

Intellectual Property Forum

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and New Zealand Inc.

June 2021

Editor
Fiona Rotstein



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Intellectual Property Forum

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

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Fiona Rotstein

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Submission Dates for Contributions:

Journal Issue	Submission Dates
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December 2021	before 1 November 2021
March 2022	before 1 February 2022
June 2022	before 1 May 2022

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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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Editorial – Fiona Rotstein



Fiona Rotstein, Editor

Welcome to Issue 124 of *Intellectual Property Forum*, marking the half-way point of 2021. Hopefully this year has not been too disruptive so far with snap lockdowns, closed borders and forwent vacations due to COVID-19. Fingers crossed the rest of the year is less stressful now that the vaccine roll-out has begun in both Australia and New Zealand. I look forward to more in-person IPSANZ events in the quarantine-free “Trans Tasman Bubble” as well as interesting webinars to keep us all informed. Similarly, *Intellectual Property Forum* seeks to immerse IPSANZ members in the latest intellectual property

developments. This issue of the Journal examines the changing IP landscape in Australia, New Zealand and internationally. It covers a range of topical issues in a variety of areas, from copyright, patents and designs to trade marks, geographical indications and cybercrime.

We begin with my interview of Associate Professor Jani McCutcheon, Deputy Head of School (Teaching and Learning) at the University of Western Australia Law School. Jani has also practised as an IP solicitor at various law firms. It has been years since the Journal has profiled an IP expert who lives in Perth, Western Australia – the world’s most isolated capital city. In a candid conversation, Jani reflects on her career as well as the impacts of the pandemic on Australian Law Schools. She also examines the relationship between academia and practice in IP law, the realities of legal publishing in the age of the internet, and offers insights on a number of key IP issues (including the Australian Government’s foreshadowed copyright reforms announced in August 2020).

Following is an obituary by Tom Cordiner QC and Alan Nash of the Honourable Peter Heerey AM QC, former Judge of the Federal Court of Australia from 1990 to 2009. Peter passed away on 1 May 2021. As readers recall, Peter (together with Tom and Alan) was a regular correspondent for the Journal for many years. Peter’s contributions to the law, to IP and to the Journal are immense. His vast intellect, sharp wit and good humour will be sorely missed. Condolences to all of Peter’s family, including his son Ed Heerey QC, also a great supporter of IPSANZ.

We then move to the first of our five articles. The Honourable William Gummow AC, former Judge of the High Court of Australia, examines an influential High Court decision, *National Research Development Corporation v Commissioner of Patents* (1959) 102 CLR 252 (“NRDC”). In *Dead Weeds?: The NRDC Case Today*, Gummow explores

why he believes the joint judgment of Dixon CJ, Kitto and Windeyer JJ in *NRDC* has stood the test of time. *NRDC*’s “characteristics of scholarly and practical interest” include statutory interpretation and its subsequent influence in other jurisdictions. Gummow also examines the continuing significance of *NRDC* in contemporary Australian litigation, by reviewing various decisions of the High Court and the Federal Court, including *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41; *Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd* (2013) 253 CLR 284; *D’Arcy v Myriad Genetics Inc* (2014) 224 FCR 479; and *Sequenom v Ariosa Diagnostics Inc* [2019] FCA 1011.

Our second article, *New Zealand’s IP Laws Amendment Bill | A Bit More than Scratching Some Itches*, is by Doug Calhoun. The article examines New Zealand’s proposed *Intellectual Property Laws Amendment Bill* – an omnibus Bill intended to make “technical” amendments to the *Patents Act* 2013 (NZ), the *Trade Marks Act* 2002 (NZ), the *Designs Act* 1953 (NZ) and the associated Regulations. The article discusses in detail the proposed Bill amendments. Calhoun, an IP mentor with decades of technical and policy experience, provides helpful insights on the impetuses and effects of the changes proposed. When an exposure draft of the Bill finally emerges, it will be in the queue behind a new *Plant Variety Rights Bill* with the law drafter (the New Zealand Parliamentary Counsel Office), which has to be passed by 30 December 2021, three years from when the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* came into force in New Zealand.

Our third article is *Special Difficulty: Volume Builders and Copyright in Architectural Plans* by Angus Christophersen.

As the author explains, applying Australian copyright law to volume builder or project home plans creates a “special difficulty”: all modern homes share commonalities and for project homes vying for the same amount of client spending, there are pressures for the plans to be the same. Christophersen unravels the jurisprudence on this topic with respect to the question of reproduction of a substantial part pursuant to the *Copyright Act 1968* (Cth). According to Christophersen, some judgments have overcome the special difficulty by supporting the proposal that where deliberate copying is established, the threshold to assess objective similarity for a reproduction is lowered. The author contends that this proposal should not be considered correct.

Next is *Cybercrime: Targeting Your Intellectual Property* by Graeme Edwards. This is a very practical article which reveals the threats of cybercrime to all of us working in IP. As Edwards explains, the IP law environment is data rich, containing large volumes of commercially and personally sensitive material relating to clients and staff, including not only the IP of firms and/or clients but bank account details, client lists, email communication and business development strategies. Edwards demonstrates the value of this material to cybercriminals and how they seek to financially profit from a successful cyberattack. Edwards examines common strategies cybercriminals use to find weaknesses in their targeted networks – such as hacking, malicious software, password management and social engineering. Hence, the article explores the perils of cybercrime for law firms and the digital realms in which IP lawyers and trade mark or patent attorneys operate.

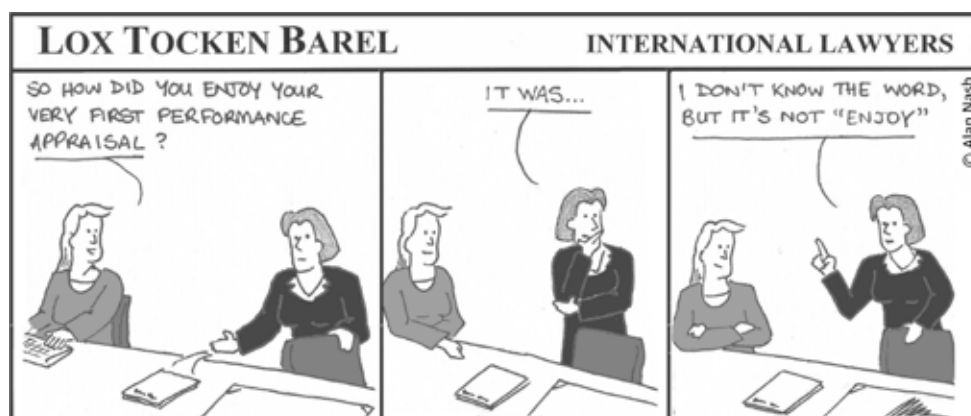
Our final article is *Sensing the Future of Copyright* by Dr Vladimir Samoylov. The article argues for the copyright protection of multisensorial works (works that communicate directly to the non-visual or non-auditory senses – i.e. touch, scent and taste – as well as the visual and/or auditory senses). This is on the condition that original expression can be clearly discerned in such works. Parts of Samoylov’s analysis are influenced by his interviews with New Zealand designers and design-oriented businesses, in addition to academics and legal practitioners specialised in IP. Samoylov also reflects on the current review of the *Copyright Act 1994* (NZ) by the

Ministry of Business, Innovation & Employment (“MBIE”) and some of the apposite feedback it has received to date. While New Zealand copyright law is the focus of the article, relevant copyright cases from Australia, Europe and the US are also examined.

We also feature two book reviews – on two very different areas of IP – albeit both focusing on Europe. Melissa Marcus reviews *The Protection of Geographical Indications: Law and Practice, Second Edition* by Michael Blakeney. The book examines the European laws on the use of geographical indications in the marketing of agricultural products, food, wines and spirits. According to Marcus, the 640 page tome “is extremely comprehensive and informative” and “will no doubt be the go-to book” on the topic. Then Dr Luís Bogliolo reviews *Copyright and Fundamental Rights in the Digital Age: A Comparative Analysis in Search of a Common Constitutional Ground* edited by Oreste Pollicino, Giovanni Maria Riccio and Marco Bassini. The book, writes Bogliolo, is “a valuable guide” to recent disputes and developments regarding copyright in Europe.

Rounding out this issue are 13 national and international IP updates, including analysis of 10 Australian IP cases, as well as a New Zealand decision relating to the statutory border enforcement measures in Part 7 of the *Copyright Act 1994* (NZ). Also examined, among other matters, is Japanese copyright litigation regarding a telephone booth goldfish aquarium artwork; a decision whether the UK should go its own way post-Brexit on the communication to the public right; and a German trade mark case about the shape of packaging of a well-known chocolate bar. I am very appreciative of the ongoing commitment of the Journal’s regular correspondents, whose contributions inform us of the latest developments in the world of IP law.

This issue marks my first as Editor, after three years as Co-Editor. It is an honour to helm the official Journal of IPSANZ, the leading organisation of IP professionals in Australasia. Thank you to the entire IPSANZ team, and to all of our wonderful contributors and authors. As always, I welcome emails to editors@ipsanz.com.au regarding submissions to the Journal and feedback on its content. Enjoy the issue.



In Conversation with Associate Professor Jani McCutcheon

Fiona Rotstein¹

Associate Professor Jani McCutcheon teaches and researches intellectual property law at the University of Western Australia (“UWA”) Law School in Perth. Jani is also currently the UWA Law School’s Deputy Head of School (Teaching and Learning), and for several years, worked as a solicitor principally in IP. In April 2021, Jani discussed with Fiona Rotstein her career, the relationship between academia and practice in IP law, future challenges in IP law and much more.



Associate Professor Jani McCutcheon

Photo courtesy of University of Western Australia

- Q:** Let’s start at the beginning. You have a Bachelor of Laws from Monash University in Melbourne. Why did you decide to study law?
- A:** Well, to be honest I don’t remember having a burning desire to “be a lawyer”. I was intrigued by the law as a discipline and I thought it would be a great degree to combine with an arts degree. I thought law would be a good complement to any study (and I still think this) and I started my law degree just interested in seeing where it took me.
- Q:** You also gained a Bachelor of Arts (Honours) in English from Monash University. Your Honours Thesis examined “Aspects of Contemporary Feminist Theatre”. Looking back on it, did this first spark your interest in IP and the interface between art and the law?
- A:** Yes, absolutely. I have always been intent on marrying my interest in the arts with the law, and IP law seemed to be the legal territory that most obviously affects creative expression. My research and teaching has examined the intersections between IP law and literature and art in particular.
- Q:** You obtained a Master of Laws (“LLM”) by research from UWA. Your LLM Thesis was titled “New Signposts? The scope for Registration of the New Signs in the *Trade Marks Act 1995* (Cth)”. What led you to undertake this research?
- A:** I am fascinated by legal “misfits”! I really like looking at creations that are at the borders of the law, and it seemed to me that these new signs were non-conventional and therefore just inherently more interesting than familiar trade mark terrain. I wanted to test the boundaries of these new signs and investigate some of the issues and problems that surround their registration.
- Q:** Before undertaking your LLM, you were employed as a solicitor in litigation and IP for five years at what is now Herbert Smith Freehills and, after joining UWA in 1999, you also worked as a solicitor at specialist IP law firms in Perth, including Griffith Hack. What did you enjoy most about working in private practice as an IP lawyer? What did you enjoy least?
- A:** I really loved being able to apply in practice what I research and teach. That triad of teaching, research and practice is pretty rich and gives a holistic experience of the law and the law’s stakeholders. It’s then great to be able to convey that complexity to students, who really appreciate their teachers being able to situate the taught law with the lived law. I also really like working with clients and fellow practitioners and problem solving in a very practical way. What did I enjoy the least? Oh, easy – budgets! Accounting for every minute of my work. Feeling pressure to do good work in very tight time constraints. And the very real nature of what and who was at risk in the matters I worked on. It’s easy to “correct” yourself with students if you misread a judgment or section of an Act. This is not an option with clients!
- Q:** Perth is the world’s most isolated capital city. How do you think this affects the research and practice there of IP law?
- A:** I think isolation is a really relative and much more complex phenomenon these days. We are geographically very isolated in Perth, but we are connected through technology more than we have ever been. So this brings the law much closer. We practice the same IP law in Perth as anywhere else, and we have smart IP lawyers and academics here! I think the major challenge Perth faces is a somewhat stubborn legacy of it being “forgotten” due to the residual effects of decades of entrenched physical isolation. Technology has yet to play catch up enough to change that radically, but we are certainly making inroads. I think there is still a tendency to privilege the eastern states with IP work that could be done well in Perth.
- Q:** In 2020, two books that you co-edited and co-wrote were published. The first book, *International Perspectives*

on *Disability Exceptions in Copyright and the Visual Arts: Feeling Art*,² interrogates the international IP and human rights landscape relating to disability access to art. The second book, *Research Handbook on Art and Law*,³ takes an interdisciplinary approach to investigating the relationships between visual art and law. You are also currently writing a monograph, *Literary Characters and Intellectual Property Law*.⁴ How hard is it to have academic IP books like these published? Do you agree with the following statement by Emeritus Professor Sam Ricketson AM:⁵

Much more today is expected of academic legal writing, which has moved to a different plateau, as legal academics must comply with the broader demands of their institutions in relation to peer review and respect within the academy (frequently a highly opiated self-referential group), as well as the expectations of their traditional audiences. This may call for a difficult, and often precarious, balancing exercise, that requires the academic to straddle a number of other disciplines, such as philosophy, economics, statistics, and social and cultural theory, as well as law. And, even so far as "law" is concerned, it may not be enough to deal with one's local law, but some international and comparative treatment will be required ... academics are required to be competent, if not expert, in all these fields, in addition to providing some path-breaking insights or reconceptualisations of their own in relation to their chosen topic.

A: I am thankful that I had no trouble getting my books published by Routledge or Edward Elgar. There is an important role for academic books that explore complex issues, even if they are perhaps on more niche topics. I think there is a hunger for interesting, challenging examinations of subject matter and I think academics are good at delivering those products. In terms of Sam's observations, I have some sympathy, particularly because his comments recognise the reality that law does not (and never did) exist in a vacuum. There is a growing pressure to produce work which has impact and relevance and many academics are questioning whether traditional peer-reviewed journals are the best media for delivering those outcomes. Many academics are turning to Twitter, Facebook and more accessible platforms like *The Conversation* to share their work. I think this is important, but not at the expense of critical books, chapters and articles where we can perhaps do our best work. We are also increasingly open to the idea that our work can be improved by working with other disciplines and learning their perspectives on complex issues, which usually must be solved holistically. So yes, we are having to do more in our roles, but it's interesting and fun.

Q: On 19 October 2020, the Australian Parliament passed legislation for the "Job-Ready Graduates Package" of reforms to tertiary education. This legislation,

among other matters, raises the cost of studying law at university by up to 28 per cent. All students who fail more than half of their subjects over at least one year of full-time study also lose access to federal Government support loans like HECS and FEE-HELP. Arguably a dearth of socio-economic diversity has lasting effects on the advancement of Australia's legal system. As the Deputy Head of School (Teaching and Learning) at UWA Law School, what do you think of these reforms? Do they risk further entrenching the notion that law is a vocation only for the privileged rather than the wider community?

A: If it does entrench that notion, then that is cause for concern. At the UWA Law School, we try and work against such a notion by maintaining a number of diversity pathways designed to welcome students from diverse socio-economic backgrounds. We are also exceptionally fortunate to have a number of generous donors who have established scholarships for students who may struggle to pursue law studies. We will be closely monitoring the effects of the Government's recent changes, which are, in my view, regrettable. At the moment, there is very strong demand to study in our programs, so anecdotally the immediate effect does not seem to have filtered down. I think if someone has decided they want to study law, they will pursue that pathway irrespective of an increased financial burden, because their decision is based on their personal objectives rather than finding the cheapest tertiary course.

Q: In December 2020, it was reported that nearly 200 staff applied for redundancies at Perth's Murdoch University amid the economic toll of COVID-19. How has UWA Law School been affected by the pandemic, given the actions of the federal Government to close Australian borders to lucrative international student markets and exclude public universities from the JobKeeper program?

A: UWA Law School was, of course, affected by the pandemic. However, because we do not rely strongly on international students we have not been as badly affected as other law schools. I really feel for students whose study plans have been disrupted by this horrible pandemic. I am incredibly proud of how our staff pulled together to accommodate students who had to pivot suddenly to learning remotely last year, and we are continuing to help stranded students as best we can this year. We had a brief lockdown in February, but before that we were 10 months free of community transition, and now we are basically back to face-to-face teaching in Perth [this interview was conducted on 13 April 2021, before the three-day snap lockdown in the Perth and Peel regions, Western Australia, from 24 to 26 April 2021].

Q: How do you view the relationship between academia and practice in IP law?

A: Personally, based on my experience, I view it as a very happy marriage. I think it is essential to maintain a dialogue between academics interested in IP law, and those who practice it. They may have very different perspectives, but they can learn a lot from each other. We have a great relationship in the Law School with IP practitioners in Perth and elsewhere, and we use them frequently to teach in our programs.

Q: Generally speaking, where do you think lie the future challenges of IP law?

A: Gosh, where do I start? I think we will continue to see what seems to be a perennial challenge for IP law, which is how it responds to technological change. The question of what role IP law should play as technology increasingly supplants human intellectual contribution to creating IP is a vexed one, and a question that needs to be interrogated at a number of levels – ethical, theoretical, economic, social and cultural. Another major issue is access to IP. The COVID-19 pandemic is a good microcosm for examining issues surrounding access to medical technology and knowledge. There doesn't seem to be any stopping the IP that incredible minds around the world can produce. The major challenges are technological, legal, financial and customary locks that exclude access to that brilliance.

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

A: I would love to see more test cases where some of the more ambiguous aspects of IP law are clarified. Perhaps one of the most important questions concerns the suite of fair dealing defences we have in the *Copyright Act 1968* (Cth). Despite successive recommendations to introduce a more flexible and open-ended fair use defence, governments have chosen instead to incrementally augment fair dealing by introducing discrete new defences (e.g. the parody and satire defence in 2007, the disability access defence in 2019 and the foreshadowed new non-commercial quotation defence). We are still waiting for detailed guidance on the parody and satire defence and the interpretation of the quotation defence will be critical in maintaining the balance in copyright law between protecting creators and permitting access to works. Compared to the United States of America in particular, we are a little starved of regular judicial guidance on IP law matters and that results in “hedge-betting” advice to clients. However, this raises a much broader issue that goes beyond IP law, which is the cost of gaining access to the courts. Unfortunately, most IP law disputes are simply too expensive to litigate. So perhaps we could look at more concerted efforts to facilitate small claims.

It would also be great to see some more commitment and speedy responsiveness to IP law reform by successive governments and policymakers. Changes are announced which are usually long overdue and then there tends to be a long lag time between the announcement of the intended change and the implementation. For example, the Government's proposed copyright access reforms, particularly those around access to orphan works, are long overdue and were announced in August 2020 in response to recommendations made by the Productivity Commission as far back as 2016. These reforms are particularly anticipated by researchers, librarians, filmmakers and teachers, and I hope they do not languish as a mere reform concept. I think governments generally need to take IP more seriously and understand its pervasive connection to most aspects of our economy and our society. We have a pool of great IP minds in Australia with lots of good ideas about how to improve the system, but they don't seem to get the policy attention that they deserve.

Q: You have three children. What is your best advice to carers (both male and female) on how to adequately manage the collision between work and family life while staying on top of the game in IP law?

A: Surround yourself with as much support as you can. Turn off the guilt button. Be organised. Be realistic and reasonable about what you can achieve. Be confident and make sure your co-workers and your employers understand your position and what you need. I would like to see less of a “collision” between work and family life, and more of a symbiosis. It is possible.

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

A: Oh, I think if I hadn't done arts/law at university and ended up practising law, I would definitely have done something more creative – architecture, design, literature and arts management come to mind. All of my girls seem to be going down a very creative path so I can live vicariously through them! I was very keen to be a journalist during my university days, but I love the way my career has ended up allowing me to write and teach about all kinds of interesting things, so I feel I am incredibly lucky and I have no regrets.

1 Thank you to Dave Stewart for the suggestion of interviewing Associate Professor Jani McCutcheon. Dave is IP Principal at Bennett + Co Corporate & Commercial Law, Perth.

2 Jani McCutcheon and Ana Ramalho (eds), *International Perspectives on Disability Exceptions in Copyright and the Visual Arts: Feeling Art* (Routledge, 2020).

3 Jani McCutcheon and Fiona McGaughey (eds), *Research Handbook on Art and Law* (Edward Elgar, 2020).

4 Jani McCutcheon, *Literary Characters and Intellectual Property Law* (Edward Elgar, forthcoming).

5 Sam Ricketson, Review of *The Making Available Right: Realizing the Potential of Copyright's Dissemination Function in the Digital Age* (2020) 121 (September) *Intellectual Property Forum* 59.

Obituary – The Honourable Peter Heerey AM QC

A Final Case Note

Tom Cordiner QC and Alan Nash

There are some into whose sphere of influence we are lucky to be swept. The Honourable Peter Heerey AM QC was such a person for us and, we suspect, many of you.

Peter passed away on 1 May 2021, survived by his wife Sally and sons Ed, Charlie and Tom. Our heartfelt condolences to each of them.

It would be an impossible task for us to seek to do justice to Peter's life by way of this obituary. Others will be better placed to do so. But we suspect that the amalgam of all that has been, and will be, said about Peter will only partially fill the void he has left.

We had the pleasure of appearing before his Honour during his tenure on the Bench and working with Peter as regular contributors to this Journal over many years after he left the Federal Court of Australia. The writing of case notes can be a relatively dry job, but that was far from the case with Peter involved. His breadth of knowledge, poetic flourish, critical analysis, judicial experience and, above all else, humour and willingness to entertain some unconventional turns of phrase, turned what could otherwise have been a chore into a memorable and enjoyable experience.

And so, we thought we would share with you some of our interactions with Peter that typify the man as we knew him, and in doing so, we might just add a little to the collective memory of Peter's delightful, and hopefully indelible, mark on the intellectual property law community, and beyond.

Apart from many thought-provoking discussions, too few lunches and the odd recommendation on where to dine in Tasmania, most of our time with Peter was spent swapping notes on summaries of recent cases for this Journal. A typical pithy response from Peter on notes we had prepared is exemplified in the following:

I am looking forward to dropping "frustoconical" into dinner party conversation. Glad to see more judicial disdain for "expert" evidence re consumer reaction. I see Ansell are suing Durex over alleged condom patent infringement. Perhaps with my Viagra patent case this could start a new sub-genre, applying the test: "Will this case stand up in court?"

Given the propensity for intellectual property cases to involve various aspects of human reproduction, it was not uncommon for the last mentioned pun to be followed by an observation that he thought the decision we were reporting on would likely be a "seminal decision".



Photo courtesy of List G Barristers

The Honourable Peter Heerey AM QC

While Peter was no slouch when it came to patent matters, his descent on one occasion into extended alliteration led us to believe that Peter was not so enthralled with a patent-heavy submission, writing:

A plenitude of potentially popular patent perambulations providing for persons participating in that popular profession!

And when we were struggling with a series of poor puns in one particularly problematic proposal for publication, he sought to console us with a tribute he sent to Justice Bennett, after her Honour's decision in a copyright case, *Fairfax Media Publications Pty Ltd v Reed International Books Australia Pty Ltd* [2010] FCA 984:

*Her Honour certainly ain't lax,
She's really stuck it up Fairfax.
Her Honour said: "I must insist
That copyright does not subsist
In headlines, and especially ones
Containing rather feeble puns."*

And when he himself struggled on the humour front, he was happy to admit it:

*Can't think up any pharmaceutical pun at the moment,
perhaps you can prescribe one?*

He was also ever honest, but kind, in venturing an opinion on our attempts at exuberance:

I would ... drop the adverb "interestingly". (It doesn't seem all that interesting).

As you can imagine, many an adjective and adverb were culled over time at Peter's insistence.

When regarding a lengthy case summary regarding *Stone & Wood Group Pty Ltd v Intellectual Property Development Corporation Pty Ltd* [2016] FCA 820 concerning a beer called "Pacific Ale", Peter recommended we make reference

Obituary – The Honourable Peter Heerey AM QC

to the famous aphorism of Lord Macnaghten that “thirsty folk want beer, not explanations”. It paid to have a good memory around Peter, because some months later he wrote to us from his holiday in Queensland:

Stopped for a drink one afternoon and was served Stone and Wood Pacific Ale! Did not ask for an explanation.

We suspect that Peter has also published under pseudonyms. We assume this to be the case after having been exhorted on various occasions by Peter to avoid “bracket-creep” and then later reading a contribution by “Publius” to a May 2013 Commercial Bar Association newsletter on the same topic and in prose reflecting his inimitable style. “Publius” wrote:

An even more striking example of bracket bombardment included a reference to the United States of America, with the helpful addition (“USA”). Perhaps there was concern that without the brackets the reader, coming across the acronym later, might ponder “Hmm, what can this refer to? University Sexologists Association? Ugandan Secret Army?”.

Peter’s battle with bracket creep was, frankly, a losing one, just as much as his battles with us over the excessive use of acronyms. After reviewing a proposed case note, Peter commented:

I was tempted to suggest that the matter should have been brought to the attention of APRA (The Agency for the Protection of Registered Acronyms).

For your information (“FYI”), the case note (“note”) was on *Meat and Livestock Australia v Branhaven LLC* [2020] FCAFC 171 (“MLA”) regarding single nucleotide polymorphisms (“SNPs”) in deoxyribonucleic acid (“DNA”).

There shortly followed his review of another submission we prepared on cases concerning teas and champagne, to which he quipped:

Certainly a refreshing, indeed intoxicating, change from gene patenting.

Happily, there were fewer acronyms and brackets in that set of case notes.

We will miss Peter. No doubt, many more will do so more keenly than us. But for those of you who never had the pleasure of spending time with him, we hope our final case note will help understand why he will be so sorely missed.

In describing his early schooling in Tasmania, Peter once demurred “Autre temps, autre mœurs [Other times, other customs]”. If only we could have had more times in his custom.

Dead Weeds?: The *NRDC* Case Today

The Honourable William Gummow AC*

A Leading Case?

What qualities merit the appellation of “leading case” to the reasons given for a judicial decision?

The requisite qualities present at several levels. To the practitioner the case may have settled a disputed point of law or mark a significant departure from the general understanding of the law. To the legal scholar the significance may lie in the cogency with which the reasoning is expressed and the depth of learning apparent in that reasoning. To domestic courts and courts in other countries where similar issues arise the decision may offer guidance.

The case will be decided at a particular point in time. It may be too soon at that point to tell whether the judgment indeed has settled a disputed point or is a significant turning point. Standing back, decades later, one asks if the judgment has stood “the test of time”.

The joint reasons of Dixon CJ, Kitto, and Windeyer JJ in *National Research Development Corporation v Commissioner of Patents* (“*NRDC*”) ¹ meet the above criteria.

