits filed between 30 October 2020 and 2 November 2020, raised issues which were virtually impossible to address and conduct the trial on the allocated dates. The applicant filed the interlocutory application to vacate the hearing dates on 2 November 2020, which was heard on 3 November 2020.

The Court advised the parties that all of the affidavit material had been read and that the Court accepted that the hearing dates would need to be vacated in order to enable the applicant to properly conduct a trial of each action [8].

Further, the Court advised the parties that reasons for the decision would follow imminently. The Court however received an email from the solicitor for the respondents advising that the respondents did not require reasons in support of the decision to vacate the hearing dates.

The second matter of importance was that senior counsel for the applicant, who was familiar with the matter, urged upon the Court the position that the applicant was prejudiced and would be unable to conduct a trial of each proceeding on the allocated dates, having regard to the need to address that material, particularly in relation to expert issues, which included identifying the issues upon which the experts would be required to caucus; prepare a joint report and review and prepare experts for the hearing. In such circumstance, the Court accepted that the applicant will be prejudiced in the conduct of the proceeding.

Although it was not necessary by reason of the respondents' solicitor communicating to the Court that reasons were not required, his Honour noted that the technical detail may have to be revisited on the questions of costs of and incidental to the interlocutory application.

Miriam Zanker and Courtney White
Davies Collison Cave Law, Sydney

Down-N-Out's Appeal Dismissed and Directors' Liability Extended: *Hashtag Burgers Pty Ltd v In-N-Out Burgers, Inc*

[2020] FCAFC 235

(23 December 2020)

Hashtag Burgers Pty Ltd, an Australian company that operated a number of pop-up events and burger restaurants under the name Down-N-Out ("Down-N-Out"), has lost its appeal of the Federal Court decision published on 26 February 2020 in which Down-N-Out was found liable for trade mark infringement, misleading or deceptive conduct and passing off in relation to the marks owned by In-N-Out Burgers, Inc ("In-N-Out"). In addition to upholding the primary judge's decision that the directors of Down-N-Out were personally liable for engaging in misleading or deceptive conduct, the Full Federal Court of Australia (the "Full Court") allowed the cross-appeal by In-N-Out and held that Down-N-Out's directors were also liable as joint tortfeasors for trade mark infringement and passing off.

Down-N-Out's Appeal

Down-N-Out appealed the decision of the Federal Court on the grounds that Katzmann J (the Primary Judge) erred in:

1. her evaluation of deceptive similarity;
2. her conclusion that the directors of Down-N-Out adopted the marks for the deliberate purpose of appropriating the marks, branding or reputation of In-N-Out;

3. her findings in relation to allegations of misleading or deceptive conduct and the tort of passing off; and
4. relation to holding that Down-N-Out's conduct constituted passing off by applying the principle in *ConAgra Inc v McCain Foods (Aust) Pty Ltd* [1992] FCA 176.

The Full Court, comprising Nicholas, Yates and Burley JJ, rejected each of the grounds of Down-N-Out's appeal, ultimately agreeing with the decision of the Primary Judge, with one minor exception in relation to the second ground of the appeal.

Appeal Ground 2 – Directors' Dishonesty

In the Federal Court decision, the Primary Judge concluded that the directors of Down-N-Out adopted the Down-N-Out marks for the deliberate purpose of appropriating the marks, branding or reputation of In-N-Out. The Primary Judge reached this conclusion based upon a range of matters. However, the Primary Judge stated she would not have been disposed to reach that conclusion "but for two pieces of evidence":¹

1. Down-N-Out's reply to the letter of demand denying their use of certain In-N-Out marks, ANIMAL STYLE and PROTEIN STYLE, on the Down-N-Out menus. Given that there was a Down-N-Out media release that referred to these marks on their secret menu, the primary judge considered this to be a knowingly false statement; and
2. Down-N-Out's failure to comply with discovery obligations, particularly in relation to its communications with graphic designers.

The Full Court considered that this part of the primary judgment involved some error and that it was "unnecessary for her Honour to proceed to consider the two additional items of evidence".² Despite the Full Court's consideration that the Primary Judge erred in making findings of dishonesty, the Full Court considered that the error did not:

*vitiating the primary judge's conclusions as to intention or deceptive similarity for two reasons: first, a finding of dishonesty is not a necessary part of the assessment; and secondly, her Honour separately found the requisite intention to cause confusion on the part of [the directors].*³

Deceptive Similarity – the role of a mark's idea or meaning

It is well recognised that the idea or meaning of a mark has a role to play in the analysis of deceptive similarity, but this only forms part of the "overall analysis" that is required to satisfy the statutory requirements for deceptive similarity as set out in s.10 of the *Trade Marks Act 1995* (Cth).⁴ Despite this, the Full Court noted that "there may be room for debate"⁵ on the question of whether commonality of ideas conveyed by the marks is sufficient in itself for a finding of deceptive similarity. However, given the marks in dispute shared aural and visual similarities, in particular "N-OUT"

as the latter part of the mark, it appears that a finding that the marks conveyed different meanings would have been unlikely to change the outcome on trade mark infringement in this case.

In-N-Out's Cross-Appeal – Directors' Liability

At first instance, the Primary Judge did not consider that Down-N-Out's directors were personally liable for trade mark infringement and passing off following incorporation of the company. In-N-Out cross-appealed that finding and submitted that the Primary Judge's failure to hold the directors liable as joint tortfeasors for trade mark infringement and passing off involved three errors. The three errors were:

1. The various findings of fact and conclusions reached by the Primary Judge, (such as the findings that the directors did not use the company as an instrument whereby infringement was perpetrated), were unnecessary to establish the directors' liability as joint tortfeasors. In-N-Out submitted that the findings in relation to the directors' deliberate use of significant features of the In-N-Out marks, (as demonstrated from communications with graphic designers), the directors' roles as sole shareholders and directors of the company, and their knowing involvement in the wrongdoing, was sufficient to establish joint tortfeasorship.⁶
2. The Primary Judge's finding that the evidence did not disclose the nature or extent of the directors' involvement in the company's wrongdoing and that it was not possible to say which of the two directors directed or procured the relevant conduct, was inconsistent with earlier findings of fact made by the primary judge.
3. It was not necessary for In-N-Out to prove that the directors knew or believed that the use of the Down-N-Out name or logos was infringing or likely to infringe.

The Full Court put the test for director's liability of a tort plainly:

*to incur personal liability for a tort committed by a company, a director must be acting beyond their proper role as director.*⁷

The Full Court considered that "the combined effect of five matters" led them to the conclusion that the directors were in fact joint tortfeasors.⁸ The five factors included that the directors were sole directors; the directors alone made decisions as to the company's management; the directors alone received the profits derived from the company; there was no significant difference between the way they operated the business before and after incorporation; and that the directors were knowingly involved in the company's wrongdoing.

Conclusion

Given that Down-N-Out's appeal was dismissed and In-N-Out's cross-appeal was allowed, the primary judge's orders were amended to include declarations that the two directors of Down-N-Out had infringed the In-N-Out marks and engaged in the tort of passing off as joint tortfeasors. Down-N-Out and its directors were jointly ordered to pay the costs of the appeal, and the directors were ordered to pay the costs of In-N-Out's cross-appeal.

Key Points

The appellate decision reinforces the key points from the primary decision, in particular that the latter part of a mark can be the distinctive or memorable feature of a mark in some cases. In that regard, the Full Court agreed with the assessment that "N-OUT: was a "key visual and aural feature of the IN-N-OUT BURGER mark".⁹ The appellate decision also highlights that directors cannot always hide behind the corporate veil, and provides guidance on the combination of factors that may result in the lifting of the corporate veil.

- 1 In-N-Out Burgers, Inc v Hashtag Burgers Pty Ltd [2020] FCA 193 [134].
- 2 Hashtag Burgers Pty Ltd v In-N-Out Burgers, Inc [2020] FCAFC 235 [101].
- 3 Hashtag Burgers Pty Ltd v In-N-Out Burgers, Inc [2020] FCAFC 235 [109].
- 4 Hashtag Burgers Pty Ltd v In-N-Out Burgers, Inc [2020] FCAFC 235 [80].
- 5 Hashtag Burgers Pty Ltd v In-N-Out Burgers, Inc [2020] FCAFC 235 [81].
- 6 Hashtag Burgers Pty Ltd v In-N-Out Burgers, Inc [2020] FCAFC 235 [134].
- 7 Hashtag Burgers Pty Ltd v In-N-Out Burgers, Inc [2020] FCAFC 235 [138].
- 8 Hashtag Burgers Pty Ltd v In-N-Out Burgers, Inc [2020] FCAFC 235 [140].
- 9 Hashtag Burgers Pty Ltd v In-N-Out Burgers, Inc [2020] FCAFC 235 [76].

Current Developments – New Zealand

Andrew Brown QC

Auckland

Correspondent for New Zealand

Case law Developments

Burden & Ors v ESR Group (NZ) Limited

Court of Appeal of New Zealand (Kós P, Brown and Courtney JJ)

[2020] NZCA 560

Copyright – infringement – remedies hearing – application by successful plaintiff to amend pleading prior to remedies hearing to include further instances of primary infringement – principles governing amendment of pleadings in intellectual property cases after liability trial but prior to remedies hearing – the appropriate test in New Zealand comprises the interests of justice – amendment permitted to allow claim for “issuing to the public” – s.31 Copyright Act 1994 (NZ), Rules 7.77, 22.24, 22.25 High Court Rules (NZ)

Application to strike out second proceedings – as leave was being given to amend pleadings in 2014 proceeding, abuse of process to allow second claim.

Facts

In the liability phase of this litigation (“the 2014 proceeding”) the defendant, ESR, was held liable for secondary infringement of the copyright works of PGT International and PGT Vietnam (“the Plantation interests”) by importing into New Zealand a range of furniture known as the Roseberry Collection on 28 August, and 5 and 12 September 2014. In addition to granting injunctive and declaratory relief, the trial Judge reserved leave to pursue damages or an account of profits at a separate hearing in respect of the infringing Roseberry items.

In the subsequent discovery process the Plantation interests realised that there had been earlier importation by ESR of different infringing items (“the Westbury Collection” and one further Roseberry item) from May 2013.

On 17 December 2018 the Plantation interests filed a new proceeding (“the 2018 proceeding”) alleging primary infringement (s.31 *Copyright Act 1994* (NZ) – issuing of copies to the public) of both the Roseberry and Westbury Collections in New Zealand. ESR applied to strike out the 2018 proceeding.

On 2 May 2019 the Plantation interests made a formal election to pursue an account of profits.

The Plantation interests then applied on 15 May 2019 for leave to amend the 2014 proceedings not only to include

the Westbury Collection, but to add a new cause of action of primary infringement (issuing to the public) in respect of both furniture collections. The Plantation interests relied on English case law and textbook authorities that, at a remedies hearing, a plaintiff may extend to all infringements of the “type” proved at the liability trial, and the Court may permit it to extend to “related” infringements which amount to new causes of action, if it is fair and convenient to do so.

ESR opposed the application to amend.

In the High Court, ESR accepted that a number of the new furniture items not considered at the liability hearing could fall within the existing finding of secondary infringement. Venning J declined the application for leave to amend the 2014 proceedings. The Judge also declined to strike out the 2018 proceeding.

The Plantation interests and ESR both separately appealed.

Held (allowing both appeals):

Application to Amend the 2014 Proceedings

- (i) Although the potential difficulties associated with split trials for liability and assessment of monetary relief are well known, separate hearings are commonplace, particularly in intellectual property cases, because of their potential to achieve significant savings in time and cost [30]. That objective has long been recognised in the patent jurisdiction where a plaintiff is required to deliver particulars of breaches which provide at least one instance of “each type of infringement”.
Belegging-en Exploitiemaatschappij Lavender BV v Witten Industrial Diamonds Limited [1979] FSR 59 (CA), 63–64; *Unilin Beheer BV v Berry Floor NV* [2007] EWCA Civ 364; [2008] 1 All ER 156; *Fabio Perini SPA v LPC Group Plc* [2012] EWHC 911 (Ch), [2012] RPC 885; *AP Racing Ltd v Alcon Components Ltd* [2016] EWHC 815 (Ch), [2016] FSR 28 referred to.
- (ii) In appropriate cases the Court may permit a new issue of liability to be raised at a quantum hearing. That reality is reflected in the High Court Rules relating to patents which allow for the grant of leave to adduce evidence relating to matters not specified in particulars and to amend particulars of infringement, the latter on terms which the Court considers just [32].
- (iii) The “fair and convenient” threshold set the bar too low for a departure from a split trial direction

[34]. Liability issues should only be permitted to be revisited at a remedies hearing if the Court can be satisfied that the interests of justice so require, this being the standard that the High Court Rules prescribe for an amendment of particulars in a patent infringement claim [35].

- (iv) The Court was satisfied in this case that the interests of justice required that the amendment be permitted [36], [48], [50] for the following reasons:
- (a) The Court considered that the statement of claim in the 2014 proceeding was fairly and properly construed as asserting a s.31 infringement (“issuing to the public”) so that the interests of justice would require that the monetary relief hearing should extend to include the s.31 infringement allegation [37], [39], [43].
 - (b) Consistently with primary infringement being in issue, trial counsel for the Plantation interests had cross-examined ESR’s witness on the date of first sale of the furniture items in New Zealand [40].
 - (c) In an addendum to its closing submissions, ESR had engaged with the s.31 allegation of primary infringement [41].
 - (d) It seemed implicit in the order for discovery which the trial Judge made in her liability judgment that the supply of furniture in New Zealand by ESR was in contemplation [42].
 - (v) There was not any significant prejudice for ESR arising from this outcome. In an amended statement of defence, ESR admitted not only to having imported the relevant furniture into New Zealand, but also to having kept it for sale, offered it for sale, and sold it in New Zealand [44]. The Plantation interests had undertaken to amend their proposed amended statement of claim to obviate the need for ESR to prove the fact of its earlier transactions involving the infringing furniture being manufactured and sold in Vietnam prior to the infringing items of furniture coming into the hands of ESR and being distributed by it in New Zealand. Consequently, the issue which would remain for determination on the primary infringement allegation would be a narrow legal and factual dispute [47].

Strike out appeal

- (vi) The consequence of allowing the appeal on the amended application was that the appeal against refusal to strike out the 2018 proceedings could be disposed of in short order. The amendment permitted to the 2014 proceedings rendered the 2018 proceeding unnecessary. It would be an abuse of process to allow this proceeding to continue when

it advanced the same causes of action as an existing claim [51]–[52].

Energy Beverages LLC v Frucor Suntory NZ Limited

High Court of New Zealand, Dobson J
(16 and 17 November 2020, 14 December 2020)

[2020] NZHC 3296

Trade Mark – invalidity – scope of s.75 statutory bar limiting grounds of challenge seven years after registration – definition of trade mark – capability of graphic representation – colour marks – permissible terms for a colour mark – use of “predominant” in description of trade mark – umbra and penumbra of the trade mark – strict requirements for the definition of a trade mark in European jurisprudence unnecessary in New Zealand – Trade Marks Act 2002 (NZ) ss.3, 5, 17, 18, 73, 75, 89

Trade Mark – revocation – non-use – scanning error – inconsistency between image displayed on register and colour code in written description – interpretation of trade mark register – written description dictates the interpretation – Trade Marks Act 2002 (NZ) s.66

Facts:

In this appeal from two decisions of the Assistant Commissioner of Trade Marks the appellant, Energy Beverages LLC (“EBL”), sought to revoke and deem invalid a registered trade mark for a single colour owned by the respondent Frucor Suntory NZ Ltd (“Frucor”). Frucor used this colour trade mark on and in the marketing of its V energy drink [1]–[3].

Frucor’s trade mark registration, as displayed on the electronic register of trade marks, depicted a square sample of an emerald green colour, accompanied by the following written explanation: [6]

the mark consists of the colour green (Pantone 376C), as shown in the representation attached to the application, applied as the predominant colour to the goods, their packaging or labels. Section 18(2) of the Trade Marks Act 2002 (NZ) applies.

EBL’s invalidity appeal focused primarily on this written explanation of the trade mark, whereas its revocation appeal took issue with the depiction of the emerald green colour on the register [39], [40], [76].

The written explanation of Frucor’s mark had been approved by IPONZ when it was lodged in August 2008, and reflected terms proposed by the chief examiner. The extent of Frucor’s proven use of Pantone 376C on energy drinks prior to the date of application was sufficient for the colour mark to have acquired a distinctive character enabling the mark to be registered. At the time of EBL’s challenge to the mark’s validity, Frucor’s mark had been registered for more than seven years [4], [7].

Presumably due to the limited capabilities of the scanner used, when the physical colour swatch attached to Frucor's trade mark application had been scanned by IPONZ on to the electronic database of trade marks, a discrepancy emerged between the colour as represented on the register (in the emerald colour), and the lime shade of green known as Pantone 376C actually used by Frucor on its energy drink products. Although the original swatch Frucor had physically filed was Pantone 376C, the result of the scan and upload process by IPONZ meant that the image on the register was not. Following digitisation of the register IPONZ had destroyed the original application, including the swatch of the correct colour [8], [92]. Frucor was able to produce a duplicate of the original application held by its trade mark attorneys.

Invalidity Appeal

In its first appeal EBL sought a declaration of invalidity on the basis that the use of the word "predominant" in the written description meant that what appeared on the register was not a "trade mark" (as that term is defined in s.5), because it was too imprecise to constitute "a sign ... capable of graphic representation" [39], [46], [54]-[59].

EBL sought leave to make this invalidity argument via s.73 using s.18(1)(a) (which states that the Commissioner must not register a sign that is not a trade mark) [17].

Leave was necessary because before the Assistant Commissioner EBL had made its submissions under s.17(1)(b) (use contrary to law) rather than s.18(1)(a). Frucor resisted the grant of leave for reasons including prejudice [16], [18].

Although s.17 is exempt from the statutory time bar in s.75 (which operates to prevent validity challenges to trade marks which have been registered for longer than seven years), s.18(1)(a) is not [14].

In order to overcome the statutory time bar in s.75 (which would be an obstacle if leave were granted for its s.18(1)(a) argument) EBL submitted that it was clear from its drafting that s.75 was only intended to apply where what was registered was a "trade mark" within the s.5 definition. It argued that marks that did not meet the s.5 definition ought therefore to be challengeable under ss.73 and 18(1)(a) indefinitely [19].

In support of its argument that Frucor's mark was incapable of graphic representation, EBL sought to rely on a line of authority from the United Kingdom, and Europe [46].

In particular EBL relied on the decision of the Court of Appeal of England and Wales in *Société des Produits Nestlé SA v Cadbury UK Ltd* [2013] EWCA Civ 1174, [2014] 1 All ER 1079. In that case the use of the word "predominant" in a similar context was said to make the proposed trade mark "too subjective, too imprecise, and inadequately clear and intelligible, to be capable of registration" [48].

EBL suggested that the same approach should be taken in New Zealand, and that Frucor's mark therefore fell short of the s.5 definition of trade mark referenced by s.18(1)(a) [54].

EBL's position was that Frucor's mark could not be represented graphically because its description admitted of numerous alternative representations accommodating the part of the packaging not presented in the predominant colour [54].