The report in the Commonwealth Law Reports shows that *NRDC* was argued in Melbourne over six days by leading members of the Victorian Bar, Mr R A Aickin QC² and Mr M V McInerney QC. This was before the present practice of written submissions and shorter oral submissions. Counsel cited more than 60 authorities. Judgment was reserved for six months and delivered in Sydney. The headnote of the report, succinct but comprehensive, was prepared by another distinguished lawyer, the future Richard Searby QC. Like Aickin, he had been Associate to Sir Owen Dixon. Contemporary legal teaching places insufficient emphasis for students upon the importance for their studies of authorised reports.

The High Court of Australia sat in its original jurisdiction conferred by s.49(4) of the *Patents Act* 1952 (Cth) (“the 1952 Act”). It set aside the decision of the Commissioner of Patents that three claims be deleted from a patent application.

The claims were for a process of ridding crops of certain kinds of weeds without damaging the crops, by application of certain chemicals which, while known to science, had not been supposed to have such a use. The Court disagreed with English cases which would require a “vendible product”, a criterion dead weeds could not satisfy.

Of course, patent law is based in statute, previously the *Patents Act* 1903 (Cth) (“the 1903 Act”) then the 1952 Act and today the *Patents Act* 1990 (Cth) (“the 1990 Act”).

Section 18(1)(a) of the 1990 Act requires of a patentable invention, inter alia, that it be “a manner of manufacture within the meaning of s 6 of the Statute of Monopolies [of 1624]”.³ The 1903 Act and the 1952 Act likewise fixed upon s.6 of the English statute. In submissions on the drafting of the Bill for the 1990 Act the Intellectual Property Advisory Committee referred to *NRDC*, noted that its approach was now “underpinned by an extensive body of case law” and had “exhibited a capacity to respond to new developments”, whereas a codification would be likely to produce more problems than it solved.⁴

In *NRDC* the Court had held that the claims were for a “manner of manufacture” and observed that even when the Statute of Monopolies had been enacted, to place upon the encouragement of national development “the fetters of an exact verbal formula” would not have been sound, and, given the subsequent advances by science it “would be unsound to the point of folly to do so now.”⁵

Joint Reasons

The joint reasons of the Chief Justice, Kitto and Windeyer JJ speak with one voice. This surely has been an important factor in the enduring authority of *NRDC*. As a general proposition, within an appellate court every best effort should be made to produce joint reasons of at least a majority on each of the issues in contention. Sir Nigel Bowen, the first Chief Justice of the Federal Court of Australia, was of that view. It prevails in the Hong Kong Court of Final Appeal.

Of course, the technique in preparation of joint reasons may differ from case to case. The writing styles of Dixon CJ, Kitto and Windeyer JJ are conveniently displayed in an appeal decided a year after *NRDC*. *Church Property Trustees, Diocese of Newcastle v Ebbeck*⁶ concerned an issue of public policy respecting the perceived adverse effect upon matrimonial relationships by a gift by will to sons of the testator on condition that they and their Roman Catholic wives “profess

the Protestant faith”. Dixon CJ and Windeyer J each delivered a judgment concluding that the condition offended public policy; Kitto J dissented. The reasons of Kitto J and of Windeyer J are expressed with a clarity which readily engages the reader; that cannot be said of the joint reasons in *NRDC*. Those reasons display the propensity for long paragraphs, covering a page or more of the Commonwealth Law Reports, which is seen in many Dixon judgments. One is left with the impression that while the other Justices may have worked with the Chief Justice, he had the primary carriage of the judgment in *NRDC*.

At a deeper level, the reasons in *NRDC* display at least six characteristics of scholarly and practical interest. They are statutory interpretation, the subsequent influence of *NRDC* in other jurisdictions, the utility of past judicial decisions from other countries (in *NRDC* particularly the United Kingdom), the relationship between law and other disciplines (here chemistry), the use of legal history, and the continuing significance of *NRDC* in contemporary Australian litigation. Each of these characteristics will now be considered.

Statutory Interpretation

The headnote to the report of *NRDC* in the Commonwealth Law Reports gives 1623 as the year of the enactment of the Statute of Monopolies. But the Bill received the Royal Assent on 29 May 1624 and this would appear to be the year of enactment.⁷ The joint reasons in *NRDC* ascribe the year of 1623 to the statute⁸ but, as the Schedule to the 1990 Act states “Statute of Monopolies” is defined as meaning simply the Imperial Act “known by that name”.

More significantly, with respect to the state of affairs when the Statute was enacted, the case law relating to inventions was sparse and there is no degree of certainty as to what was the understanding of the collective mind of the Parliament.⁹ Hence, perhaps, the starting point in *NRDC* that what was involved was not the “carrying forward of the usage of the period in which the Statute of Monopolies was passed” nor “an inquiry into the meaning of a word”, but an inquiry “into the breadth of the concept which the law has developed by its consideration of the text and purpose of the *Statute of Monopolies*”.¹⁰

Today, when faced with a matter of statutory construction the court is apt to identify the “mischief” or “purpose” which had animated the legislature. To that end, there is regard to the “context” in a wide sense.¹¹ The approach in *NRDC* anticipates this recourse to “context” where the statutory expression has an uncertain provenance centuries ago but has been the subject of much judicial exegesis over time.

A recent example with respect to contracts for the sale of land is provided by the consideration of s.4 of the *Statute of Frauds* 1677 (Eng) and of the development of the doctrine of part performance, given by the several judgments in *Pipikos v Tryans*.¹²

In *NRDC* the High Court held that “manufacture” did not identify the making of tangible goods by hand or machine, as understood in everyday speech; rather it was “the general title found in the Statute of Monopolies for the whole category under which [there are subsumed] all grants of patents [that] may be made”; this directed one to “the principles which have been developed for the application of s 6 of the Statute of Monopolies”.¹³

In *NRDC* the Court observed that by 1842 it was settled that “manufacture” was used in the Statute of Monopolies in the dual sense to comprehend both a process and a product but went on:¹⁴

[A] question which appears still to await final decision is whether it is enough that a process produces a useful result or whether it is necessary that some physical thing is either brought into existence or so affected as to better serve man's purposes.

In the latter part of the 19th century the first view appeared to prevail and expressions such as “patented article” and “patented product” were in use. This usage carried into the first half of the 20th century with English decisions referred to in *NRDC* insisting upon a “vendible product”.

The decision in *NRDC* upholding the second view is assumed in the 1990 Act. Section 13 speaks of the exclusive rights “to exploit the invention” and “exploit” is defined so as to distinguish between an invention which “is a product” and an invention which is “a method or process”. In the latter case the exclusive rights are to “use the method or process”, or in respect of “a product resulting from such use” to perform the activities described with respect to inventions in the first category – i.e. for a product. Thus, the invention may be for a method or process which may or may not result in a product.

A Recent High Court Decision

The distinction is important for an understanding of the recent decision in *Calidad Pty Ltd v Seiko Epson Corporation*.¹⁵ The patents there in suit were for a product, namely printer ink cartridges. Prevailing Privy Council authority, on appeal from the High Court of Australia, *National Phonograph Company of Australia Ltd v Menck*¹⁶ was that in the case of “patented chattels” the patentee may impose a restriction upon subsequent alienation or use of the chattel which extends liability for patent infringement and binds those who acquire the chattel with knowledge of that restriction. The High Court (Griffith CJ, Barton, O'Connor, Higgins JJ; Isaac J dissenting) had held to the contrary.¹⁷ In *Calidad*, by majority, that Privy Council authority was put aside, in favour of a theory of “exhaustion” of patent upon the first sale.

There was a more direct path to that result, but it appears in argument it was not advanced by the successful party. *National Phonograph* was decided well before *NRDC* put

to rest the notion that a patented method or process must yield a “vendible product”. There would then be an anomaly in the patent law if the rights of the patentee extended to restrictions running with patented goods. If this was impossible, where the patent was for a method or process which did not yield any vendible product, as in *NRDC* itself, why should there be two classes of monopoly conferred by s.13 of the 1990 Act?

Influence in Other Jurisdictions

The judgment in *NRDC* was delivered on 16 December 1959. On 14 March 1960 Lloyd-Jacob J, the Patent Judge at the Royal Courts of Justice in London, wrote to Sir Owen Dixon. He said that he had only just finalised his first perusal of the “brilliant exegesis of sect. 6 of the Statute of Monopolies” and was “still thrilling to it” and offered “my respectful congratulations”.

Swift & Co sought a patent for a method for tenderising meat products by injection of certain enzymes into the living animal some time before its slaughter, with the end result of an economically significant artificial effect. In New Zealand, Barrowclough CJ relied upon the reasoning in *NRDC* to allow the Swift application to proceed.¹⁸ In England, the Queen’s Bench Division on the application of Swift & Co granted certiorari to the Patents Appeal Tribunal, there being an error of law on the face of the record in the refusal of the Tribunal to adopt the reasoning in the New Zealand decision.¹⁹ The Divisional Court set out, with approval,²⁰ extensive passages from *NRDC*.²¹ In this manner, *NRDC* entered the mainstream of United Kingdom patent law as expounded in such texts as *Terrell on the Law of Patents*.²²

The Utility of Past Decisions from Other Countries

In reading the judgment in *NRDC* two disparate considerations are to be borne in mind. The first concerns the United States and the second the United Kingdom.

Article I, section 8, clause 8 of the United States Constitution empowers Congress to promote the progress of science by securing to inventors “the exclusive Right to their ... Discoveries”. Sir Owen Dixon had connections with various influential figures in the United States, ranging from General Marshall to Justice Felix Frankfurter.²³

It comes as no surprise that in *NRDC*,²⁴ with evident approval, the Court referred to a passage in the 1948 judgment of Frankfurter J in *Funk Bros. Seed Co v Kalo Inoculant Co*.²⁵ Frankfurter J had remarked that to rely on such vague expressions as “work of nature” and “laws of nature” when excluding patentability was to fail to appreciate that “[e]verything that happens may be deemed ‘the work of nature’, and any patentable composite exemplifies in its properties ‘the laws of nature’.” The distinction between discovery and invention, the High Court concluded, is so imprecise as to be misleading in this area of discussion.

The position of the High Court in *NRDC* respecting the then current case law in the United Kingdom was marked by a different conspectus. On the one hand, at this time the Privy Council entertained appeals from the High Court even in matters of federal statute law. On the other hand, there were English decisions (albeit at first instance only) which appeared to place unacceptable verbal fetters on interpretation of the Statute of Monopolies. In particular, Lord Morton of Henryton, when Morton J, had required of any method or process claimed as a manner of manufacture that it produce, improve or restore, or preserve from deterioration “some vendible product”.²⁶ The High Court first reviewed in detail the subsequent decisions of Evershed J and Lloyd-Jacob J, which had evinced some unease with the “vendible product” requirement – which would exclude dead weeds – and then rationalised the criterion as emphasising no more than the “trading or industrial character” required of a manner of manufacture.²⁷ The finesse with which the English authorities was handled in *NRDC* drew the enthusiastic response by Lloyd-Jacob J in the letter to Sir Owen Dixon, which has been described earlier in this paper.

The Relationship between the Law and Other Disciplines

The reasons in *NRDC* set out in detail the description in the specification of the claimed invention to show that it employed:

*[S]ubstances the suggestion of which for the purposes in hand was new, was not obvious, and was arrived at only by the exercise of scientific ingenuity, based on knowledge and applied in experimental research.*²⁸

Sir Owen Dixon had long displayed an appreciation of scientific endeavour and its relation to the legal system. In 1934 at a meeting of the Victorian Branch of the Australian Chemical Institute he had delivered a paper entitled “The Law and the Scientific Expert”. He remarked:²⁹

It is the [Court’s] skilled judgment upon questions of law which provides the measure of rights and liabilities. They are not tribunals fitted for the determination of disputed questions of science. They must depend upon those who are skilled in such matters. ... Unfortunately, they have not the authority to give a definitive decision, and when they differ the judge must do his poor best.

Patent law presented a particular clash between opposed interests. Dixon adverted to this at a meeting of the Medico-Legal Society of Victoria in 1937. He spoke of the “deepest interests and ... greatest difficulties” in enforcement of the traditional theory that scientific knowledge “be thrown open” while at the same time conserving by the patent law the interest which are immediately involved.³⁰

The tension between these interests as reflected in the patent law was reflected in *NRDC*. After referring to the “trading

or industrial character” of patentable inventions, the Court went on to refer to the view previously canvassed by Dixon J in *Maeder v Busch*.³¹ This was that methods of surgery and other processes for treating the human body were conceived “as essentially non-economic” and so not patentable.

The Use of Legal History

The reasons in *NRDC* are a classic illustration of the proposition that the value of the past is that it assists an understanding of the present. One looks to the past of the law for a sense of the dynamic of the law and thereby looks to the future.

In 1966, at a speech delivered in New Zealand, Sir Victor Windeyer, who had lectured in Legal History at the Sydney Law School, reflected upon the teaching of that subject. He said he would have “all students of law taught the history of law primarily as a study in an evolutionary process ... moving always as social conditions and men’s ideas change, moving to meet men’s needs and concepts of justice”.³²

In *NRDC* the Court looked into decisions over several centuries to discern that a widening conception of the notion of “manufacture” had been a characteristic of the growth of patent law. That brought the Court to the question awaiting final decision. This was “whether it is enough that a process produces a useful result or whether it is necessary that some physical thing is either brought into existence or so affected as the better to serve man’s purposes”.³³ In accepting the former proposition, the Court said that it was “required by a sound understanding of the lines along which patent law has developed and necessarily must develop in a modern society.”³⁴

Two Further Recent Cases in the High Court

The High Court in two recent cases has considered the standing of *NRDC* as a font of patent law more than half a century since it was delivered. The first decision is *Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd*³⁵ and the second *D’Arcy v Myriad Genetics Inc.*³⁶ Both cases concerned attacks on the validity of patents granted under the 1990 Act. In *Apotex* the attack failed, in *Myriad* the High Court allowed an appeal against the decision of a five-judge Full Federal Court which had upheld validity.³⁷ While *Apotex* affirmed the understanding of the Commissioner of Patents (and the legal profession) respecting methods of medical treatment, *Myriad* (as illustrated by subsequent Federal Court cases) controversially denied the patentability of claims for the isolation of elements of a human gene associated with susceptibility to breast and ovarian cancer. At the heart of the dispute in both *Apotex* and *Myriad* was the exposition of “manner of manufacture” in *NRDC*.

Apotex concerned a claim for a method of treating skin disease by administration of a drug previously used for treating arthritis. The attack on validity invoked the proposition advanced in *Maeder v Busch*³⁸ and repeated in *NRDC*³⁹ that

the whole subject of processes for treating the human body “is conceived as essentially non-economic”.

The leading judgment in *Apotex* on patentability was given by Crennan and Kiefel JJ.⁴⁰ They noted that there was no express exclusion in s.18 of the 1990 Act. Their Honours concluded⁴¹ that, putting aside the activities of medical staff when physically treating patients, a method of medical treatment which involves a hitherto unknown use of a pharmaceutical can be a “manner of manufacture”. Such a method “belongs to a useful art, effects an artificially created improvement in something, and can have economic utility”.⁴²

Subsequently, in *Sequenom v Ariosa Diagnostics Inc.*,⁴³ Beach J upheld a claim for the detection from foetal DNA in maternal serum plasma samples of foetal abnormalities. His Honour held that a method of detecting naturally occurring phenomena so as to make a diagnosis based thereon, ought not to be distinguished from a method of treating that phenomenon, as in *Apotex*. His Honour considered and distinguished the second High Court case mentioned above, *Myriad*.

Myriad concerned, as noted above, a product claim for an isolated nucleic acid which had the potential to produce an identified protein with mutations indicative of a predisposition to breast or ovarian cancer. The claim was held not to be for a “manner of manufacture”. French CJ, Kiefel, Bell and Keane JJ declared:⁴⁴

A number of factors may be relevant in determining whether the exclusive rights created by the grant of letters patent should be held by judicial decision, applying s 18(1) (a) of the Act, to be capable of extension to a particular class of claim. According to existing principle derived from the NRDC decision, the first two factors are necessary to characterisation of an invention claimed as a manner of manufacture:

- 1. Whether the invention as claimed is for a product made, or a process producing an outcome as a result of human action.*
- 2. Whether the invention as claimed has economic utility.*

When the invention falls within the existing concept of manner of manufacture, as it has been developed through cases, they will also ordinarily be sufficient. When a new class of claim involves a significant new application or extension of the concept of ‘manner of manufacture’, other factors including factors connected directly or indirectly to the purpose of the Act may assume importance.

The present claim was for a significant new application of extension of the concept of “manner of manufacture”. Matters then to be considered included whether to grant a patent “could ... give rise to a large new field of monopoly

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protection with potentially negative effects on innovation” and “have a chilling effect on activities beyond those formally the subject of the exclusive rights granted to the patentee”.⁴⁵

Subsequent decisions in the Federal Court have noted the apparent departure from the “purposive” construction given in *NRDC* to the Statute of Monopolies and accepted with its adoption in s.18 of the 1990 Act, stressed the difficulty of curial analysis of the kind called for by *Myriad*, and bypassed *Myriad* on the basis that the claims now in question were not at the boundaries said to enliven the need for such curial analysis.⁴⁶

One thus may ask whether, particularly in the absence of legislative action to have provided further exceptions to s.18 of the 1990 Act, *Myriad* may not prove to have been an inappropriate approach to *NRDC*. Rather, as Kenny, Bennett and Nicholas JJ observed in 2014, just before *Myriad* reached the High Court, the lesson of *NRDC* is that the principles of patentability must be flexible, allow for new technologies, and look to substance rather than form.⁴⁷

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1 (1959) 102 CLR 252; [1961] RPC 134.

2 Later, Justice of the High Court 1976–82.

3 21 Jac 2, c.3.

4 Quoted by Crennan and Kiefel JJ in *Apotex Pty Ltd v Sanofi-Aventis Australia Pty Ltd* (2013) 253 CLR 284, [191].

5 (1959) 102 CLR 252, 271.

6 (1960) 104 CLR 394.

7 Chris Dent, “Generally Inconvenient’: The 1624 *Statute of Monopolies* as a Political Compromise’ (2009) 33(2) *Melbourne University Law Review* 415, n 2.

8 (1959) 102 CLR 252, 271.

9 Chris Dent, “Generally Inconvenient’: The 1624 *Statute of Monopolies* as a Political Compromise’ (2009) 33(2) *Melbourne University Law Review* 415, 433.

10 (1959) 102 CLR 252, 269.

11 *CIC Insurance Ltd v Bankstown Football Club Ltd* (1997) 187 CLR 384; [1997] HCA 2.

12 (2018) 93 ALJR 91, [46]–[55], [84]–[98], [127]–[156]. See also, with respect to the Elizabethan statute, 13 Eliz 1, c. 5, dealing with fraudulent conveyances, *Marcolongo v Chen* (2011) 242 CLR 546, [12]–[23].

13 (1959) 102 CLR 252, 269.

14 (1959) 102 CLR 252, 270.

15 [2020] HCA 41.

16 (1911) 12 CLR 15.

17 (1908) 7 CLR 481.

18 *Swift & Co v Commissioner of Patents* [1960] NZLR 775; [1961] RPC 147.

19 *R v Patents Appeal Tribunal; Ex parte Swift & Co* [1962] 2 QB 647.

20 [1962] 2 QB 647, 657–8.

21 (1959) 102 CLR 252, 269, 271.

22 William Aldous et al, *Terrell on the Law of Patents* (Sweet & Maxwell, 13th ed, 1982) [2.10].

23 See the addresses and papers reprinted in Susan Crennan and William Gummow (eds) *Jesting Pilate: And Other Papers and Addresses by The Rt Hon Sir Owen Dixon* (The Federation Press, 3rd ed, 2019) especially 104–110.

24 (1959) 102 CLR 252, 263–4.

25 333 US 127, 134–135 (1948).

26 *Re GEC’s Appln.* (1942) 60 RPC 1, 4.

27 (1959) 102 CLR 252, 271–5.

28 (1959) 102 CLR 252, 268.

29 Susan Crennan and William Gummow (eds) *Jesting Pilate: And Other Papers and Addresses by The Rt Hon Sir Owen Dixon* (The Federation Press, 3rd ed, 2019) 134, 142.

30 (1937) *Proceedings of the Medico-Legal Society of Victoria*, 45–7.

31 (1938) 59 CLR 684, 706.

32 Bruce DeBelle (ed), *Victor Windeyer’s Legacy: Legal and Military Papers* (The Federation Press, 2019) Ch. 10, ‘Unity, Disunity and Harmony in the Common Law’ 114, 120.

33 (1959) 102 CLR 252, 270.

34 (1959) 102 CLR 252, 277.

35 (2013) 253 CLR 284; [2013] HCA 50.

36 (2015) 258 CLR 334; [2015] HCA 35.

37 *D’Arcy v Myriad Genetics Inc* (2014) 224 FCR 479.

38 (1938) 59 CLR 684, 706.

39 (1959) 102 CLR 252, 275.

40 (2013) 253 CLR 284, [276]–[288].

41 (2013) 253 CLR 284, [286]–[287].

42 (2013) 253 CLR 284, [283].

43 [2019] FCA 1101, [517].

44 (2015) 258 CLR 334, [28].

45 (2015) 258 CLR 334, [28].

46 *Commissioner of Patents v RPL Central Pty Ltd* (2015) 238 FCR 227, [115]–[119] (Kenny, Bennett, Nicholas JJ); *Meat and Livestock Australia Ltd v Cargill Inc* (2018) 354 ALR 95, [13], [387]–[392], [421]–[423] (Beach J); *Sequenom Inc v Ariosa Diagnostics Inc* [2019] FCA 1011, [348] (Beach J); *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* [2019] FCAFC 161, [97]–[99] (Allsop CJ, Kenny, Besanko, Nicholas, Yates JJ).

47 *Research Affiliates v Commissioner of Patents* (2014) 316 ALR 135, [116].

New Zealand's *IP Laws Amendment Bill* | A Bit More Than Scratching Some Itches

Doug Calhoun¹

Introduction

Intellectual property law reform moves in measured and mysterious ways. And when COVID-19 and a general election intervene, the mysterious ways become even more measured than usual. But finally, three days after the October 2020 general election, the Cabinet Briefing Paper (“Cabinet Paper”)² authorising the *IP Laws Amendment Bill* to proceed was released.³

The initial itches that got the Ministry of Business, Innovation & Employment (“MBIE”) policy team scratching were some unintended consequences found in the *Patents Act* 2013 (NZ) allegedly being exploited by some applicants. And while they were at it, the team had a look at making some adjustments in the *Trade Marks Act* 2002 (NZ) and the *Designs Act* 1953 (NZ).

The Cabinet Paper downplays the broader impact of the proposals:

*The amendments proposed in this paper do not have significant policy content. They predominantly involve changes to procedural and technical settings. The proposed amendments will largely be of interest to a small, knowledgeable audience, mainly patent attorneys and other intellectual property lawyers. I expect them to be of minimal interest to a broader audience.*⁴

Fair comment about the broader audience, but the small knowledgeable audience could beg to differ about the significance of the policy content with regard to the treatment of divisional patent applications under the proposed amendments to the *Patents Act* 2013 (NZ), and, retrospectively, to the *Patents Act* 1953 (NZ).

A summary of the proposed changes is set out in Appendix 1.⁵

Changes to *Patents Act* 2013 (NZ)

Background

The *Patents Act* 2013 (NZ) came into force on 13 September 2014. Within two years the policy boffins issued the 2016 Discussion Paper⁶ highlighting “daisy chaining” of successive divisional applications from parent applications filed under the 1953 Act as a problem. MBIE saw this as inconsistent with a policy intent of the 2013 Act.⁷ The Discussion Paper proposed possible changes to the transitional provisions to be made, “as soon as a suitable legislative vehicle becomes available”. This was seen as likely to be some time away.⁸

One drafting anomaly in the 2013 Act is that if a patent application is not in order for acceptance within 12 months

of the date that a first examination is issued, the application becomes void.⁹ The only exception¹⁰ is if a refusal of an application is appealed to the High Court of New Zealand – then a time out applies from the 12-month deadline until the appeal is finalised. But if an applicant wants to appeal a refusal by an examiner to the Commissioner of Patents,¹¹ there is no corresponding provision in the 2013 Act for the application to remain pending. The work around has been to treat the entire appeal time as being due to a delay by the Commissioner of Patents.¹² This legal fiction was called into question in an Assistant-Commissioner of Patents’ decision in 2018.¹³

Another anomaly came to light as the 2013 Act was approaching the fifth anniversary of its commencement.¹⁴ While the Act specified that requests for examination had to be made within five years of the date of filing (or the date of filing of the parent in the case of divisional applications),¹⁵ the Act did not specify that if the deadline had passed, the application was void. This has created “zombie” applications that are not legally void, but are in a state of legal purgatory because the deadline for requesting examination has passed.

These anomalies and the daisy chained 1953 Act divisionals provided the necessary incentive to propose the “suitable legislative vehicle”. So MBIE issued a new Discussion Paper¹⁶ outlining the proposed changes and the rationale behind them. This elicited 18 submissions,¹⁷ most from the “small knowledgeable audience” of patent attorneys and lawyers,¹⁸ but also two from rival companies in the healthcare industry reflecting opposing views on daisy chaining divisional patent applications. The Cabinet Paper outlines the government’s decisions after considering the submissions. The most recent projection from MBIE estimated that an exposure draft of the Bill would be available in March or April 2021.¹⁹

Substantive Changes

1. 1953 Act Divisional Patent Applications

The reasons for filing divisional applications and their daisy chained offspring is candidly explained in the ResMed Pty Ltd (“ResMed”) submission on the 2019 Discussion Paper:

ResMed's patent specifications typically arise out of projects developing new technologies or products. Each project/product may include multiple new inventions and therefore a patent specification filed to protect any IP associated with that project may describe multiple inventions. This is common to technology development companies worldwide. Where a single specification filed in New Zealand describes two or more inventive concepts it will be necessary to file divisional applications in order to secure patent protection on each of the inventions described in that specification;

Sometimes we pursue patent protection for a single invention but, as a result of the examination process (for example the identification of prior art relevant to the novelty and/or inventiveness of the single invention), it becomes clear that narrower protection must be obtained. In some cases, there are multiple options to narrow the scope of protection being sought, each of which is an invention that could be pursued independently. This results in the need to file multiple divisional applications in order to obtain the breadth of protection across these different inventions to which we are entitled. The need to do so is usually not apparent until the application has been examined and the objections considered; and

In some cases we seek to obtain patent protection for an invention having a scope to which we believe we are entitled but we receive repeated objections from IPONZ and are unable to resolve the issues within the timeframes available to put the application in order for acceptance. In these cases we may file "whole-of-contents" divisional applications to give more time to try to obtain acceptance on the scope of protection to which we believe we are entitled. While there is the option to seek a hearing on the examiner's decision, the hearing process at IPONZ is neither timely nor cost effective. As such, the scope of patent rights can usually be resolved faster and more cheaply through further examination in a divisional application.²⁰

The Cabinet Paper concurred that the first two reasons for filing divisional applications were legitimate, but criticised the practice of daisy chaining. This was said to cause uncertainty to third parties as to what patent might be granted and "could lead to businesses delaying or cancelling investment decisions, potentially leading to less innovation by these businesses".²¹

At the heart of the policy debate on daisy chained divisional applications is whether the interests of third parties or the interests of applicants should be favoured. The 2013 Act transitional provisions²² added a further dimension to the debate in that under the 1953 Act divisional applications are not subject to examination for obviousness. But in each case the policy consideration was over whose interests to favour; an applicant's or a third party's. In spite of the majority of submissions to the 2019 Discussion Paper arguing that the proposals were unfair to applicants, the Minister (i.e.