Revocation Appeal

In its second appeal, EBL sought to revoke Frucor's trade mark for non-use on the basis that, although Frucor was using Pantone 376C (being the written description of the mark) it was not making use of the emerald green colour depicted on the register, as the "image" of the registered trade mark [76], [77].

Held (dismissing both appeals):

Invalidity

Regarding the scope of the statutory time bar in s.75:

- (i) The legislative history supported an interpretation that confined the exceptions to s.75 to just those s.17 grounds explicitly cited in it. The legislature should be taken to have intended consistency of approach between ss.73 and 75 of the Act. Both should be interpreted as treating the status of registration as what, first, can be challenged under s.73 but, second, what is protected by s.75 after a period of seven years. An explicit legislative purpose was to simplify procedures, and it would instead add complexity if the concept of registration was to be used distinctly in ss.73 and 75 [28], [29], [33].

Bohemia Crystal Pty Ltd v Crystalite Bohemia SRO [2015] NZIPOTM 25 considered.

- (ii) The provisions of s.75, read in the context of the purpose of the Act, therefore supported an approach where a mark on the register obtained status as a "trade mark" because the effect of registration was to convey that it had [31].
- (iii) For seven years from the date of deemed registration, a registered trade mark's status was able to be challenged on the ground that the Commissioner erred in treating the sign as capable of being represented graphically (ss.5, 18(1)(a)). However the trade mark would thereafter be secure from challenge on grounds that contended an error by the Commissioner. A challenge advanced under s.18(1)(a) of the Act could not be brought after the expiration of seven years from the deemed date of registration of the trade mark [31]-[33]. There was therefore no basis on which to grant leave for EBL to advance a challenge to the validity of the trade mark under s.18(1)(a) of the Act [33].

Regarding the requirements for graphic representation in s.5:

- (iv) Given EBL's invalidity challenge was time-barred, its s.5 arguments were moot, but should be considered in the interests of completeness [36].
- (v) The approach of the English and European authorities in the line of cases EBL cited did not contemplate acceptance of a mark that was described in less than entirely exhaustive detail, in part at least because that would enable non-material details to be present in more than one form. That reasoning would require every detail of the mark as sought being identical in every form, and all being aspects of what renders its use distinctive [67]. The strict requirements for the definition of a mark in the English and European jurisprudence were neither necessary nor appropriate in the context of the New Zealand Act [66].

Société des Produits Nestlé SA v Cadbury UK Ltd [2013] EWCA Civ 1174, [2014] 1 All ER 1079; *Glaxo Wellcome UK Ltd (t/a Allen & Hamburgys) v Sandoz Ltd* [2017] EWCA Civ 335; *Frucor Beverages Ltd v The Coca-Cola Company* [2018] FCA 993 distinguished.

- (vi) Frucor's mark description was capable of providing a sufficiently certain definition for a colour trade mark [66].
- (vii) Even if jurisdiction existed for a challenge to the trade mark under s.18(1)(a) of the Act, the Assistant Commissioner was correct that grounds for it could not be made out [75].

Revocation

- (viii) Arguably, Frucor ought not to be held to account for an error made by IPONZ when digitising the registered trade mark [87].
- (ix) Observers of the register would likely be misled into thinking that Frucor's trade mark was for the predominant use of the emerald colour that was incorrectly represented on the electronic register, and misled into thinking that that colour was Pantone 376C. That was an unsatisfactory situation [89].
- (x) Equally unsatisfactory was Frucor's predicament. Having made out the justification for a colour mark by virtue of the distinctive character of its use of it, the register represented a colour mark which was materially different from the colour Frucor was using on its goods and the extent of the use of which justified the registration of the mark in the first place [89].
- (xi) A weighing of the relative unfairness to Frucor and EBL's opposing interests was not determinative in resolving which of them ought to bear the adverse consequences of an error in the maintenance of the register [89].

- (xii) The nature of the statutory regime was, however, a factor in the approach adopted to the interpretation of the scope of the protection afforded by the trade mark. The wording in the trade mark's description ought to dictate the interpretation of what was subject to trade mark protection. The need for precision in a written description of the colour was reflected in IPONZ guidelines for such applications. Other things being equal, that suggested a primacy should be given to the code of colour and the written description of that colour nominated in the application. Competitors wishing to be certain of the particular shade of green might be expected to check the Pantone coding [90]–[92].

Levi Strauss & Co v Kimbyr Investments Ltd [1994] 1 NZLR 332 followed.

- (xiii) The transposition of other shades of colours that were distinguishable from the Pantone colours cited in the related application appeared to be a systemic problem within IPONZ. The preferable solution to such a problem was to correct the register in those cases rather than have errors by IPONZ deprive the registered owners of their property rights in the trade marks that registration entitled them to assume existed [94], [95].
- (xiv) The Assistant Commissioner was correct to find that non-use of the mark could not be made out [96].

Current Developments – Asia

CHINA & HONG KONG

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Best Practices for the Prevention of Brand Theft in the People’s Republic of China (“PRC”)

Among the most dangerous and costly types of infringement encountered by brand owners in China is the phenomenon of “brand theft”. Brand theft goes far beyond the mere sale of counterfeits – it encompasses the wholesale hijacking of the brand owner’s business. Fake websites, pirate stores and outlets, pop-up stalls in high-end malls, and even fake “franchises” spread across China are common in brand theft cases. Brand thieves misrepresent themselves as authorised distributors, licensees, or in the worst cases, the brand owners themselves. Fake Apple stores in China are likely the most well-known of these cases, but brand thieves are just as likely to target smaller up-and-coming brands, brands usually unable to afford expensive and wide-ranging enforcement efforts.

Brand thieves’ schemes have grown increasingly sophisticated, too – misleading consumers, potential business partners and even authorities. This article looks at a handful of recent brand theft cases and provides advice on countering brand thieves. It also reports on some positive developments in Chinese law and intellectual property (“IP”) enforcement that may help to gain traction in the fight against brand theft.

Case Studies

Pirate Franchises

One of the more sophisticated brand theft schemes involves the creation of a fake “franchise” network for the hijacked brand. Often, the pirates in these schemes go to great lengths to add verisimilitude to their offering. We have seen them, for example, establish Hong Kong or even United Kingdom (“UK”) entities – whose names contain the targeted brand or a close approximation thereof – to front for the franchise in China (discussed further below). Common businesses targeted are in the cosmetics or food service industries. Successful “franchisors” can be difficult to bring to heel, where they can have dozens of stores across China via unrelated “franchisees”, many of whom may believe they are actually working with the foreign brand. Often, the pirates will support their schemes with forged documents (a crime under PRC law), including authorisation letters and in many cases, even forged PRC company and trade mark registration certificates. Instead of being angered by this audacious conduct, forged documents may actually make

authorities *less* likely to take action, viewing the forgery issues as too complicated to spend time unravelling. This is particularly a risk in smaller cities where the local Market Supervision Bureaus (“MSB”) may not have a very nuanced understanding of the law and local protectionism could be at hand.

An interesting pirated franchise case involved a small Beijing bakery called Bao Shifu (Master Bao in Chinese) that quickly shot to fame after receiving favourable coverage in media and online in 2013. Soon after, fake Bao Shifu bakeries began popping up in Beijing and throughout China. By the time the original Bao Shifu started to investigate and take legal action in 2017, some 2000 fake Bao Shifu “franchises” had rippled out across China – compared to only 26 genuine Bao Shifu self-operated stores in Beijing itself.¹

Among these pirate franchises, more than 500 outlets were sub-franchised by Beijing Yishang Restaurant Management Co Ltd (“Yishang”) which had obtained pirated trade mark registrations for Bao Shifu in Classes 30 and 43 in 2015, with those registrations used to buttress its bogus claims that it was the real Bao Shifu. It was not until January 2019 that the China National Intellectual Property Administration (“CNIPA”) invalidated Yishang’s trade marks and Bao Shifu was able to take concerted action against it and its network.

Pop-Ups

Pop-ups (temporary stalls in malls or elsewhere) are another pernicious problem. Due to their temporary, mobile nature, pop-ups pose significant enforcement challenges as they frequently have packed up and left by the time a brand owner can investigate, collect evidence and file complaints against them. Their limited scale and apparent randomness can also give brand owners pause when deciding whether to invest resources in enforcement.

Pop-ups are usually much more organised than they appear. They are often tied to a mastermind who has obtained or falsified some rights to the brand (or is connected to the source of the fake goods) and licenses the pop-ups to individuals and companies in different cities, supplying them with counterfeit stock they produce or source separately. Most worryingly, they are often granted mall space by apparently reputable mall operators who turn a blind eye to the piracy – sometimes even in malls where the genuine brand owner has stores.

For example, according to an article on Qingdao Xinwang, a pop-up selling knock-offs of the Comme des Garçon sub-brand “Play Comme de Garçon” was operating in a Wanda mall in Qingdao’s central business district in September

2020.² The clothing, trade dress and aesthetic of the stall were all directly copied from the real brand, but the actual brand on the products was “Play Fantasy and Miracle,” a pirated trade mark registered by a company called Qinghe County Dingzhuang Trading Co Ltd (“Dingzhuang”).

Representatives from Wanda, one of China’s largest developers, claimed that the stall’s operators had provided “all necessary paperwork” to operate a brand outlet in the mall, including a trade mark registration certificate and letter of authorisation from Dingzhuang, the pirated mark’s owner. That was likely cold comfort to the actual brand owner.

Pirated Trade Mark Registrations for Related Products

As shown in the Bao Shifu case, trade mark pirates regularly exploit gaps in brand owners’ trade mark coverage to register trade marks which they then use to support counterfeit franchise operations and other infringing activities. In the Bao Shifu case, the original Bao Shifu had only registered its mark in Class 30, covering cakes and bread goods, but failed to register its mark in Class 43 for “bakeries”, leaving the path clear for Yishang to obtain the identical mark in that key class. The industrious Yishang also applied for and registered the mark in Class 32, covering coffee and other beverages, taking advantage of the logical association between coffee and bakeries/baked goods.

Similarly, in a current case being handled by SIPS, the pirate has registered a famous mark in Class 3 for a brand known for its fashion designs. This pirate has falsely claimed a connection to the fashion brand, and is attempting to leverage its pirated trade mark to hook potential distributors into a multi-level marketing program (which are also illegal under PRC law) backed by the ripped-off trade mark.

In this regard, China’s trade mark subclass system – and foreigners’ lack of familiarity with the same – also exacerbates this problem. China adheres to a strict subclass system to determine whether a trade mark’s goods or services conflict with any pre-existing marks in the same class. Applications for identical marks can happily co-exist in the same class so long as they don’t specify goods/services in the same subclasses. Brand thieves also target these smaller gaps to obtain rights that are close enough to fool potential franchisees, many of whom are all too eager to suspend their disbelief for the promise of riches.

Infringing Trade names

As noted above, a common tactic used by brand thieves to falsely pose as well-known brands is to register companies with English or Chinese names copying the foreign brand in English or Chinese. This is particularly effective in jurisdictions that take a hands-off, reactive approach to company name registrations. For example, Hong Kong – due to its proximity to China, its dual Chinese/English system, and its loose approach to reviewing and approving

company names – is home to thousands of shell companies operated by Mainland China infringers, counterfeiters and trade mark pirates, many of which slavishly copy foreign brands in English and Chinese in their names.

In a well-known case, a brand called “Uncle Martian” launched to self-created fanfare with a logo nearly identical to Under Armour’s “UA” logo. To further tie the new company to Under Armour, they registered a separate company in Hong Kong called “Under *Amour* (China) Co Ltd”, which was alleged to have authorised the PRC Uncle Martian entity.³

More recently, we have also seen cases involving UK shell companies with names identical to famous foreign brands used in these schemes. These UK shells are established by Chinese nationals, which in turn issue “authorisation letters” to companies in China (usually run by the same individuals), permitting them to license the brand (via pirated Chinese trade marks) to third parties.

There are of course also cases of companies that pirate trade marks and tradenames and do business under both until the rightful brand owner can win them back. In a major decision issued in December 2020, Wyeth LLC, a Fortune 500 company and producer of powdered infant formula, was awarded RMB30.55 million (US\$4.7 million) in damages in an unfair competition and trade mark lawsuit involving six defendants. Two of the defendants had included the Chinese version of Wyeth in their company tradenames, and one of those registered six trade marks for “Wyeth” (or its Chinese equivalents) as far back as 2010, operating and selling products using the trade marks until 2018, when Wyeth was finally able to invalidate the marks.⁴

Forged and Abused Authorisations from Brand Owners

Online sellers also frequently misuse “authorisation letters” issued by brand owners. This is especially the case in the Australia and New Zealand “Daigou” industry, where almost every Daigou seller on Taobao and other sites claims to source directly from or even to be authorised by the brand owner. Such claims are supported via authorisation letters or certificates purported to be from the brand owner. Forged letters are incredibly common, however. Some authorisation letters are indeed legitimate, of course (and online sellers are very quick to request such letters from brand owners), but even those genuine letters are often stretched far beyond their actual permitted scope, used to support activity clearly not contemplated by the brand owner.

This often includes sub-authorising other sellers (and often supplying them with fakes). In one such case handled by SIPS, a short letter, only authorising limited online sales of genuine products supplied to it by client’s exclusive PRC distributor, was used by the online seller to support a brick-and-mortar store bearing the brand owner’s trade mark in three-foot high neon letters. This only came to light during a

raid action at the shop, where the authorities were reluctant to act due to the existence of a valid authorisation letter, regardless of whether it supported the complained of activity or not.

Best Practices to Address Brand Theft

Vetting Distributors and Business Partners

It goes without saying that careful vetting of potential distributors before signing any contracts is vital, particularly in China where the prevalence of fraud and limited enforcement legal recourse creates incredible risk. Despite this, it is all too common for Western companies to conduct little to no vetting of partners before engaging them in business. This is a real missed opportunity, as an abundance of governmental information has been moved online and can be very useful in conducting at least minimal checks. Where the scale of the potential cooperation – and the risk to the business if the partnership goes badly – is significant, more in-depth searches should be arranged and conducted by trusted service providers familiar with the Chinese business environment, language, and laws.

Careful Drafting of Contracts and Authorisation Letters to Distributors, Licensees, etc.

Since even the most careful vetting cannot catch every bad apple, it is equally important that contracts and authorisation letters be drafted anticipating that the worst will occur. That means placing strict limitations on the scope of any granted authority, providing for speedy termination of any such rights, and building in strong enforcement tools to address potential (likely) breaches. At minimum, such documents should be bilingual and have clear, brand owner-centric dispute resolution and termination provisions. If a brand owner insists on using their standard distributor or authorised reseller template for their PRC relationships, they should ensure it is reviewed by a trusted third party familiar with relevant PRC law and able to suggest effective changes that render the agreement practical and enforceable in China.

Defensive Strategies

Comprehensive and Defensive Trade Mark Filing and Trade Mark Registry Monitoring

Hijacked trade marks are a key tool of brand thieves. Given that, it is essential that brand owners proactively file for their trade marks in key classes, leaving no gaps that can be filled by enterprising pirates. That includes insulating themselves from brand thieves by filing defensive marks in related classes and in particular, *all* subclasses within the classes in which they are filing.

In order to cost-effectively and efficiently file defensive trade marks in China, it is crucial to obtain detailed advice from topflight trade mark agents in China. Many PRC trade mark agents, particularly low-cost ones, will simply file

applications based on the initial set of goods and services provided to them by the client, without giving any thought as to what subclasses could or should be covered or providing advice on the risk of failing to secure all goods or services in a given class, or to file additional defensive applications in classes adjacent to the brand owner's business.

As well, and even if the brand owner is successful in obtaining its own key trade marks with class-wide coverage, that does not mean that pirates will give up on the brand. Even major brands with rock-solid trade mark portfolios, such as Under Armour in the Uncle Martian case, remain subject to brand theft. Given that, consistent monitoring of the PRC trade mark registry to identify, triage and move quickly against pirate applications is required. Waiting until such marks are registered and being actively and broadly used as part of a brand theft scheme is simply too late.

Company Registries Monitoring

Periodic monitoring of the company registries in Hong Kong and Mainland China (all fully searchable online) is also recommended to identify potential pirate shell companies that could be used in PRC brand theft schemes. In Hong Kong, for example, a simple administrative complaint to the Hong Kong Companies Registry can be used to force changes to shadow company names that infringe another's trade mark – but only if filed within 11 months of the shadow company's registration date. Otherwise, a more expensive and time-consuming civil suit must be filed to force a name change. Regular monitoring will help to timely identify such infringing company names.

Offensive Strategies

Regular monitoring of the market and IP registries, either through IP consultants working on the brand owner's behalf, the brand owner's local distributors (if they have one), or by brand owners themselves, is key. Any suspicious trade mark applications, Taobao shops, or retail outlets should be analysed for possible connection to broader brand theft schemes.

Local protectionism and the sheer scale of China can make acting against ongoing pirate franchise operations with outlets in multiple cities a bit of a nightmare. Given that, issuing strategic lawsuits against a limited number of outlets in cities where the pirate is unlikely to have connections could be a very effective tool. Suits solely against a few franchisees and letters threatening litigation against others, particularly where their infringement is based on forged documents, registered trade marks that do not actually cover their products or services, etc., are great tools to build pressure on the brand thief and to build awareness amongst Market Supervision Bureaux ("MSBs") in multiple jurisdictions.

Landlords of retail outlets that permit pop-up shops to operate are also good potential targets for actions or threats of action, where they can be held to be contributorily liable

for infringing activities – of which they are aware or should be aware – occurring on their property.

Promising Legal Developments

There have been several promising developments, both in terms of new laws and practical enforcement measures taken by Chinese authorities, that leave room for optimism in the fight against brand theft.

For years, PRC authorities, particularly the Trademark Office and the Trademark Review and Adjudication Division of the CNIPA, have set an almost impossibly high bar for findings of “bad faith” in trade mark filings, allowing registry piracy to flourish. There have been positive changes in this regard, however. For example, under Article 4 of the recently amended *PRC Trademark Law*, it is expressly prohibited to file for trade marks in bad faith where there is no intention to use the trade marks. In practice, CNIPA has also been relatively proactive in applying this provision against serial pirates who file for dozens or even hundreds of marks where there is no clear intent to make use of those marks. This lack of intent to use the marks can be shown, for example, where goods/services covered by the mark are outside the applicant’s permitted scope of business, and/or where the sheer number of filings is beyond making any actual use of them.

As well, Articles 19, 63 and 68 of the revised *Trademark Law* provide for enhanced penalties and/or damages awards against bad faith pirates and the trade mark agencies that assist them in obtaining pirated trade marks. For example, punitive quintuple damages may be awarded against those found to be infringing in bad faith where the circumstances are serious – a conclusion that might be more readily drawn where a nationwide brand theft scheme involving dozens or even hundreds of bogus franchisees is at issue.

In that same vein, there are also indications that city and provincial MSBs are more proactively investigating and breaking larger-scale networks or large numbers of linked infringing shops, and assisting victimised brand owners to regain their trade marks and other rights. For example, in a case involving both the application of the new *Trademark Law* and proactive assistance from local MSBs, a Zhejiang Teashop called “Good Me” discovered that a pirate had applied for 78 trade marks targeting its brands. After reporting this to its local MSB, the MSB fined the pirate and issued a notice regarding the pirate’s behaviour to CNIPA, which in turn proactively rejected all 78 of the applications on the basis that they had been filed for in bad faith.⁵ Furthermore, the local MSB, working in concert with other MSBs around the country, investigated and punished more than 500 knock-off Good Me teashops. Similarly, and in relation to the Bao Shifu case discussed above, the Beijing and Guiyang MSBs worked together to punish infringing stores in their respective jurisdictions, driving the number of

infringing Bao Shifu outlets in Beijing stores from 300 down to only 10 in two years, and those across China down from 2000 to only 400.

In the case of trade name piracy, under China’s *Anti-Unfair Competition Law*, administrative authorities, such as the MSB, and courts have the authority to force company name changes if the company name infringes a prior right of another party. Although MSBs are often reluctant to order such changes, in the Wyeth case discussed above, the court ordered the companies to stop using the Chinese version of Wyeth as their trade names.⁶

Given these developments, victims of brand theft would be wise to consider detailed investigations designed to draw a very clear picture about the scope and structure of any brand thief’s operations. Such information will be key in convincing CNIPA, as well as local, provincial and/or even national-level administrative enforcement authorities of the seriousness of the theft. Moreover, detailed investigations can save costs and accelerate the resolution of brand theft-cases by identifying the masterminds and focusing legal actions on them and any other vulnerabilities in the network. Taking early and aggressive action will help to limit the long-term expense associated with protracted court cases, loss of revenue, and damage to the brand’s reputation.

- 1 *BJ News* (News Article, 24 April 2020) <<http://www.bjnews.com.cn/news/2020/04/25/721124.html>>.
- 2 *Qingdao Xinhua* (News Article, 14 September 2020) <<https://mp.weixin.qq.com/s/4Tx8LymEEg2pYjzQZjrMyQ>>.
- 3 Ai-Leen Lim, ‘Under Armour successfully ends copying by Uncle Martian’, *Lexology* (Web Page, 8 February 2021) <<https://www.lexology.com/library/detail.aspx?g=b57a156c-82e8-4a95-9e9f-a8f25f0da5f3>>.
- 4 Xuefang Huang, ‘CHINA: Wyeth Wins Infringement Lawsuit’ *INTA* (Web Page, 27 January 2021) <<https://www.inta.org/perspectives/china-wyeth-wins-on-infringement-unfair-competition/>>.
- 5 News article, (Web Page, 21 August 2020) <<https://mp.weixin.qq.com/s/IHgpK2R9d5Mo0UjNSAOB-Q>>.
- 6 News article, (Web Page, 25 January 2021) <<http://ip.people.com.cn/n1/2021/0125/c136655-32010743.html>>.

JAPAN

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**Registered Designs for Graphic Image and Building Exteriors/
Interiors issued in Japan**

Introduction

Japan promulgated several new provisions to its *Design Law* on 17 May 2019 that came into effect on 1 April 2020. The changes were introduced to strengthen owners’ registered design rights in a modern economy, keeping pace with increasing digitalisation, changing consumer habits and evolving industrial design trends. This update covers two types of designs: graphic images and building interiors and exteriors, which became protectable under the April 2020 Law and were successfully registered by the Japan Patent Office (“JPO”) in October 2020.

Graphic Images as Registered Designs

Previously only graphic images that were affixed or displayed on physical articles were considered eligible for designs registration in Japan. In response to the diversity of internet

services and the dramatic popularisation of smartphones in recent years, more and more businesses have been providing cloud-based applications and software via networks to users and therefore, there was a lacuna in the scope of protection for virtual graphic images that were not affixed or utilised on a physical article. In addition, as sensor and projection technologies have developed, people are able to operate devices or utilise their functions through graphic images projected on human bodies, walls or other surfaces.

In order to capture the new value proposition from the use of designs delivered by such digital technologies, the Japanese Government’s reform of the *Design Law* (2020) (“Design Law”) which came into effect on 1 April 2020, have allowed applicants to obtain an exclusive registered design right for their graphic image designs that are not affixed or utilised on a physical article or projected on a surface; thereby promoting innovations and enhance competitiveness of such products.

Some six months after the new law came into effect, on 23 October 2020, the JPO issued the Design Registration No 1672383 titled “Graphic Image for Displaying Information on Situation of Vehicle” covering the graphic image as represented the following drawings (see Fig 1 below).

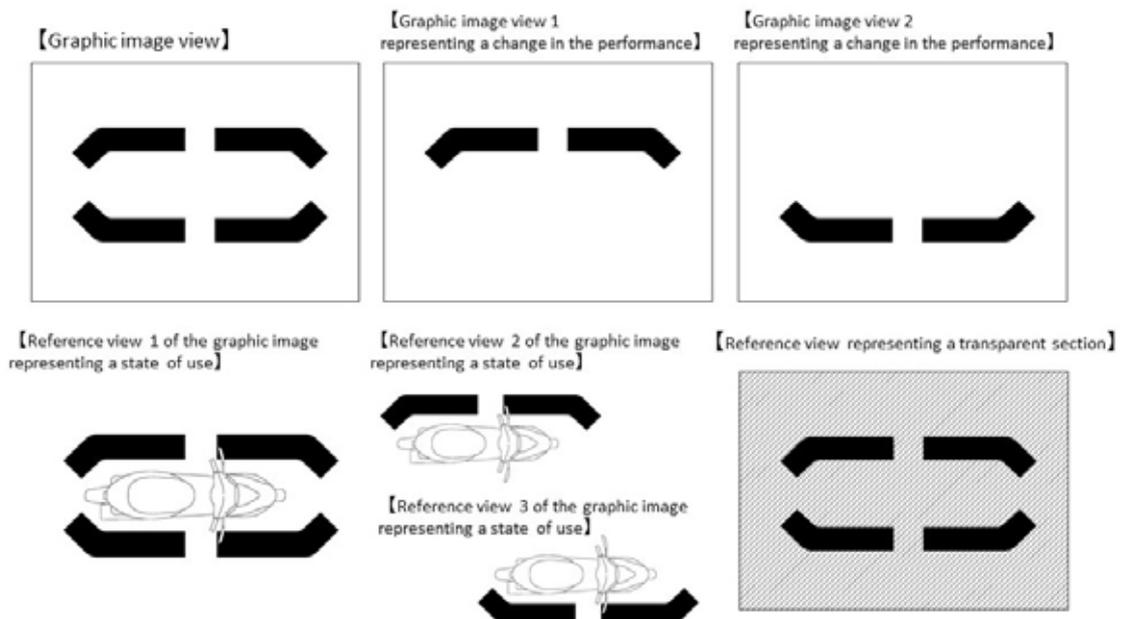


Fig 1 – JP Reg Design No 1672383

Current Developments – Asia

The registered design application was filed by Koito Manufacturing Co Ltd, (“Koito”) a listed manufacturer of automotive lighting equipment, aircraft parts, electrical equipment and products. The following is a visual mock-up of the motorcycle light design as used in commerce.



Fig 2 – Area Marker (registered trade mark provided by Koito Manufacturing Co Ltd to JPO).

Koito had provided the following description of their registered design:

The given graphic image represents light projected onto a road surface from a vehicle with a device for projecting the graphic image. The image shown in the graphic image view above is projected to areas around the vehicle running or stopping on the road, thereby helping others to visibly recognize the existence of the vehicle, as shown in Reference views 1 to 3 representing the states of such vehicle in use mentioned above. Moreover, the given graphic image also helps the driver of the vehicle recognize the road surfaces around the vehicle. When the vehicle changes traveling direction, the graphic image changes and is projected in a manner tailored to the new traveling direction, as shown in the graphic image view and views 1 and 2 of the graphic image representing a change in the performance mentioned above.

This graphic image projected design right can probably allow companies that manufacture safety, road, signboard, consumer electronics, fitness wearables, hospital or surgical product equipment or any kind of product that can utilise illumination or image projection capability to innovate new products and register their new graphic image designs of such products in Japan.

Successfully Registered Exterior and Interior building design

Recently, an increasing number of companies have been creating brand value by using distinctive and novel designs for the interiors and exteriors of their stores or buildings as an effort to greatly enhance their services and sales of their products. The exterior or interior design of a building is not only a thing of great beauty, it is also a valuable economic asset that can be protected.

This trend was also part of the impetus for the Japanese Government’s reform of the Design Law. Applicants can now apply to protect a building’s exterior or interior design as a registered design. An interior design can also be protected as a single design if the design consists of a combination and arrangement of multiple goods and other items (e.g., desks and chairs;) and decorations (e.g., on walls and floors); and if these components together form a single aesthetic.

Nearly half a year after the new law came into effect, the JPO issued the following building exterior and interior related design registrations:

On 15 October 2020, East Japan Railway Company filed and registered their “Station Design” which was the basis of its Koenguchi Station Building, Ueno Station in Tokyo (see below Fig 3).

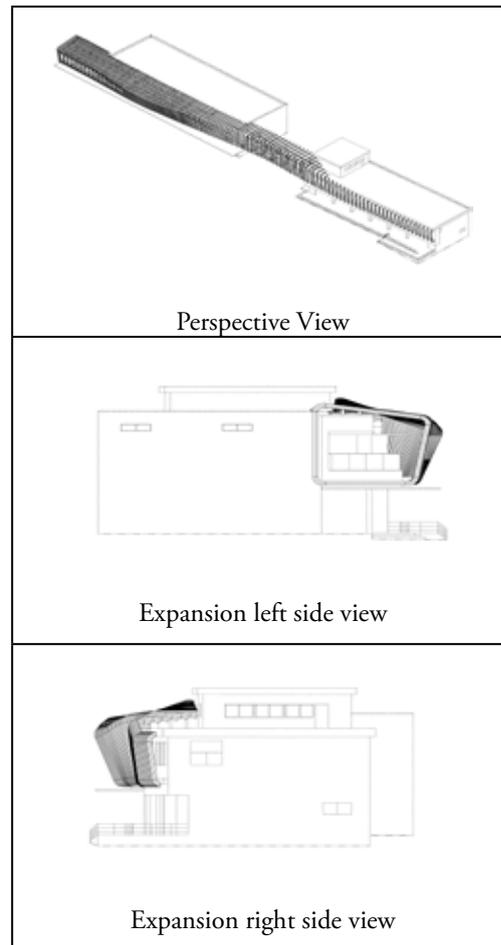


Fig 3 – JP Reg. Design No1671774

Current Developments – Asia

The following is a photo of the registered design in use in actual commerce (see below Fig 4).



Fig 4 – Ueno Station Koenguchi

On 15 October 2020, the JPO issued Design Registration No 1671773 titled “Commercial building” see below Fig 5. The registrant had provided the following description of the article to the registered design:

The outdoor part which makes form which leveled the inside on the ground from the roof as a store which sells clothing etc. is used for this building as play space, break space, etc.

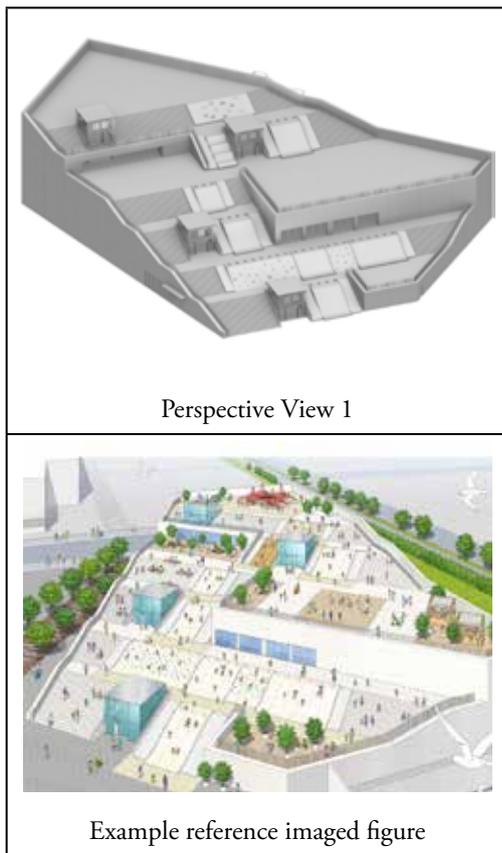


Fig 5 – JP Reg. Design No 1671773

The registered design application was filed by Fast Retailing Co Ltd, the leading global Japanese clothing retailer that sells UNIQLO and other brands.

On 8 October 2020, the JPO issued the first ever building interior design Design Registration No 1671152 titled “Book Store Interior” that was filed and registered by Culture Convenience Club Co Ltd. (see below Fig 6).

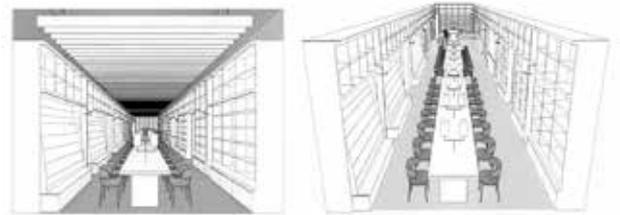


Fig 6 – JP Reg. Design No 1671152

Culture Convenience Club Co Ltd is a leading Japanese company that operates Tsutaya, a chain of video rental shops and bookstores throughout Japan and Taiwan. The following is a photo of the registered design in use in actual commerce (see below Fig 7).



Fig7 – Store of Tsutaya Books Co Ltd (picture provided by Culture Convenience Club Co Ltd to the JPO).

One of Japan’s largest sushi conveyor belt operators, Kura Sushi Inc., filed and registered the design titled “Interior of Conveyor Belt Sushi Store” on 8 October 2020, see Fig 8.

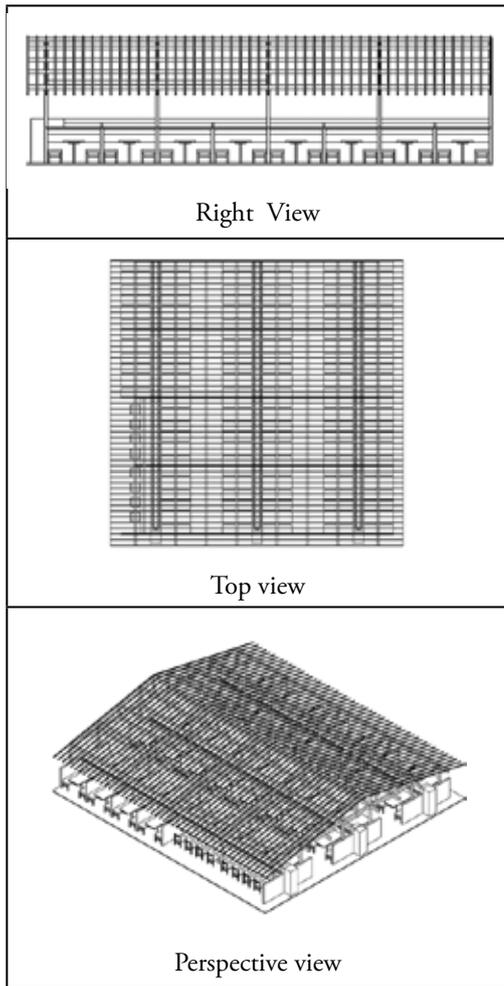


Fig 8 – JP Reg Design No 1671153

The following is a picture of the registered design in use in actual commerce (see below Fig 9).



Fig 9 – Kura Sushi Asakusa ROX Store (picture provided by Kura Sushi Inc to JPO).

Therefore, in Japan, registered designs are now available to protect built environments – both interiors and exteriors as a whole, they can also protect novel individual fixtures, exterior and interior design features, and any other physical article that contributes to the overall style of the building exterior and interior environment assuming that they satisfy the novelty and other design registrability requirements.

One likely reason for companies filing and registering their new designs under the expanded categories of designs subject matter is that the length of registered designs protection for their novel trade dress covering store, retail or restaurant interiors has been extended to 25 years under the new Design Law that came into effect on 1 April 2020.

To be eligible for Japanese registered designs protection, designs must possess novelty, therefore, and there should be no identical or similar designs or graphic user interface designs that are already available to the public and the impression produced by the design should – in the eyes of ordinary consumer – be different and novel from other existing designs. Given the proliferation of graphic images or building interior or exterior designs in the marketplace, it may be difficult to establish novelty. However, the prize of protection as a design for 25 years will be worth the effort to file and register a commercially important design right in the world's third largest economy.

Another interesting designs prosecution practice point to note is that according to the JPO Status Report 2020, the examination period for designs applications is quite quick. The first action pendency period was a robust 6.2 months and the total pendency period for successful designs registrations was a healthy seven months (see Fig 10 below).



Fig10 – Pendency Periods for JPO Designs Examination

Conclusion

The new 2020 Design Law which expanded the scope of eligible subject matter to include graphic image and building interior and exterior designs is a positive pro-owner, pro-innovator development which will also strengthen the rights of registered design owners with a longer registration term. Japan is seeking to ensure that designs remain an integral part of manufacturing and marketing in a rapidly evolving marketplace that is increasingly digitised and cloud-based. Competing in a global market for digital products, such as mobile phones and laptop computers, requires manufacturers to bundle their innovations with appealing designs, cloud-based or otherwise, to distinguish their offerings and to attract consumers.

Away from the virtual world, Japan's new Design Law is also aimed at capturing the value proposition from the overall visual appeal of the built environment, including both exterior and interior designs. Registered designs now have the versatility to take a significant place in any strategy to protect the built environment. They can fill gaps in protecting an innovator's overall image and brand where patents, copyright and trade mark fall short, and their flexibility opens up avenues of protection not available under any other intellectual property regime. The pioneering registered designs discussed earlier are part of the increasing pro-owner trend in Japan's design and other intellectual property laws and ushers in an exciting, new era for registered designs in Japan.

¹ Any questions about this update should be e-mailed to John A Tessensohn at jtessensohn@shupat.gr.jp. This update reflects only the personal views of the author and should not be attributed to the author's firm or to any of its present or future clients.

SINGAPORE

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IP Mediation: Government Funding & Key Developments in Singapore

What is Mediation?

Mediation is an amicable way of resolving a dispute that allows parties to engage in a dialogue guided by their interests. Unlike litigation, this often results in a settlement that aligns with the interests of both parties. Further, mediation generally results in time and cost savings as parties retain control and certainty over the process to discuss and formulate a win-win solution.

The mediator plays a neutral role to assist parties in reaching a settlement. Unlike an arbitrator or a judge, the mediator does not issue a decision or force parties to accept an outcome. The mediator's role is, instead, to facilitate communication between parties and to guide them to focus on their underlying interests.

In a mediation, information disclosed by parties must be kept strictly confidential and cannot be used outside the context of the mediation, including in court or arbitration. This element of confidentiality is important as it allows parties to negotiate more freely and productively. Furthermore, in intellectual property ("IP") disputes where commercially sensitive IP rights such as patents and know-how may be in contention, confidentiality would be beneficial to protect the interests of parties.

Mediation is also well-suited for resolving cross-border IP disputes which involves IP rights in different jurisdictions, as mediation provides a platform for parties to resolve their global disputes collectively.