MBIE) is "not convinced that any disadvantage to patent applicants is sufficient to offset the potential Financial [sic] implications."²³

The first two purposes of the *Patents Act* 2013 (NZ) are to:
provide an efficient and effective patent system that—

- (i) promotes innovation and economic growth **while providing an appropriate balance between the interests of inventors and patent owners and the interests of society as a whole;** and*
- (ii) **complies with New Zealand's international obligations;**²⁴ (Emphasis added)*

As for the first purpose, the only balancing of interests evident in the Cabinet Paper is between the interests of some applicants allegedly misusing the 2013 Act transitional provisions and the interests of a New Zealand company whose overseas competitor's use of those transitional provisions have allegedly "imposed significant costs on FPH and could jeopardise its local manufacturing operation".²⁵ While the interests of the applicants can be equated with the interests of inventors and owners, it is doubtful that the interests of Fisher & Paykel Healthcare Corporation Limited ("FPH") are the same as the interests of society as a whole. In any event, the alleged threat to FPH's local manufacturing operation was avoided by a commercial agreement long before any legislative fix had seen the light of day.²⁶

As for the second statutory purpose, New Zealand's longest standing international obligation is the 1883 *Paris Convention for the Protection of Industrial Property*,²⁷ a major provision of which is national treatment – each member state must grant the same patent protection to nationals of other member states as it grants to its own nationals.²⁸ The treatment of divisional applications proposed under the 2013 transitional provisions disadvantages all patent applicants. But because about 90 per cent of all New Zealand applications are filed by foreign applicants, they are more disadvantaged than domestic applicants – at least in spirit if not literally in breach of national treatment obligations.

Many of the submissions arguing that there is no need to amend the 2013 transitional provisions pointed out that the IP Office of New Zealand ("IPONZ") has had six and a half years to examine the remaining 1953 Act applications.²⁹ By now the only ones remaining are divisional applications, most of them "whole contents" divisionals. A practical solution to the problem identified by MBIE would be to prioritise examination of the remaining 1953 Act cases – rather than to create a different problem by a legislative change that won't get rid of the remaining cases, but which could create more work for examiners tasked with applying 2013 Act rules to remaining 1953 Act applications. By the time the proposed Bill might finally be enacted, the number of remaining cases could be a mere handful.

2. 2013 Act Divisional Applications

The proposed amendment to section 34 of the 2013 Act seeks to implement a zero tolerance policy against whole-of contents divisional applications. The 2019 Discussion Paper outlined and then criticised the use whole-of contents divisional applications to give an applicant a de facto extension of time as being contrary to the 2013 Act policy intent of setting a time limit to complete the examination process.³⁰ The Cabinet Paper was even blunter, describing the practice as “the misuse of divisional applications for unintended purposes.”³¹ (See Appendix 2 for the origins of and rationale for this policy.)

Under existing provisions³² a divisional application must be filed before the acceptance of its parent, which includes a parent that is itself a divisional application. Under the proposal a divisional application may only be filed within the period between the date of requesting examination of the *original* parent (not a parent which is itself a divisional) and the earliest date of when the 12-month examination deadline has expired, or the application is accepted, void or abandoned.

This will prevent the filing of any daisy chained divisional application, but it would also prevent the filing of divisional applications if examination of a divisional application determined that it covered more than one invention and the deadline for filing a divisional from the original parent had expired.

The justification for the change is again a questionable balancing of the interests of applicants against the interests of society as a whole. Setting strict time limits for the time that an application remains pending can avoid the uncertainty to third parties about what patent rights might be granted so that they can operate in the same technological area without fear of infringement.³³ But it prioritises one uncertainty over the myriad other uncertainties inherent in the patenting process. Each step that an applicant might take from filing a provisional application through to paying the final renewal fee creates uncertainty for a competitor as to whether an application will progress to a full-term patent.

The MBIE concern about the uncertainty to third parties is based on an assumption that a competitor to a patent applicant would wait patiently for a final outcome of the patent application process – an unlikely assumption in a competitive market. The more likely alternative is either that the competitor will develop its own innovative non-infringing product or process; or, like ResMed and FPH, come to a commercial agreement to settle the matter.

As with the proposals to deal with 1953 Act divisionals, the Minister favours FPH's submissions to those of most other submitters on the 2019 Discussion Paper because, “FPH has applied for, and been granted many patents in New Zealand.”³⁴ ResMed has also applied for and been granted

many patents in New Zealand, but it is not a New Zealand company. ResMed has presented many cogent arguments as to the benefits of daisy chaining for applicants in the interests of society as a whole by promoting international harmony in the operation of patent systems³⁵ which the Minister has dismissed. It is hard to escape the conclusion that the fact that ResMed is an overseas company has coloured that dismissal.

As pointed out in one submission,³⁶ the views of the “knowledgeable audience” of patent attorneys may not have been given much weight by the MBIE policy analysts because they were perceived to be advocating only the interests of applicants. In reality, they also represent clients who seek advice on their freedom to operate – clearly in the interests of society as a whole.

3. Hearing Request Extensions

The proposal to allow for an extension of time results from two oversights in the original Patents Bill. These were explained in a clause-by-clause analysis of submissions made for the select committee by the Ministry of Economic Development (“MED”, now MBIE).³⁷ The first omission was of a right to a hearing before the Commissioner of Patents before a final decision.³⁸ This was corrected in the Bill as reported back and resulted in section 208 of the 2013 Act. The second omission was the inability to obtain an extension of time if an appeal is made to the Commissioner of Patents.³⁹ MED recommended that there should be, but that recommendation was overlooked when the Bill was amended and reported back to Parliament. This oversight is now being corrected.

4. International Exhaustion of Rights

Exhaustion of rights in New Zealand was reviewed in the 2019 Discussion Paper.⁴⁰ In general submitters were in favour of international exhaustion of patent rights.⁴¹ The rationale for making this amendment was to bring New Zealand law into harmony with recent decisions in the United States of America⁴² and Australia⁴³ and for consistency with both the *Copyright Act* 1994 (NZ) and the *Trade Marks Act* 2002 (NZ).⁴⁴

Technical Changes

1. Zombie Patents Staked

The problem of zombie patents caused by a failure of the Act to specify that where a request to examine an application has not been filed within the five-year limit it is deemed abandoned is to be corrected. It will be applied retrospectively to any application having a zombie status.

2. Poisonous Divisionals

Although this change was categorised as being “technical”, the problems of poisonous divisionals and poisonous priorities identified in the 2019 Discussion Paper⁴⁵ are more than technical, although the circumstances where they

might arise are likely to be rare. The “poisonous” possibilities generated a lengthy submission advocating allowing claims each to have multiple priority dates⁴⁶ as a solution both to the problem of poisonous divisionals and the similar problem of poisonous priorities.

The proposed solution addresses the poisonous divisional problem in principle, but the devil may lie in the detail. The proposal is described as an “anti-self-collision” provision.⁴⁷ While that description is accurate to describe the relationship between a parent and a divisional application it is different from the “anti-self-collision” provision of the original 2008 Bill.⁴⁸ The 2008 clause meant a disclosure of an unpublished earlier application could not be cited against a later application with the same applicants. That clause was dropped when the Bill was reported back from the select committee because of a lack of international support for such provisions.⁴⁹

The poisonous priority problem was seen as being so rare and easily avoided that MBIE saw no need for amendment⁵⁰ in the 2019 Discussion Paper and was not persuaded by any of the submissions.

3. *Secrecy of 1953 Act Application Files*

The 1950 secrecy policies over government files⁵¹ probably led to the 1953 Act prohibition on the release of examiners’ reports under the 1953 Act.⁵² It was unclear from the transitional provisions of the 2013 Act repealing the 1953 Act whether this meant that the prohibition had been repealed as well. The proposal is to make it clear that the prohibition remains. The Cabinet Paper says that this to be consistent with the 2013 Act policy intent.⁵³ The Cabinet Paper does not explain the inconsistency between the continuing prohibition and the 2013 Act provisions⁵⁴ that require all 2013 Act examination reports to be published in real time.

4. *Status of Abstracts*

This proposal is to clarify that an abstract is not to be used in the interpretation of an invention.⁵⁵ There was no disagreement about this proposal.

5. *Avoidance of Double Patenting*

The two proposals are intended to avoid two patents issuing for the same invention when they have the same priority dates.⁵⁶ This was intended but overlooked in the 2013 Act – a genuine technical issue.

Changes to *Trade Marks Act 2002 (NZ)*

Substantive Changes

1. *Series of Trade Marks*

The 2019 Discussion Paper discusses the nature of a series of trade marks, the limited number of countries in which they are available, and the problems they have identified with

them in New Zealand.⁵⁷ The problems relate to the way in which applicants have misunderstood the requirements and the alleged misuse of applications for a long series of trade marks as a place holder for a shorter series once commercial decisions have been made. The proposed fix for the problem was the total elimination of series of trade marks.

None of the 11 submissions⁵⁸ that addressed this proposal agreed. The common theme was that series of trade marks served a useful function and disagreed that any problem was serious.

The Cabinet Paper proposes the compromise of retaining the availability of series of trade marks, but placing a limit of four per application and deleting the subsection of a definition of a series of trade marks that was unclear.

2. *Clarify Prior Continuous Use Requirement*

Under section 25 of the *Trade Marks Act 2002 (NZ)*, a trade mark applicant with an identical or similar trade mark to a registered one with an earlier priority date has to prove either that it has made honest concurrent use of the mark or that “other special circumstances” would justify registration. Prior continuous use of the similar or identical trade mark may be an “other special circumstance” but IPONZ practice has been to disregard evidence of prior continuous use.⁵⁹

In the face of criticism of this practice, MBIE has now proposed to amend the Act to take into account if prior continuous use of the trade mark before the priority date makes it “proper” to register.⁶⁰ No doubt what is “proper” will still be open to debate.

3. *Subject Matter of Memoranda*

Trade mark owners may have a memorandum entered on the trade marks register provided it does not extend the rights granted by registration.⁶¹ Although the Act places no other limitations on what a memorandum may contain, IPONZ practice is to refuse any proposed memorandum that does not affect the scope and nature of the registration rights. The IPONZ authority for this practice is that a purpose of the Act is to “more clearly define the scope of rights protected by registered trade marks.”⁶²

The 2019 Discussion Paper then goes on to admit that there is no guidance on the matter in either the Act or case law. But, nevertheless, some trade mark owners continue to apply for the entry of memoranda that are contrary to IPONZ practice. This is said to be an unnecessary cost to both trade mark owners and IPONZ, and having no benefits for either third parties or the wider public.⁶³ The 2019 Discussion Paper does not identify what the costs might be or weigh up possible benefits against possible detriments.

The Cabinet Paper, however, identifies licence agreements or securities against registrations as being more properly registered under the Personal Properties Security Register.⁶⁴

This supports the argument that having two separate registers upon which the same documents can be registered could cause unnecessary expense for trade mark owners and confusion for the public. The proposal is to limit the subject matter of memoranda to matters that affect the nature and scope of rights conferred by registration.⁶⁵

4. *Clarify the Limits of “Contrary to Law”*

An absolute ground for refusal of a trade mark application is if the use of the mark is contrary to New Zealand law.⁶⁶ The 2019 Discussion Paper points out that in spite of two IPONZ hearing officer decisions to the contrary, opponents and applicants for revocation repeatedly argue that the term under New Zealand law includes the *Trade Marks Act* 2002 (NZ) itself. MBIE advocated an amendment to codify the IPONZ decisions.⁶⁷

The Cabinet Paper noted that most submitters agreed to the proposal, which is now to go ahead.⁶⁸

5. *Partial Refusal of National Trade Mark Applications*

There is a difference in the treatment of international trade mark applications designating New Zealand, and national applications. When an examiner objects to some goods or services in an international application specification, if the applicant does not respond within the time limit in the report, the goods or services objected to are deemed to be deleted but examination of the remainder of the application continues. With national applications if such a partial refusal is not responded to in time, the whole application is refused. Understandably, MBIE wants to get rid of this home team disadvantage.⁶⁹ Not surprisingly, so did the Minister.⁷⁰

Minor and Technical Changes

1. *Require Specifications to be Clear*

While the 2002 Act gives IPONZ the power to require applicants for national applications to amend their specifications of goods or services to be clear, it lacks the power to do so for international applications.⁷¹ The unsurprising proposal is to give the Commissioner of Trade Marks the power to require both national and international applicants to clarify unclear specifications.⁷²

2. *Remove the “Aggrieved Person” Requirement for Revocation*

The *Trade Marks Act* 2002 (NZ) contains an anomaly between who can oppose an application and who can apply to revoke it. Any person can oppose, while only an “aggrieved person” can apply to revoke. The proposal is to remove the “aggrieved person” requirement.⁷³ The only consideration against the change is that it could allow vexatious applications for revocation. But the Commissioner of Trade Marks has power to refuse an application for revocation on the ground that it is vexatious. The Cabinet Paper agrees with the proposal.⁷⁴

Changes to Designs Act 1953 (NZ)

1. *Substitution of Applicant*

This change will allow a new applicant to whom an application has been transferred to be recorded.

2. *Compulsory Use of Online Case Management Facility*

This will complete the IPONZ transition to a completely digital IP system.

3. *Allow IPONZ to Communicate Via Online Case Management Facility*

This complements the previous amendment.

4. *Allow the Commissioner of Designs or Court to Require Payment of Security for Costs*

This brings hearings proceedings for designs into line with those for patents and trade marks.

5. *Provide that Commissioner of Designs Must Allow for Hearing Before Exercising Discretion*

This also brings proceedings for designs into line with those for patents and trade marks. In practice, IPONZ has issued several decisions on ex parte matters,⁷⁵ so the change will only bring the law into line with the practice.

Amendments to Regulations

1. *Amend Trade Marks Regulations 2003 (NZ) to Require Search Requesters to Use Prescribed List of Goods*

IPONZ provides a Search and Preliminary Advice service to potential trade mark applicants. IPONZ provides a “pick list” of goods and services. When a requester uses a term not on the pick list it is difficult for IPONZ to offer an accurate and cost-effective service in respect of that term. The proposal is to require use of the list to be compulsory. Not surprisingly most submitters agreed with the proposal.⁷⁶ (The small, knowledgeable audience would likely be asked to do the search and give the advice on the terms if IPONZ declined to.)

2. *Amend the Designs Regulations 1954 (NZ) to Establish Hearings Procedures*

This dovetails with the requirement that the Commissioner of Designs must allow a hearing before exercising a discretion against an applicant. The procedures are to be modelled on hearing procedures under the *Patents Regulations* 2014 (NZ) and the *Trade Marks Regulations* 2003 (NZ).

3. *Filing of Authorisation Only If Required*

This proposal removes a procedural requirement that serves no real purpose unless representation is being disputed. If there is a dispute the Commissioner of Designs can require an authorisation to be filed.

Conclusions

The changes to the *Designs Act* 1953 (NZ) are largely cosmetic, updating the Act to bring its procedures into the digital age and to mirror some procedures in the other IP laws administered by IPONZ. The Act is largely a re-enactment of the 1949 United Kingdom *Designs Act* and, after seven decades, it might have been ripe for review. But, as explained by Clive Elliott,⁷⁷ a 1985 amendment to the *Copyright Act* 1962 (NZ) (providing a 16-year term of protection for two-dimensional drawings against unauthorised three-dimensional reproductions without the need for registration) has proved to be a popular alternative. Any substantive reform might come from the current review of the *Copyright Act* 1994 (NZ).⁷⁸

Similarly, the proposals for amending the *Trade Marks Act* 2002 (NZ), apart from the minor controversy over series marks, tidy up inconsistencies between national and international applications and other procedural matters.

The majority of proposals to amend the *Patents Act* 2013 (NZ) are to correct drafting anomalies and issues that have troubled the “small, knowledgeable audience” such as “poisonous” divisionals and priorities. But MBIE has doubled down on their passion to rid the system of “daisy chaining” divisional applications. The policy bias against overseas applicants remains, even though the only identified victim of the alleged misuse of “daisy chained” divisionals (that motivated the change) settled with the main perpetrator of that misuse two years ago.

IP Laws Amendment Bill could be characterised as the triumph of process over substance, but an enduring object of interest for its small, knowledgeable audience.

Appendix 1

Patents Act 2013 (NZ) – Proposed Changes

Substantive Changes

1. Amend the transitional provisions for a divisional patent application divided from a patent application that is, or is treated as, an application filed under the *Patents Act* 1953 (NZ), under section 258 of the *Patents Act* 2013 (NZ) to provide that:
 - the Commissioner of Patents must be satisfied, on the balance of probabilities that the divisional patent application and its complete specification meet the requirements set out below:
 - the invention claimed in the divisional patent application must be novel as defined in section 6 of the *Patents Act* 2013 (NZ);
 - the invention claimed in the divisional patent application must involve an inventive step as defined in section 7 of the *Patents Act* 2013 (NZ); and
 - the invention claimed in the divisional patent application must be supported by the matter disclosed in the complete specification of the divisional patent application;
 - where the 1953 *Patents Act* (NZ) divisional applications that must meet the stricter criteria listed above are accepted or granted, the stricter criteria also apply to opposition, revocation or re-examination proceedings involving those applications; and
 - the amendments described above apply to divisional applications with an actual filing date that is more than three months after the date of entry into force of the amendments.
2. Amend the provisions relating to divisional patent applications filed under section 34 of the Act to provide that:
 - a divisional patent application may only be made during a time period beginning when a request for examination is filed on the original parent application, and ending either at the expiry of the time period prescribed in the Act for placing the original parent application in order for acceptance, or when the application is accepted, void or abandoned, whichever is earlier; and
 - the divisional application must be accompanied by a request for examination.
3. Provide that:
 - if an applicant for a patent application requests a hearing under section 208 of the Act, the time prescribed under section 71(1) of the Act for putting

the application in order for acceptance is extended to a date prescribed in the Regulations; and

- if the applicant withdraws the hearing request before a hearing is held, and the time originally prescribed under section 71(1) (before extension) has expired, the patent application is deemed to be abandoned.
4. Provide for international exhaustion of patent rights.

Minor and Technical Changes

1. Amend the provisions relating to requests for examination to:
 - provide that if a request for examination has not been filed under section 64 within the period prescribed in the Regulations, the application is deemed to have been abandoned;
 - provide a transitional provision whereby the application and its complete specification are deemed to have been abandoned in the following circumstances:
 - where a complete specification was filed on a patent application before the date of entry into force of this amendment; and more than five years have passed since the date on which the complete specification was filed or treated as having been filed; and no request for examination under section 64 of the Act has been filed on the application.
2. Provide that a divisional patent application cannot be refused on the basis of what is disclosed in the parent patent application or vice-versa.
3. Clarify the transitional provisions to provide that where a patent has been granted on a patent application that is, or is deemed to be, an application made under the *Patents Act* 1953 (NZ), the provisions of the section 91 of the *Patents Act* 1953 (NZ) relating to restrictions on publication of those applications continues to apply.
4. Provide that an abstract accompanying a complete specification must not be used to interpret the scope of invention described or claimed in the complete specification.
5. Provide explicitly that where two or more patent applications for the same invention are filed by the same applicant or their successor in title, and the applications have the same priority date, only one application can be granted a patent; or where two patent applications are filed for the same invention by the same or different applicants, and one of the applications is published on or after the priority date of the other, only the application with the earlier priority date can be granted a patent.

Trade Marks Act 2002 (NZ)

Substantive Changes

1. Amend the provisions relating to the registration of series of trade marks to:
 - remove the reference to “other matters of a non-distinctive character that do not substantially affect the identity of the trade marks”; and
 - provide for a cap on the number of marks that can be included in an application to register a series of trade marks, with the number to be prescribed in the Regulations.
2. Provide that the Commissioner of Trade Marks or a court may register a trade mark that is the subject of an application to register that trade mark if satisfied that continuous use of that mark before the priority date of a previously registered trade mark cited against that application makes it proper to register the first-mentioned trade mark.
3. Limit the subject matter of memorandums that may be entered on the Register of Trade Marks to only those memorandums that affect the nature and scope of the rights given by a trade mark registration.
4. Amend section 17 to clarify that the absolute ground for refusing to register a trade mark that use of the mark would be “contrary to New Zealand law”, does not include use that would be contrary to the Act.
5. Provide for “partial refusal” of a trade mark application that is not an international registration designating New Zealand as defined in the *Trade Marks (International Registration) Regulations* 2012 (NZ), where the applicant does not respond to a notification issued under section 41 of the Act within the time specified by the Commissioner of Trade Marks.

Minor and Technical Changes

1. Require that trade marks specifications be clear; and
2. Remove the requirement that only an “aggrieved person” can apply to revoke or invalidate a trade mark registration.

Designs Act 1953 (NZ)

1. Provide for substitution of applicant, with procedures being based on those in the *Patents Act* 2013 (NZ) and the *Patents Regulations* 2014 (NZ).
2. Provide the Commissioner of Designs with the authority to require that information or documents required to be filed with the Commissioner to be filed through the IPONZ Case Management facility.
3. Allow the Commissioner of Designs to serve or give information or a document to a person using a prescribed electronic delivery means, or other reasonable means.

4. Provide provisions relating to costs and security for costs in proceedings before the Commissioner of Designs that are consistent with the provisions in the *Patents Act* 2013 (NZ).
5. Provide that, before the Commissioner of Designs makes a decision involving the exercise of the Commissioner's discretion, any person adversely affected by the decision must be given an opportunity to be heard.

Amendments to the *Patents Regulations* 2014 (NZ), the *Trade Mark Regulations* 2003 (NZ), and the *Designs Regulations* 1954 (NZ)

1. Amend the *Trade Mark Regulations* 2003 (NZ) to provide that applicants for a preliminary advice or search of the register must use a list of goods and services established by the Commissioner of Trade Marks for the purposes of this provision (this will require an appropriate amendment to the regulation-making power in the *Trade Marks Act* 2002 (NZ)).
2. Amend the *Designs Regulations* 1954 (NZ) to provide for provisions setting out the procedural and evidential requirements for proceedings before the Commissioner of Designs consistent with those set out in the *Patents Regulations* 2014 (NZ) and the *Trade Mark Regulations* 2003 (NZ).
3. Remove the requirement to file an authorisation of agent with an application for registration, and replace this requirement with a requirement that an authorisation of agent is only required if the Commissioner of Designs requests one.

Appendix 2

The original *Patents Bill*⁷⁹ was introduced in 2008. After it was referred to a select committee, the then MED provided the committee with an initial briefing⁸⁰ advocating what amounted to a free lunch for New Zealand innovators. The briefing outlines what it describes as the “textbook” justification for a patent system – in return for investing in the development of an invention, the patent owner is given a limited monopoly to make a profit from the invention. It then goes on to make this analysis of the link between innovation and patents in New Zealand:

More than 90% of New Zealand patents are granted to overseas applicants. Because of New Zealand's small market, the nature and scope of the patent rights available in New Zealand are unlikely to have any effect on innovation outside New Zealand. That is, the inventions that are the subject of these overseas owned patents would have been developed whether or not a patent is granted, or even applied for, in New Zealand. Only a small percentage of inventions patented overseas are actually the subject of patent applications in New Zealand.

*One consequence of the large number of New Zealand patents granted to overseas owners is that New Zealand may bear the potential costs imposed by these patents, but may not gain any benefit over and above what would have been gained if these patents had not been granted in New Zealand.*⁸¹

The policy conclusion of the MED advice was:

In developing patent legislation for New Zealand, the aim must be to maximise the benefits of the patent system to New Zealand. In light of the preceding discussion, there would seem to be no value to New Zealand in having a patent system that provides wide patent rights. This would probably have little effect on innovation in New Zealand or anywhere else, but would, because of the high proportion of overseas patents, potentially impose significant costs on New Zealand for little compensating benefit.

The best policy for New Zealand, given what is known about the workings of the patent system, would be to have the strictest criteria for granting a patent that are consistent with our international obligations, and apply these criteria as rigorously as possible.⁸²
(Emphasis added)

MBIE have been true to their 2009 policy objective. The 2013 Act established a 12-month time limit for putting examined patent applications in order. When it was found that many applicants who were not able to meet the deadline were filing whole contents divisional applications, followed by daisy-chained offspring, this was seen as a misuse of

divisional applications for unintended purposes. The changes to section 34 would stamp this practice out. The changes are the rigorous application of the strictest criteria all right, but sailing very close to the wind on meeting New Zealand's international obligations.

As explained in the first two quoted paragraphs, the premises upon which the policy is based are:

- patents available in New Zealand are unlikely to have any effect on innovation outside New Zealand; and
- patents granted to overseas owners pose greater potential costs on New Zealand than benefits.

The first premise is only logical given that patents are all national in their effect. It also overlooks the innovation success of its poster child victim, FPH, in the US medical equipment market.⁸³

The second premise is not supported by any evidence identifying what the costs or benefits might be. It is just asserted. It ignores the benefits that New Zealand has taken advantage of as a net importer of technology. Examples include refrigeration on ships allowing the export of perishable products in the 19th century, electric fencing allowing for innovative efficient management of livestock, and the use of microfiltration and ultrafiltration in the dairy industry to convert whey from being a waste product into profitable protein supplements. These are just a few examples of many.

Being a net importer of technology, New Zealand needs to remember that exporters of that technology are not obliged to give it away. Overseas-owned patents can directly support foreign direct investment⁸⁴ in imported innovation. The policy intention to make this as difficult as possible is a disincentive for innovative overseas companies to make such investment in New Zealand or to partner with New Zealand businesses to import their innovations into New Zealand. That has never been a consideration in the formulation of patent policy.

A consequence/intent of the policy is that New Zealand innovators should be able to use overseas sourced innovations without the need to contribute to the costs of the unpatented innovations being imported – a free lunch.