Mediation in Proceedings before IPOS

Parties that are engaged in IP disputes before the Intellectual Property Office of Singapore ("IPOS") can request for mediation at any time before IPOS decides on the outcome of the case. After the pleadings are filed, IPOS specifically sets aside time for parties to consider their dispute resolution options by requiring parties to submit a Notification to Registrar to indicate whether parties are open to resolving the dispute by other means, such as negotiation and/or mediation. If parties are open to mediation, they may indicate their intention to submit the dispute to mediation along with their choice of mediation service provider. In most cases, the Registrar will suspend proceedings for mediation to take its course.

Enhanced Mediation Promotion Scheme

To encourage parties to explore mediation, IPOS has launched the Enhanced Mediation Promotion Scheme

(“EMPS”) which sets aside SG\$180,000 (≈AU\$175,000) in funding for parties with ongoing disputes before IPOS that undergo mediation. EMPS is available from 1 April 2019 for up to three years to be disbursed among an estimated 15 cases, or until the amount has been drawn down.

The funding from EMPS covers:

- (1) fees charged by the mediation service provider;
- (2) mediator’s fees; and
- (3) up to 50 per cent of mediation-related lawyer/agent fees and mediation-related disbursements charged by the party’s lawyer/agent.

Where the subject matter of mediation is limited to IP rights in Singapore, the EMPS funds parties’ mediation costs of up to SG\$10,000 (≈AU\$9,700) per mediation case. If foreign IP rights are involved, the funding jumps to SG\$12,000 (≈AU\$11,700) per case.

To qualify for funding under EMPS, the following conditions must be satisfied:

- (1) Parties must have an existing dispute before IPOS which is the subject matter of a mediation on or after 1 April 2019 and no later than 31 March 2022 (or until the available funding is drawn down, whichever is earlier).
- (2) The mediation takes place in Singapore. This may include the use of video-conferencing to involve party representatives who are not able to be present in Singapore during the mediation, as long as the mediator is physically in Singapore during the mediation, and is a Singaporean or is based in Singapore.
- (3) Parties allow a “shadow” mediator to sit in and observe the mediation, or have a co-mediator to assist in the mediation.
- (4) Parties disclose their lawyer/agent fees incurred from the start to the end of the IPOS proceedings.
- (5) Parties give feedback on their mediation experience.
- (6) Parties agree to named publicity, excluding details of the settlement terms (such as the quantum of the settlement), but likely to include the identity of the parties, the nature of their disputes, the countries spanned by their disputes, the duration of their disputes, the parties’ comments on the mediation process and any advice they have for other facing disputes. The purpose of the named publicity is to give concrete and relatable examples to other businesses and individuals and thus encourage them to consider mediation.
- (7) Parties co-pay at least 50 per cent of their lawyer/agent fees relating to mediation and mediation-related disbursements charged by the party’s lawyer/agent.

Under EMPS, parties are allowed to select any mediation service provider that is an “organisation, including the following mediation service providers”.

Mediation Service Providers

1. World Intellectual Property Organization Arbitration and Mediation Center (“WIPO Center”)

The WIPO Center is the only global mediation provider that specialises in IP and IT disputes. WIPO Mediation may be used to resolve IP-related commercial disputes, including those concerning trade marks, patents, copyrights and related rights, designs, plant varieties, and geographical indications. The WIPO Center’s Singapore office was established in 2010 and is readily accessible to parties that are in Singapore. The WIPO Center can also help parties to shortlist potential mediators who meet their criteria and the requirements of the dispute.

2. Singapore Mediation Centre (“SMC”)

Established in 1997, SMC is the pioneer for the use of mediation as the mainstream mechanism for dispute resolution in Singapore. To date, more than 4,500 cases have been mediated since SMC’s inception. Of which, more than 70 per cent were settled.

3. Singapore International Mediation Centre (“SIMC”)

SIMC was established in 2014 and is an independent, not-for-profit institution that aims to provide mediation services for parties engaged in cross-border commercial disputes, particularly those doing business in Asia.

To promote access to mediation during the COVID-19 pandemic, SIMC has introduced discounted fixed fee arrangements for mediations which may be conducted online.

Enforcement of Mediated Settlement Agreements

In recent years, there have been two key developments in the legal landscape in Singapore which provide more robust enforcement of mediated settlement agreements.

Firstly, the *Mediation Act* 2017 came into force on 1 November 2017 and one of its key features is that it allows parties to apply to court to record their mediated settlement agreement as an order of court. This allows the agreement to be directly and immediately enforceable as an order of court should there be a breach of its terms. Before a mediated settlement agreement can be recorded as an order of court, certain requirements must be met, including that the mediation must have been administered by a designated mediation service provider or conducted by a certified mediator. WIPO, SMC, and SIMC are designated mediation service providers and hence mediated settlement agreements arising from mediations administered by them may be enforced as orders of court.

Secondly, the *Singapore Convention on Mediation (“SCM”)*¹ was signed in Singapore in August 2019 and entered into

force on 12 September 2020. The SCM facilitates the enforcement of cross-border commercial mediated settlement agreements, as businesses can apply directly to the courts of countries that have signed and ratified the treaty to enforce mediated settlement agreements across borders. In the past, such agreements would have to be enforced as contracts in accordance with each country's domestic process. The harmonisation and simplified enforcement framework under the SCM translates into time and cost savings for parties, which is especially important for businesses during the COVID-19 pandemic.

Amendments to the *Personal Data Protection Act* and what they mean for businesses operating in Singapore

The *Personal Data Protection Act* 2012 (Singapore) ("PDPA") governs the collection, use, and disclosure of personal data by organisations in Singapore. The *Personal Data Protection (Amendment) Bill* 2020 (Singapore) ("Bill"), which seeks to amend the PDPA, was introduced into Parliament on 5 October 2020 and passed on 2 November 2020.

The Bill introduces a number of key changes to the PDPA:

- new mandatory data breach notification;
- new offences relating to the mishandling of personal data;
- removal of exclusion for agents of public agencies;
- expansion of categories of deemed consent;
- new exceptions to the consent requirement;
- new data portability obligation;
- increased financial penalty cap for breaches; and
- additional rules on telemarketing and spam control.

Mandatory Data Breach Notification

Under the Bill, organisations are required to notify (a) the PDPC and (b) individuals whose personal data have been affected by the data breach, if either:

- (1) the data breach results in or is likely to result in *significant harm* to the affected individuals; or
- (2) the data breach affects at least a certain number of individuals.

What constitutes "significant harm" has not been specified in the Bill but clarification will be provided by subsidiary legislation, which will also specify the numerical threshold for a "certain number of individuals" in (ii) which, based on current indications, is likely to be 500.

Where an organisation has determined that a data breach is required to be notified, it must notify (a) the PDPC within three days and (b) affected individuals (as the case may be) as soon as practicable.

There are two general exceptions to the requirement to notify affected individuals:

- (1) Remedial action has been taken in accordance with any prescribed requirements that renders it unlikely that the data breach will result in significant harm to the affected individuals; and
- (2) A technological measure has been implemented prior to the occurrence of the data breach that renders it unlikely that the data breach will result in significant harm to the affected individuals.

New Offences Relating to the Mishandling of Personal Data

The Bill introduces new offences to hold individuals accountable for knowing or reckless unauthorised disclosure or use of personal data and re-identification of anonymised data in the possession or under the control of an organisation.

The penalty is a fine not exceeding SG\$5,000 (~AU\$ 4,800) or imprisonment for a term not exceeding two years, or both.

Removal of Exclusion for Agents of Public Agencies

The Bill removes the current exclusion from Parts III to VI of the PDPA for organisations acting on behalf of any public agency, while retaining such exclusion for the public agency itself.

Expanded Categories of Deemed Consent

The PDPA currently provides that an individual is deemed to consent to the collection, use, and disclosure of his/her personal data for a purpose if the individual voluntarily provides the personal data to the organisation for that purpose and it is reasonable that the individual would do so. The Bill expands the categories of deemed consent to include the following:

- (1) **Deemed consent by contractual necessity:** where disclosure to and use of an individual's personal data by organisation A to organisation B is reasonably necessary for the conclusion of a contract between the individual and organisation A.
- (2) **Deemed consent by notification:** where the organisation provides notification to the individual of the purpose of the collection, use, or disclosure with a reasonable opt out period, and the individual did not opt out within that period. The organisation must assess and ascertain that such collection, use, or disclosure is not likely to have an adverse effect on the individual and/or implement reasonable measures to eliminate, reduce, or mitigate any such adverse effect. Deemed consent will not apply to any purpose prescribed by subsidiary legislation. The PDPC has indicated that one of these excluded purposes to be prescribed will be the sending of direct marketing messages.

New Exceptions to the Consent Requirement

Two new exceptions to the consent requirement are included in the Bill:

- (1) **Legitimate interests exception:** an organisation may collect, use, or disclose personal data without consent where it is in the legitimate interests of the organisation or another person and the benefit to such organisation or person is greater than any adverse effect on the individual. The organisation must:
 - (a) assess any likely adverse effect to the individual and implement reasonable measures to eliminate, reduce, or mitigate such identified adverse effect; and
 - (b) provide the individual with reasonable access to information about the organisation's collection, use, or disclosure in accordance with this provision. This exception cannot be used for marketing messages.
- (2) **Business improvement exception:** An organisation may use personal data without consent for the following business improvement purposes, where such purposes cannot be achieved using aggregated data, and a reasonable person would consider such use to be appropriate under the circumstances:
 - (a) operational efficiency and service improvements;
 - (b) developing, enhancing, or personalising products/services; and
 - (c) learning and understanding its customers' behaviour and preferences.

This exception cannot be used for marketing messages.

The Bill also revises the research exception under the PDPA (which permits use and disclosure of personal data without consent for research purposes), which now requires a clear public benefit for use or disclosure for the research purpose.

New Data Portability Obligation

The Bill introduces a new obligation on an organisation to transmit an individual's personal data to another organisation if requested by that individual, where the individual has an ongoing relationship with the organisation. This is intended to provide individuals with greater autonomy over their personal data, and facilitate smoother switching between service providers. This obligation will apply to "applicable data" and a "porting organisation", which will both be prescribed by subsidiary legislation. Different periods may be prescribed for different applicable data or different porting organisations. Certain categories of personal data are excluded from such data transfers.

Increased Financial Penalty Cap for Breaches

Under the PDPA, the PDPC may impose a financial penalty of up to S\$1 million for data breaches. The Bill increases the maximum financial penalty for data breaches to (a) up to

10 per cent of an organisation's annual turnover in Singapore where such turnover exceeds SG\$10 million, or (b) in any other case, SG\$1 million.

Additional Rules on Telemarketing and Spam Control

The Bill updates the "Do Not Call" ("DNC") provisions in the PDPA to prohibit the sending of messages to telephone numbers generated through the use of dictionary attacks or address-harvesting software. The maximum financial penalty that may be imposed for these new offences is:

- (1) for an individual – SG\$200,000;
- (2) for a person whose annual turnover in Singapore exceeds SG\$20 million – 5 per cent of the annual turnover; and
- (3) in any other case – SG\$1 million.

The Bill also expands coverage of the *Spam Control Act* (Cap. 311A) from messages sent to e-mail addresses and mobile telephone numbers to those sent to instant messaging accounts, including those on Telegram, WeChat, or Facebook Messenger.

Preparations for Compliance

The PDPC states on its website that the Bill will come into force in early 2021. It is anticipated that different parts of the Bill will be implemented in phases. In the meantime, organisations should implement the following preparatory compliance measures:

- (1) Conduct a thorough review of current personal data policies and processes for compliance with the new requirements and identify and rectify potential areas of non-compliance.
- (2) Formulate and implement SOPs for data breach incident management, remediation and notification to meet the new requirements.
- (3) Review current data handling contracts and processes with public agencies in view of the impending removal of the exclusion for agents of public agencies.
- (4) Review current consent collection procedures in the light of the revised consent requirements and exceptions.
- (5) Review current data portability procedures for compliance with the new requirements, pending the issuance of subsidiary legislation and PDPC guidance.
- (6) Review telemarketing and instant messaging marketing practices (including those on social media platforms) for compliance with the expanded DNC and spam control provisions.

1 United Nations Convention on *International Settlement Agreements Resulting from Mediation* (the "Singapore Convention on Mediation") 20 December 2018, CN154.2019 (entered into force 12 September 2020).

Current Developments – Europe

EUROPEAN UNION

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**“On how to conduct licensing of standard essential patents”
- Court of Justice Likely to Give a Verdict on the Licensing of
Standard Essential Patents in Complex Supply Chains**

**Landgericht Düsseldorf, Beschluss vom 26.11.2020, 4c
O 17/19 (District Court of Düsseldorf (Case Number:
4c O 17/19) Decision of 26.11.2020)**

Introduction

The interface between intellectual property (“IP”) protection and competition or antitrust law has been a contentious and complex issue in the practice and academic analysis of both fields of law. Within the European Union (“EU”) the issue is exacerbated as both areas of law fall within different levels of competence: the Competition Law framework is based on primary law of the EU and is based on the *Treaty on the Functioning of the EU* (“TFEU”),¹ while IP rules are largely national laws of EU Member States. Increasingly, standard-essential patents (“SEP”) are taking centre stage in the evolving IP/competition law interface. While standards are considered to have pro-competitive benefits, a potentially problematic aspect with regards to competition law occurs where such a standard includes a patent which could incur a dominant position to the holder of that patent. The refusal to licence such a SEP to third parties in need to adopt the technology could then possibly be considered to be an abuse of a dominant position. In practice, the issues then usually relate to the situation where the holder of a SEP is alleging patent infringement of a third party using the patent/s and seeks injunctive relief. The question whether such injunctive relief can be granted where the refusal to licence would constitute an abuse of a dominant position is then the core matter.

The *Orange Book Standard* decision² by the German Federal High Court and the EU Commission’s investigation against Samsung and Motorola³ served as catalysts of the developments within the EU, albeit their opposing approaches.⁴ This development culminated in the seminal decision by the Court of Justice of the European Union’s (“CJEU”) in *Huawei* where the Court outlined what steps ought to be taken to conclude FRAND⁵ licenses on SEPs.⁶ This decision, however, left some uncertainties. Consequently, the District Court of Düsseldorf which recently dealt with litigation between Nokia and the automobile company Daimler involving the former’s SEP, stayed proceedings and submitted several questions to the CJEU seeking a

preliminary ruling. This litigation is one of the battlegrounds of the so-called automotive patent wars involving several courts in Germany. The CJEU’s decision will undoubtedly have great ramifications on the development of the law in relation to standard essential patents.

Background

The internet of things (“IoT”) is one of the buzzwords which is frequently provided as an example of the 4th Industrial Revolution. It relates to the combination of physical objects with information technology. One form of application of the IoT uses information technology within vehicles, such as cars and other motor vehicles. Such information technology is often covered with 4 and 5G standards necessary for navigation and communication which is often subject to patent protection. Licenses which manufacturers seeking to use and apply such standard-essential patents in their applications and products are often granted on FRAND terms.

The Finnish telecommunication company Nokia used to be one of the major producers of mobile telephones until it has lost this position to Apple and Samsung. The company, however, is a major developer of 4 and 5G technologies and owns a vast portfolio of SEPs – many of which are essential for standards in relation to navigation, vehicle communication and self-driving cars. A group of 27 companies, such as Daimler, BMW, Ford, Continental, Lenovo and others have raised concerns with the European Commission that the practices of SEP holders would jeopardise the development of self-driving cars, which arguably would include those of Nokia (though the company was not specifically mentioned). They submit that the demands in respect of fees for the licensing of SEPs would be too high. This could violate EU Competition laws in form of Article 102 TFEU which obliges undertakings which have a dominant position in the market not to abuse such position. Several courts in Germany were called upon by Nokia to in the last year. The proceedings before the District Court of Mannheim even saw the involvement of the German Federal Cartel Office, the Bundeskartellamt. The Office filed an *amicus curiae* brief and urged the Mannheim Court to stay proceedings and submit the case for a preliminary ruling to the CJEU.

In the present case, the District Court of Düsseldorf had to deal with a patent infringement case filed by Nokia. The Finnish corporation was suing the German automobile company Daimler AG which, inter alia, produces Mercedes Benz cars, and requested injunctive relief for the infringement of the German part of its European patent EP 2 087 629 B1. The patent concerns a method for sending data in a telecommunications system which has been included with

the Long-Term Evolution (“LTE”) standard (“4G”) as an essential patent. The LTE standard is a 4th generation mobile communications standard which was standardised by the association “3rd Generation Partnership Project” (“3GPP”) which is a member of the European Telecommunication Standards Institute (“ETSI”). Modules from various suppliers which make use of this standard are installed in Daimler’s automobiles and allow the operation of mobile radio-based services such, as music or data streaming services and/or over-the-air updates. In September 2014, Nokia’s predecessor in title indicated that it considered its patent essential to the LTE standard and issued a FRAND statement in which it undertook to grant licenses to third parties on terms that are fair, reasonable and non-discriminatory.

Daimler and many of its suppliers have so far used the patent without paying royalties so the issue mainly related to whether this would be a scenario where the refusal to license would violate competition law, in particular who such a commitment has to be made to. Nokia submitted that as the holder of a standard essential patent it would be free to decide at which stage of a complex production and supply chain it could grant FRAND licenses. Based on EU internal market rules and the FRAND Declaration of September 2014, Daimler submitted that the owner of the SEP cannot pick and choose who they grant a license to. They rather must offer every willing licensee an individual unlimited license for all patent-relevant types of use of the essential standard patent. Priority should therefore be given to the license-seeking suppliers. This would also correspond to the standard procedure in the automotive industry. While the Court held that Daimler had infringed Nokia’s patent, the Court decided to stay the proceedings. It queried whether holders of a SEP would violate against Article 102 TFEU where they bring an action for injunctive relief for patent infringement against the distributor of the end product without first having complied with the licensing request of their supplier. These have usually already fully realised the technical teaching of the SEP in such components which are supplied in a multi-stage chain to the distributor of the end product, e.g., here a car manufacturer.

Consequently, the District Court submitted various detailed questions to the Court of Justice which can be generally divided in two main complexes. First, the Court seeks to ascertain whether the entity selling the product (i.e., in this case a car) which incorporates a component that implements technology protected by a SEP would comply with the CJEU’s FRAND guidelines as indicated in *Huawei* where it refers the SEP holder to the upstream component supplier rather than making a FRAND offer itself. The court additionally seeks to explore the scope of the licensing commitment of the SEP holder under FRAND conditions. In detail, the court seeks to know whether the prohibition of an abuse of a dominant position would mandate that the grant of an unrestricted licence to suppliers would encompass

downstream uses within a supply chain of other users, thus avoiding patent infringement of downstream users. The second complex relates to certain clarifications regarding the timing of the steps in FRAND negotiations between the SEP holder and the potential licensee as elaborated in the *Huawei* requirements. The Court, for instance, asks whether the obligations of SEP holders and users could also be conducted after legal proceedings have commenced and what behaviours of both parties would be regarded as being compliant with valid FRAND licensing procedures.

Comment

The reference to the CJEU by the District Court of Düsseldorf marks a ceasefire in the automotive patent wars. It stalls Nokia’s pursuit to conclude licensing agreements on their terms though it was successful in similar cases before the courts of Mannheim and Munich. The referral will provide the CJEU with the opportunity to elaborate on its precedent in *Huawei*. There, the Court of Justice has ruled that the user of a SEP can defend himself with the antitrust compulsory license defence against a claim for patent infringement, irrespective of whether he denies the use of the patent or not, and irrespective of the fact that he has already started using the SEP before a license was granted. The decision was generally well-received for its balanced approach though uncertainties remained in relation to the present scenario of products produced in supply chains. Hence, the CJEU’s ruling will be appreciated as providing more clarity on this pertinent issue. The interests of both sides have valid foundations. The SEP holder would prefer the end producer as licensee as the fee could be based on the final product, while end producers validly point out that the SEP was first applied by their suppliers, thus making these the right licensees for FRAND licenses which arguably then extend to the use of end producers. A particularly interesting point will be the Court’s view as to what indicates as being a declaration of willingness and what actions or non-omissions the party seeking the licences require in order to comply with FRAND licensing procedures.

Looking beyond this particular litigation, it is striking to see that much of litigation on SEPs in Europe occurs in Germany, aside from general patent litigation. This is arguably due to expertise of its courts and practitioners and the comparatively lower costs for conducting patent litigation. For holders of SEPs Germany is attractive due to bifurcation of the proceedings, i.e., separation between infringement and invalidity proceedings since the infringement court is under no obligation to stay proceedings should the defendant claim invalidity of the SEP. In addition to this, granting injunctive relief is usually automatic where the court finds that there was an infringement of the patent.⁷ Both of these issues are benefitting patent holders to receive faster titles to enforce the decision against infringers. The *Huawei* decision has led to diverging approaches in EU Member States and also amongst German courts in how the

requirements of FRAND licensing negotiations ought to be conducted. Hence, more detailed guidelines by the CJEU are useful and may alter the perception of Germany being a patentee-friendly litigation forum. In addition to this, the German legislator is launching a revision of patent law. The reform particularly proposes placing the grant of injunctive relief under the principle of proportionality. This is an interesting development in the shadow of the Unified Patent Court which places injunctive relief under the discretion of the court⁸ and would bring the currently national approaches within EU member states⁹ more in line.

- 1 *Consolidated version of the Treaty on the Functioning of the European Union*, 13 December 2007, 2008/C 115/01.
- 2 *Orange Book-Standard* (2009) GRUR 2009, 694 (BGH).
- 3 “European antitrust decisions establish “safe harbour” for willing licensees of standard essential patents” *Essential Patent Blog* (Blog, 30 April 2014) <<https://www.essentialpatentblog.com/2014/04/european-commission-issues-antitrust-decisions-on-standard-essential-patents-in-samsung-motorola-cases/>>.
- 4 Philipp Maume, ‘Huawei / ZTE, or, how the CJEU closed the Orange Book’ [2016] *Queen Mary Journal of Intellectual Property* 207-226, 207.
- 5 “FRAND” is an acronym for “fair, reasonable and non-discriminatory”.
- 6 Case C-170/13 *Huawei Technologies Co. Ltd v ZTE Corp., ZTE Deutschland GmbH*, Judgment of the Court (Fifth Chamber) of 16 July 2015.
- 7 Philipp Maume, ‘Huawei / ZTE, or, how the CJEU closed the Orange Book’ [2016] *Queen Mary Journal of Intellectual Property* 207-226, 212-213.
- 8 *Agreement on a Unified Patent Court* OJ C 175, 20.6.2013, Articles 62 and 63.
- 9 Enrico Bonadio and Luke McDonagh, ‘Standard Essential Patents and the Internet of Things’ [2019] European Parliament – JURI Committee 11 <[https://www.europarl.europa.eu/RegData/etudes/IDAN/2019/608854/IPOL_IDA\(2019\)608854_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2019/608854/IPOL_IDA(2019)608854_EN.pdf)>.

FRANCE

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Obtaining Damages for Acts Occurring Prior to a Trade Mark’s Revocation

Throughout the years, French or European trade mark law has become increasingly complex. Most, if not all the issues, are to be solved by the Court of Justice of the European Union (“CJEU”).

Among such issues, the French Cassation Court referred a question to the European judges involving the possibility for a trade mark owner to obtain damages in connection with acts occurring prior to the revocation of a trade mark. In such an instance, the cause for revocation related to the lack of genuine use of the trade mark.

It is indeed well established that a trade mark right may only subsist provided that its owner uses it in connection with the goods or services designated in the registration. This obligation can be found in Article 19 of the *TRIPS Agreement*² or in the *European Directive on Trade Marks (Directive 2008/95* now replaced by *Directive 2015/2436*) and the *EU Regulation on the European Union Trade Marks (Regulation 207/2009*, now replaced by *Regulation 2017/1001*).

Those European texts provide that a trade mark that has not been put to genuine use within five years following its registration,³ may be revoked, unless there are legitimate reasons for non-use.

In practice, the revocation of a trade mark on the ground of non-use is often requested against trade marks that have been registered for much more than five years. Therefore, the date upon which the revocation will be effective, be it the date of the application for revocation or retroactively, is often debated.

Contrary to cancellation proceedings, in revocation proceedings, the trade mark is not declared inexistent as from its very origin but as from a specific date. Under French law, such revocation date cannot be established before the first five years following the registration. As a consequence, parties in a litigation are often left with questions as to the possibility for the trade mark owner whose trade mark has been invalidated for non-use, to obtain an indemnification for infringing acts which occurred prior to the effect date of the revocation and after those first five years.

However, in a case dated 13 September 2016, the Paris Court of Appeal, decided that a trade mark that has never been put into use, even during the first five years following the registration, could not ground a claim for damages. The

appellate judges held that a mark not used did not fulfil the function of the trade mark and therefore should not legitimately ground a claim for damages, since no likelihood of confusion ever arose.

This decision rendered by the appellate judges was submitted to the Cassation Court.

The Cassation Court, in return, referred a question to the CJEU on 26 September 2018 in the following terms:

Must Article 5(1)(b) and Articles 10 and 12 of Directive 2008/95 be interpreted as meaning that a proprietor who has never used his trade mark and whose rights in it were revoked on expiry of the period of five years following publication of its registration can obtain compensation for injury caused by infringement, claiming an adverse effect on the essential function of his trade mark, caused by use by a third party, before the date on which the revocation took effect?

In a decision dated 26 March 2020, the CJEU held that such provisions must be interpreted as leaving Member States the option of allowing the proprietor of a trade mark to retain the right to claim compensation. The Court further held that French law did not contain any provision that could deprive the trade mark owner of such a possibility to seek and obtain damages.

Following such ruling, the Cassation Court decided on 4 November 2020 to follow the decision of the CJEU and as a consequence to quash the decision of the Paris Court of Appeal. The Cassation Court considered that the trade mark owner is entitled to invoke the infringement of its trade mark rights which may have been caused by acts of infringement occurring before the revocation even if its trade mark has never been used.

Last but not least, the enactment under French law of the latest *Directive 2015/2436* might impact in the future such a ruling. Indeed, several provisions of this new directive insist upon the need for the trade mark to be used. Recital 31 provides in particular that:

it is (...) essential to require that registered trade marks actually be used in connection with the goods or services for which they are registered”, while recital provides that “a registered trade mark should only be protected in so far as it is actually used.

Needless to say that the evolution, if any, of the future position of the French judges will be interesting to follow up.

CJEU Broadens the Scope of Protection of Geographical Indications

(CJEU’s judgment 17 December 2020, MORBIER, C-490/19)

European Union Law governs the protection of geographical indications, a system of protection created under French Law at the beginning of the 20th century, and its interpretation is subject to the jurisdiction of the CJEU.

On 17 December 2020, the CJEU answers the question referred to it by the French Supreme Court on the interpretation of Article 13 of the *Regulation (EU) No 1151/2012 of the European Parliament and of the Council of 21 November 2012 on quality schemes for agricultural products and foodstuffs*.⁴

In substance, French judges asked the CJEU whether the protection provided for by Article 13, paragraph 1 prohibits “solely the use by a third party of the registered name” or also:

*the presentation of a product protected by a designation of origin, in particular the reproduction of the shape or the appearance which are characteristic of it, which is liable to mislead the consumer as to the true origin of the product, even if the registered name is not used.*⁵

The CJEU ruled that given the graduated list of prohibited acts provided for by Article 13, paragraph (1), points (a) to (d), it was clear from the words “any other practice” used in paragraph (1), point (d) that this provision intended to cover any conduct not already covered by the points (a) to (c).⁶ Therefore, Article 13, paragraph (1) is not limited to the prohibition of the use of a registered geographical indication.

Moreover, the CJEU held that Article 13, paragraph (1), point (d) may be interpreted as prohibiting the reproduction of the shape or the appearance of a product covered by a registered geographical indication where such shape or appearance is likely to “mislead the consumer as to the true origin of the product in question”. For this purpose, judges must (i) assess if the shape or the appearance that is reproduced (irrespective of whether or not it is included in the specifications) is particularly distinctive of that product protected by a geographical indication and (ii) take into account the “perception of the average European consumer, who is reasonably well informed and reasonably observant and circumspect” and “any relevant factors” in the case, such as the factual context and the elements used to promote the disputed products.

In order to fulfil the objectives of protection of both the consumers and the investments made by the manufacturers to comply with the specifications of the product covered by a registered geographical indication, the CJEU has – through the interpretation of the EU law over the years – widened the scope of protection of the geographical indications. The CJEU’s latest judgment, dated 17 December 2020, on this topic confirms this trend.

- 1 This contribution reflects the personal views of the authors and should not be attributed to the authors' firm or to any of its present and future clients.
- 2 *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (*Agreement on Trade-Related Aspects of Intellectual Property Rights*) ("TRIPS Agreement").
- 3 Or if such use has been suspended during an uninterrupted period of five years.
- 4 Which repealed the *Council Regulation (EC) No 510/2006 of 20 March 2006* on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, that provided for an Article 13, paragraph 1 almost identical to the current wording of Article 13, paragraph 1 of *Regulation 1151/2012*.
- 5 In the present case, a French company produced and promoted a cheese reproducing a "continuous, joined, horizontal, central black mark" which conveyed to the product the "visual appearance of the product covered by the PDO 'Morbier'".
- 6 Article 13, paragraph 1, point (a) prohibits the direct or indirect use of the registered name while point (b) prohibits the use of a term that suggests it in such a way that it causes the consumer to establish a sufficiently close connection with that name and point (c) prohibits "any other indication" on the inner or outer packaging of the product concerned, on advertising material or documents relating to that product that are false or mislead the consumer as to the link with the registered name.

GERMANY

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Update Germany 2021 – What's New in German Intellectual Property Law?

We take the start of the New Year as an opportunity to give a brief glimpse at the (presumably) most interesting developments in German intellectual property law in 2021. Read on for legislative changes made to the *Act Against Unfair Competition* 2010 ("UWG") and contemplated for the *Patent Act* 1980 ("Patent Act") as well as an exciting Court of Justice of the European Union ("CJEU") referral on the matter of preliminary injunctions and new convolutions in the never ending story of the Unified Patent Court ("UPC").

1. Will German Patent Law be Devalued by the Amendment to Injunctive Relief in section 139 (1) Patent Act?

On the Government Draft of the Second Law on the Simplification and Modernisation of Patent Law

The discussion about the amendment of s.139 (1) of the Patent Act is ongoing. Eventually, on 28 October 2020, the Federal Cabinet adopted a draft law to simplify and modernise the Patent Act. In this context, the implementation of a proportionality requirement for injunctive relief in s.139 (1) of the Patent Act was intensely debated.

The Government Draft

The Government Draft opts for a substantive solution. Section 139 of the Patent Act is supplemented by a proportionality proviso. The Draft proposed the following wording:

The claim is excluded to the extent that the enforcement of the right to an injunction is disproportionate because, due to special circumstances taking into account the interest of the patentee towards the infringer and the requirements of good faith, it constitutes a hardship not justified by the exclusive right.²

The current draft is intended as a clarification to encourage courts to implement the Federal Court of Justice's *Wärmetauscher* decision.³ In the legal literature, it is precisely the strong orientation of the draft towards the *Wärmetauscher* decision that has met with criticism.⁴

Aspects of the Proportionality Test

The text of the law itself does not mention any examples when the requirements would be fulfilled. However, the accompanying text to the Government Draft describes various aspects that may be relevant in the context of the case-by-case examination.

Non-Practising Behaviour

The significant change in case law in the United States,

which goes back to the *eBay v MercExchange* decision in 2006,⁵ led to non-practising entities (“NPEs”) increasingly asserting their rights in Europe and especially in Germany. In this context, it should be emphasised that, from a legal dogmatic point of view, only the non-practising behaviour itself and not the quality as an NPE can be taken as a basis, because different quality classes of a patent right are alien to German intellectual property law.⁶ The Government Draft justifies the link to non-practising behaviour with the innovative function of the patent system, which requires the implementation of the technical teaching in the interest of the common good. However, Stierle rightly points out that the innovative function is only one part of a four-part functional system in which it must be balanced with the transaction function, the invention function and the information function. A non-practising behaviour alone will therefore hardly be able to justify a denial of the right to injunctive relief.⁷

Complex Products

The increasing number of patents in a single product raises doubts as to whether it is appropriate for the injunction to cover the entire product.⁸ Since the injunction is most effective at the last product stage and the automotive industry has become a popular target, it is not surprising that the inclusion of this constellation in the explanatory memorandum is primarily a concern of the German automotive industry. They fear a lock-in effect, which in practice leads to a disproportionately high willingness to take a license on the part of the infringer. This is reinforced by the fact that often, in view of the large number of patents, an economically justifiable freedom-to-operate analysis seems impossible. From a dogmatic point of view, the Government Draft’s adherence to the criterion of the functionally essential component from the *Wärmetauscher* decision appears questionable. Stierle points out that if the challenged component contributes to the central function of the product, it is precisely the innovative content of the disputed invention that is reflected in the infringing product. Especially in such a case, the granting of a use-by period appears questionable from the point of view of proportionality.⁹

Third-party Interests

An injunction can also have serious consequences for third parties. This has become particularly clear in the past in connection with medical products and pharmaceuticals.¹⁰ Abroad, third-party interests are given greater weight in such constellations.¹¹ The rather restrained consideration of third-party interests in the Government Draft is nevertheless to be welcomed. This is because the enforcement level should not be misused to infiltrate (supposed) public interests or even moral issues into intellectual property law.¹²

However, contrary to the opinion of the courts of first instance, the Government Draft clarifies that a conflict with

s.24 of the Patent Act cannot be identified: section 24 of the Patent Act grants a right of use, whereas the proportionality proviso only (temporarily) excludes the right to injunctive relief. The compulsory license is anchored at the level of the infringement examination, the proportionality proviso at the level of substantive enforcement. Finally, fundamental rights already require that third-party interests be taken into account. Another complicating factor is that the individual patentee lacks the possibility to initiate compulsory licensing proceedings with prospects of success.¹³

Other Aspects

The Government Draft mentions the economic effects of an injunction as well as subjective elements as further aspects that can be considered.

Legal Consequence

In terms of its legal nature, the provision is a legal objection that destroys the right. In particular, it does not lead to a legalisation of the patent infringement. Moreover, the claim for damages is not affected. The wording also allows for a partial exclusion. However, the drafted law only seems to assume a partial exclusion in terms of time.¹⁴

Was a New Regulation Necessary?

In view of all this, the question arises whether a change in the law was necessary at all. It is not surprising that strong voices in the literature hold the view that the provision is already amenable to a proportionality test in its current version. According to this view, the injunctive relief granted pursuant to s.139 (1) represents the rule from which there can be exceptions (as a result of objections/defenses in the relationship between the parties). In this context, section 242 of the *German Civil Code* (“BGB”) in conjunction with the legal concept of section 251 (2) of the BGB is to be consulted as a substantive limitation norm. Abuse of the law in the broader sense is understood solely as a dysfunctional exercise of the law, whereby an exercise of the law is understood as dysfunctional which violates the general and specific purposes of the law. The presence of a subjective element is not relevant. Finally, a financial substitution is possible with the use of the legal concept from section 251 (2) of the BGB.¹⁵ The Federal Supreme Court has already applied this norm to section 1004 of the BGB which provides for more general forms of injunctive relief on several occasions. However, if a restriction of the right to injunctive relief is possible in relation to the property of a thing as the prototype of an exclusive right,¹⁶ it is not clear why there should be limits to this in relation to patent law.

Moreover, there is no contradiction with higher-ranking law. On the contrary, the principle of proportionality is a German constitutional principle and posited by to some to be inherent in the notional European Law of Remedies. A more concrete and very recent example for principles of proportionality appear in Recital 22 of the *Trade Secrets Directive*.¹⁷

The objection of the courts of first instance that the circumstances to be considered must be circumstances that the legislator did not foresee because otherwise he would have formulated s.139 (1) of the Patent Act differently was rejected by the decision of the Federal Court of Justice.

Implications for Germany as a Court Location

According to the above, the amendment to the law may be described as unnecessary because it is purely declaratory. In any case, the concerns regarding its impact on future legal practice will not prove to be true. For example, some think that the examination of proportionality will now be included by the courts as a positive factual feature for the existence of the claim and that this will result in additional requirements for the plaintiff's presentation.¹⁸ However, it is generally accepted that the infringer bears the burden of proof.¹⁹ This merely enables a differentiated enforcement of rights, which follows the idea of "minimal invasiveness".²⁰ Only the dogmatic location, which previously seemed interchangeable, is now clarified. Finally, the fact that the Government Draft does not contain any criteria for the elements of "unjustified hardship" and the "requirements of good faith" shows that no schematic solution in the sense of the *eBay* decision is intended. In conclusion, it can be said that the only innovation of the law is that courts are encouraged to make more flexible decisions in very atypical, rare exceptional cases.

2. Is the UPC within reach from 2022?

On the German Ratification Process

Background

On the basis of the *European Patent Convention* ("EPC"),²¹ a granted patent can be given unitary effect by a simple declaration of the patent owner to the European Patent Office. An unnecessary parallelism of court proceedings on the same patent and the same prior art in a multitude of European states would then be a thing of the past. The regulation is already in force. However, its effectiveness depends on the entry into force of the Agreement on a UPC.

Meanwhile, only Germany's ratification is still pending. In order to complete German ratification, Federal President Frank-Walter Steinmeier must sign the legislation. The Bundestag and the Bundesrat had already approved the law in 2017. However, a constitutional complaint by Düsseldorf lawyer Dr Ingve Björn Stjerna had led to the Federal President suspending the signing of the UPC Act in June 2017.

Although the constitutional complaint was partly considered as a disproportionate attack against a project "which does not even remotely affect the constitutional identity of the Basic Law",²² the Federal Constitutional Court declared the Act approving the *UPC Act 2020* (the "UPC Act") unconstitutional in its decision of 13 February 2020. The Court required that both chambers of parliament approve

such international agreements with a two-thirds majority. The Bundestag recently reintroduced the treaty law with the required majority on 26 November 2020.

The fact that the Federal Constitutional Court did not make a substantive decision on most of the objections raised on the grounds of inadmissibility opened up the possibility of examining the points in greater depth in a second constitutional complaint. Already at that time, the complainant, Dr Ingve Björn Stjerna, indicated that he would file another constitutional complaint.