- 1 IP Mentor, Wellington, New Zealand.
- 2 The longest of the three papers released: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>>.
- 3 MBIE, *Proposed Intellectual Property Laws Amendment Bill* (20 October 2020) <<https://www.mbie.govt.nz/business-and-employment/business/intellectual-property/proposed-intellectual-property-laws-amendment-bill/>>.
- 4 The longest of the three papers released: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>> [5].
- 5 Condensed from the shortest of the three papers released: <<https://www.mbie.govt.nz/dmsdocument/12164-intellectual-property-laws-amendment-bill-policy-decisions-minute-of-decision-proactiverelase-pdf>>.
- 6 MBIE, *Divisional Patent Applications [Possible Changes to the Transitional Provisions in Section 258 of the Patents Act 2013]* (2016) ("2016 Discussion Paper") <<https://www.mbie.govt.nz/dmsdocument/5338-divisional-patent-applications-possible-changes-to-the-transitional-provisions-in-section-258-of-the-patents-act-2013-consultation-document>>.
- 7 MBIE, 2016 Discussion Paper, [30].
- 8 MBIE, 2016 Discussion Paper, [55].
- 9 *Patents Act* 2013 (NZ), s.71, *Patents Regulations* 2014 (NZ), r.80(1).
- 10 *Patents Act* 2013 (NZ), s.72.
- 11 *Patents Act* 2013 (NZ), s.208 allows a hearing before the Commissioner of Patents exercises a discretion.
- 12 *Patents Act* 2013 (NZ), s.230.
- 13 *Biocon Limited* [2018] NZIPOPAT 2 (15 January 2018) [39]–[49] <<http://www.nzlii.org/nz/cases/NZIPOPAT/2018/2.html>>.
- 14 13 September 2014.
- 15 *Patents Act* 2013 (NZ), s.64; *Patents Regulations* 2014 (NZ), r.71.
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- 18 Declaration of interest: the author is a member of the Intellectual Property Law Reform Committee of the New Zealand law Society that filed submissions in response to both the MBIE 2016 and 2019 Discussion Papers.
- 19 MBIE, *Proposed Intellectual Property Laws Amendment Bill*: <<https://www.mbie.govt.nz/business-and-employment/business/intellectual-property/proposed-intellectual-property-laws-amendment-bill/>>.
- 20 ResMed, *Intellectual Property Laws Amendment Bill – Patents Act 2013, Trade Marks Act 2002, Designs Act 1953 Submissions on Discussion Paper* (2019) <<https://www.mbie.govt.nz/dmsdocument/11589-resmed-intellectual-property-laws-amendment-bill-patents-act-trade-marks-act-designs-act-discussion-paper-submission>> [15.1] to [15.3].
- 21 The longest of the three Cabinet Papers released: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>> [23], [25].
- 22 *Patents Act* 2013 (NZ), s.258.
- 23 The longest of the three Cabinet Papers released: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>> [31].
- 24 *Patents Act* 2013 (NZ), s.3(a).
- 25 The longest of the three Cabinet Papers released: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>> [25], [26].

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- 26 In its 30 September 2018 Interim Report, at pages 27 and 28, FPH reported as contingent liabilities significant patent litigation in the US, Germany, the UK and Australia, as well as in New Zealand – all involving ResMed. It did not mention the opposition proceedings in New Zealand as contributing to that contingent liability. However, on 21 February 2019, FPH and ResMed announced a settlement of their global patent infringement litigation <<https://www.fphcare.com/nz/our-company/news/fy19/resmed-fph-announce-settlement/>>.
- It does not appear that MBIE or the Minister were aware of this when the Cabinet Paper was prepared.
- 27 *Paris Convention for the Protection of Industrial Property*, opened for signature 14 July 1967, 828 UNTS 305 (entered into force 26 April 1970).
- 28 World Intellectual Property Organization, ‘Summary of the Paris Convention for the Protection of Industrial Property (1883)’ <https://www.wipo.int/treaties/en/ip/paris/summary_paris.html>.
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- 30 MBIE, 2019 Discussion Paper, 20 [82].
- 31 The longest of the three Cabinet Papers released: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>> [33].
- 32 *Patents Act* 2013 (NZ), s.34(2); *Patents Regulations* 2014 (NZ), r.52.
- 33 The longest of the three Cabinet Papers released: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>> [33], [34].
- 34 The longest of the three Cabinet Papers released: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>> [37].
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- 36 James & Wells, *Intellectual Property Laws Amendment Bill – Patents Act 2013, Trade Marks Act 2022, Designs Act 1953 Submissions of James & Wells* <<https://www.mbie.govt.nz/dmsdocument/11579-james-and-wells-intellectual-property-laws-amendment-bill-patents-act-trade-marks-act-designs-act-discussion-paper-submission-pdf>> [19].
- 37 *Patents Bill 2008 – Departmental Report – Ministry of Economic Development: Clause-by-Clause Analysis of Submissions* <https://www.parliament.nz/resource/en-NZ/49SCCO_ADV_00DBHOH_BILL8651_1_A20673/97834886ac67e3a4d1b895880880078a5b012893>.
- 38 *Patents Bill 2008 – Departmental Report – Ministry of Economic Development: Clause-by-Clause Analysis of Submissions* <https://www.parliament.nz/resource/en-NZ/49SCCO_ADV_00DBHOH_BILL8651_1_A20673/97834886ac67e3a4d1b895880880078a5b012893>, Issue No. 30, 14.
- 39 *Patents Bill 2008 – Departmental Report – Ministry of Economic Development: Clause-by-Clause Analysis of Submissions* <https://www.parliament.nz/resource/en-NZ/49SCCO_ADV_00DBHOH_BILL8651_1_A20673/97834886ac67e3a4d1b895880880078a5b012893>, Issue No. 147, 58.
- 40 MBIE, 2019 Discussion Paper, 54–7.
- 41 *Impact Summary: Intellectual Property Laws Amendment Bill*: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>> 19, 20.
- 42 *Impression Products, Inc. v Lexmark International, Inc* 581 US (2017) <https://www.supremecourt.gov/opinions/16pdf/15-1189_ebf.pdf>.
- 43 *Calidad Pty Ltd v Seiko Epson Corporation* [2020] HCA 41 <<http://eresources.hcourt.gov.au/downloadPdf/2020/HCA/41>>
- 44 *Impact Summary: Intellectual Property Laws Amendment Bill* <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>>, 19.
- 45 MBIE, 2019 Discussion Paper, 29–36.
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- 48 *Patents Bill* 2008 Bill No. 235-1, clause 8(3) <<http://www.nzlii.org/nz/legis/bill/pb2008119/>>.
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- 57 MBIE, 2019 Discussion Paper, 68–73.
- 58 *Submissions on 2019 Discussion Paper*: <<https://www.mbie.govt.nz/document-library/search?keywords=intellectualpropertylawsamendmentbill&df=&dt=&submit=Search&sort=asc&camp>>.
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- 60 The longest of the three Cabinet Papers released: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>> 21 [53]–[55].
- 61 *Trade Marks Act* 2002 (NZ), ss.78(c), 182(d).
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- 63 MBIE, 2019 Discussion Paper, 78 [72], [73].
- 64 *Personal Property Securities Act* 1999 (NZ), Part 10.
- 65 The longest of the three Cabinet Papers released: <<https://www.mbie.govt.nz/dmsdocument/12163-intellectual-property-laws-amendment-bill-policy-decisions-proactiverelase-pdf>> 22, 23 [61]–[66].
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- 82 MED, *Patents Bill–Initial Briefing for Select Committee* (March 2009) <https://www.parliament.nz/resource/en-NZ/49SCCO_ADV_00DBHOH_BILL8651_1_A21721/8bbc73b6e8e363e5d4ea8724a017f5b62b9586ae> [20], [21].
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- 84 New Zealand Institute of Economic Research, *Foreign Direct Investment in New Zealand – A brief review of the pros and cons* (March 2016) <https://www.businessnz.org.nz/__data/assets/pdf_file/0017/114236/Foreign-Direct-Investment-in-NZ.pdf>. Page 1 estimates that New Zealand needs up to NZ\$200 billion of additional investment to support government export, growth and R&D targets, much of which will need to come from overseas investors.

Special Difficulty: Volume Builders and Copyright in Architectural Plans

Angus Christophersen¹

Abstract

The application of Australian copyright law to volume builder or “project home” plans gives rise to a special difficulty: the plans notoriously tend towards sameness, but copying is rife. That difficulty makes the case law a useful tool for examining judicial approaches to the question whether there has been reproduction of a substantial part within the meaning of the *Copyright Act 1968* (Cth). Some Australian cases have resolved the difficulty by adopting the proposition that a finding of deliberate copying lowers the degree of objective similarity required to establish reproduction. This article opines that proposition ought not be accepted as correct in Australian law.

Introduction

Volume builders have become of a fixture of the Australian copyright litigation landscape. The reasons are not hard to identify:²

The application of the law of copyright to project home plans gives rise to special difficulty. All modern homes have certain features in common. In the case of project homes competing for the same number of dollars, there are pressures towards sameness.

Those pressures have resulted in claims by a revolving cast of well-resourced industry players against each other, or the less well-heeled, that pose a forensic challenge for Australian courts tasked with identifying whether reproduction can be adequately made out in circumstances where each party tends to be aware of, or have ready access to, the other’s published plans and where the resulting works tend, in most instances, “towards sameness”.

It is convenient to adopt the description used by the Full Court of the Federal Court of Australia in *Clarendon Homes (Aust) Pty Ltd v Henley Arch Pty Ltd*:³

A builder of project homes offers for sale a limited range of homes designed by or on behalf of the builder as opposed to a builder who constructs a home that is the subject of an individual design by an architect for a particular client.

A volume builder may offer as few as four separate house designs or more than a hundred. Plans might evolve from earlier designs or be drawn from scratch. They notoriously tend to “unchallenging” designs driven by cost considerations. Functional requirements dictate many features that are common to all builders. Innovations and trends in plans might be the result of common market pressures or of overlays imposed by developers who control the estates upon which project homes are frequently built.

The distinction between idea (including “functionality”) and expression requires careful consideration of the facts of each case. Copyright infringement is determined by reference to causal connection and objective similarity. But those two elements can be difficult to disentangle in disputes where there is typically: (a) hard-fought argument on the question of actual copying; and (b) relatively little apparent novelty or artistry from which to determine objective similarity. That is even more so in circumstances where developments in the evidence throughout the course of trial may result in adverse findings that influence the assessment of the question of actual copying. Australian courts appear to have adopted a worrying tendency to determine the two questions – actual copying, and objective similarity – by reference to each other, rather than by treating them as separate inquiries.

Copyright in Architectural Plans

Copyright subsists in both original architectural plans and houses built from those architectural plans.⁴ Copyright in house plans may be infringed by houses built from those plans.⁵ To be original, a work does not need to possess artistic merit⁶ but must originate from an author as a result of the skill, labour and experience of the author rather than by having been copied from an earlier work.⁷ Claimants must establish subsistence and ownership as a prerequisite to any claim.⁸ Those elements are sometimes conceded in house plan disputes.⁹ Nevertheless, house plan disputes typically centre on the two threshold requirements for a finding of infringement: causal connection and objective similarity.¹⁰ The relevant principles on inquiry were summarised by the Full Court in *Clarendon Homes v Henley Arch* as follows:¹¹

(1) the question of reproduction for the purposes of copyright law involves the two elements of resemblance to, and actual use of, the copyright work; (2) there is no reproduction for the purposes of the Copyright Act 1968 (Cth) where two persons produce substantially similar works through independent effort; (3) in determining whether ‘a substantial part of the

work' has been reproduced, greater weight must be given the quality of what is copied than to its quantity; (4) the degree of protection under copyright law of an architectural plan may be limited by reason of the significant proportion of features which are common to all plans, with the result that the remaining portion of a plan in which copyright will subsist is consequently limited; (5) whether the alleged infringing work is sufficiently similar to the work in which copyright subsists to amount to a reproduction of a substantial part of that work is for the court to determine.

Those principles arise for consideration again and again in the cases dealing with house plan infringement claims. Addressing the way in which those principles might be resolved in a particular application, Greenwood J observed in *Tamawood Ltd v Habitare Developments Pty Ltd*:¹²

If there is any sequence as such to the inquiry to be made (recognising, however, that no answer to a particular question in the sequence forecloses asking the other questions as each question overlaps with the other) it is probably this. Logically, the first question (in the absence of an admission) is whether initially there appears to be a sufficient degree of resemblance between [the claimant's] plans and those of [the respondent]. Taking into account the answer to that question, the next question is whether a causal connection has been made out informed by considerations such as [the respondent's] opportunity to secure access to and use of [the claimant's] drawings and apparent similarities (particularly an apparent, high degree of objective similarity in the case of floor plans for low cost project homes) coupled with an assessment of any contended explanation of the similarities by the putative infringer: 'probative similarity'.

The next question, where actual copying is found to have occurred on whatever ground made out, is whether the [respondent's] plans exhibit a sufficient degree of objective similarity so as to constitute reproduction of the copyright work recognising that a finding of copying can add significance to objective similarity.

It should be noted that the allegation of objective similarity might be put in different ways, ranging from a broad allegation of unmistakable overall similarity to a more particular allegation that an infringer has taken one or more distinctive features that qualitatively formed a substantial part of the original work.¹³ But for reasons that will become apparent, it is a quirk of architectural copying claims that they are typically fought hardest on the question of actual copying, despite – or perhaps because of – the fact that the thorniest problem is the question whether there is sufficient objective similarity between the plans to conclude that the “copy” indeed infringes the “original”.

Not all house plan infringement claims arise in the context of volume builders. From time to time, claims are brought by architects or builders who allege that plans they had developed were taken by an individual client to another

architect or builder to be refined or built. There are certain common features to such claims that distinguish them from claims involving volume builders. Rather than being “off-the-shelf”, the plans are more likely to be customised to the client’s needs and to include discernibly novel elements; the plans may have been developed interactively with the input of the client such that substantial parts of the resultant plan are not original to the claimant;¹⁴ there is likely to have been a direct – if short-lived – relationship between the client and the claimant; and the client is unlikely to commercialise or profit from the plan beyond the immediate project, rendering the quantum of any recovery nominal.¹⁵ Such claims usually only arise where the property is particularly valuable or the alleged copying and associated conduct particularly egregious. The greatest risk in such situations is usually the risk of an injunction restraining construction,¹⁶ a considerable imposition on an individual homeowner but not in the same quantum range as commercial disputes between volume builders where tens or hundreds of potentially infringing dwellings might be built in a short period.

An exception to the preceding generalisation is *Henley Arch Pty Ltd v Lucky Homes Pty Ltd*,¹⁷ which differs from the other cases cited in that, although it involved a claim over an original plan created by a volume builder, the infringing builder was not itself commercialising the plan, and the problems of substantiality and originality that tend to trouble volume building claims did not arise insofar as the infringing plan was effectively an identical copy.¹⁸ But, notably, in *Henley Arch v Lucky Homes* the claimant was awarded AU\$34,400 in compensatory damages on the basis that the claimant would otherwise have received the profit from building the dwelling, and each of the builder and the home owner were ordered to pay, collectively, another AU\$35,000 in additional damages.¹⁹ That outcome reflects that the claimant was both designer and builder, and stood to profit in both capacities. The result is that damages awarded for copying a volume builder’s house plan might be greater than the damages awarded for copying a professional architect’s house plan, despite the likelihood that the architect’s plan embodies greater artistic endeavour.

Causal Connection

Inferred Actual Copying

Actual copying is a threshold issue in any infringement claim.²⁰ If the claimant cannot establish copying there is no breach of copyright. Copying may be established by admission, by direct evidence, or, most frequently, by inference.²¹ The relevant inference is generally drawn in one of several ways: from the availability of access to the original work, from the involvement of a person who had such access and gave relevant instructions, or from inference by overwhelming but unexplained similarity. Where there is no evidence of access, then the claimant must show that the similarities

between the earlier work and the allegedly infringing work “are so striking as to preclude the possibility of the defendant having arrived at the same result independently.”²²

But it is a feature of the volume building business that there will almost always have been availability of access to the original work due the typical marketing efforts undertaken by builders, whether by inspection of a display home, by viewing paper or electronic brochures containing floor plans and/or elevations, or by visiting promotional websites. It appears to be common that participants in the industry closely monitor each other’s offerings.²³ Accordingly, it is usually not forensically necessary for a claimant to succeed in placing an actual floor plan in the hands of the respondent’s draughtsperson:²⁴

For example, in order to prove that there has been a copying it is usual to attempt to show opportunity, that is access to the plaintiff’s work –

Interjecting here to observe again that opportunity for access will almost always be self-evident in house plan copying cases – ²⁵

and such similarities between the plaintiff’s work and the defendant’s work as makes independent creation by the defendant unlikely. Such similarities may or may not be substantial. They can include common error, sometimes deliberately inserted in the plaintiff’s work. Paradoxically, there will be occasions where dissimilarities may provide the basis for an inference of access and copying.

Nor is there any requirement that the copying be direct:²⁶

It is not necessary to establish that the defendant had direct access to or viewed the copyright work itself. The necessary causal link may be satisfied indirectly, where for example the defendant gained access to an infringing work or an intermediate version of the copyright work, such as a three-dimensional item reproducing a sketch, a brochure or newspaper advertisement reproducing a house plan, or sufficiently precise written or oral instructions.

But having established that the inference will almost always be open, the difficult question for litigants and tribunals is formulating a yardstick to measure the degree of similarity needed to justify an inference of copying. The Full Court sought to address the issue at the outset in *Clarendon Homes v Henley Arch*:²⁷

It is convenient to state an appropriate test for a case such as this. When the defendant’s work is the same as the plaintiff’s work then it is clear that the inference can be drawn. But there will not be many occasions when a copyist will reproduce the plaintiff’s work in its entirety. In that event the plaintiff must show, in the absence of evidence of access, that the similarities are so striking as to preclude the possibility of the defendant having arrived at the same result

independently: cf Arnstein v Porter 154 F2d 464, 468 (2d Cir, 1946).

In short, a claimant will want to show an overwhelming similarity,²⁸ or failing that, a striking similarity or unusual feature²⁹ (or, as mentioned above, common errors). As Lindgren J observed in *Eagle Homes Pty Ltd v Austec Homes Pty Ltd*:³⁰

... there will be cases where the similarities between the protected material and the allegedly infringing material are so persuasive that in substance the same evidence will justify an inference of subjective copying and will establish sufficient objective similarity.

Although that kind of degree of similarity may form the basis for a finding adverse to the credit of the respondent witnesses, as it did in *Barrett Property Group Pty Ltd v Dennis Family Homes Pty Ltd* (“*Barrett v Dennis*”),³¹ such an adverse finding is not strictly necessary unless the respondent denies that there was opportunity for access. Per Lindgren J in *Ferntree Homes Pty Ltd v Bohan*:³²

It is not necessary that the person who drew the later plans should have copied the copyright plans deliberately or intentionally: the causal link may be present even though that person was unaware of the impact which the copyright plans was having upon him or her.

Conversely, if a claimant’s case does not meet that threshold, the similarity – even if it might have been sufficient to meet the threshold of objective similarity otherwise required for a “reproduction” – cannot of itself “bootstrap” a conclusive inference of deliberate copying. An example can be seen in *Ron Englehart Pty Ltd v Enterprise Constructions (Aust) Pty Ltd*,³³ where the claimant sought to prove deliberate copying by inference from evidence of availability and similarity. Jessup J found on the evidence that, despite a marked similarity between the overall arrangement of the original and disputed plans, which similarity increased with each iterative direction by the respondent to its draughtsman, and despite finding that the respondent’s evidence was unreliable, the evidence of similarity did not include anything sufficiently distinctive to evidence of copying.³⁴

The Respondent’s Dilemma

Notably, Lindgren J in *Ferntree Homes v Bohan* went on to uphold the credit of the witnesses but allow for unconscious reproduction.³⁵ While strictly in accordance with doctrine, that outcome highlights the problematic application of copyright claims in an industry where pervasive access and competitive pressures can innocently lead to the creation of works that are so strikingly similar that they might otherwise support an inference of conscious or unconscious copying. A prudent builder would be well-advised to maintain contemporaneous documentation demonstrating the independent evolution of their works. In *Inform Design & Construction Pty Ltd v Boutique Homes Melbourne Pty*

Ltd, Weinberg J considered the possibility of subconscious copying and concluded that, despite objective similarities:³⁶

What sets this case apart is not simply the credibility that I attach to each of the Boutique witnesses regarding this matter but also the contemporaneous documentation tendered to me that shows the development and evolution of the Villa View... It is easy to see how the [respondent's earlier design] transformed into the various Villa Grand permutations, culminating in the Contemporary Villa Grand.

While it is plainly not for the courts to tell a builder how to go about their design process, and there is no formal reversal of onus, the absence of drafts that might otherwise evidence the independent creation of objectively similar plans leaves potential respondents with limited capacity to rebut an allegation of copying.³⁷ Even then, a progression of drafts does not guarantee immunity from liability. A previously non-infringing plan might, during the revision process, organically and inadvertently develop into a design which is objectively similar to a claimant's work. The question of whether there was actual copying will then be expected to rest heavily on the credit of the witnesses.³⁸

Similarly, staff turnover presents a dual problem for respondents. Where a respondent's employee was formerly employed by a claimant, the question of access is definitively resolved and the question of unconscious copying comes to the forefront:³⁹

[W]hile Mr Mehl denies that he made any reference to the Carlisle Homes Plans when he participated in the design process, this does not exclude the possibility that he unconsciously copied the Carlisle Homes Plans with which he was closely familiar.

Conversely, a respondent's former employee now employed elsewhere may undercut the respondent's defence if subpoenaed to account for their part in the respondent's design process.⁴⁰

A respondent who cannot readily produce evidence to rebut an allegation of copying in the face of works that have substantial similarity faces a dilemma as to how to proceed. If it denies copying, it risks an adverse inference being made on the basis of possibility of access and objective similarity, as in *Barrett v Dennis*, at which stage its credibility in the litigation will be damaged. But admitting copying is a serious risk. The Full Court in *Clarendon Homes v Henley Arch* cited a proposition that:⁴¹

[I]n a case where there has been deliberate copying, the Court will not look kindly on a defendant when the plaintiff seeks to establish that what has been copied is sufficiently objectively similar to the plaintiff's work.

That is, once deliberate copying has been established by admission or adverse finding, the question as to whether the copied work is objectively similar is to be approached on

a more critical footing. That proposition has considerable history,⁴² and is the second of the two ways in which the questions of causal connection and objective similarity overlap (the first being the use of objective similarity as evidence from which to infer actual copying).⁴³ This article will return to that proposition, and its implications, throughout.

As will be seen from the further discussion below, those overlaps between what are ostensibly separate inquiries create problems for the case law and have resulted in a departure from the proper mode of inquiry.

Objective Similarity

Originality and the Pressure Towards Sameness

Justices Wilcox and Lindgren, explaining what they called the "pressure towards sameness", identified a set of features common to competing project homes:⁴⁴

[T]he size, number of rooms and facilities will vary according to the price range. Commonly, however, those in the same price range will be found: (a) to be designed to fit blocks of approximately similar shape and dimensions; (b) to provide for vehicular access and accommodation; and (c) to include features demanded by the market in question, such as, a certain number of bedrooms, a laundry, a kitchen, a family or rumpus room, an ensuite and a walk-in wardrobe (WIR) in association with the main bedroom, built-in wardrobes in the other bedrooms, at least one bathroom in proximity to the other bedrooms, and certain facilities in the kitchen such as a sink, bench, dishwasher, stove, hot plate and microwave oven.

Their Honours' prosaic description suggests that – between the number of competing plans for a given price or square meterage and the functional dictates that limit creativity within those bounds – it will be difficult for any claimant to establish the necessary degree of objective similarity except in the rare case where wholesale copying has occurred or a unique innovation has been copied. In *Medallion Homes Pty Ltd v Lares Homes Pty Ltd*, Besanko J observed, "In the case of low or medium cost housing, the originality of the design will necessarily be limited given the more restrictive functional requirements that the plan would need to accommodate."⁴⁵

But if the pendulum swings too far the other way, and protection is afforded exclusively to strikingly novel or unique elements, such as the "al fresco quadrant" so successfully litigated by Barrett Property Group, the question then arises whether monopolies are thereby being awarded to ideas rather than expressions.⁴⁶ As Wilcox and Lindgren JJ in *Tamawood Ltd v Henley Arch Pty Ltd* said, "The idea-form distinction, often elusive, is particularly so in the case of project homes."⁴⁷ Gatford argues that, for certain architectural ideas, only a single expression is available.⁴⁸

It is curious that respondents have often conceded subsistence in infringement claims. In *Meticon Homes Pty Ltd v Barrett Property Group Pty Ltd*, the Full Court said that, by so conceding, the defendant:⁴⁹

... thereby conceded that the Copyright Works were original artistic works within the meaning of s 32(1) of the Act. Their reliance on evidence which tended to show that the arrangement of a rumpus, family, kitchen and meals room around a courtyard or patio to the side of a home was commonplace in the industry sits uncomfortably with this concession.

With respect, however, a concession as to subsistence of copyright in a house plan should not mean a respondent cannot show that certain arrangements or elements of the house plan were not original. Only a minimal degree of creativity or “independent intellectual effort” is required; not novelty or inventiveness in the sense relevant in patent law.⁵⁰ It should be said that the problem is not with determining originality in the claimant’s work in the sense of authorship, which is well-established in architectural plans and generally conceded. Rather, the question of originality in the context of reproduction – for the purpose of establishing that a “substantial part” has been taken – is whether a particular element or arrangement of elements in an architectural plan is a protected expression. Accordingly, simply conceding subsistence where not much is required to establish that criteria does not mean the question of originality of the arrangements or elements that are said to be copied cannot be in serious issue.

Taking of a Substantial Part

The question whether a substantial part has been taken is a question of fact and degree: does the respondent’s plan (or house) reproduce a substantial part of the claimant’s plan?⁵¹ More specifically, do the parts taken represent a substantial part of the labour, skill and judgment of the author that made the earlier work “original”?⁵²

Australian courts’ various pronouncements as to the process of inquiry are predominately made up of admonishments as to what not to do: do not dissect the plans to determine whether individual elements are distinctive but rather consider the work as a whole;⁵³ complete and accurate correspondence between the original and infringing works is not required;⁵⁴ do not merely point to dissimilarities between the various plans;⁵⁵ it is not necessary to show perfect reproduction of a substantial part;⁵⁶ but basic similarity is not sufficient.⁵⁷

The Full Court in *Clarendon Homes v Henley Arch* gave some guidance by saying that the “allegation will be made out if what has been taken is an important or material part of the plaintiff’s work,”⁵⁸ but cautioning that “a part of the plaintiff’s work which by itself has no originality will not normally be a substantial part of the copyright and therefore

will not be protected.”⁵⁹ That observation is consonant with the subsequent observation in *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (“IceTV”) that “the quality of what is copied is critical”.⁶⁰ But, as foreshadowed above, the functionality constraint limits which parts might be considered original. As Wilcox and Lindgren JJ observed in *Tamawood Ltd v Henley Arch Pty Ltd*:⁶¹

Placing a kitchen in reasonable proximity to a dining room, and bedrooms in reasonable proximity to each other and to a bathroom, is suggested by broad functional considerations. Those proximities would not be a substantial part of a plan or house regarded as an artistic work. Moreover, they would be ideas. But broad functional requirements can be satisfied in more ways than one. Some features of a project home plan may be dictated by aesthetic and decorative concerns, for example. In these ways, the labour, skill and judgment of the author are called upon. The dividing line between that which is dictated by broad functional requirements and that which is not, is, however, often unclear.