Ratification of the UPC is once again on hold

Shortly after the Bundesrat (second chamber of German Parliament) approved the German UPC Act and it was passed unanimously on 18 December 2020, the Federal Constitutional Court received two further complaints (with the docket numbers 2 BvR 2216/20 and 2 BvR 2217/20). In the meantime, it is only known that one of the complainants is the plaintiff of the successful first complaint. The Federal Constitutional Court also confirmed that a private person, a company and an association are behind the second complaint. Dr Stjerna has attached to his complaint the application for an interim injunction to prevent the ratification of the law. It remains to be seen whether the court will rule on this application this time, because just like last time, the Federal President has agreed to wait until the conclusion of the main proceedings before issuing the law. The Federal Constitutional Court has forwarded the complaint to the Bundestag, Bundesrat, Federal Chancellery, Ministry of the Interior, Ministry of Justice and Consumer Protection, and Foreign Office, with the opportunity to comment on the interim injunction application. All the Committee's parliamentary groups except the right wing AfD voted to recommend that the Bundestag joins and submits a statement in the main proceedings (as provided for under s.94 *Federal Constitutional Court Act* (Bundesverfassungsgerichtsgesetz – BVerfGG) and that the Bundestag asks its President to appoint a lawyer.

Criticism of the Federal Constitutional Court's Approach

Abroad, the events in Germany may cause astonishment. However, it is a quite normal procedure when it comes to concerns about the constitutionality of accession laws to international treaties. This is justified by the fact that these laws cannot be withdrawn by parliament at a later point in time if they turn out to be unconstitutional. Rather, they are binding until the federal government negotiates otherwise with the other signatory states.

Nevertheless, there are also critical voices that take offence at the long duration of the procedure.²³

The scope of the Federal President's right of review under Article 82 (1) of the Basic Law is controversial in Germany anyway. For historical reasons, he is considered to have very little power in the state. However, it is probably an

established view that he cannot completely evade a review and thus paralyse a legislative procedure.

The objection that once sovereign rights have been transferred, they cannot be taken back is also relativised against the background of the United Kingdom's ("UK") exit. This was criticised in many respects, but not with the objection that it was legally impossible.

In addition, the dissenting opinions of Judges König, Langenfeld and Maidowski, are fundamentally critical of the legal institution of formal transfer control. They see it as a threat to the European integration process, which is ultimately also anchored in Article 23 (1) of the *Basic Law*, i.e. the German Constitution.

Finally, it should be emphasised that the proceedings were suspended solely because of a telephone call from the Federal Constitutional Court to the Federal President. This seems more than strange in bureaucratic Germany. According to the case law of the Federal Constitutional Court, the request to suspend the constitutional review of the treaty law or ratification is an exceptional case to the fundamental priority review of laws by the Federal President.²⁴ In the context of the first constitutional complaint, the Federal Constitutional Court could only circumvent a decision by way of the requested interim injunction by referring to this "state practice". However, state practice as the regulation or shaping of constitutional norms by constitutional bodies must be treated with caution. For it cannot be that a constitutional body creates its own enabling norms. Against this background, fidelity to the institution and respect for the democratically elected parliaments would have required that the procedure be accelerated. The fact that the other constitutional organs include the review jurisdiction of the Federal Constitutional Court in their considerations on the timing of the procedure leading to treaty ratification and refrain from doing anything that could make it difficult or impossible for the Federal Constitutional Court to exercise its jurisdiction in a timely and effective manner corresponds with the fact that the Federal Constitutional Court completes the constitutional review as quickly as possible. In view of such behaviour, there is nothing left of the judicial self-restraint, which aims at keeping open the space of free political design guaranteed by the constitution for the other constitutional organs.

Prospects for the future

The United Kingdom has since withdrawn from the future European Union ("EU") patent system. The British Government justified this step by stating that participation in the project was incompatible with the UK's independence aspirations, for example, against the background of the CJEU's competence for preliminary rulings on the application of EU law in EU patent matters. It has not been conclusively clarified how this loophole is to be closed. Even if the German legislature interprets the Convention

pragmatically with reference to the meaning and purpose of the provision to the effect that a withdrawal of one of the expressly designated states, which could not have been foreseen by anyone at the time, could not prevent the entry into force. Against this background, it cannot be ruled out that the second wave of constitutional complaints will cause serious damage to the project. Further developments remain to be seen.

3. New Requirements for Preliminary Injunction Proceedings in Patent litigation

On the CJEU Referral of the Munich Regional Court I (file no. 21 O 16782/20) on Injunctions in Patent Litigation

Background

German law provides that if the infringer cannot wait for the judgement in the infringement proceedings, which may take at least six months with the quickest courts, a preliminary injunction may be issued against the infringer at his risk (s.940 of the German *Code of Civil Procedure*). According to the current unanimous opinion, this also applies to patent and utility model cases. On the one hand, this follows from Article 50 (1) of the *TRIPS Agreement*,²⁵ which, although not directly applicable, is to be consulted for the interpretation of the German provisions. Furthermore, it also follows from s.4 of the *Enforcement Directive 2004/48/EC* of 29 April 2004. Nevertheless, preliminary injunctions in patent and utility model cases are relatively rare.

The issuance of a preliminary injunction in a patent infringement case requires, in addition to a claim for injunction (obvious infringement of the asserted patent) and a ground for injunction (urgency), the substantiation of a sufficiently secured validity of the asserted patent. This requirement is uniformly handled in German case law.

Düsseldorf Higher Regional Court and Karlsruhe Higher Regional Court

According to the established case law of the Düsseldorf Higher Regional Court and the Karlsruhe Higher Regional Court, it is required that the patent for injunction has already gone through opposition or nullity proceedings in the first instance.²⁶ Exceptions to this rule are only made in four groups of cases:

- the applicant was already involved in the grant proceedings with his own objections;
- the patent is generally considered to be valid, i.e. has multiple licensees;
- the objections raised are already groundless after summative examination; or
- exceptional circumstances.

The last group of cases serves to take account of a special market situation with regard to the attacked infringing product, such as generic pharmaceutical products.

Hamburg Higher Regional Court

Only in this court district is a flexible standard applied to the assessment of the legal status of an injunction patent. According to this standard, the court must be able to assume with a high degree of certainty that the defendant's objections to the grant of the patent will prove to be without substance and that the pending opposition decision will be unsuccessful, so that a prohibition order may be issued in the injunction proceedings.²⁷ This assessment is always a question of the individual case.

Munich Higher Regional Court

The Munich Higher Regional Court, which previously also advocated a more flexible standard, follows the Düsseldorf case law since its ruling of 12 December 2019.²⁸ The Court also adopts the four exceptional case groups from the Düsseldorf case law. The Court justified its decision by stating that the majority of the prognosis decisions made by the senate in the past had turned out to be wrong.

Munich Regional Court Challenges Current Case Law

The Munich Higher Regional Court currently has a case to decide in which the patent for an injunction has just recently granted. Although the judges are convinced of the legal validity of the patent, they do not see themselves in a position to issue an interim injunction due to the established case law of the higher courts. Therefore, the judges decided to suspend the proceedings and formulate a referral to the CJEU. They justified their assessment of the violation of European law by stating that the securing of provisional measures against a patent infringement required by Article 9 (1) of the *Enforcement Directive 2004/48/EC* was currently not possible according to the case law of the higher courts. This was because a patent that had just been granted could not yet have gone through enforcement proceedings. Also, many patents that have been granted for a long time often have not yet gone through such a legal validity procedure at the time of the application for a provisional measure. The patent proprietor naturally has no influence on whether his patent is challenged with an opposition or an action for revocation after grant. In spite of an acute infringement case, a provisional measure could then in principle only be issued once proceedings to determine the validity of the patent have been concluded in the first instance. This could take many months or even years. According to the case law under review, the continuation of the patent infringement would have to be accepted during this time, although in the case of a patent – unlike other intellectual property rights – a thorough technical examination already takes place before it can be granted.²⁹ The decision of the CJEU remains to be seen.

4. No More Warning Letters in Online Trade?

On the Reform of the Act Against Unfair Competition

Background

The *Act against Unfair Business Practices* of 9 October 2013 (Federal Law Gazette I p. 3714) already included regulations to reduce the amount in dispute and the value of the subject matter in order to protect against abusive warnings, which were intended to keep the lawyer's fees to be reimbursed by the person being warned low and thus reduce the financial incentive to issue warnings. Despite these regulations, abusive warnings continued to be issued, so that political pressure increased to take legislative action against them.

The Most Important Amendments at a Glance

Section 8 (3) no. 1 of the amended UWG now sets higher requirements for the legitimacy of competitors. In addition, for the first time, requirements for the warning notice are modelled on s.97a (2) of the *Copyright Act*. The claim for reimbursement of the costs necessary for a justified warning now only exists if these substantive requirements of paragraph 2 for the warning have been observed. Whereby, in accordance with previous legal practice, there is still no obligation to pre-formulate a cease-and-desist declaration with a contractual penalty agreement.

Declaration of Cease and Desist - Yes or No?

Pursuant to s.8c (2) nos. 4 and 5 of the amended UWG, excessive demands for contractual penalties and the demand for a cease-and-desist declaration with an excessively broad cease-and-desist demand are, in case of doubt, considered to be indications of abuse of rights. Therefore, one should consider no longer attaching a pre-formulated cease-and-desist declaration to the warning letter in order to avoid the indications of abuse of rights under s.8c (2) nos. 4 and 5 of the amended UWG.

What about Contractual Penalties?

Section 13a (1) of the amended UWG incorporates common assessment criteria for an appropriate contractual penalty from case law into the law. It is an exhaustive catalogue. It is particularly interesting that according to s.13a (2) of the amended UWG, competitors may no longer demand a contractual penalty for the first warning in the case of violations of statutory information and labelling obligations in electronic commerce or in telemedia as well as in the case of violations of the German *Data Protection Act* and the *Federal Data Protection Act* provided the violation was committed on the internet and the person being warned does not have more than 100 employees, s.13a (2) of the UWG. However, the wording of the provision only excludes a contractual penalty for the first warning and not for the entire prosecution of an infringement committed for the first time. Section 13a (4) of the amended version of the UWG efficiently protects the warned party from an unreasonably high contractual penalty, since even in the case of a higher

promise, the warned party always owes only the reasonable contractual penalty.

Warning Costs

With the entry into force of section 13 (4) no. 2 of the amended UWG, competitors may continue to issue warning notices to online traders, for example, if the imprint is missing or incomplete, the cancellation policy is missing or outdated or there is no link to the internet platform for the online settlement of disputes (“ODR” platform), **but they may not claim warning costs**. With regard to this exclusion, it remains to be clarified whether and to what extent violations of the GDPR³⁰ can be prosecuted under the UWG.

Free Choice of Court Locations?

Jurisdiction is now summarised in s.14 of the amended UWG. The planned abolition of the “flying jurisdiction” was the main topic of discussion. In the end, it was not completely abolished. Since it is mainly abused in “internet cases”, it is generally excluded for these, and otherwise – as before – only for associations. Plaintiffs from other EU countries in cross-border cases will still have unrestricted recourse to the Brussels Ia Regulation under Article 7 no. 2. It remains to be seen whether test purchases can be a means of circumvention.

- 1 The authors thank Mrs Isabell Thyssen for her help in preparation of this update.
- 2 German Government, *Entwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts* (28 Oktober 2020) <https://www.bmjv.de/SharedDocs/Gesetzgebungsverfahren/Dokumente/RegE_PatMog2.pdf?jsessionid=FAEEF97099C01D7F8A6D78521AD52A45.1_cid297?__blob=publicationFile&v=2> (“Government Draft”).
- 3 BGH GRUR 2016, 1031 – *Wärmetauscher*. The first page of the Government Draft already states: “In accordance with the case law of the highest courts, it is to be ensured that the possibility, which already exists under current law, to take into account considerations of proportionality in the claim for injunctive relief, also comes to bear sufficiently in judicial practice as a corrective.”
- 4 Martin Stierle, *Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts* (GRUR 2020) 267.
- 5 *eBay Inc v MercExchange, LLC*, (2006) 547 US 388.
- 6 Julia Schönbohm and Natalie Ackermann-Blome, *Products, Patents, Proportionality – How German Patent Law Responds to 21st Century Challenges* (GRUR Int. 2020) 578.
- 7 Martin Stierle, *Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts* (GRUR 2020) 265.
- 8 Julia Schönbohm and Natalie Ackermann-Blome, *Products, Patents, Proportionality – How German Patent Law Responds to 21st Century Challenges* (GRUR Int. 2020) 579.
- 9 Martin Stierle, *Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht* (GRUR 2019) 877.
- 10 See for example: LG Mannheim [Regional Court of Mannheim], 2 O 75/10, 18 January 2011.
- 11 See the decision *Edwards Lifesciences LLC v. Boston Scientific Scimed Inc & Ors*, (2018) EWHC 1256 (Pat).
- 12 Franz Hofmann, *Funktionswidriger Einsatz subjektiver Rechte* (GRUR 2020) 923.
- 13 Stierle, *Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts* (GRUR 2020) 266.
- 14 Martin Stierle, *Diskussionsentwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts* (GRUR 2020) 264.
- 15 Martin Stierle, *Der quasi-automatische Unterlassungsanspruch im deutschen Patentrecht* (GRUR 2019) 874.
- 16 Franz Hofmann, *Funktionswidriger Einsatz subjektiver Rechte* (GRUR 2020) 915.
- 17 *Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure (Text with EEA relevance)* OJ L 157, 15.6.2016.
- 18 As can be seen from the GRUR statement on the 2nd Patent Law Modernisation Act of 16 March 2020 <http://www.grur.org/uploads/tx_gstatement/2020-03-16_-GRUR-Stn-2-Patentrechtsmodernisierungsgesetz.pdf>.
- 19 Julia Schönbohm and Natalie Ackermann-Blome, *Products, Patents, Proportionality – How German Patent Law Responds to 21st Century Challenges* (GRUR Int. 2020) 583.
- 20 Franz Hofmann, *Funktionswidriger Einsatz subjektiver Rechte* (GRUR 2020) 915.
- 21 *Convention on the Grant of European Patents*, 5 October 1973, UNTS 1065 (entered into force 7 October 1977).
- 22 Winfried Tilmann, *Das europäische Patentsystem – Stopp vor dem Ziel?* (GRUR 2017) 1182.
- 23 See especially Konstantin Schallmoser and Andreas Haberl, *Das BVerfG macht Politik – und alle sehen zu* (GRUR-Prax 2020) 199.
- 24 BVerfG, *Eilantrag auf Verhinderung des Inkrafttretens von Gesetzen erfolglos* (NVwZ 2019) 1593.
- 25 *Marrakesh Agreement Establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C (*Agreement on Trade-Related Aspects of Intellectual Property Rights*) (“TRIPS Agreement”).
- 26 *Harnkatheterset*, OLG Düsseldorf [Düsseldorf Court of Appeal], 2 U 126/09, 29 April 2010.
- 27 *Spannbacke*, OLG Hamburg [Hamburg Court of Appeal], 6 U 3512/01, 10 January 2002.
- 28 OLG München [Munich Court of Appeal], 6 U 4009/19.
- 29 See the Court’s press release of 20 January 2021 <<https://www.justiz.bayern.de/gerichte-und-behoerden/landgericht/muenchen-1/presse/2021/1.php>>.
- 30 *EU General Data Protection Regulation (GDPR)*: Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), OJ 2016 L 119/1.

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Joint Authorship: United Kingdom (“UK”) Case Sets Out the Sorts of Contributions that Qualify a Collaborator to be a Joint Author

The Intellectual Property and Enterprise Court (“IPEC”, a division of the English High Court with a focus on intellectual property cases) has held that a contributor to a screenplay was a joint author with a share of 20 per cent. This represents the conclusion (other than any trial on quantum and subject to appeal) to a long-running case that started in the IPEC and was appealed in the Court of Appeal. The Court of Appeal shed some light on the principles of joint authorship and, in an unusual move, sent it back to the IPEC for this retrial.

The case gives helpful guidance on (1) the principles of joint authorship as set out by the Court of Appeal, (2) the application of these principles, and, (3) how a court will go about deciding the percentage share of joint authors. This update summarises each in turn.

In an event of collaboration, this should be of use to anyone claiming to be a joint author, or, conversely, a sole author. Furthermore, it serves as a red flag for investors in films and/or screenplays when purchasing rights.

Background

The dispute centres around the screenplay for a biographical film starring Meryl Streep, Hugh Grant and Simon Helberg: *Florence Foster Jenkins*. The film was a success, grossing around US\$49 million worldwide off a US\$29 million budget.

Meryl Streep plays the titular character, Florence, a New York socialite in the 1940s with ambitions of becoming an opera singer despite her poor singing voice. Hugh Grant plays her husband and Simon Melberg her pianist.

Nicholas Martin was given the sole credit as the writer of the screenplay. It was his first credit for a film; his career previously focusing on TV show scripts. Julia Kogan is a music teacher and opera singer. She also occasionally writes books. From the start of the development of the screenplay to the finalised draft, Mr Martin and Ms Kogan were involved in an on-off romantic relationship. The romantic and subsequently amicable relationship fell apart after the film was optioned but prior to the finalisation of the screenplay.

Mr Martin contended he was the sole author, despite accepting Ms Kogan had contributed. Ms Kogan claimed her contributions qualified her as a joint author entitled

to a 50:50 share in the screenplay. Among other remedies, Ms Kogan sought accreditation as a joint author and a proportion of Mr Martin’s income from the film.

Case history

The initial IPEC decision, *Julia Kogan v Nicholas Martin*,¹ was made by HHJ Hacon. He found Ms Kogan’s “textual and non-textual” contributions did not satisfy the requirements for joint authorship, since they “never rose above the level of providing useful jargon, along with helpful criticism and some minor plot suggestions”.

The Court of Appeal, in *Julia Kogan v Nicholas Martin & others*² were highly critical of HHJ Hacon’s decision. They set his decision aside but felt they did not have enough evidence to form a conclusion on whether Ms Kogan was a joint author. This was a result of Hacon J’s failure “to make important finding of primary fact”; in particular, he expressly declined to have regard to the witness evidence he heard.

HHJ Hacon’s reasoning for this was the contradictory nature and unreliability of the witnesses’ evidence justified his placing “little if any reliance” on their recollections; instead, he relied on inferences from documentary evidence and “known or probable facts”.

However, the Court of Appeal clarified the type and nature of contributions that would qualify a contributor as a joint author in an 11-step analysis. They then ordered a retrial to make factual findings in accordance with these.

The retrial also considered a case brought by Ms Kogan against the film companies that produced the film. They pleaded a defence of acquiescence and estoppel, on the basis that they were unaware of Ms Kogan’s interest until late into development. This defence was successful to the extent that it would otherwise have prevented public performance of the film, which had never been Ms Kogan’s intention.

Legal Background

Section 10(1) of the UK’s *Copyright, Designs and Patents Act 1988* defines a work of joint authorship as: “produced by the collaboration of two or more authors in which the contribution of each author is not distinct from that of the other author or authors.”

To quote the Court of Appeal: “the four elements of joint authorship are thus (a) collaboration, (b) authorship, (c) contribution and (d) non-distinctness of contribution.”

(1) Court of Appeal: Principles of Joint Authorship

The Court of Appeal discussed the legal authorities on this and produced the following principles of joint authorship.

1. The work must be a product of a collaboration between all those who created it.

2. A collaboration is deemed to have occurred where “people undertake jointly to create the work with a common design as to its general outline, and where they share the labour of working it out”. Accordingly, the first task for the court in this assessment is determining the nature of the co-operation between the putative joint authors.
3. Derivative works will not qualify. In the absence of wider collaboration, if one of the collaborators is critiquing, providing editorial corrections, or giving ad hoc suggestions of phrases or ideas the resultant work will not be a work of joint authorship.
4. In the case of literary and artistic works, there are many ways of collaborating and it is not enough to merely consider “who did the writing?”. It could be that one collaborator provided the plot and the other did the writing.
5. Each must be an “author”. This means they contribute “a significant amount of skill which went into the creation of the work”. The court will not focus exclusively on who did the writing but will consider all elements of what constitutes an “author”, such as creating, selecting or gathering “detailed concepts or emotions” which are then fixed in writing.
6. Non-“authorial” contributions do not count. What constitutes an “authorial contribution” will depend on the nature of the work in question.
7. In determining if a contribution is enough, one must consider the test in *Infopaq*³ whether the putative author’s contributed elements express their “own intellectual creation”. They must have exercised free and expressive choices.
8. The contribution of the putative authors must not be distinct.
9. It is not a requirement that the authors intended to create a work of joint authorship.
10. One author having a final say on the work will have relevance but is not conclusive. In deciding the relative proportions of ownership, account must be taken of the extra work in that author making those choices.
11. The shares of the authors need not be equal, but can reflect the relative amounts of their contributions.

Importantly, the Court of Appeal also dismissed Hacon J’s “novel theory of his own” of separating “primary and secondary skills” that go into the creation of the work. In particular, Hacon J placed emphasis on a screenplay being a literary work with the primary skill being selecting and arranging the words, a task performed exclusively by Mr Martin. Secondary skills included inventing plot and character. The Court of Appeal disagreed, saying that plot arrangement and character development can be the essence of a literary or a dramatic work, and that the judge’s approach

“had no basis in either in the statute or in decided cases”.

In fact, the Court of Appeal considered a screenplay to be a dramatic work rather than a literary work, since, unlike a novel, its primary purpose was to be performed. They took note from a leading legal text on UK copyright law: *Copinger and Skone James on Copyright, 17th Edition*.

Copinger states:

*a basic distinction between literary works and dramatic works is that the choice of dramatic incident and arrangement of situation and plot may constitute, to a much greater extent, the real value of a dramatic work.*⁴

Ultimately, the difference between the Court of Appeal’s approach and HHJ Hacon’s are arguably subtle. HHJ Hacon’s approach seems to be too strict in firstly looking at the type of work and then secondly deciding what aspects are most important to that work. The Court of Appeal seem to have taken a more dynamic approach, whereby they considered the most important aspects of the work in question, being guided by the category of work.

(2) IPEC retrial: Determination of Joint Authorship

It was for Meade J in the IPEC retrial to make factual findings on the extent and nature of Ms Kogan’s contributions, in light of the evidence put before him. In his lengthy decision⁵ (potentially a measure to avoid the criticism faced by HHJ Hacon) Meade J went through the factual history in detail: comparing the accounts of the witnesses alongside the contemporaneous documentary evidence.

The Collaboration and its Nature

Meade J held that there was a sufficient collaboration between the couple: their conduct indicated a “common design as to general outline and a sharing of labour”. This followed the finding that their discussions had been “close and iterative”, going far beyond a mere “sounding board” relationship. Even though it was accepted Mr Martin undertook the writing and had the power of the final say, both contributed ideas for “characters, feeling, main events and musical content”.

This finding was not prevented by the lack of any formal planning meeting to allocate tasks. Neither was it affected by the fact that Meade J considered that at the time it was unlikely the couple would have agreed they were working as joint authors. As seen above, the ninth principle laid down by the Court of Appeal confirms that intention to create a work of joint authorship is not a requirement, and it was enough that they recognised they were working together on a path towards creating a screenplay.

Nature of Ms Kogan’s Contribution

Various attempts were made by Ms Kogan to lay down in evidence the specific contributions she made. Ultimately, Meade J found as a matter of fact that:

Ms Kogan contributed as a collaborator in terms of characterisation, musicality, choice of historical incident and musical terminology.

Meade J considered her “six best” significant contributions that served to “illustrate but [...] not limit her contribution”, but outside the “six best”, he also considered characterisation generally: deciding that Ms Kogan’s input “was of great importance to all the central characters”.

Ms Kogan’s expertise of the opera industry, being an opera singer, and knowledge of the film’s setting fuelled her suggestions on plot, character and dialogue. Her contributions demonstrated a good understanding of the interaction between the musicality and characters of the screenplay. Her dialogue contributions were included in some of the film’s most dramatically important scenes.

As to points 6 and 7 of the Court of Appeal’s principles, Meade J considered Ms Kogan’s contributions to be “highly creative and imaginative”. Accordingly, they satisfied the *Infopaq* test: being expressions of her own intellectual creation. Furthermore, they were “authorial” in nature since they related to the:

creation, selection and gathering together of detailed concepts and emotions which the words have fixed in writing.

In accordance with point 4 of the Court of Appeal’s principles, it was of some relevance but by no means decisive that Mr Martin had the final say.

Finally, as is required for a work of joint authorship (principle 8), the couple’s respective contributions could not be separated. Ms Kogan’s contributions were of the sort that ran throughout the film: characterisation and musicality.

(3) IPEC Retrial: Ms Kogan’s Share

Meade J held that the circumstances demanded derogating from his finding in principle that there was a presumption of equal shares between joint authors. This was because he found that Mr Martin had undertaken the greater amount of work and that Ms Kogan’s assertions that she wrote a lot of the text of the screenplay were untrue. His assessment considered contributions in both a “qualitative and quantitative” sense.

Meade J divided the history in two parts: the first was the initial development stage; the second ran from that point onwards, when Mr Martin actually wrote the screenplay. These two parts made up one-third and two-thirds of the final work respectively.

The Judge found that Ms Kogan’s contributions were much more substantial in the first part than the second. Meade J held that Ms Kogan’s contribution to the first part was one third and her contribution to the second part was one tenth. He admitted to these being “highly subjective” and that he had approached them “on a broad-brush basis”. Combining

these gave him the final figure of 20 per cent.

Meade J made the following observations in reaching this conclusion.

- Ms Kogan’s contributions were similar throughout both parts in terms of their type: her input into the first part was highly significant, but the Judge found her evidence unreliable in relation to her contribution to the second part.
- Large areas of work were exclusive to Mr Martin in both parts, which worked in his favour. Specifically, acting alone, Mr Martin undertook the scene card work and had regard to translating the structure of the story into a screenplay in the first part, and actually wrote the screenplay in the second.
- It was of “small importance” in terms of the amount of contribution that Ms Kogan had the initial idea to create a film on the subject matter.
- The labour of actually writing the screenplay was “highly creative, difficult and intricate”. This was qualitatively and quantitatively significant and undertaken almost solely by Mr Martin. For sake of clarity, although it is not simply a case of “who did the writing?” (see principle 4 above) for the purposes of joint authorship, in this case it attracted significant weight in determining each author’s contribution and share in a work of joint authorship. This will likely depend on the nature of the work in question.

Outcome

As a result of her joint authorship, Ms Kogan was entitled to accreditation as a writer. She was also entitled to: 20 per cent of the future payments from the film companies to Mr Martin; and an inquiry as to damages for infringement of copyright and moral rights by Mr Martin for the period from which she was deemed to have withdrawn her consent (around the time the couple fell out).

Comment

In the IPEC retrial, Meade J addressed a concern raised by the film companies: detriment to investment in creative industries brought about by a fear that an unknown joint author later emerges. Specifically, there was a worry that researchers or sounding boards could make claims if Meade J found in Ms Kogan’s favour.

Meade J raised the following points in response:

1. His decision does not raise any new principles of law as to if and when a work will be considered one of joint authorship. He merely applied the facts as he found them to the principles set out by the Court of Appeal.
2. Meade J specifically found that Ms Kogan’s contributions went beyond a sounding board or researcher.

3. This concern is not a new one and has historically been, and should be, protected against through various safeguards such as: due diligence, contractual protection, acting responsibly where issues arise and working with reputable writers.

Another potential impact is that writers may be reticent to discuss their works, in the worry that those whom they see as sounding boards become joint authors. Meade J did not address this in his judgment but the three above points would likely apply equally to that situation.

However, although the above points are well-founded, perhaps both concerns are more related to Meade J's willingness to pro rata a relatively small contribution, rather than his application of the joint authorship principles per se. In particular, his calculation of Ms Kogan's contribution to the second part of the process resulted in a figure of one 15th of the final joint authorial work. If judges are going to be considering such small contributions, this may well provide an opportunity for those contributing relatively small amounts to make a joint authorship claim.

It could be argued that a contribution needs to satisfy a de minimis threshold, as only a very small part of a work can qualify for copyright protection provided that it represents the author's own intellectual creation. However, the nature of the work must still be of the right kind to qualify for protection under the Court of Appeal's principles, so the suggestion of the odd idea will not be enough.

Another interesting point is the specific contributions that were considered important. In the Court of Appeal judgment it was held that, since plot can be protected under copyright, it is "logical to suppose that the skill which goes into devising the plot is properly regarded as part of creating the work". Given such contributions formed part of Ms Kogan's percentage share, can we reverse this corollary to say that copying more vague concepts such as the characterisation or music choice (other contributions by Ms Kogan) can infringe the copyright in a screenplay?

In particular, this can be contrasted with HHJ Hacon's judgment where Ms Kogan's contributions were merely "useful jargon, along with helpful criticism and some minor plot suggestions".

In any event, this case is important in that it represents the first application of the Court of Appeal's principles. Furthermore, Meade J's considerations in deciding the pro rata share gives some guidance as to what share putative authors can expect.

- 1 [2017] EWHC 2927 <<https://www.bailii.org/ew/cases/EWCA/Civ/2019/1645.html>>.
- 2 [2019] EWCA Civ 1645 <<https://www.bailii.org/ew/cases/EWCA/Civ/2019/1645.html>>.
- 3 Case C-5/08, *Infopaq Int'l AIS v Danske Dagblades Forening* [19 July 2009] ECR I-6569.
- 4 Nicholas Caddick QC; Gillian Davies; Gwilym Harbottle, *Copinger & Skone James on Copyright*, 17th Edition (Sweet & Maxwell UK, 2017) [7.93].
- 5 *Nicholas Martin & Ors v Julia Kogan* [2021] EWHC 24 (Ch) <<https://www.bailii.org/ew/cases/EWHC/Ch/2021/24.html>>.

Current Developments – North America

CANADA

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Expedited Examination of Canadian Trade Mark Applications for COVID-19 related Trade Marks

The Canadian Intellectual Property Office (“CIPO”) issued a Practice Notice on 14 December 2020 that allows trade mark applicants to request expedited examination of trade mark applications that cover COVID-19 related goods and services such as pharmaceuticals, medical devices, medical protective equipment and medical services or research services related to the prevention, diagnosis, treatment or cure of COVID-19. This is a significant development that will benefit brand owners involved in this field as the current average time for examination of Canadian trade mark applications is 25 months.

The request for expedited treatment of an application must be filed in the form of an affidavit or statutory declaration and the goods and services must be for the prevention, diagnosis, treatment or cure of COVID-19. In addition, the applicant must meet one of the following criteria:

1. There must be a Canadian court action underway with respect to the trade mark in issue in association with the goods or services listed in the application; or
2. The applicant must be combatting counterfeit goods at the Canadian border with respect to the trade mark and the goods and services covered by the application; or
3. The applicant must be seeking the approval of Health Canada or must have obtained the approval of Health Canada for the use of the goods or services covered by the trade mark application in Canada.

To be eligible for expedited examination under this procedure, the application must include at least one of the following types of goods or services:

- pharmaceuticals, medical devices (such as diagnostic tests, ventilators), or medical protective equipment (such as sanitary masks for protection against viral infections and disposable gloves for medical purposes) that prevent, diagnose, treat, or cure COVID-19; or
- medical services or medical research services for the prevention, diagnosis, treatment, or cure of COVID-19.

Trade mark applications are generally examined in order, according to the order in which they are received by the Registrar of Trademarks. There are no specific provisions in the Canadian *Trademarks Act* or *Trademarks Regulations* regarding expediting the examination of an application. The Practice Notice took effect on the date that it was issued and is a significant exception that will benefit brand owners with marks used in relation to COVID-19 related goods and services in Canada. There is no fee required to request expedited examination.

If the request for expedited examination is accepted, CIPO will examine the application as soon as possible. If the request is not approved, CIPO will send the applicant written correspondence explaining its reasons. An application that has been approved for expedited examination can lose that advantage if the applicant requests an extension of time or misses any deadline during the prosecution of the application.

The availability of expedited examination of COVID-19 related trademark applications will be particularly useful for Canadian trade mark applicants who qualify as examination is currently taking more than 24 months. Applicants wishing to avail themselves of the expedited examination route provided by the Practice Notice should consult with their Canadian trade mark agent regarding the form and process for the filing of an expedition request.

This pilot initiative will continue until 31 August 2021 or until the Registrar of Trademarks deems appropriate. CIPO’s contribution to the ongoing response of government to the COVID-19 pandemic is good news and the expedition process is likely to be embraced by brand owners offering goods and services in this field.

UNITED STATES OF AMERICA

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How Often Does the PTAB “Reverse” Itself, and Other Key Takeaways From Post-SAS, Instituted Proceedings¹

We surveyed inter partes review (“IPR”) proceedings instituted in the year following the Supreme Court’s decision in *SAS Institute, Inc v Iancu*, 138 SCt 1348 (2018) and identified five takeaways regarding the findings of the Patent Trial and Appeal Board (“PTAB”) at institution of review and their relationship to the ultimate patentability determinations in the final written decisions.

Background

IPR proceedings may be instituted only if the Director of the United States Patent and Trademark Office (“USPTO”) determines that “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”² The PTAB is thus permitted to institute review based on a petitioner’s likelihood of showing that a single challenged claim is unpatentable.

For many years, assessing the petitioner’s likelihood of success with regard to all the challenged claims made practical sense. The PTAB was permitted to engage in partial institution and could grant review of all, some, or none of the claims challenged in the petition.³ If a petitioner failed to establish a reasonable likelihood of success against a specific claim, the PTAB could decline to review that claim and institute review of the rest of the petition.⁴ This saved the PTAB from having to exhaustively review claims that it believed that the petition did not satisfy the standard for institution.

However, in *SAS Institute Inc v Iancu*, (“*SAS*”) the Supreme Court put an end to partial institution.⁵ Instead of determining which claims to institute, the PTAB must now make a single choice between instituting review of all challenged claims or not instituting review at all.⁶ When the PTAB institutes review, a final patentability determination is required for all challenged claims – even the claims that it believed were patentable at institution.

The impact of *SAS* on PTAB practice continues to evolve. Absent the ability to proceed with partial institution, the PTAB may now have less incentive to provide a detailed analysis of all the petitioner’s arguments. There is an unspoken presumption that prompt institution of an entire petition follows from the Board’s identification of a single claim for which the statutory requirement for institution is satisfied. That’s not the case. Sections 1 and 2 below examine post-*SAS* institution decisions to determine whether the

PTAB has continued to provide a likelihood of success determination for multiple challenged claims.

Additionally, post-*SAS* there is increased opportunity for the PTAB to revisit, and even “reverse”, its own institution decisions on the basis of the complete record developed during the trial. The PTAB’s institution decisions are not binding, and the PTAB has always had the ability to uphold claims even when initially finding that the petitioner was likely to prevail. Now, the PTAB also has the opportunity to change its initial determination and find claims unpatentable even when it believed the petitioner failed to present a persuasive case at institution. Sections 3 and 4 compare the Board’s institution decisions and final written decisions to determine how frequently the PTAB reverses its initial likelihood determinations. Section 5 examines final written decision outcomes when the PTAB declined to offer preliminary views on some, but not all, of the challenged patent claims.

Methodology

This paper analyses 435 IPR proceedings instituted in the year following *SAS*. To be considered for the study, a qualifying proceeding was required to have an institution decision issuing between 25 April 2018 and 25 April 2019, and a final written decision issuing on or before 30 June 2020.⁷ Consolidated IPRs were analysed as a single proceeding. This study does not consider petitions for which institution was denied, either on the merits or as a discretionary denial under § 314(a).

For each IPR, the institution decision and final written decision were compared to determine whether the PTAB’s view of each challenged claim changed over the course of the proceeding. Specifically, the claims of each IPR were sorted into six different categories to account for the PTAB’s preliminary position (or lack thereof) on patentability in the institution decision as compared to the final position in the final written decision.⁸

1. Most institution decisions addressed whether or not there was reasonable likelihood of success with respect to all of the challenged claims.

Institution decisions are not required to address all the claims challenged in a petition. Instead, the PTAB must only find that the petitioner is likely to succeed with respect to a single claim.⁹ Nevertheless, as Table 1 shows, in the overwhelming majority of proceedings studied, the PTAB analysed the petitioner’s likelihood of success with respect to all of the challenged claims.¹⁰ On the other hand, only 11 per cent of the proceedings studied determined the petitioner’s likelihood of prevailing with respect to only one challenged claim.

Table 1. Per cent of study proceedings in which the PTAB analysed the petitioner’s likelihood of success with respect to all claims, some claims, or only one claim.

CLAIMS ANALYSED IN INSTITUTION DECISION	PER CENT OF STUDY PROCEEDINGS
All Claims	81%
Some Claims	8%
One Claim	11%

2. The majority of institution decisions found that petitioner had established a reasonable likelihood of success against all challenged claims.

In all of the proceedings studied, the most common outcome – in approximately 69 per cent of the proceedings – was an institution decision finding that the petitioner was likely to succeed with respect to all challenged claims. As Table 2 shows, only 13 per cent of the proceedings involved institution decision findings that the petitioner was reasonably likely to succeed with respect to only one claim.¹¹

Table 2. Per cent of study proceedings in which the PTAB found petitioner likely to prevail against all, some, or only one of the challenged claims

INSTITUTION DECISION FINDING LIKELY UNPATENTABLE	PER CENT OF STUDY PROCEEDINGS
All Claims	69%
Some Claims	18%
One Claim	13%

3. Petitioner’s showing of likelihood of success at institution has not guaranteed that the challenged claim(s) ultimately will be found unpatentable in the final decision.