But at the other end, copying the broad outlines of a plan might not amount to infringement, especially if one accepts that certain details are dictated by necessity. In *Collier Constructions v Foskett Pty Ltd*, the reproduction of the perimeter of a plan – but not placement of doors, windows, cupboards and like features – was not a substantial taking.⁶²

In light of the preceding principles, the various proceedings relating to Barrett Property Group’s “al fresco quadrant” invite some scrutiny. While each individual proceeding progressed differently with regard to the evidence as to copying, the net effect in each proceeding was an acceptance that Barrett Property Group’s innovation of arranging rooms around a mid-way courtyard under a single roof-line was a substantial part of Barrett Property Group’s plans.⁶³ While identifying a distinctive element of an otherwise conventional plan is plainly a suitable step in identifying an element in common between the original and the allegedly infringing plans, the problem with focusing on a single distinctive element is that it becomes akin to protection of an idea.⁶⁴ The question, accordingly, is how the result in the Barrett Property Group cases is to be reached as a matter of principle in circumstances where protection is narrowly afforded. The problem is that the above conventional principles guiding the assessment of objective similarity do not necessarily point to the factual result obtained in those proceedings. Rather, the outcome appears to owe a great deal to the idea cited above that once deliberate copying has been established, the goalposts of objectively similarity are shifted in favour of the claimant.

The concern this raises is obvious. Is there a principled basis in copyright law for lowering the threshold at which objective similarity is assessed once a finding of deliberate copying is made? And if so, is it possible or permissible for the overlapping inquiries to inform one another such that an inference of actual copying based on an inspection revealing

substantial objective similarity might in turn lower the threshold at which the court regards what is taken as having been a substantial part of the earlier work? For reasons below, the answer ought to be “no”.

Overlapping Inquiries and the animus furandi

It is unsurprising, given how hard-fought the cases tend to be on the issue of actual copying, that the courts tend to acknowledge the overlapping impact of that finding on their assessment of whether a substantial part has been taken.

In *Barrett v Dennis*, Dodds-Streeton J said, “In a case of deliberate copying, the objective similarity necessary to prove infringement may be less than that required to support an inference of subjective copying.”⁶⁵ More recently, Murphy J in *Carlisle Homes Pty Ltd v Tick Homes Pty Ltd* said, “... it can be artificial to consider [the elements of reproduction] separately, and where access to and use of a copyright work is found to have occurred, a finding of copying can add significance to ‘objective similarity’.”⁶⁶ In *Venezuela Pty Ltd v Bright*, Sweeney DCJ said, “Where the evidence shows deliberate copying, whether by way of an admission to that effect or an inference drawn to that effect, the courts have shown a willingness to be more readily inclined to find objective similarity.”⁶⁷ In *Henley Arch v Lucky Homes*, Beach J put it that:⁶⁸

... the animus furandi may be relevant to the present question. Where there is deliberate copying, this may assist to more readily conclude that there is the requisite sufficient objective similarity between the infringing and copyright works or a substantial part of the copyright work.

Going further, Lindgren and Finkelstein JJ in *Eagle Homes v Austec Homes* said:⁶⁹

... where subjective copying occurs, there can be expected to be found an infringement, unless it transpires that the [copier’s] product is so dissimilar to the copyright work that the copyright work can no longer be seen in the work produced.

The Full Court in *Clarendon Homes v Henley Arch* attempted to distinguish the overlapping inquiries as to similarity for the purpose of inferring copying and for the purpose of identifying a substantial part, and to give guidance for undertaking the separate inquiries.⁷⁰

The question whether, in the absence of an admission, copying (that is a causal nexus between the plaintiff’s work and the defendant’s work) is established is not the same as the question whether, once copying has been established, the whole or a substantial part of the plaintiff’s work has been appropriated. We accept that very often the two issues will overlap. But nevertheless they are discrete issues and the answer to one does not necessarily produce an answer to the other.

In that respect, their Honours’ comments appropriately distinguish between the tests for each element of reproduction and, if read alone, could be understood merely as an acknowledgement that the same evidentiary findings may contribute to the factual findings as to whether a causal connection can be inferred and whether there is sufficient objective similarity. But the Full Court continued:⁷¹

Further, in a case where there has been deliberate copying, the Court will not look kindly on a defendant when the plaintiff seeks to establish that what has been copied is sufficiently objectively similar to the plaintiff’s work.

The Full Court went on to recite the classic dicta of Starke J, “It is not for the court to make the way of the taker of copyright matter easy,”⁷² and said:⁷³

In determining whether there has been infringement it is appropriate to bear in mind the fact, if it be the fact, that the defendant has made unmeritorious use of the plaintiff’s work. Then it is easier to find misappropriation.

In the author’s view, those statements cannot now be correct, if they ever were. They amount to a proposition that a finding of copying “lowers the bar” for the separate question whether there has been taking of a substantial part. The proposition effectively formalises the incomplete logic that “what is worth copying is prima facie worth protecting.”⁷⁴ Reliance on that aphorism was criticised by Sackville J in *Nationwide News Pty Ltd v Copyright Agency Ltd* insofar as it has been extended from its original context – subsistence – to the question of objective similarity.⁷⁵

... the test has a certain “bootstraps” quality about it. ... It is therefore unlikely to be of great assistance in determining whether a particular reproduction involves a substantial part of a work or subject matter of copyright.

It should be acknowledged that the Full Court in *Clarendon Homes v Henley Arch* said that the approach that it proposed ought not apply universally, in so far as unconscious as opposed to deliberate copiers would not be subject to the lowered bar in respect of objective similarity, but rather that the latitude in favour of the plaintiff should be applied only “when the trial judge regards the position as finely balanced”.⁷⁶ With respect, that qualification of the proposition does not assist. Courts are daily called upon to decide finely balanced questions of fact and there are bodies of law governing the way those findings are to be made. While the question of taking of a substantial part is frequently a difficult inquiry for courts to undertake,⁷⁷ an arbitrary “tie-breaker” in favour of rights-holders is inconsistent with the balanced aims of the copyright regime as it might be viewed through the lens of *IceTV*. The Full Court’s remarks in that respect sit awkwardly with the nature of copyright in the modern era. Copyright subsists only by reason of the *Copyright Act* 1968 (Cth). Leaving to one side the *droit moral*, copyright is a

limited right granted by statute entailing only the rights and remedies provided for. Prior to the modern enactment, it was common for courts to take account of the intention of the copier: Lahore cites by way of example *Bradbury v Hotten*⁷⁸ and *Hanfstaengl v Empire Palace*, in which Lord Lindley said, “... in doubtful cases the extent to which the copying has been carried and the object sought to be attained by the copies complained of are matters which must be considered.”⁷⁹ The rationale underpinning that approach to copyright was described by Gummow, Hayne and Heydon JJ in *IceTV*:⁸⁰

The importance attached in the nineteenth century to the protection by injunction of legal rights, provided they were proprietary in nature, encouraged the treatment by the courts of copyright as the reward for productive labour; hence the use in some of the cases of the agricultural metaphor of sowing and reaping.

But it is clear, following *IceTV*, that constructions of the relevant tests that are based on, and give effect, to a presumed moral superiority of rights-holders are inconsistent with the purpose of the modern copyright regime set out in the *Copyright Act 1968* (Cth):⁸¹

A safer, if necessarily incomplete, guide when construing Pt III of the Act is the proposition that the purpose of a copyright law respecting original works is to balance the public interest in promoting the encouragement of ‘literary’, ‘dramatic’, ‘musical’ and ‘artistic works’, as defined, by providing a just reward for the creator, with the public interest in maintaining a robust public domain in which further works are produced.

In the author’s view, there is no basis in the *Copyright Act 1968* (Cth) or in principle to conclude that the answer to the question whether there has been copying can of itself help to determine whether the copying is of a substantial part. To the extent that the proposition from *Clarendon Homes v Henley Arch* – that a finding of deliberate copying will assist in determining objective similarity⁸² – continues to be cited, its true scope in modern Australian jurisprudence ought to be confined to an acknowledgement of the self-evident fact that some evidence which supports an inference of actual copying – such as an overwhelming similarity between the original and infringing works – may similarly be evidence supporting a finding that the copied part is the whole or a substantial part of the original work.

Conclusion

The proposition recited by the Full Court in *Clarendon Homes v Henley Arch* frequently arises for application in volume building cases by virtue of the matters that: (a) the question of actual copying is usually hard fought; and (b) the question of objective similarity – particularly whether there has been taking of a substantial part – is made more difficult by the “pressure towards sameness”.

The polar outcomes in cases such as *Meticon v Barrett* – where the respondent’s defence fell apart on the question of deliberate copying – and *Inform Design v Boutique Homes* – where the respondent’s credible explanation as to the independent development of their plans was accepted – demonstrate the heightened significance of actual copying in an area of litigation where there is less room for novelty, and less room for a claimant to succeed on objective similarity in isolation. For a claimant to succeed on objective similarity in isolation, the part taken must be something not so distinctive that it is the only possible expression of an idea, but a sufficiently substantial part of the whole that its copying demonstrates an infringement, and which is not itself taken from elsewhere or dictated by the functional requirements of volume building.

There are legitimate and unavoidable overlaps between matters that are relevant to each element of the reproduction test. First, facts that show an objective similarity between the original work and the allegedly infringing work may also support a finding that there is a causal connection between the two works. Second, and conversely, facts that go to show that there is such similarity that a causal connection must be inferred would also go to show that the copied work is objectively similar. In the author’s view, the jurisprudence in this area would be better if the overlap between the inquiries were expressly confined to those evidentiary correspondences.

There has been a strong tendency in Australian courts – partly observable in the judgments cited in the preceding part of this article, but more tellingly in the consistency of the outcomes where deliberate copying is established – to resolve the difficult issues of originality and identifying a “substantial part” that arise in volume building cases by reference to the separate question of copying. But the courts’ apparent difficulty with disentangling the question whether there has been copying from the question whether the copying is of a substantial part leaves the case law in an unsatisfactory condition. It would be a mistake for courts to continue, in a post-*IceTV* world, to allow the legitimate overlap between the two independent questions to stray into a false inquiry whereby the assessment of objective similarity can be bootstrapped based on the animus furandi or subjective intention of the alleged infringer. To do so would perpetuate legal uncertainty for rightsholders and respondents by allowing unpredictable subjective factors to influence the determination of what is properly an objective assessment of similarity.

- 1 Angus Christophersen is a barrister at the Victorian Bar. The author gratefully acknowledges the comments and input of Tom Cordiner QC and Fiona Rotstein on a draft form of this article.
- 2 *Tamawood Ltd v Henley Arch Pty Ltd* (2004) 61 IPR 378, 386 [38].
- 3 (1999) 46 IPR 309, 310 [1] (“*Clarendon Homes v Henley Arch*”).
- 4 *Copyright Act* 1968 (Cth) ss.32 and 10(1): “‘artistic work’ means (a) a painting, sculpture, drawing, engraving or photograph, whether the work is of artistic quality or not; (b) a building or a model of a building, whether the building or model is of artistic quality or not...”
- 5 See e.g. *Henley Arch Pty Ltd v Lucky Homes Pty Ltd* (2016) 120 IPR 317, 350 [179] (“*Henley Arch v Lucky Homes*”): “For the purposes of this Act, an artistic work shall be deemed to have been reproduced: (a) in the case of a work in a two-dimensional form – if a version of the work is produced in a three-dimensional form; ... and the version of the work so produced shall be deemed to be a reproduction of the work.”
- 6 *Copyright Act* 1968 (Cth) s.10: “whether the work is of artistic quality or not”. See e.g. *Henley Arch v Lucky Homes* (2016) 120 IPR 317, 345 [145]–[146]: “... irrespective of their artistic quality, copyright can subsist in house plans and houses as ‘artistic works’. For copyright to subsist in a work, only a minimal degree of creativity need be demonstrated.”
- 7 *Apple Computer Inc v Computer Edge Pty Ltd* (1986) 161 CLR 171, 182–3.
- 8 *Copyright Act* 1968 (Cth) s.35; *Barrett Property Group Pty Ltd v Carlisle Homes Pty Ltd* [2008] FCA 375, [3].
- 9 Although cf *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, where the defendant alleged that the “original” plan was itself a copy of a third party’s plan, which plan the enterprising defendant acquired after the commencement of proceedings and which formed the basis of its counterclaim: at 311 [2]. Unfortunately for the defendant, it failed to establish copying in respect of the recently acquired plan: at 318 [34].
- 10 *SW Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466, 472:
The notion of reproduction, for the purposes of copyright law, involves two elements – resemblance to, and actual use of, the copyright work, or, to adopt the words which appear in the judgment of Willmer LJ in Frances Day & Hunter Ltd v Bron [1963] Ch 587 at 614, ‘a sufficient degree of objective similarity between the two works’ and ‘some causal connection between the plaintiffs’ and the defendants’ work’.
- Note that the two requirements to make out infringement are not set out in the language of the relevant section but rather are the elements of reproduction: *Copyright Act* 1968 (Cth) s.36(1):
Subject to this Act, the copyright in a literary, dramatic, musical or artistic work is infringed by a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Australia, or authorizes the doing in Australia of, any act comprised in the copyright.
- 11 (1999) 46 IPR 309, 314 [18].
- 12 *Tamawood Ltd v Habitare Developments Pty Ltd* (2015) 112 IPR 439, 451–2 [44]–[45].
- 13 See e.g. the vaunted “al fresco quadrant” in, inter alia, *Metricon Homes Pty Ltd v Barrett Property Group Pty Ltd* (2008) 75 IPR 455 (“*Metricon v Barrett*”).
- 14 See e.g. *Venezuela Joint Ltd v Bright* [2017] WADC 79. Although the consequences of joint ownership are arguable, prospective litigants should be aware of the risks of being deemed to be a joint author through collaboration that crosses the idea-expression divide: see e.g. *Seven Network (Operations) Ltd v TCN Channel Nine Pty Ltd* (2005) 146 FCR 183.
- 15 Typically, three or four figures. See e.g. *Macedab Pty Ltd v Onions* (unreported, Queensland Supreme Court, Demack J, 8 May 1998). However, builders, architects or draughtspersons who have been involved in the infringement may also be liable to the claimant in respect of any profits earned.
- 16 See e.g. *Wood v Kempe* (1995) 32 IPR 37.
- 17 (2016) 120 IPR 317.
- 18 See also, more recently, *Henley Arch Pty Ltd v Del Monaco* [2019] FCCA 3848, [85]–[97], where similarly egregious copying was proved in respect of an individual dwelling despite the absence of direct interaction between the claimant and the infringer.
- 19 (2016) 120 IPR 317, [208]–[213].
- 20 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 314 [18].
- 21 See e.g. *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 313 [14]; *Barrett Property Group Pty Ltd v Dennis Family Homes Pty Ltd* (2011) 91 IPR 1 (“*Barrett v Dennis*”).
- 22 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 314 [15] citing *Arnstein v Porter* (1946) 154 F2d 464, 468 (2d Cir, 1946).
- 23 See e.g. *Barrett v Dennis* (2011) 91 IPR 1, 97 [550]–[554].
- 24 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 315 [27].
- 25 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 315 [27].
- 26 *Barrett v Dennis* (2011) 91 IPR 1, 61 [295].
- 27 (1999) 46 IPR 309, 313–14 [15].
- 28 See e.g. *Henley Arch v Lucky Homes* (2016) 120 IPR 317.
- 29 See e.g. *Metricon v Barrett* (2008) 75 IPR 455.
- 30 (1999) 87 FCR 415, [101] (“*Eagle Homes v Austec Homes*”).
- 31 See also *Masterton Homes Pty Ltd v LED Builders Pty Ltd* (1996) 33 IPR 417.
- 32 (2002) 54 IPR 267, 271 [23].
- 33 (2010) 87 IPR 476.
- 34 *Ron Englehart Pty Ltd v Enterprise Constructions (Aust) Pty Ltd* (2010) 87 IPR 476, 487 [38], 495 [71].
- 35 (2002) 54 IPR 267, 271 [24].
- 36 (2008) 77 IPR 523, 547 [131].
- 37 See e.g. *Barrett v Dennis* (2011) 91 IPR 1, 74 [385]–[386] and 100–101 [569]. It has been said in other cases that there is an onus on the alleged infringer to explain similarities that are unlikely to have arisen without copying: *Pacific Gaming Pty Ltd v Aristocratic Leisure Industries Pty Ltd* [2001] FCA 1636.
- 38 See e.g. *LED Builders Pty Ltd v Eagle Homes Pty Ltd* (1996) 35 IPR 215; cf *Ron Englehart Pty Ltd v Enterprise Constructions (Aust) Pty Ltd* (2010) 87 IPR 476, in which Jessup J found that, despite marked similarities between the plans, deliberate copying was unlikely because the unreliability and behaviour of the respondent’s director was such as to justify the conclusion that, if the respondent had in fact engaged in deliberate copying, it would have done so in an obvious and unguarded way: 495 [69].
- 39 *Carlisle Homes Pty Ltd v Tick Homes Pty Ltd* [2018] FCA 973, [34].
- 40 See e.g. *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 311–12 [4]–[6].
- 41 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 316 [28].
- 42 See e.g. *Blackie & Sons Ltd v Lothian Book Publishing Co Pty Ltd* (1921) 29 CLR 396, 404; *SW Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466, 484; and see the result in *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* (2008) 172 FCR 580. But see also Susan Gatford, “My Plan, Your Plan, Whose Plan?” (2009) 83(7) *Law Institute Journal* 40: “Ultimately, the notion that what’s worth copying is worth protecting is perhaps reflected in the judgments more often than those judgments acknowledge.”
- 43 *Inform Design v Boutique Homes* (2008) 77 IPR 523, 536 [69].
- 44 *Tamawood Ltd v Henley Arch Pty Ltd* (2004) 61 IPR 378, 386 [38].
- 45 [2016] FCA 12, [25], citing *LED Builders Pty Ltd v Masterton Homes (NSW) Pty Ltd* (1994) 30 IPR 447, [218] and *Tamawood Ltd v Henley Arch Pty Ltd* (2004) 61 IPR 378, 391 [56].
- 46 In each instance where infringement was found, it was not the idea of an al fresco area in the midst of the property that was protected but rather the arrangement of rooms and features in connection with it. The distinction, however, is perhaps exceedingly fine.
- 47 *Tamawood Ltd v Henley Arch Pty Ltd* (2004) 61 IPR 378, 386 [39].
- 48 Susan Gatford, “My Plan, Your Plan, Whose Plan?” (2009) 83(7) *Law Institute Journal* 40: “The idea of a round kitchen bench is drawn on plans as a circle, and ... a circle is a circle. So if you go and look at a house with a round kitchen bench and you decide that this is a good idea and incorporate it into your own plans (as the theory of copyright permits you to), the plan that you create ends up being a copy of the expression of that idea as well.”
- 49 (2008) 75 IPR 455, 462 [43].

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- 50 *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601, 608–609; *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 312 [10]; *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458, 474 [33] (“IceTV”).
- 51 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 317 [37]; *Beck v Montana Constructions Pty Ltd* [1963] 5 FLR 298, 300; *Ancher, Mortlock, Murray & Woolley Pty Ltd v Hooker Homes Pty Ltd* [1971] 2 NSWLR 278, 289.
- 52 *Tamawood Ltd v Henley Arch Pty Ltd* (2004) 61 IPR 378, 391 [55].
- 53 *Eagle Homes v Austec Homes* (1999) 87 FCR 415, [75], citing *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273, 285.
- 54 *Henley Arch v Lucky Homes* (2016) 120 IPR 317, 346–7 [160] citing *S W Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466, 482.
- 55 *Henley Arch v Lucky Homes* (2016) 120 IPR 317, 346 [159].
- 56 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 317 [37] citing *British Northrop Ltd v Texteam Blackburn Ltd* [1974] RPC 57.
- 57 *Macedab Pty Ltd v Onions* (unreported, Queensland Supreme Court, Demack J, 8 May 1998), 20–1.
- 58 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 317 [37] citing *Dixon Investments Pty Ltd v Hall* (1990) 18 IPR 490, 494.
- 59 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309 citing *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 WLR 273, 293.
- 60 *IceTV* (2009) 239 CLR 458, 473 [30].
- 61 *Tamawood Ltd v Henley Arch Pty Ltd* (2004) 61 IPR 378, 391 [56].
- 62 (1991) 20 IPR 666.
- 63 See e.g. *Meticon Homes v Barrett* (2008) 75 IPR 455 [56].
- 64 Susan Gatford, “My Plan, Your Plan, Whose Plan?” (2009) 83(7) *Law Institute Journal* 40.
- 65 (2011) 91 IPR 1, 61 [293].
- 66 [2018] FCA 973, 29.
- 67 [2017] WADC 79, [62]. Sweeney DCJ went on to say, “The logic behind this appears to rest on the premise that, if the infringer has been motivated to copy, then what has been copied must need protection.”
- 68 (2016) 120 IPR 317, 347 [164].
- 69 (1999) 87 FCR 415, [86].
- 70 (1999) 46 IPR 309, 316 [27].
- 71 (1999) 46 IPR 309, 316 [28].
- 72 *Blackie & Sons Ltd v Lothian Book Publishing Co Pty Ltd* (1921) 29 CLR 396, 404. Their Honours similarly cite *SW Hart & Co Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466 at 484 and *Ancher, Mortlock, Murray & Woolley Pty Ltd v Hooker Homes Pty Ltd* [1971] 2 NSWLR 278.
- 73 (1999) 46 IPR 309, 319 [38].
- 74 *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601, 610.
- 75 (1996) 136 ALR 273, 290. See also *Network Ten Pty Ltd v TCN Channel Nine Pty Ltd* (2004) 218 CLR 273, 281–282 [14] (McHugh, Gummow and Hayne JJ).
- 76 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 319 [39].
- 77 Lahore, *Copyright and Designs* (looseleaf, Lexisnexis Butterworths) [34,120].
- 78 (1872) LR 8 Ex 1, 5.
- 79 [1894] 3 Ch 109, 128.
- 80 (2009) 239 CLR 458, 484–485 [69].
- 81 (2009) 239 CLR 458, 485 [71]. It should be noted that this approach has not been universally adopted in Australia, at least prior to *IceTV*. For instance, Finkelstein J, also a member of the Full Court in *Clarendon Homes v Henley Arch*, said in *TCN Channel Nine Pty Ltd v Network Ten Pty Ltd (No 2)* (2005) 216 ALR 631 at 637 that harm suffered by the claimant as a result of the alleged infringement might be relevant to the question of objective similarity if “it may indicate that the extent of the taking has been unfair, for example when it causes the plaintiff injury by reducing his profits. [Or] it may be evidence of a straightforward piracy, being an intentional ‘stealing’ for profit of the author’s skill or labour. Last, it might highlight that the part taken is important, vital or material in the sense that the part gives the work its financial value.” It is unclear whether Finkelstein J’s approach survives *IceTV*.
- 82 *Clarendon Homes v Henley Arch* (1999) 46 IPR 309, 316 [28].

Cybercrime: Targeting Your Intellectual Property

Graeme Edwards¹

Introduction

Cybercrime is a word becoming more familiar to all sectors of the community. Individuals, businesses, organisations and many governments have fallen victim to the many forms of cybercrime activity, and not all the attacker's methodologies are sophisticated or particularly technical. The fear of being the victim of a cybercrime brings stress and anxiety to those responsible for protecting their corporate network and intellectual property as the methodologies and tools available to the attacker increases in sophistication and reports of large businesses and governments being successfully hacked have become daily news.

The media regularly present information on cyber-attacks and how personal, corporate or government security has been breached. Barely a day goes by without mention of another major successful cyber-attack against a business or government with troves of data stolen, to be exploited at the wishes of the attacker. An online search will uncover many businesses who have been breached by a multitude of cyber-attacks with the serious consequences that follow.

This article presents a non-technical perspective of the cybercrime environment including from that of the attacker. This can only be a generalised picture as the cyber landscape evolves with the collective minds of the cybercriminal community building on successful strategies and sharing their knowledge and resources. It is not feasible to identify every attack methodology or defence strategy, however this article seeks to provide an introduction to the threat cybercrime presents to law firms and an insight into the digital environment in which IP lawyers and trade mark or patent attorneys operate.

A further feature of this article is to provide a general understanding of how the cybercriminal may perceive IP practitioners. Commercial law is a data-rich environment containing large volumes of commercially sensitive material, and we shall gain an understanding of the value of this material to the cybercriminal and their associates and how they may seek to financially profit from successfully attacking your business.

The cybercrime environment

Cybercrime is a professional enterprise to many with the rewards to the attacker being significant. Cybercrime has evolved over the past decades to become a full criminal enterprise with the limits on financial rewards only being restricted by the attacker's technical or social engineering skill sets, personal networking relationships and imagination.

The ability to obtain access to others' individual and professional lives remotely has expanded the criminal community where any person has the potential capacity to break into another person's device, regardless of where in the world they are.

To the cybercriminal, there is little risk in attacking the computers of others. Victims often do not identify they are the victim of a crime, and when they do, it is often months after the event and crucial evidence such as computer logs providing details of the event have been overwritten and lost. More overt attacks such as ransomware attacks where the victim's devices are encrypted are hidden behind layers of technology and the crime executed across multiple international legal jurisdictions.

There is little cost or effort involved in becoming a cybercriminal. Online tutorials, peer-learning and free tools are available to the new entrant, with experienced cybercriminals passing on lessons they have learnt throughout their career. In some instances, criminal web sites have provided one-to-one peer tuition to the cybercriminal having problems in executing their online crime. Some attack toolkits are little more than point towards a target, engage the platform and the tools undertake the technical components of the attack, identifying vulnerabilities and exploiting them upon the direction of the attacker.

There are so many targets available on the internet, more experienced cybercriminals are happy to pass on their knowledge, build their personal brand as leaders within the community and offer their specialist services through the criminal marketplaces. These people have learnt from the lessons of others and are developing their personal reputation as leaders within the cybercrime community.

The cybercriminal has all the advantages over their target which may be specifically chosen, or purely at random. The security team has to be constantly vigilant to the ever-

expanding methodologies of cybercriminals and deflect each attack, whilst the attacker has to be successful only once.

The days of the information technology team being given a sum of money to protect the business whilst the Board and managers focus on business development are well past as cyber security is the responsibility of every member of an organisation from the Board to the most junior employee.

One of the more unusual aspects of the cybercrime environment is a business may lose all their corporate and their clients' IP as well as their clients' data they may be in possession of and make no effort to try and find out who the attacker was or what they are going to do with the information. They will also not refer the matter to police or make any attempt to recover the potentially millions of dollars of stolen assets before they are exploited. Whilst there may be arguments to support the decision to not make any efforts to identify the cybercriminal or recover the assets, it makes the business of cybercrime financially lucrative and safer for the cybercriminal.

The attack strategies used will be those which suit the attacker and there are many variations. In the next section, I will introduce a variety of strategies and highlight why they may be successful.

Cyber-attack methodologies

Attack methodologies are only limited by the knowledge and imagination of the attacker. As they expand their personal networks, new strategies are developed, and trial-and-error corrects weaknesses. The unsuccessful attack today becomes successful tomorrow after analysis and correction. Tradecraft evolves, developing new strategies for which defences are not known or are generally not implemented.

Cybercriminals may operate using their technical or social engineering skills. Examples of technical methodologies includes exploiting vulnerabilities in the target network, the delivery of phishing emails or malicious software commonly referred to as malware. Examples of social engineering includes walking into a premise and stealing data whilst representing themselves as being an employee, or speaking to a staff member through the phone or online and obtaining valuable information.