Perhaps unsurprisingly, in 80 per cent of all the proceedings studied, at least one of the challenged claims was ultimately found to be unpatentable after an initial determination that the petitioner was likely to succeed against that claim.¹² However, likelihood of success at institution does not guarantee that the petitioner will prevail on *all* challenged claims. Indeed, 29 per cent of all the proceedings studied upheld at least one claim despite an initial finding that the claim was reasonably likely to be proven unpatentable.¹³

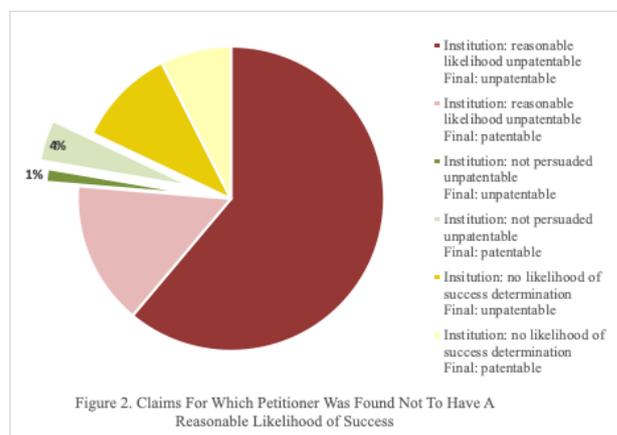
When examined on a claim-by-claim level, in instances where the Board made an initial determination that a claim was likely unpatentable, 80 per cent of such claims were ultimately found unpatentable, whereas only 20 per cent of such claims were ultimately deemed to be patentable. See Figure 1 below (for 76 per cent of all claims, the Board made an initial determination that a claim was likely unpatentable; 20 per cent of those were ultimately found patentable and 80 per cent were found unpatentable).¹⁴

4. Failure to show likelihood of success at institution also has not guaranteed that the challenged claim(s) ultimately will be found patentable in the final decision.

Institution decisions sometimes find that a petitioner has failed to establish a reasonable likelihood of success against some, but not all, of the challenged claims.¹⁵ Before *SAS*, these determinations often resulted in partial institution. Post-*SAS*, however, the PTAB cannot decline to institute review against only some of the challenged claims. Therefore, the PTAB may have a reduced incentive to use institution decisions to identify which claims are likely to be upheld.

In only approximately 12 per cent (52 of 435) of the proceedings studied, the institution decision expressly stated that the petitioner failed to establish a reasonable likelihood of success for at least one of the challenged claims.¹⁶ And in this subset of proceedings, 85 per cent (44 of 52) ultimately upheld at least one claim for which petitioner failed to establish a reasonable likelihood of success at institution.¹⁷ Conversely, in 31 per cent (16 of 52) of such proceedings at least one claim initially identified as likely patentable was found unpatentable in the final written decision.¹⁸

At the claim level, the Board found that petitioners failed to establish a reasonable likelihood of prevailing at the institution stage against approximately 5 per cent (342 of 5,964) of all studied claims.¹⁹ See Figure 2. Ultimately, 76 per cent (259 of 342) of these claims were upheld and 24 per cent (83 of 342) were found unpatentable.²⁰

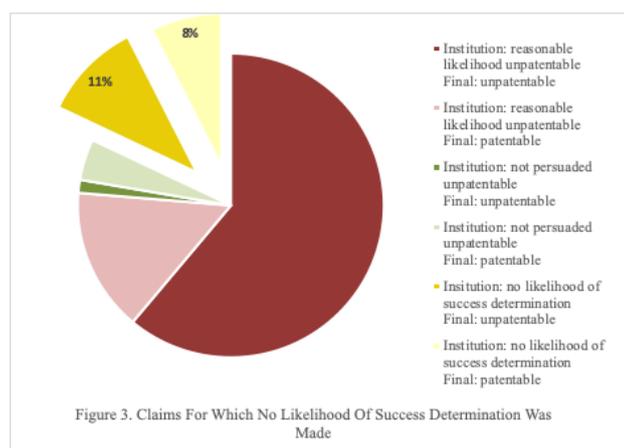


5. When the institution decision made no likelihood of success determination with respect to a particular claim, the petitioner prevailed slightly more often than the patent owner.

A significant number of institution decisions assessed a petitioner’s likelihood of prevailing against only some of the challenged claims, without offering any views on one or more of the remaining challenged claims. However, in the year following *SAS*, the Board’s decision not to address a given claim was not a particularly strong predictor of whether the claim would ultimately be upheld or not.²¹

In approximately 19 per cent (84 of 435) of the proceedings studied, the institution decision was silent as to the likelihood of success for at least one claim.²² Of this subset of proceedings, approximately 50 per cent (42 of 84) upheld at least one claim for which no reasonable likelihood determination was made at institution.²³ On the other hand, approximately 67 per cent (56 of 84) of these proceedings found at least one claim unpatentable that had not been analysed at institution.²⁴

As Figure 3 shows, the Board made no likelihood of success determination for approximately 19 per cent of the claims studied (1070 of 6038). Of these claims, 58 per cent (625 of 1070) were ultimately found to be unpatentable while 42 per cent (445 of 1070) were upheld.²⁵ Therefore, petitioners prevailed only slightly more often than patent owners when the PTAB made no initial likelihood of success determination.



Conclusions

We offer the following observations:

- The PTAB has offered a likelihood of success assessment for all challenged claims in the vast majority of the post-*SAS* instituted proceedings.
- For the population of claims where a likelihood of success assessment was provided the PTAB ultimately “reversed” itself for slightly more than 20 per cent of the claims. By “reversal,” we mean that after a fully developed record and applying a different standard (i.e. reasonably likely to prevail versus preponderance) – the PTAB changed its initial determination as to whether the petitioner was likely to prevail.
- Assessing the data at the proceeding level, in roughly one-third of the proceedings studied, the PTAB upheld at least one claim despite an initial finding that the claim was reasonably likely to be proven unpatentable.

- And where the PTAB instituted but indicated in its institution decision that at least one claim was likely patentable, one-third of those instituted proceedings resulted in the PTAB finding such a claim unpatentable.

- 1 By “reversal,” we mean that after a fully developed record and applying a different standard (i.e. reasonably likely to prevail versus preponderance) the PTAB changed its initial determination as to whether the petitioner was likely to prevail and ultimately decided the opposite.
- 2 35 USC § 314.
- 3 A USPTO regulation expressly permitted the PTAB to “authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim” 37 CFR § 42.108(a) (held invalid as preempted by *SAS Institute, Inc v Iancu* 138 SCt 1348 (2018)).
- 4 For example, in *SAS Institute Inc v ComplementSoft, LLC*, the PTAB declined to institute review of claims 2 and 11–16 despite instituting review against claims 1 and 3–10. See No 2013-00226, Paper 9, 21 (PTAB 12 August 2013) (reversed by *SAS Institute Inc v Iancu* 138 SCt 1348 (2018)).
- 5 *SAS Institute Inc v Iancu* 138 S Ct 1355 (“So when § 318(a) says the Board’s final written decision ‘shall’ resolve the patentability of ‘any patent claim challenged by the petitioner,’ it means the Board *must* address *every* claim the petitioner has challenged.” (emphasis in original)).
- 6 *SAS* 1355 (“That language indicates a binary choice –either institute review or don’t.”).
- 7 Proceedings in which the parties limited the scope of review post-institution were not included in the analysis.
- 8 The following six categories were used: (1) Institution: Reasonable likelihood of success unpatentable, Final Written Decision: Unpatentable; (2) Institution: Reasonable likelihood of success unpatentable, Final Written Decision: Patentable; (3) Institution: Not Persuaded Unpatentable, Final: Unpatentable; (4) Institution: Not Persuaded Unpatentable, Final: Patentable; (5) Institution: No likelihood of success determination made; Final: Unpatentable; (6) Institution: No likelihood of success determination made, Final: Patentable. When the PTAB provided no analysis of a claim or analysed a claim but provided no assessment of whether the Petitioner was likely to succeed, that claim was sorted into the “no likelihood of success determination made” buckets. Otherwise, the claims were sorted according to whether the PTAB expressly stated that the evidence was or was not sufficient to establish a reasonable likelihood of success. For example, if the institution decision stated that the petitioner was likely to prevail in showing that all 10 claims challenged in a petition were unpatentable, but the final written decision found that only five of the claims unpatentable, five claims would be categorised as “Institution: Reasonable likelihood unpatentable, Final: Unpatentable” and five claims would be categorised as “Institution: Reasonable likelihood unpatentable, Final: Patentable”.
- 9 *SAS Institute, Inc v Iancu* 138 SCt 1355.
- 10 The PTAB was found to have analysed petitioner’s likelihood of success for a claim if it ultimately made a likelihood of success determination for that claim. The PTAB was found not to have analysed a claim if the institution decision merely restated the petitioner and patent owner’s arguments but did not make an ultimate likelihood of success determination for that claim.

Current Developments – North America

- 11 This does not include proceedings challenging only one claim, which were categorised as the PTAB having found petitioner reasonably likely to succeed against all challenged claims.
- 12 Of the 435 proceedings studied, 350 proceedings found at least one claim unpatentable following an initial finding that the petitioner was reasonably likely to prevail against that claim.
- 13 Of the 435 proceedings studied, 128 proceedings upheld at least one claim despite initially finding that the petitioner was likely to succeed against that claim.
- 14 In the institution decisions studied, petitioners were found to be likely to succeed against a total of 4,552 claims. However, 909 of these claims were ultimately upheld as patentable. This corresponds to approximately 20 per cent of the claims expressly identified at institution as likely to be found unpatentable. We have not accounted for circumstances where, because the independent claim was found patentable, all the associated dependent claims were also found patentable.
- 15 See, e.g., *Hytera Communications Corp Ltd v Motorola Solutions, Inc.* No 2018-00128, Paper 8, 17 (PTAB10 May 2018) (“We conclude that Petitioner does not demonstrate a reasonable likelihood of prevailing on its challenge of claims 6, 8, and 14”).
- 16 Of the 435 proceedings studied, 52 proceedings found that the petitioner had not established a reasonable likelihood of success against at least one claim. In approximately 10 per cent of all the proceedings studied, at least one of the claims found likely to be patentable at institution was ultimately upheld. However, approximately 4 per cent of all the proceedings studied found at least one claim unpatentable despite an initial finding that the petitioner did not have a reasonable likelihood of success against that claim.
- 17 Of the 52 proceedings for which the PTAB found that the petitioner had not established a reasonable likelihood of success against at least one claim, 44 proceedings upheld at least one of the claims identified as likely patentable at institution.
- 18 Of the 52 proceedings for which the PTAB found that the petitioner had not established a reasonable likelihood of success against at least one claim, 16 proceedings found unpatentable at least one of the claims identified as likely patentable at institution.
- 19 Of the 5,964 claims studied, petitioners were found to have no reasonable likelihood of prevailing against 342 claims.
- 20 Of the 342 claims for which petitioners were found to have no reasonable likelihood of success at institution, 259 claims were ultimately upheld and 83 of the claims ultimately found unpatentable.
- 21 Often the decision to address only some claims is driven by practical considerations. For example, when the preliminary response does not address the patentability of the depended claims, the Board may decide to address only the independent claim in the institution decision. See, e.g., *Nintendo Co v Gamevice, Inc.* No 2018-01521, Paper 7, 10 (PTAB. 11 March 2019) (“On its face, Nintendo’s analysis of the dependent claims has merit. However, without hearing first from Gamevice, we do not see the need to draw further conclusions as to Nintendo’s likelihood of prevailing on the dependent claims.”).
- 22 Of the 435 proceedings studied, 84 proceedings did not address petitioner’s likelihood of success with respect to at least one claim. Approximately 10 per cent of all the proceedings studied upheld at least one claim that was not analyzed in the institution decision. However, approximately 13 per cent of all the proceedings studied found at least one claim unpatentable that was not analysed in the institution decision.
- 23 Of the 84 proceedings that did not address the petitioner’s likelihood of success with respect to at least one claim, 42 proceedings ultimately upheld at least one claim for which there was no initial likelihood determination made.
- 24 Of the 84 proceedings that did not address the petitioner’s likelihood of success with respect to at least one claim, 56 proceedings ultimately found at least one of the claims unpatentable for which there was no initial likelihood of success determination made.
- 25 Of the claims for which no likelihood of success determination was made, 625 were found unpatentable and 445 were upheld.

Current Developments – Africa

NIGERIA

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The Federal High Court of Nigeria confirms that Royalty Distribution must abide by the Corporate Charter of each CMO

Judgment of the Federal High Court of Nigeria of 25 November 2020, *Green Light Music Publishing Limited and Others v Copyright Society of Nigeria Ltd/Gte Suit Nos. FHC/L/CS/1418/2019* (25 November 2020)

Introduction

Collective management organisations (“CMOs”) perform several functions. Apart from their core functions of negotiating and granting licences to users of copyright-protected works and collecting and distributing royalties to copyright owners, CMOs also perform socio-cultural functions aimed at addressing the welfare of their members.¹ However, the extent to which CMOs can apply royalties towards these socio-cultural functions depends on the provisions of the relevant governing statutes and/or their corporate charter (i.e., memorandum and articles of association).²

Regulation 15 of the *Copyright (Collective Management Organisation) Regulations 2007* (Nigeria) (“CMO Regulations”)³ requires every CMO to “distribute royalties collected to its members in a manner to reflect as nearly as possible the actual usage of works covered by its repertoire”. However, in the case discussed here, the legality of the Collecting Society of Nigeria’s (“COSON”) practice of distributing some portion of royalties collected each year to all members irrespective of whether their works earned royalties, was questioned. The Federal High Court in Nigeria (“FHC”) considered the practice illegal but its decision was based on its finding that the practice was ultra vires under COSON’s memorandum and articles of association.

Background

The case is based on the legality or otherwise of COSON’s practice, which it refers to as “general distribution” vis-à-vis the provisions of Regulations 15(1) and (2) of the CMO Regulations.

The plaintiffs, Green Light Music Publishing Ltd, Chocolate City Music Ltd and Premier Music Publishing Company Ltd are copyright owners and members of the COSON.

They filed an originating summons at the FHC in terms of Order 3, Rule 3 of the *Federal High Court (Civil Procedure) Rules 2019* (Nigeria) seeking the court’s determination of the question of “whether, by virtue of the provisions of Regulations 15(1) and (2) of the *CMO Regulations*, the Defendant’s manner of distribution, known as ‘General Distribution’ or however so called, which does not reflect the usage of the works covered by the Defendant’s repertoire and/or is not based on information furnished by its users, is illegal?” Regulation 15 of the *CMO Regulations* requires every CMO to:

distribute royalties collected to its members in a manner to reflect as nearly as possible the actual usage of works covered by its repertoire.

Each year at its annual general meeting, members of the COSON on the recommendation of the Board, approve the distribution of the same amount of music royalties, usually about ₦30,000 (AU\$100 approximately) each, to the CMO’s members. This practice – referred to as “general distribution” was one of the ways in which COSON caters for the welfare of its members.

The Decision

In its judgment, the Court first emphasised that in the affidavit filed in support of the plaintiffs’ case, the plaintiffs contended that “general distribution” was contrary to both the memorandum and articles of association of the defendant and the provisions of Regulation 15 of the CMO Regulations. It held that this deposition was deemed admitted having not been challenged by the defendant. Drawing on case law relating to the significance of a company’s memorandum and articles of association, the Court held that the defendant’s practice was illegal and therefore, prohibited the defendant from further engaging in such practice.⁴

In essence, the Court took the view that the memorandum and articles of association of a company constitute a contract under seal between the company and its members and officers and between the members and officers themselves whereby they agree to observe and perform the provisions of the memorandum and articles, as altered from time to time in so far as they relate to the company, members, or officers as such. Given the uncontroverted evidence that “general distribution” was contrary to the defendant’s memorandum and articles of association, the court’s decision was dictated by the need to ensure that CMOs as companies, distribute royalties in accordance with the provisions of their memorandum and articles of association.

Comments

The FHC rightly confirmed that company practices that are outside the provisions of its memorandum and articles of associations are not permissible. However, in resolving the question of the illegality or otherwise of the practice of “general distribution”, the Court did not interpret the provisions of Regulation 15 of the CMO Regulations presented to it.

The objective/intention of COSON in engaging in general distribution was to cater to its members whose works may not have generated income in the form of royalties in a given year. Further and in addition to seeking approval for “general distribution”, COSON seeks members’ resolution for “specific distribution”, which mostly reflects actual usage of each member’s works.⁵ The sole income source for CMOs is royalties collected from copyright users. The CMO Regulations allow a deduction of not more than 30 per cent of royalties collected to be applied towards any expenditure incurred in the fulfillment of a CMO’s functions.⁶ Given the possibility for this deduction, it is unlikely that a CMO’s distribution of royalties will reflect the “actual usage of works covered by its repertoire” with exactitude. Hence, Regulation 15 requires the distribution to reflect the actual usage of works covered by its repertoire “as nearly as possible”. By extension, it is submitted that deductions may be made for any other purpose or activities in so far as the members of the relevant CMO and/or the relevant legislation approve such deduction. Indeed, COSON’s “general distribution” was usually undertaken based on members’ resolution.⁷

In the light of the foregoing, it would have been helpful if the Court expressly provided a judicial interpretation of Regulation 15 and the extent to which it applies to proscribe CMOs in deploying some part of its royalty collection towards performing socio-cultural functions. It appears that neither Regulation 15 nor other provisions of the *CMO Regulations* prohibit deductions for other purposes including the practice referred to as “general distribution” so long as the distributions are not made directly to members in the form of royalties. This correlates to the model reciprocal agreement drafted by the umbrella body for creators’ CMOs, the International Confederation of Societies of Authors and Composers (“CISAC”), wherein member CMOs are allowed to stipulate the right of contracting national CMOs to deduct 10 per cent of royalties collected on behalf of the foreign CMO to undertake sociocultural activities locally.⁸

- 1 S Nerrisson ‘Social functions of collective management societies (CMS) provisory conclusions’ (Work in Progress, 2 August 2007) <<https://www.yumpu.com/en/document/view/23476051/social-functions-of-collective-management-societies-cms>>; J Street, D Laing and S Schroff, ‘Collective management organisations, creativity and cultural diversity’ (2015) *CREATe Working Paper 2015/03* <<https://www.create.ac.uk/publications/collective-management-organisations-creativity-and-cultural-diversity/>>.
- 2 DJ Gervais ‘The landscape of collective management schemes’ (2011) 34(4) *Columbia Journal of Law & the Arts* 423–449; Olakunle Ola, *Copyright Collective Administration in Nigeria: Lessons for Africa* (Springer, 2013) 17.
- 3 *Copyright (Collective Management Organisation) Regulations 2007* (Nigeria).
- 4 *Green Light Music Publishing Limited and Others v Copyright Society of Nigeria Ltd/Gte*, 7–8.
- 5 ‘COSON AGM approves 40 million naira as specific distribution to members’ *ICOON* (Web Page, 4 February 2021) <<https://www.cosonng.com/coson-agm-approves-40-million-naira-as-specific-distribution-to-members/?search=general+distribution>>.
- 6 Regulation 10 of *Copyright (Collective Management Organisation) Regulations 2007* (Nigeria).
- 7 ‘COSON AGM approves 40 million naira as specific distribution to members’ *ICOON* (Web Page, 4 February 2021) <<https://www.cosonng.com/coson-agm-approves-40-million-naira-as-specific-distribution-to-members/?search=general+distribution>>.
- 8 Mihály Ficsor, *Collective Management of Copyright and Related Rights* (WIPO, 2002) 151.

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