Cybercriminals may also operate as an individual or within a team where different members provide different skill sets. Organised crime networks operate using a professional structure which would be common to any corporate entity with chain of commands, reporting structures and separate divisions.

As can be seen, cybercrime is a highly professional crime type, with the attackers having many advantages. The automation of cyber-attack tools and the capacity of seeking multiple potential targets at the same time means being a

small target on the internet has no cyber security value, nor thinking you have little a cybercriminal would want. If you have data, you are a target.

Cyber security has evolved from being the preserve of a small team of technical operators to a whole-of-business operation. Providing financing to the cyber security team and taking no further notice of them has been a policy of many businesses, but is no longer functional. The cyber security team with the best funding, operating to best practice with constant training can only take cyber security within the organisation so far, as their hard work can be undone by an organisation employee unknowingly making a poor decision such as installing an infected USB device into the network or clicking on a link within an email from an unknown source. Cyber security is the responsibility of every team member on a daily basis. It can be argued this is a key pillar of the future viability of any organisation.

A brief introduction to common attack methodologies and the vulnerabilities they seek to exploit are as follows:

Hacking

Computer hacking is one of the most recognisable cybercrime attack methodologies with this crime type existing in the 1980s before the internet became accessible to the community. Despite being a well-known crime, it is still highly successful and becoming more successful as time progresses.

A computer hack is the exploitation of the Operation System ("OS"), applications (computer programs) or security software on a device or network. It is common for the technology which operates the functions of devices and networks to need regular updating as vulnerabilities are identified and patches pushed out from the manufacturers. Microsoft update their OS regularly in a program which has gained the name "Patch Tuesday".

An OS contains millions of lines of code which may be seen as correct at the time of release, however over time, errors are identified in how it operates or interacts with other applications. Security vulnerabilities are identified by manufacturers or security specialists which need patching and, over the lifetime of an OS, there may be numerous patches pushed out to users to correct problems. Eventually, the OS manufacturer alerts the community they will no longer support a particular OS as it has been commercially superseded. Support is discontinued and vulnerabilities identified are ignored.

The vulnerability exploited is the lack of a patch management program where the individual or business actively checks for updates for their OS and applications. Many updates require a system to reboot, allowing the updates to be installed. Updates are automatically downloaded, but the system is not rebooted which means some important updates are

not installed and are therefore ineffective at correcting the vulnerability.

When an update is released by an OS or application developer, they announce the problem being fixed and how the patch works. This is important information for an organisation's system developer so they can understand the capacity for the updates to integrate and operate successfully with existing technology. Delays in updating an OS provides attackers the opportunity to seek to exploit the identified vulnerability before it is patched. It is common for several weeks to pass from the release of a patch before many users install it, correcting the vulnerability that had been identified.

A superseded OS still operated by the community is a critical risk to any network. Organisations may not update the OS due to a lack of knowledge, lack of funds or because business critical applications can only operate within that OS environment and not any updated version.

As a part of the hacking process, an attacker may conduct a reconnaissance on your internet-facing systems to identify what OS and applications are installed and what versions they are operating. This is where they identify the unpatched vulnerabilities. This probe may be specific to a target or automated where thousands of separate targets are scanned at the same time. Should you speak to your systems administrator, you will find this is an occurrence which happens multiple times each day.

The technical attacker will then decide on the attack methodology which is most likely to be successful when assessed against the vulnerabilities identified. Fully patched networks make it difficult for the average hacker to find any vulnerability they can exploit. Many will move onto easier targets, as time to them is money and, unless the attacker is highly motivated, the easier target is more lucrative than trying to break into a fully patched and secured network.

Malicious Software ("Malware")

Malware was one of the original attack strategies used by cybercriminals. In the first instance, malware was used to cause disruption, before being weaponised into an income-generating form of crime.

There are many ways an attacker will use malware, the most common being through email. Readers will be familiar with the many emails they have received with attachments such as "Your spreadsheet has been returned" even though they have not sent anyone a spreadsheet or "Confidential files---Private" which arouses the curiosity of the recipient. The delivery of malware through email is an effective way for the cybercriminal to reduce the risks of their attack being identified and avoids the problem of having to defeat a technically secure OS.

Links attached to an email are another successful malware delivery strategy. The link contacts a server where malware is hosted, and upon clicking of the link, malware is delivered onto the target's network. Activation of the prompt that follows installs the malware onto the network which is not operating within the corporate firewall.

Malware can also be downloaded by a user visiting a legitimate web site which itself has been compromised by an attacker. Malware is delivered to the visiting web browser through the links on the web site. This is called a drive-by download and is successful as the attacker exploits the trust a user has for what may be a regularly visited and trusted web site.

Another malware exploit which is a very targeted and successful attack strategy is the delivery of an infected USB device. The device will be loaded with folders and images which are infected with malware and are dropped around the building where the company the attacker wishes to target is resident.

An attacker who has a high motivation to break into the network of their target may have the USB devices engraved with the corporate logo of the target company and drop the device off at the front desk saying it was found outside and they recognised the company logo. The attacker relies upon natural curiosity of the recipient of the device who may install the USB device within the network and open files in an attempt to identify who within the entity the device belongs to. Through an employee trying to be helpful, the network has now been infected by malware and the attacker now has remote access.

Another malware exploitation may be purely accidental. An employee has their computer infected at home, installs an infected file onto a USB or external storage device, and installs it in the office. Once again, the malware is introduced within the corporate firewall and will operate as directed by its remote controller.

Malware has infected computers for decades, however, it still causes serious problems for users. Developing a strict and enforced policy on email management and the installation of email management security software provides a level of mitigation to this attack strategy. The installation of personal USB and external storage devices also requires enforced policy, with only specific devices as identified by their serial numbers able to be activated.

Password management

Passwords are a well proven methodology to obtaining remote access to a network. Passwords can be difficult to manage, especially when a user has many with requirements to use non-words, have a mixture of lower and upper case, special characters, change them regularly and not reuse the same password across accounts.

Cybercrime: Targeting Your Intellectual Property

Passwords based on a word are easily cracked by an attacker and generally take less than a second to do so. A password based on a word with an escalating number for each update is unfortunately also able to be cracked in less than a second. Attackers rely upon users to repeat passwords and use ones they can easily remember.

The reuse of passwords across multiple sites provides an attacker easy access to user's accounts and this assists in defrauding the individual, but also gaining access to restricted data. If a person remembers a single password across multiple accounts, then all the other passwords are compromised should the attacker make the effort.

A simple example of this is the identification of a person's username and password from a cyber security breach unrelated to their employer. The attacker will be interested in seeing where else their target uses that username and password, and there are specific search sites where email and usernames are searched to see if there is an account in that name registered to a site. Some search sites are able to search up to 150 sites across several minutes. Once an ID is identified, the attacker will use those credentials to access the sites and see what information of value they may mine.

Of specific note will be any information which directs them to social media accounts, bank accounts or an employer. If the remote log credentials match these sites, the person and the associated accounts are totally compromised, even though they were not the target of the initial attack and have managed a generally strong cyber security policy.

A further vulnerability of passwords is the ability to have them reset. When a user creates an account, a series of secret questions are provided which assists the user to reset the password credentials should they lose or forget their password. Questions such as "Your first school", "Your favourite holiday destination" or "First pet's name" are common security questions. The problem here is the answer to these questions can often be located through researching the target's social media pages and seeing with which groups they are associated.

Whilst a password reset facility is a useful option which has saved many users over the years from losing access to their accounts, it is a vulnerability which requires planning at the time of setting up the account. The facility such as a web email provider does not know your first school or pet's name and will not correct you if you record an answer totally unrelated to the question. It does note the answer and records that as the security question answer. An attacker's opportunity to reset your access details will be significantly more difficult if they research your first school, enter the answer and find they are incorrect. As long as you can remember the answers to the security questions that are unrelated to the question, you have made access to these facilities more difficult to the attacker.

Social engineering

Social engineering involves researching the target entity and the people within it to identify a potential point of compromise. The benefit to an attacker is the volume of people prepared to share large portions of their life online in open forums, unaware of the potential for this information to be used against them.

Like many businesses, there is advantage to a law firm maintaining an active online presence through a web site and the multitude of social media sites. Leading members of the firm may be quoted in the media as an industry expert or be identified through the many industry forums which exist. A popular first port of call of a potential hacker is to view the "Meet our Staff" pages where the skills, experience and expertise of staff are advertised to potential customers.

Navigating through the online presence of the law firm provides the attacker an understanding of the business and the services they offer. Examination of social media sites such as Facebook and LinkedIn can identify where individuals are situated within the business as well as building a strong understanding of the relationships between persons within the firm. With this data, they have the intelligence on who within the firm to target and devise a strategy which they think will most likely succeed.

Social engineering approaches may be personally, via email or phone. A social engineering approach targeting the senior executives may commence at the most junior person within the firm. Once that person's device is compromised, then the attacker may invest several months working their way through the business towards their ultimate target whether that is the financial officer or executive suite.

In a social engineering attack, a vulnerability of the law firm is they are there to provide a service to existing and new customers. They are expected to answer inquiring phone calls, emails of introduction and communication from existing clients and business associates. Staff are expected to be of assistance and answer the questions asked of them. As with any service industry, providing a high-quality customer service provides opportunities for a potential cybercriminal to learn more about their target or execute a social engineering attack.

Following this brief introduction to several of the common attack methodologies, I shall examine why an attacker may be interested in targeting a law firm.

How the attacker sees the law firm

A business may be specifically targeted or be the victim of a random attack. The cybercriminal may be alerted to valuable IP held by a firm through media coverage, or be aware a law firm specialises in a form of IP which the cybercriminal or their clients have a specific interest in.

Cybercrime: Targeting Your Intellectual Property

Law firms contain personal data which may be of great interest to the attacker seeking to commit acts of extortion against the firm or their clients. People have a reasonable expectation their private and sensitive matters will be secure and without public disclosure once in the care of the law firm unless the matter progresses to court. The attacker is aware people will potentially suffer stress, anxiety and trauma should their personal data be obtained by a hacker and threatened to publish it on open web sites.

Examples of data law firms have which a cybercriminal may consider to be of value stealing includes personal data of clients and staff, bank account details, financial details, client lists, email communication, IP of the firm and/or clients or business development strategies. A patent or trade mark attorney may find they are the specific target of a cybercriminal as they possess IP developed by their clients. A competitor of the solicitor's client or criminal seeking unique data to sell on the criminal markets may find it easier to hack the solicitor holding the IP or patent application than the company developing the IP or invention.

Settlement strategies including bank account details are sought to have the settlement transferred to an account controlled by the cybercriminal. This may be completed by using a social engineering strategy where an email seeking to change bank account details is forwarded to the solicitor from a client's compromised email account, or a direct hacking of the solicitor's network where bank account settlement details are directly changed. Law firms also have business relationships with competitors as well as other industry professionals. Compromise of a firm's email server allows an attacker to send emails to the firm's online contacts with malware attached, trading on the professional relationship the firm has with the other entity. The email received is accepted as normal business conduct with an established professional business partner and is not necessarily treated with scepticism.

Ransomware places stress on law firms as they cannot practice without access to their data. Clients are also stressed as they suspect their data has been compromised by the entity entrusted with its safe keeping. Paying a ransom to obtain access to your own documentation and network is a difficult decision at the best of times. Having distressed clients wondering about the security of the data they have entrusted to the law firm raises the pressure to the level where paying the ransom is an active consideration, especially when the backups have been encrypted as well.

The reputation of a law firm can also be damaged by a cyber breach, with many years of hard work being undone overnight. Many people and businesses are prepared to pay a ransom to have their computer unencrypted by a cyber attacker, however in this instance there can be no guarantee the decryption keys will be provided. Paying a criminal ransom is also an ethical and legal question to consider.

The legal fraternity is a very attractive target for the cybercriminal community due (like the medical community) to the sensitive data that is stored. Many variations of crime can be committed using this data including extortion of the individuals whose data or Personally Identifiable Information ("PII") had been taken from the lawyer's computer network, extortion against the practice, sale of the data on the criminal markets, or a person seeking to claim stolen IP as their own.

Lawyers have enough issues to deal with on a daily basis without having to worry about an unknown attacker seeking to shut down their practice. However, this is a scenario businesses face every day with many no longer existing because they were the victim of a cybercrime. The choice of targets will make sense to the attacker, even if not to the victim who feels they have nothing of value to an attacker.

The dark web

The dark web is a portion of the internet where specific software is required to access such as The Onion Router ("TOR") browser. A TOR browser appears like a Firefox browser, however, provides secure access to the portion of the internet which cannot be accessed through traditional browsers such as Safari, Chrome or Explorer.

The dark web was created by United States of America Government researchers for legitimate purposes such as allowing privacy advocates, political dissidents, government officials and journalists to communicate in countries where state surveillance of communication channels provides a risk to safe communication.

As it is with all technology, the criminal community assesses it to see how it may be used to assist them to advance their purpose. The dark web and the TOR browser provided a safer platform for them to communicate and commence selling criminal products and services. This evolved into the production of fully fledged marketplaces based on online auction sites where criminals can safely advertise a wide range of criminal goods and services such as drugs, weapons, stolen identities, access passwords to bank accounts, credit cards and IP.

Stolen IP evolved to become a very profitable source of income for sellers with a dedicated market of buyers and sellers. Corporate databases became an attractive target for attackers, especially the usernames, email addresses and passwords which were found to have been used as access credentials across many other sites such as banking. Once these credentials are obtained, the skilled cybercriminal will test them against other sites, gaining access to the wide range of sites to which specific users are registered.

The criminal markets are a highly competitive environment where sellers advertise their expertise and quality of products. Client feedback is a valuable form of advertising as it is on reputable and lawful online auction sites. On the criminal

markets, vendors accumulate feedback which establishes their credentials. Vendors also promote themselves and their successes on the many bulletin boards the marketplaces host. Disputes between buyers and sellers are dealt with by site mediators.

This article provides a brief introduction as to the professional nature of cybercriminal operations. The relevance to a law firm is there are ready markets for the IP stolen from the business and the threat to expose clients' data on the open web is legitimate. There are many forums on the dark and open web where this data is dumped to maximise pain to the victim businesses and their clients should a sought-after ransom not be paid.

The cybercriminals that target law firms may operate as individuals or as part of a network. An attacker who has motive to target your business may not have the skills to successfully break into your firm, however they may seek the services of an experienced hacker through the criminal markets who is prepared to do this service for an arranged fee.

Conclusion

Law firms hold the data of clients and are trusted to ensure they are secure. The cybercriminal community has identified that law firms hold data that is commercially and personally sensitive as well as other valuable data such as IP, client lists and records of email communication.

The criminal markets are flooded with compromised bank accounts, credit cards and PII with unique corporate data located on law firms' computer servers offering a marketable point of difference to trading competitors and providing a significant financial return to those who wish to trade and exploit this form of data.

As the data is personally and commercially sensitive, the vulnerability also exists for law firms to be the victim of extortion where a ransom is demanded or the data stolen is made publicly viewable, causing significant damage to a firm's clients and reputation.

In effect, if you are online, you are vulnerable to one of the many forms of cyber-attack. Preparing for an attack alleviates many of the initial stressors once it is identified. Having a prepared schedule of initial action means a timely response may be initiated and mitigation strategies can potentially be applied to prevent an attack being fully successful.

- 1 This article has been written for the general information of the reader only and should not be used as advice for your circumstances. Specialist advice should be obtained by qualified cyber security or related professionals to meet the needs of your organisation or self.

This article is adapted from a presentation given on 3 September 2020 to IPSANZ members.

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Sensing the Future of Copyright

Dr Vladimir Samoylov¹

Introduction

To date the vast majority of creative works are limited, in their expression, to the visual and auditory senses. Some such creative works can nevertheless indirectly communicate to our other senses as well. A delicious looking burger in a movie may cause the hungry viewer's mouth to water, and a good book may direct the reader's imagination to a particular scent by description.

In the past, the scope for direct communication to senses other than visual or auditory, has been limited, due to the technology that was available to creatives. Rapidly advancing technology, however, is expanding the creatives' canvas, making it easier to communicate original expression to multiple senses. With the growing popularity of virtual reality headsets such as the HTC Vive and PlayStation VR, as well as recent progress in complementary sensory technology, including scent expellers and virtual reality skin, a substantial rise in original multisensorial expression is especially foreseeable in the virtual reality field. Moreover, as virtual reality is of course not restricted by the laws of nature, the scope for originality, in virtual multisensorial expression, is truly vast. For example, a Christmas tree might smell like the sea, with just a hint of mint chocolate, and yet feel like jelly to the touch.

This article advocates for the protection of multisensorial works under copyright on the proviso that original expression can be clearly discerned in such works. It is not suggested that multisensorial works should be subject to a different threshold for protection than other copyright works, but rather that a more in-depth enquiry into originality is necessary at this time. While technology for communicating to the non-visual or non-auditory senses is at the relatively early stages of development, it is especially important to discern original expression from general ideas or concepts. Overly broad protection, encompassing the latter, is likely to have the undesired outcome of slowing down development, by serving as a roadblock for other, perhaps more creative individuals, working in the field.

Some of the discussion in this article is informed by interviews with designers and design-oriented businesses, as well as academics and legal practitioners specialising in intellectual property in connection with my doctoral thesis. The general purpose of the interviews was to attain interviewees' views on design protection in New Zealand. Multisensorial works and virtual reality was one of the topics discussed in this context. Relevant input from some of the interviewees is provided in this article by way of direct quotes, but names are omitted as was required by Victoria

University of Wellington's Human Ethics approval.² Due to the qualitative nature of the research, the quotes are highly contextual and are not meant to be interpreted as wholly representative or generically applicable. Quotes are included in this article where directly relevant to the context.

Part II explains what multisensorial works are. Part III outlines the key rationales for protecting such works. Part IV explains why copyright is the most appropriate intellectual property mechanism for protecting multisensorial works. While New Zealand copyright law is the focus of this article, copyright cases relevant to the topic from Australia, Europe and the United States of America, are discussed in the analysis in Part V. Practical examples, as provided by the interviewees, are also included in the analysis to illustrate how originality can be discerned in non-visual or non-auditory expression. Finally, I recommend that multisensorial works should be introduced as a new category of copyright protected work. Part VI concludes the article.

What are Multisensorial Works?

When asked to think of a creative work, one is likely to think of a book, painting, movie or song, which communicate to our visual and/or auditory senses. Although it is accurate to describe any such work as visual and/or auditory in nature, it may also indirectly communicate to our other senses as well. For example, a particular taste can be described in a book.

Moreover, some creative works are truly multisensorial, in that they communicate directly to the non-visual or non-auditory senses as well. Consider, for example, Alessi's "Mary Biscuit" cookie container, designed by Stephano Giovannoni. To evoke positive feelings and emotions associated with family, and the comfort of domestic life, the "Mary Biscuit" design communicates to multiple senses simultaneously to produce the experience.³ The typical container used for keeping cookies is a plain solid metal box with sharp edges, which is rather dull and perhaps even harsh in appearance and feel, hardly reflective of the goodness inside. Moreover, the metal material makes an unpleasant sound when dropped or even when hurriedly placed on most surfaces. On the other hand, the "Mary Biscuit" container's rounded, cushion like

design ensures minimal noise and also makes it pleasant to hold. Its soft texture is inviting of tactile interaction and is meant to inspire emotional sensations relatable to how one may feel when holding or cuddling a dearly loved soft toy. To further inspire the warm, comfortable experience, the “Mary Biscuit” design is impregnated with a vanilla essence for the purpose of utilising the meaningful memory triggering characteristic of smell.⁴ Thus cementing the consumer’s experience with the product by association with one’s own fond memories. Perhaps for example, happy memories of indulging in delicious cookies as a child, at Grandma’s house, on lazy Sunday afternoons.

Another example of a multisensorial creative work is the “Right Cup” designed by Isaac Lavi, Ori Mendelevich and Erez Rubinstein. Like almost all drinking cups, the “Right Cup” has some aesthetically pleasing visual features and, not unlike most cups, it is designed with ergonomic considerations in mind, in that it is comfortable to touch and hold. In addition to these features, the “Right Cup” is unlike other drinking cups, and is truly multisensorial, because it also incorporates a scent feature in its design. A specially formulated plastic lip embedded with aromatic flavouring encourages the consumer to drink more water, with the scent tricking the brain into thinking plain water is actually juice.⁵

Unfortunately, there are currently few example of true multisensorial works like Alessi’s “Mary Biscuit” or the “Right Cup”. Joep Frens explains this is largely due to the limitations in technology that creatives have had access to in the past.⁶ However, technology is rapidly advancing, and with the growing popularity of devices such as the HTC Vice and PlayStation VR, as well as developments in complementary sensory technology,⁷ a substantial rise in original multisensorial expression, is especially foreseeable in the virtual reality field. The question is, therefore, is it necessary to protect the intellectual property in such works?

Is it Necessary to Protect Multisensory Works?

Essentially it is a policy question, namely, whether multisensory works are, from a utilitarian perspective,⁸ socially desirable for production and dissemination, or from a naturalist perspective,⁹ sufficiently creative so as to be worthy of reward?¹⁰

Arguments Against Protection

It is arguable that legal intervention is not necessary, as there does not appear to be a lack of creativity in the virtual reality field. Anthony Reese suggests that where there is no evidence of creative deficit, protection is unlikely to serve the public interest.¹¹ It may in fact counteract an existing creative culture in the particular field. Some creators such as, for example, some software developers in the information technology industry and related fields, have an inherent distrust for intellectual property protection, viewing it as an impediment to creativity and innovation.¹² So they often

choose to licence their intellectual property via open source, which is the notion that existing works should be freely accessible to others.¹³

It is also arguable that the law should not intervene, at this time, while the technology for communicating to senses other than visual or auditory is at the early stages of development. Anything being communicated through such technology is, at this stage, likely to comprise general concepts as opposed to discernible original expressions. From a utilitarian perspective, the investment at the early stages of development, is usually not yet substantial enough to warrant a recoupment, and the work itself, from a naturalist perspective, is too basic to warrant reward.¹⁴ Thus, it would not be in the public interest to provide the owners with exclusive rights at this stage, as such protection would likely slow down development, by serving as a roadblock for other, perhaps more creative individuals, working in the field.¹⁵

Arguments for Protection

Even if there is no lack of creativity in the virtual reality field, it may nevertheless be in the public interest to protect the works being created in this field. From a utilitarian perspective, the virtual reality field may not appear lacking in creativity because it is likely driven by more than merely monetary incentives. From a naturalist perspective however, the creativity may nevertheless be worthy of reward. Hence, the reward would be a reflection of society’s gratitude for the work, as well as recognition that it is deserving of protection.¹⁶

The reason there does not appear to be an outcry for protection of non-visual or non-auditory expressions in the virtual reality field, is that technology for communicating such expression is at the relatively early stages of development. Thus, the expressions are, for now, mostly limited to general concepts, as opposed to discernible original expressions. It is, however, likely that as the technology improves those creating expressions for non-visual or non-auditory senses will become increasingly interested in protecting the expressions themselves.¹⁷ Certainly this was the case with video games. As the intricacy of video games increased, so too did the number of copyright infringement claims.¹⁸

Copyright must not protect non-auditory or non-visual expressions until originality in such expressions is clearly discernible.¹⁹ Although this is unlikely to be the case in the virtual reality field at present, it is foreseeable that originality in such expressions will become discernible.

Why Copyright?

Currently, non-visual or non-auditory virtual expressions are analogous to video games in the 1970s. Individuals working in the virtual reality field now are likely to share the mindset of pioneer game developers, who generally invested in innovation rather than litigation.²⁰ If there is anything

worth protecting during the development stages, then it is likely to be novel technology.²¹ That is, novel technology which enables them to experiment with communicating expressions to non-visual or non-auditory senses. The appropriate intellectual property mechanism for protecting novel technology is the patent.²²

It is also important to note that, in addition to protecting the technology, patents can be used to protect particular smells or tastes communicated through the technology.²³ A few novel smells and tastes may be patentable,²⁴ but most smells or tastes expressed through future multisensorial virtual works are unlikely to be substantially novel. Yet, it is foreseeable that they will nevertheless constitute original expression.

Trade marks can also be used to protect a smell, and in some instances even taste. The taste or smell must, however, be sufficiently distinctive to be capable of serving as a particular business's distinguishing mark.²⁵ It is unlikely that in the majority of cases smells or tastes expressed through multisensorial virtual works will achieve, or be utilised, for this purpose. This is because virtual works are not typically created with the objective of triggering within the consumer an association with some brand or product. A virtual work is usually the product itself,²⁶ with its creator's objective being to provide an entertaining experience for the consumer in gaming or otherwise.²⁷

The most suitable mechanism for protecting multisensory works is copyright.

The Issues

Copyright protects original expression, which falls within a copyright protected category of work.²⁸ There are therefore two key questions which need to be asked. First, can multisensorial works constitute original expression? And secondly, which category of copyright protected work do multisensorial works fall within?

Are Multisensorial Works Original?

What comprises original expression is arguably influenced by one's perception with respect to aesthetics.

Aesthetic Theory

Traditional Western aesthetic theory values the human senses hierarchically. According to traditional Western aesthetic theory, the visual and auditory senses are the higher senses of the mind.²⁹ It is through these senses that we perceive creative expressions. The remaining senses are lower senses because they are incapable of perception transcending the needs and desires of the body. In other words, these senses are subjugated to the body. The higher senses however, are capable of perception that transcends the body. Thus all creative expression is, according to traditional Western aesthetic theory, perceived by these two senses.³⁰

It is, however, arguable that traditional Western aesthetic theory is an inaccurate representation of reality. Indeed, contemporary aesthetic theory seems to be moving away from the hierarchical understanding of the senses, while the view that all senses are capable of perceiving creative expression is becoming increasingly accepted.³¹

The notion that touch is an inferior sense seems implausible when one considers the fact that it is the core sense for perceiving the physical world.³² Marieke Sonneveld and Hendrik Schifferstein use the example of interacting with a frog to illustrate this point. They explain that we can see the size, colour and shape of frog. We can also hear the sounds it makes and even smell it, but it is only through touch that we can actually feel the physical characteristics of the frog such as its weight, temperature, sliminess, elasticity, etc.³³ Moreover, it is through such tactile interaction that we perceive the border between ourselves as individual beings and the rest of material existence.³⁴ For this reason it is our most intimate sense.³⁵

Smell too is a highly intimate sense. In fact, in a study carried out by Rachel Herz and Jonathan Schooler, smell was identified as the sense that most frequently triggers emotionally meaningful memories.³⁶

A meaningful experience can likewise be perceived through the gustatory sense. Although eating is necessary for the body's survival, just because we need to eat, does not mean we need to taste.³⁷ Carolyn Korsmeyer explains how the gustatory sense can be the receptor for creative expression. People tend to associate certain tastes with certain times of year and celebrations³⁸ such as Christmas or Easter. In the preparation of a particular dish, a chef will sometimes manipulate such associations to conjure up related feelings and emotions in order to create a particular kind of dining experience.³⁹

It is important to note that even though creative expression has been traditionally communicated via the auditory and visual senses, it was not always exclusively communicated as such. A good novel, for example, is still able to communicate to our gustatory, tactile and scent senses by description, which then enables us to experience the relevant sensations by drawing on our own analogous experiences.

Moreover, just as we are able to draw on our own experiences to perceive described gustatory, tactile, and scent sensations, we are also subjugated to these so called low senses when we see a delicious hamburger on television for example. This appears to debunk the notion that the visual and auditory senses allow us to perceive independently of the body's needs and desires. Thus, it seems more accurate to say that all of our senses are subjugated to the needs and desires of the body. Understanding senses in a hierarchical manner seems to mistakenly imply that they are somehow separate entities, or that they are at least subject to separate entities, namely

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the mind and the body, with the higher senses being subject to the mind and the lower senses to the body.⁴⁰

In reality however, the senses are not separate entities, but rather different receptors of the same single core. Depending on your individual perspective, this single core may be simply called the mind, consciousness, or, as Alfred Whitehead explained:

*the Platonic and Christian doctrines of the Soul, the Epicurean doctrine of a Concilium of subtle atoms or the Cartesian doctrine of Thinking Substance ...*⁴¹

The critical question, in terms of copyright however, is whether originality can be discerned in non-visual or non-auditory expression.

Is Originality in non-Visual or non-Auditory Expression Discernible?

Subsistence of copyright in the non-visual or auditory aspects of a product was at issue in the United States in *OddzOn Products Inc v Oman*.⁴² After the Register of Copyrights refused to register the KOOSH ball, a suit was filed on the grounds that the KOOSH had tactile originality. Although initially the Register determined that tactility was not capable of copyright protection, on appeal to the District of Columbia Circuit, the Register abandoned this claim in favour of the separation argument which was, in the end, the basis for the Court's decision. The tactility of the KOOSH ball was held to be inseparable from its function.⁴³ The function of its light, elastic make up is amenability to grip, making it a good tool for teaching small children, developing their motor skills, how to catch. Although the KOOSH ball may have also had a tactile purpose, the same material that performed this function also made it pleasant to the touch.⁴⁴ This raises the question of whether it is possible to create tactile expression, or any other sensory expression other than visual or auditory, that is not also a functional feature?

There are several other examples of primarily functional features, which also express sensory feedback. A design academic (academic "A") suggested the following example:

Imagine driving on the road and you have your foot on the accelerator. Your foot, your little toe is maintaining your car at 50 or 60 miles an hour for really long periods of time. It is very imperceptible movement, but it provides sensory feedback.

Perhaps an even more basic example is a button. Frens explains that a button, at least a well-designed button, expresses that it should be pushed, without needing to have written on it "push here". Rather, this direction can be expressed in the way the button feels when interacted with. The instruction is expressed through the texture of its surface, its weight and its resistance to pressure.⁴⁵

These examples are clearly similar to the KOOSH ball, in the sense that their expressive characteristics are intertwined

with function. The next logical question is, since expression that is neither visual nor auditory is inevitably intertwined with function, does this mean such expression cannot be protected under copyright?

Although copyright in the United States requires the artistic feature of a work to be separable from its function,⁴⁶ it need only be conceptually separable.⁴⁷ In *Star Athletica LLC v Varsity Brands Inc*, the United States Supreme Court held that as long as the artistic feature, which is imagined apart from the useful article, would qualify as an original work, it can be copyright protected.⁴⁸ Physical separation is not necessary.⁴⁹ Thus, the artistic feature of a useful article is not barred from protection if the separation from the useful article would render the remaining article functionally useless, or even just less useful.⁵⁰ Moreover, the feature of the article which can be imagined as a separate artistic work need not be entirely free from utility.⁵¹ What is important is that the feature imagined to be separate can qualify as an original work.⁵²

In New Zealand, there is no separation requirement at all for copyright protection. Just because New Zealand does not have the separation requirement, however, does not automatically mean the KOOSH ball would have received copyright protection in New Zealand. Although Frens' explanation illustrates that functional features can also express sensory feedback, these examples of expression are unlikely to be sufficiently original to qualify as copyright protected works. The non-visual expression in these examples is merely directing one to experience the function. Although the originality threshold for copyright is low, this type of expression seems more analogous to expressions comprising raw facts or data. Such expressions are insufficiently original, as there is no input from the work's creator other than perhaps minimal skill and labour in reproducing the raw facts or data.⁵³ Similarly, non-visual expression that merely directs one to the function of a product may not be enough for copyright.

In New Zealand as well as in several other Commonwealth jurisdictions, courts have held compilations of factual data to be the products of sufficient skill and labour for the purposes of copyright.⁵⁴ However, Elizabeth Judge and Daniel Gervais point out that courts in several jurisdictions, including New Zealand, have taken further consideration of certain works, such as factual data compilations and derivative works, so as to ensure such works reflect sufficient contribution by the author.⁵⁵ For example, in explaining how the originality standard was satisfied in a compilation of financial survey data, the New Zealand Court of Appeal in *University of Waikato v Benchmarking Services Ltd* stressed that there was a "number of unusual or unique features which clearly result from the expenditure of significant creative effort and skill."⁵⁶ Thus, in this instance, Judge and Gervais explain, creative effort as well as the unusual or unique features were used as measures of the originality standard of sufficient skill and labour.⁵⁷

By contrast, in Australia, data compilation in the form of phone directories was held, by the Federal Court of Australia in *Telstra Corp Ltd and Another v Phone Directories Co Pty Ltd and Others Ltd* (“Phone Directories”), not to be sufficiently original for copyright protection.⁵⁸

The New Zealand *Copyright Act* 1994, is currently under review, and in the Issues Paper which was published by the Ministry of Business, Innovation & Employment (“MBIE”) in November 2018,⁵⁹ one of the questions raised for consultation, relevantly asks:

*Are there any problems with (or benefits) arising from the treatment of data compilations in the Copyright Act? What changes (if any) should be considered?*⁶⁰

There is concern that the current approach in New Zealand with respect to copyright in data compilations may be locking up the underlying data itself.⁶¹ It is not however, merely a question of whether New Zealand should adopt the approach of the Federal Court of Australia in *Phone Directories*. This is because the facts in *University of Waikato v Benchmarking Services Ltd* are clearly distinguishable,⁶² as were the facts in Australia’s earlier case in which data compilations were at issue, namely *Telstra Corporation Limited v Desktop Marketing* (“Desktop Marketing”).⁶³ In this earlier case it was held that sufficient skill had been employed in the compilation of data so as to give rise to copyright.⁶⁴ Whereas in *Phone Directories*, the compilation, although overseen by humans, was carried out by the computer program.⁶⁵ This was the distinguishing factor. The Federal Court held that copyright could have only subsisted in the phone directories if the humans involved had themselves shaped or directed the material form of the work,⁶⁶ as was the case in *Desktop Marketing*.

With respect to the main subject of this article, namely virtual multisensory works, it is unlikely (at least at this point in time) that a computer program or artificial intelligence (“AI”), will be the primary creator. It is however foreseeable with the rapid progression of AI that the issue of non-human authorship will become increasingly relevant. In their submission to MBIE with respect to the review of the New Zealand Copyright Act, the Interactive Games and Entertainment Association (“IGEA”) stated (and I agree):⁶⁷

As AI technology will continue to evolve and raise ongoing questions around authorship, we recommend that MBIE continue to liaise closely with industry on any policy considerations and hold dialogue with other countries who are similarly considering whether or what reforms are need.

In the meantime, while humans remain the primary creators of multisensorial works, the more pressing issue, as noted above, is the discernment of originality in the non-visual or non-auditory expression of such works. This is because the scope of such expression, or at least existing means for conceptualising such expression, is significantly more limited than the scope of visual or auditory expression.

The issue has never arisen before the courts in New Zealand. So, the discussion below is a pragmatic attempt to illustrate how originality in expression other than visual or auditory can be discerned.

Tactile expression

Although it may not always be prima facie evident, tactile expression can reflect more than product function. A multinational company (company “C”) explained:

A lot of ... products ... use plastic knobs that are chrome plated. On most of our products ... we have ... solid stainless steel knobs. The reason is durability and ... the other aspect of it is that when you touch a solid stainless steel knob, it feels cold, and subconsciously you actually know it is a solid material. Whereas ... plastic knobs that are chrome plated ... do not have that solidity, mass or ... cold feel. So therefore you kind of know that it is fake. How our products are subconsciously perceived is very important to us and we put a lot of effort into that. Each switch has a different pressure and feel ... and there is a perception of precision created by that.

In addition to reflecting product function and quality, Frens also suggests that the tactile aspects of a product can communicate to a person on an emotional level.⁶⁸ The example Frens provides is a frequency knob on a vintage radio. According to Frens, the feel of the knob between the fingers, the friction corresponding with the rotation speed, as well as the feeling of the transponder perfectly aligning with a radio frequency, equals a pleasurable aesthetic experience.⁶⁹

Although this example illustrates how tactile interaction can invoke aesthetic feelings in the user of the product, it seems too subjective. A different person may turn the same knob thousands, if not millions, of times and not once care, or give it enough thought, to appreciate the experience and get some pleasure out of it. Moreover, it must be the creator’s expression that is appreciated. This example seems more attributable to the user’s experience rather than the creator’s expression. For copyright to subsist, there probably needs to be a clearer connection between the two. The creator’s expression should direct the user’s experience and the directed experience must be about more than just appreciation for the product’s function. Of course, all experiences are necessarily subjective, but all subjective experiences are nevertheless governed by a number of universal principles – that is, we have a biological disposition to symmetry, there are favourable degrees of contrast, and so on.⁷⁰

Thus, even if an exact experience cannot be directed, it is possible to direct an approximate one. Moreover, it also important to take into consideration the fact that appeal is usually targeted. For example, a particular product may be targeted at a very particular class of consumer. As such, it is to be expected that the product may not appeal to the masses. However, the creator may well have achieved the

desired appeal if they successfully direct the intended (albeit approximate) experience within a substantial portion of their target audience. The question remains, however, is it possible to direct an approximate experience via the non-visual or non-auditory aspects of a product?

A similar example to the above tuning knob but with additional characteristics may be helpful here to illustrate how this could be done via the tactile aspects of a product. Consider a tuning knob that regulates the bass level of an amp. Instead of a regular knob, this one is made of a heavier and more solid metal. Moreover, the heavier metal is coupled with much more substantial spring resistance than a regular tuning knob. This particular knob was designed by a design academic who also works as an industrial designer (academic “B”). Their intention was to give the user the feeling that they are adjusting something dense and heavy, namely bass, thus invoking the feeling in the user that “they are moving a significant thing, from a serious piece of equipment.”

Indeed, the knob in academic “B”’s example does seem like it could direct an approximate experience, and thus perhaps this particular tactile expression is worthy of copyright protection. It is important to remember, however, that any expression, even if it does direct more than just an appreciation for a product’s function, must not be too broad. For example, tactile expression that successfully directs a pleasurable experience in the majority of users is probably not worthy of copyright protection. Pleasure is a very broad feeling and is thus more analogous to an idea rather than expression. Although the originality threshold for copyright is low, due to the currently limited scope for conceptualising non-visual or non-auditory expression, it seems appropriate to inquire further into the nature of the expression, so as to ensure sufficient original contribution by the creator.

The knob in academic “B”’s example is a significantly more directed aesthetic experience than Frens’ knob example, and thus is more likely to be an original tactile expression.

Scent expression

Although it was not the specific issue for determination, the Netherlands Supreme Court in *Lancôme Parfums v Kecofa BV* observed that the smell of perfume is capable of meeting the originality threshold for copyright protection if it is the product of sufficient creative input. The Supreme Court explained that a scent expression is not simply the way something smells, rather the scent expression adds its own unique twist to the smell.⁷¹ Although this direction is not particularly helpful for determining original scent expression, the preceding decision in the same case (at the Supreme Court Public Prosecutor’s Office), drew a helpful analogy in distinguishing the recipe for a scent, which is protected by patent, from a scent expression. The example the court used was a book. The expression that is protected by copyright is not the physical pages of the book or even the printed words,

but rather the expression that the words printed on the paper convey when read. Similarly, scent is not the recipe or even the physical substance producing the smell, but rather the expression is the smell itself.⁷²

Taste expression

More recently, in *Levola Hengola BV v Smilde Foods BV*,⁷³ the Court of Justice of the European Union (“CJEU”) issued a ruling on whether taste could be copyright protected.⁷⁴ The CJEU held that the taste of a food product was not capable of being copyright protected because taste expression could not be “pinned down with precision and objectivity”.⁷⁵ The CJEU reasoned that taste sensations are too subjective depending on:⁷⁶

... factors particular to the person in tasting the product concerned, such as age, food preferences and consumption habits, as well as on the environment, or context in which the product is consumed.

Eugénie Coche points out the CJEU’s observation regarding the subjectivity of the experience is applicable to essentially any work of art.⁷⁷ What perhaps does distinguish taste, at least for the time being, from works for the auditory or visual senses, is the inability to pinpoint taste expression with sufficient precision.⁷⁸ Indeed, the CJEU’s decision was clearly made in light of current technological and scientific progress. The CJEU stated:⁷⁹

... it is not possible in the current state of scientific development to achieve by technical means a precise and objective identification of the taste of a food product which enables it to be distinguished from the taste of other products of the same kind. (Emphasis added)

Multisensorial expression

Although complementary sensory technology for the non-visual and non-auditory senses is at the relatively early stages of development, it is not difficult to imagine what an original multisensorial virtual expression may look like in the near future. For example, imagine that you have put on a virtual headset with a scent expeller attached. You now find yourself standing before an enormous Christmas tree. The tree is decorated and covered in flashing lights. It looks remarkably real and it even smells exactly how a fresh-cut pine Christmas tree should smell.

The question is therefore, is this multisensory virtual design a sufficiently original expression? Probably not, as it arguably only replicates raw facts (real-world data) – that is, pine trees smell like pine. Moreover, a decorated pine-smelling Christmas tree is so common and obvious that it seems more analogous to a general idea than an original expression. Of course, the particular decorations and the pattern in which they are placed on the tree may perhaps be original, but for the sake of the example, this possibility will be ignored. Suppose, for the sake of argument, the decorations are not

original. Now, consider that the image remains the same, but the scent is replaced with the smell of fish and chips and the ocean. The combination of the Christmas tree image and this smell may, if the creator of the virtual expression succeeded in directing the experience, invoke the feeling within you of a Kiwi-style Christmas on the beach. The likelihood of success would probably be substantially increased if you also had headphones on, through which you could hear the sound of waves breaking, seagulls squawking and children playing. Perhaps, in addition, the headpiece could also expel heat onto your cheeks to make it feel like a hot summer's day. The combination of these things should be sufficient to approximate the Kiwi-style Christmas experience, and therefore will likely be an original multisensorial expression.

Copyright protection for this multisensorial expression would not mean that somebody else would be prohibited from using a Christmas tree in their multisensorial virtual work, or including the sound of waves breaking, or expelling heat onto the cheeks, but, rather, they could not copy these things in their particular combination – that is, this particular expression or a substantial part of it. For example, if someone were to use the same sounds and scent, but replace the tree with another popular Christmas ornament, such as the wreath or the mistletoe, this would likely be copyright infringement. Conversely, there would probably be no infringement if the same generic Christmas tree was utilised along with snoring and drunken laughter sounds, and a scent combining the smell of cologne, cigars and whisky, to direct one to think of their grandfather, or someone along those lines, at Christmas time. Instead, this too would probably constitute an original multisensorial expression.

It is foreseeable that the future will be filled with all kinds of original multisensorial virtual expressions, as a company in the virtual reality field (company “D”) observed:

The way we see the future is everyone wearing augmented reality glasses, and probably gloves or haptic sensory chips, if people are set on having haptic feedback, so that you could feel virtual objects with your fingers. So people will no longer be carrying phones around.

Categorising Multisensorial Works

In order to have copyright protection in New Zealand, a work must not only be original, but it must also fall within a category of work listed in the Copyright Act.⁸⁰ It is likely that multisensorial expression will not (at least naturally) fall within any of the copyright categories. The reason being, as a legal practitioner specialising in intellectual property (legal practitioner “T”) pointed out, “that the law was written at a time when these things did not exist.”

Considering that the Copyright Act is currently under review in New Zealand, it is now timely to consider this issue. The Issues Paper published by MBIE in November 2018,

relevantly asks: “What are the problems (or advantages) with the way the Copyright Act categorises works?”⁸¹

In their submission to MBIE, IGEA point out that the copyright protection of video games is currently fragmented in nature, in that there is no specific category for protecting video games. Rather the underlying code can be protected as literary work, while the various corresponding visual and auditory expressions can be protected separately as sound recordings, film, musical and artistic works.⁸² Although IGEA are not aware of any existing issues with the fragmented nature in which video games are protected, they note, “... there is potential for complexity and confusion ... as video games continue to evolve through technological change ...”⁸³

The notion that a single work, constituting original expressions communicating to more than one sense, may be worthy of holistic protection, is not new. For example, in the United States it was established in 1982 that the audio and visual sequences of a video game could be protected as “audiovisual works”.⁸⁴ In his comparative analysis of United States and Australian copyright law (which like New Zealand does not have an “audiovisual works” category), Daniel Hunter notes that the closest equivalent to “audiovisual works” is the “artistic works” category.⁸⁵ Adding “audiovisual works” as a subcategory of “artistic work” would perhaps be sufficient for protecting the majority of original virtual expressions today, in gaming and otherwise. It would clearly be insufficient, however, in the foreseeable future where virtual expressions increasingly communicate to senses beyond just visual and auditory. In anticipation of this future, it is recommended that a new subcategory of “artistic work” should not be limited to just “audiovisual works”, but rather should extend to all original “multisensorial works”.

Conclusion

Introducing a new copyright category for “multisensorial works” will serve to acknowledge the significance of such works as intellectual property. Legal recognition of “multisensorial works” will become increasingly relevant as complementary technologies, for the non-visual and non-auditory senses, in the virtual reality field improve.

At the present time, expressions for the non-visual or non-auditory senses, are limited, due to the relatively early stage of development in complementary technologies. It is important that broad or general expressions are not protected by copyright so as not to create an unnecessary roadblock for other creatives working in the field.

Only original expressions should be protected by copyright. A substantial increase in original virtual multisensorial expression is foreseeable in the near future. When that time comes, it is important that copyright protects original expressions for the non-visual or non-auditory senses in the same way as it protects original visual and auditory

expressions. Although, under the status quo, there does not appear to be any lack of creativity in the virtual reality field, but only a lack of copyright infringement claims, this is not dissimilar from the video game industry, where copyright infringement claims increased exponentially as video games became increasingly intricate. Moreover, regardless of whether protection is required as an incentive for creativity in the field, protection is also a reflection of society's gratitude to the creators for their efforts in developing more exciting and meaningful virtual experiences.

- 1 Solicitor and recent PhD graduate from Victoria University of Wellington. This article draws on research I conducted for my doctoral thesis, which focused on intellectual property protection in light of advances in technology such as virtual reality and 3D printing. Email: samoyvlad@gmail.com.
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- 22 Ian Finch, *James and Wells Intellectual Property Law in New Zealand* (Thomson Reuters, 3rd ed, 2017) 9.
- 23 Scents and tastes are not excluded from patentability in New Zealand – see *Patents Act* 2013 (NZ) ss. 15, 16 for New Zealand exclusion provisions.
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- 46 See 17 USC § 101 (2010).
- 47 See *Star Athletica LLC v Varsity Brands Inc*, 1002, 1011 (S Ct, 2017).
- 48 *Star Athletica LLC v Varsity Brands Inc*, 1002, 1008 (S Ct, 2017).
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Book Review: *The Protection of Geographical Indications: Law and Practice, Second Edition*

Melissa Marcus¹

The Protection of Geographical Indications: Law and Practice, Second Edition

By Michael Blakeney

[Edward Elgar 2019 pp. 640. The eBook version is priced from £156/AU\$281 from eBook vendors while in print the book can be ordered from the Edward Elgar Publishing website <www.e-elgar.com>.]

Published in 2019, this is the second edition of this work by Michael Blakeney, Winthrop Professor, University of Western Australia and Letizia Gianformaggio Chair in Law, University of Ferrara, Italy. The work is extremely comprehensive and informative and it will no doubt be the go-to book for anyone wanting to understand how and why geographical indications (“GIs”) are protected in the European Union and for anyone who practises intellectual property in the EU.

The book is also of use for intellectual property practitioners in Australia and New Zealand when considering trade marks that are descriptive of a geographic area or a style of production, such as in the wine industry. The work contains useful analysis and case law on how marks come to denote a particular region or method of production.

Introductory chapter

The introductory chapter provides a very detailed history of GIs and reveals why products sold under GIs are so worth protecting. A study referred to by Professor Blakeney (Chever et al. 2012) reveals that in October 2012, it was estimated that the worldwide sales value of products sold under GIs registered in the EU was £5.4 billion and that this had increased by 12 per cent between 2005 and 2010. One can expect that more recent studies would reveal an even greater sales value of products sold under GIs.

Chapter 2

Chapter 2 looks at the international context, in particular the GIs provisions of the World Trade Organization’s *Agreement on Trade Related Aspects on Intellectual Property Rights* (“TRIPS”), and reveals how these provisions are influencing the jurisprudence of the Court of Justice of the European Union.

The chapter commences with an examination of the precursors to TRIPS, namely the *Paris Convention for the Protection of Industrial Property* 1883, *Madrid Agreement for the Repression of False or Deceptive Indications of Source of Goods* 1891, *International Convention on the Use of Appellations of Origin and Denominations of Cheeses* (known as the “Stresa Convention”) 1951, and the *Lisbon Agreement for the Protection of Appellations of Origin and their Registration*

1958. Also discussed is another precursor to TRIPS, being the International Wine Organisation which represented the interests of the wine industry prompted by the 19th century phylloxera epidemic.

The chapter then goes on to examine in detail TRIPS, noting that the protection of GIs was a key demand of European negotiators at the Uruguay Round of the *General Agreement on Tariffs and Trade* (“GATT”). The author notes that the competing positions were those of the EU and Switzerland, which proposed a French style of protection, and the United States of America, which favoured the protection of GIs through a certification mark system.

The author, being a leading authority in the area, includes a great deal of detail about TRIPS enforcement including matters such as discovery and interrogatories, seizure orders (Anton Piller orders), injunctions (including interlocutory injunctions and final injunctions), damages, compensation orders against infringers who knowingly or with reasonable grounds to know have engaged in infringing activity and costs.

The author then examines other remedies such as destruction, the right to information such as the right to order the infringer to inform the rights holder of the identity of third persons involved in the production and distribution of the infringing goods or services and their channel of distribution, and the right to indemnification of the defendant. The author also includes detail of criminal sanctions and border measures, noting that a key feature of TRIPS was the obligation of Members to introduce border measures for the protection of intellectual property rights. Chapter 2 also contains a detailed analysis of section 3 of part VII of TRIPS.

The chapter then moves on to examine the *Geneva Act of the Lisbon Agreement* 2015 and concludes with an examination of bilateral and plurilateral agreements.

Chapter 3

Chapter 3 is a very lengthy chapter that examines the European legislation concerned with the protection of GIs and designations of origin for agricultural products and foodstuffs in Europe.

The chapter focuses on the Regulation (EU) No 1151/2012 of 21 November 2012 on quality schemes for agricultural products and foodstuffs together with the EU Commission Implementing Regulation laying down rules for the application of Regulation (EU) No 1151/2012 and relevant judicial determinations.

The chapter begins by examining the policy underpinning the Regulation and its objectives, and scope. The specific objectives of protecting designations of origin and geographic indications are securing a fair return for farmers and producers for the qualities and characteristics of a given product, or of its mode of production, and providing clear information on products with specific characteristics linked to geographical origin, thereby enabling purchasers to make more informed purchasing decisions.

The author notes that to qualify for a protected designation of origin (“PDO”), the product must be produced within a specified geographical area, and the product’s quality or characteristics must be “essentially due to the area”. By comparison, to qualify for a protected GI (“PGI”), the product has to be produced, processed or prepared in the geographical area, and the quality, reputation or other characteristics must be generally “attributable” rather than “essentially due” to that area. The author then examines how the geographical area of production/protection is determined, noting that the question of relevant territory is usually raised where the definition of the geographical area excludes producers from the protection of a PDO or PGI.

The author examines a number of authorities dealing with this matter including the cases involving Melton Mowbray Pork Pie, Rioja, Grana Padano and Prosciutto Di Parma.

The chapter deals with the treatment of raw materials, animal feed, GIs, generic indications, the definition of generic terms and non-registration of generic terms. The author then helpfully examines some case law dealing with protection of registered PDOs and PGIs including cases involving Feta, Grana Biraghi, Bayerisches Bier and Parmesan.

The author also includes an examination of the treatment of names of plants or animal breeds, homonyms, misleading designations of origin or GIs, product specifications, including content of specification and raw materials.

Regulation (EU) No 1169/2011 of 25 October 2011 on the provision of food information to consumers is considered in detail. This Regulation contains a number of provisions dealing with the labelling of country of origin or place of provenance. The author notes that Recital 29 to this Regulation explains that the indication of the country of origin or the place of provenance of a food should be provided whenever its absence is likely to mislead consumers as to the true country of origin or place of provenance of that product and that in all cases, the indication of country

of origin or place of provenance should be provided in a manner which does not deceive the consumer and on the basis of clearly defined criteria.

Of significant use to those practising in this area is the extensive detail about the application process for registration, the register of PDOs and PGOs, the right to bring an action in respect of a GI, and the examination the question of imitation or evocation.

The chapter examines relations between trade marks, designations of origin and GIs, examining case law such as that involving Cambozola, Grana Biraghi and Grana Padano, and Bayerisches Bier.

There is a segment in the chapter dealing with European GIs in non-European trade mark proceedings, including the case of *Bavaria NV v Bayerisches Brauerbund eV* [2009] FCA 428, where the Federal Court of Australia found no evidence that Bavaria was a GI.

The chapter then examines transitional periods for use of PDOs and PGIs, “preserved registrations”, traditional specialties guaranteed, restrictions on use of registered names, optional quality terms, common provisions, repeal of Regulations, and the entry into force of Regulation (EU) No 1169/2011 of 25 October 2011.

Chapter 4

Chapter 4 examines European legislation for wines. This is an extremely detailed chapter dealing with the protection of GIs and designations of origin and their traditional terms in relation to wines in Europe.

European legislation regulating the designations for wines and spirits dates back to 1970. The chapter notes that wine labelling, as well as the use of designations of origin and GIs for wines, was regularised by EU Council Regulation 479/2008 of 29 April 2008 on the common organisation of the market in wine (referred to as the “Wine Regulation”). The author notes that the Wine Regulation was enacted out of the concern for the steady decline in wine consumption in the Community and the slow increase in wine exports compared with the growth of imports. The Wine Regulation established a structure of support measures for wine producers and a regulatory structure which included the regulation of oenological practices and rules dealing with designations of origin, GIs and traditional terms. The chapter deals only with the rules concerning designations of origin, GIs and traditional terms.

The chapter provides extensive detail about the application process for protection, including the application for protection relating to a geographical area in a third country. The chapter examines in detail the relationship with trade marks, including registration of a trade mark after the date of application for a GI, and where there is registration of a trade

mark prior to the date of application for a GI. The chapter then moves on to examine the right to use designations of origin and GIs, noting that PDOs and GIs may be used by any operator marketing a wine which has been produced in conformity with the corresponding product specification (article 45(1) of Commission Regulation (EC) No 607/2009 of 14 July 2009).

The chapter then deals in detail with cancellation and conversion of a PDO into a PGI. The remainder of the chapter deals with matters such as traditional terms, labelling of wine and indications of origin, certification procedures, marketing and export, enforcement, and protection of wine GIs under Regulation (EU) No 1308/2013 of 17 December 2013 establishing a common organisation of the markets in agricultural products.

Chapter 5

Chapter 5 deals with the protection of GIs and designations of origin for spirits in Europe.

The chapter notes that Council Regulation (EEC) No 1576/89 of 29 May 1989 laying down general rules on the definition, description and preservation of spirit drinks and Commission Regulation (EEC) No 1014/90 of 24 April 1990 laying down detailed implementation rules on the definition, description and presentation of spirit drinks have proved successful in regulating the spirit drinks sector.

Council Regulation (EEC) No 1576/89 of 29 May 1989 was repealed and replaced by Regulation (EC) No 110/2008 of 15 January 2008 on the definition, description, presentation, labelling and the protection of GIs of spirit drinks (the “Spirits Regulation”). This came into effect from 20 May 2008.

The chapter examines in detail the Spirits Regulation including matters such as description, presentation and labelling of spirit drinks, GIs, PDO case law, including cases dealing with whiskey, cognac and calvados, and the relation between trade marks and GIs. The chapter also examines the proposed new 2019 Regulation involving the modernisation of Regulation (EC) No 110/2008 of 15 January 2008.

Chapter 6

Chapter 6 examines the protection of GIs by European trade marks, collective marks and certification marks legislation. Passing off at common law is examined in the context of geographical marks, concluding with an examination of the World Intellectual Property Organization Uniform Domain Name Dispute Resolution Policy.

The author notes that trade mark laws invariably refuse to allow geographical marks to be registered on the ground that they are insufficiently distinctive, as well as the public interest of leaving to traders the names of geographical areas in which they are located, particularly where a positive

commercial reputation is associated with products coming from those areas. Similarly, trade mark laws provide as a defence to infringement the use of a person’s address or an indication of the geographical origin of goods or services. Excepted from the trade mark rules that disqualify the registration or enforcement of geographical marks are collective marks and certification marks, as well as registered GIs. The European rules that relate to these categories of trade marks are discussed in detail in chapter 6.

The chapter also examines in detail the elements of passing off actions and the relationship between domain names and GIs. Case law examined in this chapter includes the cases of Windsurfing Chiemsee, Cloppenburg, Oldenburger, Salame Felino, and Cuvée Palomar, as well as the traditional cases for passing off actions such as the Jiff Lemon case, the Spanish champagne case, the sherry case, and the Scotch whiskey case.

The final part of the chapter deals with domain names and GIs, examining in detail what a complainant needs to establish to succeed in a domain name dispute and what a respondent would need to demonstrate to establish its rights or legitimate interest in a particular domain name. The author very helpfully examines the entire process undertaken in relation to a domain name dispute and analyses relevant authorities.

Chapter 7

Chapter 7 looks at the enforcement of GIs in Europe, with significant details about the Civil Enforcement Directive and Regulation concerning customs enforcement of intellectual property. The author notes that while most attention paid to the exponential growth in the international trade in infringing products has been focussed on counterfeit pharmaceuticals, branded fashion products and various pirated copyright works, most products are capable of being imitated, including products protected by GIs.

The chapter examines the availability of criminal offences under European law, Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, sanctions by Member States, actions by the customs authorities, destruction of goods, initiation of proceedings and early release of goods, liability, costs and penalties, exchange of information and various miscellaneous provisions. The chapter is extremely detailed and will be of enormous benefit to anybody who is practising in this area, particularly in Europe.

Chapter 8

Chapter 8, being a new chapter, looks at the protection of EU GIs outside Europe, both by registration and by Free Trade Agreements (“FTAs”) and the protection of foreign GIs in the EU. The author notes at the outset that prior to

specific agreements with overseas countries concerning the protection of GIs, European producers sought to protect their GIs through the passing off and consumer protection laws of foreign jurisdictions. This proved to be quite challenging, as it was difficult to prove that foreign consumers were aware of the quality/geography relationship of products sourced from European countries.

An example given by the author is the results of cases brought by European wine producers against Australian wine producers in the early 1980s. As the author notes, in a 1981 case, which concerned the importation and sale of “Spanish champagne” (*Re Comite Interprofessionel Du Vin De Champagne and Charles Barker Australia Pty Ltd v NL Burton Pty Ltd T/a Freixenet Spanish Champagne Distributors and Garland Farwagi & Partners Pty Ltd* [1981] FCA 196) in declining to find a breach of the Australian Consumer Protection Law, the Federal Court of Australia was influenced by the evidence of consumers that they regarded champagne as a bubbly drink particularly appropriate for festive occasions. The author noted that such early cases precipitated the negotiation of an agreement between the European Community and Australia on trade in wine which came into effect on 1 March 1994. This was the first of a number of bilateral agreements seeking to protect GIs registered in the EU outside of the EU through bilateral agreements with other countries and also through the intellectual property chapters of FTAs. Examples of the latter are the EU-Vietnamese FTA and the EU-Singapore FTA, concluded in 2017 and 2018 respectively.

The chapter then examines various bilateral and free trade agreements, including agreements on GIs in relation to wines in Australia, South Africa, Switzerland and the USA; GIs for spirits including in Mexico, South Africa, Switzerland, and the USA; agreements on GIs in relation to wines and spirits in Albania, Bosnia Herzegovina, Canada, Chile, and Serbia; GIs for agricultural products and foodstuffs in Iceland and Serbia; and GIs for wines, spirits and foodstuffs in Armenia, Columbia and Peru, Montenegro, Moldova, Georgia, and Ukraine. The chapter then moves on to examine free trade agreements in Africa, Asia and Latin America.

The chapter includes detail in relation to foreign GIs registered in the EU. Of note here are a number of GIs registered pursuant to bilateral agreements relating to Australia. These include: Adelaide Hills Piccadilly Valley, Adelaide Hills Lenswood, Barossa Valley, Beechworth, Bendigo, Canberra District, Clare Valley, Coonawarra, Cowra, Geelong, Grampians, Heathcote, Hunter, Kangaroo Island, King Valley, Macedon Ranges, Margaret River, McLaren Vale, Mornington Peninsula, Mudgee, Murray Darling, Orange, Perth Hills, Riverina, Rutherglen, Southern Highlands, Swan District, New South Wales – Northern Slopes, South Eastern Australia, Tasmania, Victoria – Gippsland, Northern Territory and the Yarra Valley.

Chapter 9

Chapter 9, containing new content, is a fascinating look at the history of the United Kingdom deciding to leave the EU and the potential impact of Brexit on the protection of British GIs.

The chapter was written before Brexit actually came into effect with the author noting that the UK has registered and applied for EU registrations of GIs in relation to agricultural products and food, wines and spirits and that they are a significant feature of the UK's export trade, particularly to the EU, and their status after Brexit will be of some economic significance to the UK.

The author notes that on 20 June 2018, the *European Union (Withdrawal) Act* 2018 passed both UK Houses of Parliament and became law by Royal Assent on 26 June 2018. On 25 November 2018 a Withdrawal Agreement was signed by the leaders of the EU and the European Atomic Energy Community at a Special Meeting of the European Council. At the time of writing the book, the *Withdrawal Agreement* had not been accepted by the UK Parliament. It is now known that the *Withdrawal Agreement* entered into force on 1 February 2020 after having been agreed on 17 October 2019.

The chapter notes that the *Withdrawal Agreement* provides for a transitional implementation period, to start on the date of entry into force of the agreement and ending on 31 December 2020. The chapter then examines the matters that were agreed upon during this transition and implementation period. Of course, that period has now passed.

Comprising more than 600 pages, this book is a very detailed analysis of the laws concerning the protection of GIs in the EU. I expect the book will be a key companion for anyone advising on intellectual property in the EU.

As producers of food and wine in Australia and New Zealand become more protective over their specific geographic areas, asserting exclusive rights to use references to produce being from a particular region in order to better market their products, this book will no doubt become a useful resource here too. This may well inform practitioners in Australia and New Zealand of the road map ahead in relation to existing and emerging GIs here.

It can also be anticipated that the next edition of this work by the author will include extensive detail about how GIs have come to be treated in a post-Brexit world.

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Book Review: *Copyright and Fundamental Rights in the Digital Age: A Comparative Analysis in Search of a Common Constitutional Ground*

Dr Luís Bogliolo¹

Copyright and Fundamental Rights in the Digital Age: A Comparative Analysis in Search of a Common Constitutional Ground

Edited by Oreste Pollicino, Giovanni Maria Riccio, and Marco Bassini

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It is well known that copyright protection in the digital age has clashed in a much more prominent way than in the past with the safeguarding of fundamental rights such as freedom of expression, privacy, cultural diversity, and freedom to conduct business. The literature on the topic has increased exponentially over the last decade, as has the number of regulations, institutions, administrative and judicial decisions on issues such as the responsibility of internet service providers (“ISPs”) for user-uploaded content, the use of hyperlinks directing to protected subject matter, and the identification of users behind violations of copyright online. In this context, antipodean lawyers and academics working in this field should be aware of and follow closely the development of regulations and judicial decisions in other jurisdictions. As one of the editors of this book puts it, from the passing of the *Digital Millennium Copyright Act* 1998 (“DMCA”) in the United States of America to the much more recent Digital Single Market Directive (Directive 2019/790) in the European Union, a first step has been taken towards “a soft worldwide law”.²

A volume focusing on a comparative approach to copyright and fundamental rights in the digital age is therefore a much needed and valuable addition to this burgeoning literature. The bulk of this tome is focused on the “search of a common constitutional ground”, or on the development of common principles, standards and methods of balancing copyright with other fundamental rights. The common constitutional ground the editors set out to explore is an essentially European one, with most of the book’s authors coming from Italy, and most of them based at Bocconi University in Milan. Their main attention is to the case law of the Court of Justice of the European Union (“CJEU”) and of the European Court of Human Rights (“ECtHR”) on copyright matters. Most chapters present extended commentary on this case law and on European regulations, with alternating approving and critical sidenotes.

Given the background of the authors and the choice of topics of the various chapters, one may fairly describe this book as a textbook-like volume on European regulations and cases related to copyright and fundamental rights in the last 10 years or so. In this sense, it is a convenient and significant collection of texts for all those looking for an in-depth

overview of European developments in the field of copyright and fundamental rights. It fulfils this purpose, however, at the cost of providing either more thorough reflections on the various themes it addresses or a broader comparative perspective that would include authors and legal systems beyond Europe (and in a single chapter the United States). Moreover, there is considerable overlap between some chapters, meaning readers might have to go through various short summaries of the same CJEU cases. The introduction by the editors is a brief one and highlights the focus on the unresolved issues in Europe concerning balancing copyright protection with other rights and freedoms, especially when it comes to the remedies available for copyright infringement on the internet. As the editors note, the book clarifies the problems which haven’t been resolved with recent legislative reforms and developments in case law – problems which will remain legally and politically relevant in Europe and elsewhere for the foreseeable future. I will now provide brief summaries of each chapter of the book intercalated with critique or commentary that aims to assist those who might want to focus on specific chapters.

Chapter 2, by Fiona Macmillan, dissonates from the rest of the book as it is the only more evidently theoretical analysis in the book. It explores the connection between copyright and the control of free speech by analysing the philosophical justifications for free speech and its limitations. The author critiques how the common theoretical arguments for free speech emphasise the role of speech in public affairs but underrate its value in relation to what she calls “cultural speech”, such as artistic and scholarly works, which are substantially regulated by copyright restrictions. A subsequent object of critique is the focus on the state as the main culprit for restricting or violating free speech. By centring on the arbitrariness of the public/private distinction, she argues that one can understand why freedom of speech principles should restrain private power as much as state attempts to restrict speech using copyright. The chapter is thoughtful and stimulating and by far the most critical approach to copyright in the book. Fiona Macmillan dialogues with a wide range of authors and views and sprinkles plenty of critical assessments throughout the chapter, i.e.: “[copyright] has provided the basis for the build-up of considerable private power in the hands of the media and entertainment

Book Review: *Copyright and Fundamental Rights in the Digital Age: A Comparative Analysis in Search of a Common Constitutional Ground*

corporations”.³ Unlike other authors in the volume, she delves, even if briefly, into the political economy of copyright and puts forward the argument that we need to recognise and deal with the growing capacity of private persons and corporations to control and shape speech and culture as a result of the power they have built upon the copyright edifice.

Chapter 3, by Alain Strowel, is a more old-fashioned approach to a specific topic: the express recognition of intellectual property as a fundamental right in article 17(2) of the Charter of Fundamental Rights of the European Union and its influence in the case law of the CJEU. The chapter discusses the broader question of how the explicit recognition in human rights instruments of intellectual property, and of copyright in particular, affects decisions where such rights need to be balanced with competing human rights such as protection of privacy and freedom of expression. The author looks at the case law of the ECtHR and of the CJEU and notes their different approaches to balancing rights. For instance, in cases involving internet intermediaries, the former is more prudent while the latter is more active in trying to achieve a “practical concordance” of fundamental rights.⁴ The main argument of this chapter is that the recognition of intellectual property as a fundamental right has been interpreted by these courts in order to support an extension of the scope of exclusivity of some rights (e.g. in the CJEU *GS Media* case in relation to hyperlinks and the interpretation of the right of communication to the public) and to support the strengthening of enforcement measures (e.g. in *Coty Germany* where the CJEU established that the invocation of bank secrecy “is capable of seriously impairing ... the effective exercise of the fundamental right to intellectual property”).⁵ In other words, the author claims that the recognition of IP as a fundamental right has mostly just benefited economic interests.

Chapter 4 is one of the highlights of this book. It is in a way a continuation and a deeper analysis of the issues raised in the previous chapter. Tuomas Mylly focuses his inquiry on the balancing of competing interests through the method of proportionality employed by the CJEU. His main argument is twofold. First, fundamental rights have been used to actively construct doctrines and interpretations which make up for the lack of a common full-scale copyright code and of a single historical tradition in the European Union. Second, and more importantly, by resorting to the language of fundamental rights, proportionality and fair balance of rights, the CJEU has taken over decision making over a number of crucial information age policy issues which should perhaps be addressed by a legislator. It is worth quoting the author’s own summary:

In its recent case law, the CJEU has used fundamental rights to enable the delegation of decision-making power over fundamental rights of third parties to an internet access provider (UPC Telekabel Wien), to hold open Wi-Fi network provision unconstitutional to protect Sony’s one

*music recording (McFadden), to place severe limitations on linking practices on the internet with a likely chilling effect on freedom of expression (GD Media) and to hold that national law must either require that an owner of an internet connection is presumed tortiously liable for any breach using that connection or that he incriminates his family members (Bastei Lübbe).*⁶

Tuomas Mylly recalls how legal scholarship has already problematised proportionality and balancing of fundamental rights as an opaque method or a façade for more obviously political choices between competing interests. He claims:

*“... proportionality now operates as an epistemological bottleneck, excluding important considerations from decision-making, such as legislative aims, a multiplicity of rights and interests, and social and public goods related to the development of the internet and the digital society.”*⁷

Behind this critique lies the ultimate question of the democratic legitimacy of the CJEU as an institution. The chapter resonates well with Perry Anderson’s assessment of the CJEU:

*“... the truth is that, on any reasonable reckoning, it would be difficult to conceive of a judicial institution in the West that, from its tenebrous origins onwards, was purer of any trace of democratic accountability.”*⁸

In chapter 5, Oleg Soldatov analyses the case law of the ECtHR related to copyright and fundamental rights. He divides it into two groups, arguing that the Court has developed specific tests for the “brick-and-mortar world of atoms” (*Tekin and Aral v Turkey; Melnychuk v Ukraine; Dima v Romania; Balan v Moldova*) and for the “virtual world of bits” (*Ashby Donald v France; Neji and Sunde Kolmisoppi v Sweden*). The chapter is a useful summary of the ECtHR case law. The author recalls that the ECtHR and the CJEU have not yet synchronised their approaches and that the “deepening of a professional judicial dialogue” in order to “avoid fragmentation and to ensure coherence” would be desirable. There is however no explanation of why that might be a good thing, especially given the trenchant critiques of the CJEU in the previous chapter. If the ECtHR might develop a distinctive approach from the CJEU in balancing copyright and other rights, that might not be a bad thing after all – harmonisation and synchronisation are not goals one should pursue for their own sake.

Chapter 6 focuses on the “battlefield” of exceptions and limitations as the main point where cultural considerations have been incorporated into EU copyright rules. Evangelia Psychogiopoulou provides an extensive overview of how cultural rights and cultural diversity come up in EU law and then explores in detail how these considerations were taken into account in the delimitation of exceptions and limitations to exclusive rights in the Copyright Directive (Directive 2001/29) and, more recently, in the Digital Single Market

Book Review: *Copyright and Fundamental Rights in the Digital Age: A Comparative Analysis in Search of a Common Constitutional Ground*

Directive (Directive 2019/790). The author notes how the voluntary nature of the exceptions and limitations set forth in the former (with a single exception) express a failure in the need to secure users' rights and interests throughout the European internal market. The more recent Digital Single Market Directive addresses some of these concerns by instituting a number of mandatory exceptions and limitations with the aim of improving the "dissemination of European cultures and positively impact[ing] cultural diversity".⁹ These include exceptions for test and data mining ("TDM"), digital teaching, and the preservation of cultural heritage. The chapter analyses these in detail and concludes by arguing that, despite the marked progress in relation to the previous voluntary approach to exceptions and limitations, "the measures introduced still relate to niche, fragmented areas of intervention".¹⁰ At the same time, these measures are accompanied by a strengthening of protection for rightsholders, echoing what previous chapters have ascertained.

Contrary to the critical stance towards the CJEU case law concerning copyright adopted by Tuomas Mylly, in chapter 7 Giovanni Maria Riccio applauds the role of the CJEU in harmonising standards that national courts should apply and in progressively creating "an autonomous system of rules other than those of the Member States".¹¹ The bulk of the chapter analyses the influence of the CJEU on copyright decisions by national courts. Curiously, the author justifies leaving cases originating from smaller countries such as Hungary or the Czech Republic outside the scope of the analysis due to "linguistic barriers". Without denying that linguistic barriers do exist and are part of the reason why precedents from certain countries are more influential than precedents from others, they are certainly not an "insurmountable obstacle" as the author implies.¹² This point of view not only ignores academic production in those smaller countries and authors who do in fact explore their relationship with the CJEU, but also the political economy of hegemonic epistemologies of law in the European Union.¹³ That said, the author presents a valuable examination of how the CJEU's influence on *some* national courts has varied according to each topic. When it comes to the right of communication to the public and use of hyperlinks, the author argues that the CJEU's decisions, although controversial, have provided national courts with well-defined standards to follow. Yet the CJEU has failed to provide national courts with similarly clear standards on cases concerning protected subject matter and the threshold of originality. On this topic, the author concludes that the different "legal traditions and education ... will continue to guide the work of judges, in the absence of clear and express standards verbalised by the CJEU".¹⁴ A similar conclusion is reached on the topic of ISPs' liability for active and passive hosting of protected content. The chapter lacks a clear overarching conclusion, although its main argument comes across throughout the text in the author's longing for

the CJEU to provide national courts with "unmistakable (and also technical) criteria in order to achieve a real harmonisation in this crucial economic sector".¹⁵ This is a drastically contrary view to that of chapter 4, and it is a shame that both authors and chapters have not entered into a dialogue with each other's arguments.

Chapter 8 is in a sense the only real attempt at a proper comparative study between two different legal systems. Maria Lillà Montagnani and Alina Trapova compare how copyright law is balanced with other fundamental rights in United States and in the European Union. They notice how the jurisprudence of the US and of the EU take diverging routes in the balancing between copyright and fundamental rights. While in US jurisprudence this balancing is done almost exclusively through the internal safeguards of copyright law (namely the idea/expression dichotomy and the fair use doctrine), in the EU disputes between copyright and other fundamental rights are often resolved by reference to external instruments such as the Charter of Fundamental Rights of the European Union and the doctrine of proportionality. In other words, "while in the US the conflict is 'internalised', in the EU it is typically addressed externally".¹⁶ The authors hesitate to claim that one approach is decidedly better than the other or to make a clear argument for the specific advantages and drawbacks of each approach. They do however note that over the years there has been a "growing tightening of the system of European exceptions as a result of the growing importance of economic rights",¹⁷ indicating that the clash of fundamental rights approach of the EU may paradoxically end up being more detrimental to other fundamental rights than the US's lack of formal recognition of a conflict between copyright and fundamental constitutional rights (or rather, internalisation within copyright law of that conflict).

The final chapter, by Giorgio Giannone Codiglione and Marco Bassini, provides an overview of the basic regulations and case law related to copyright enforcement on the internet in Europe. The rest of the chapter is mostly an explanation and defence of national public administrative or quasi-judicial institutions responsible for the enforcement of copyright online. The chapter focuses on the Italian Communications Authority ("AGCOM") which came into force in 2014 and briefly compares its merits with the famous French "Hadopi" law of 2009 which created a similar administrative body. At the risk of sounding too eager in their defence of the Italian system, the authors claim it delivers "a *win-win* solution" and that "after six years, not only is it still valid and applicable" (an admittedly low threshold of success), but "it stands out as an effective mechanism, very far from threatening individuals' fundamental right to free speech".¹⁸ The chapter examines a range of critiques against AGCOM and emphasises its advantages over private enforcement. It is a useful guide for those interested in the Italian experiment in public enforcement of copyright online.

Book Review: *Copyright and Fundamental Rights in the Digital Age: A Comparative Analysis in Search of a Common Constitutional Ground*

As I mentioned in the beginning of this review, this book is a valuable guide to recent disputes concerning copyright and other fundamental rights in Europe. It would have benefited from a broader comparative perspective that included other regions and a more diverse range of authors, as well as from more dialogue between the different views and arguments presented in each chapter. That said, the book is a useful collection of texts united by their subject matter and geographical focus which will be appreciated by those interested in learning about recent developments in the European copyright system.

- 1 PhD (University of Melbourne) and Teaching Fellow at Melbourne Law School.
- 2 Giovanni Maria Riccio, Chapter 7, 'The Influence of the Court of Justice of the European Union on National Courts in Copyright Cases', 177.
- 3 Fiona Macmillan, Chapter 2, '"Speaking truth to power": copyright and the control of speech', 16.
- 4 Alain Strowel, Chapter 3, 'Copyright strengthened by CJEU interpretation of art. 17(2) of the EU Charter', 50.
- 5 Alain Strowel, Chapter 3, 'Copyright strengthened by CJEU interpretation of art. 17(2) of the EU Charter', 49.
- 6 Tuomas Mylly, Chapter 4, 'Regulating rights with proportionality? Copyright, fundamental rights and internet in the case law of the Court of Justice of the European Union', 94.
- 7 Tuomas Mylly, Chapter 4, 'Regulating rights with proportionality? Copyright, fundamental rights and internet in the case law of the Court of Justice of the European Union', 95.
- 8 Perry Anderson, 'Ever Closer Union?' 43(01) *London Review of Books*.
- 9 Proposal for a Directive of the European Parliament and of the Council on copyright in the Digital Single Market, COM(2016) 593 final, 14 September 2016, 4.
- 10 Evangelia Psychogiopoulou, Chapter 6, 'Cultural rights, cultural diversity and the EU's copyright regime: the battlefield of exceptions and limitations to protected content', 153.
- 11 Giovanni Maria Riccio, Chapter 7, 'The influence of the Court of Justice of the European Union on national courts in copyright cases', 156.
- 12 Giovanni Maria Riccio, Chapter 7, 'The influence of the Court of Justice of the European Union on national courts in copyright cases', 157.
- 13 See, for instance: Péter Mezei, 'No Time to Laugh—the Parody Defence Is Unavailable under Hungarian Copyright Law' (2020) 15(7) *Journal of Intellectual Property Law & Practice* 499; Eleonora Rosati, '[Guest Post] Czech Court Rules That Placement of Advertisements on a Building Constitutes a Moral Rights Infringement', *The IPKat* (Blog Post, 6 April 2020) <<https://ipkitten.blogspot.com/2020/04/guest-post-czech-court-rules-that.html>>.
- 14 Giovanni Maria Riccio, Chapter 7, 'The influence of the Court of Justice of the European Union on national courts in copyright cases', 175.
- 15 Giovanni Maria Riccio, Chapter 7, 'The influence of the Court of Justice of the European Union on national courts in copyright cases', 187.
- 16 Maria Lillà Montagnani and Alina Trapova, Chapter 8, 'US and EU: diverging or intertwined paths?', 212.
- 17 Maria Lillà Montagnani and Alina Trapova, Chapter 8, 'US and EU: diverging or intertwined paths?', 212.
- 18 Giorgio Giannone Codiglione and Marco Bassini, Chapter 9, 'From private enforcement to public enforcement. Copyright enforcement in the digital age: a comparative overview', 247.



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.

Initial enquiries or expressions of interest to contribute a profile are welcome. However, all expressions of interest to contribute a profile are critically appraised by the Editor (having regard to the Editorial Policies) who retains absolute discretion regarding the content of *Intellectual Property Forum*.

Some of those who have been profiled previously include:

- leading IP judges such as Chief Justice James Allsop AO, Justice Arthur Emmett AO QC, Former Chief Justice Robert French AC, Former Justice Dr Annabelle Bennett AC SC;
- leading IP lawyers such as the late Dr John McLaren Emmerson QC, the late Margaret Doucas, Angela Bowne SC, Katrina Howard SC, Dr Terri Janke, Katrina Rathie;
- leading IP academics such as the late Professor James Lahore, Dr Francis Gurry Emeritus Professor Sam Ricketson AM, Professor Natalie Stoianoff;
- leading IP players such as Frank Moorhouse AM, Anna Funder, Kim Williams AM.

A full list of the distinguished persons previously profiled can be found at:

<<https://www.ipsanz.com.au/ip-forum/profiles/>>

Initial enquiries or expressions of interest to contribute a Profile are welcome, and may be directed to the Editor. Please email: editors@ipsanz.com.au.

Current Developments — Australia

IP AUSTRALIA

Roseanne Mannion and Martin Friedgut
Spruson & Ferguson

COVID-19 Initiatives

Since 31 March 2021, IP Australia is no longer waiving official fees for extending deadlines for those affected by COVID-19. Parties can still request an extension of time based on COVID-19 disruptions but need to provide a declaration setting out written reasons with the request and these will be considered on a case-by-case basis.

Refunds and waivers of official fees will also be considered on a case-by-case basis in circumstances connected to the COVID-19 pandemic. Hearings continue to be conducted via video, telephone and written submissions but if an in-person hearing is required, the Office will consider it depending on the specific circumstances.

Upgrade to Online Services

The new Online Services platform has now been completed for filing trade mark and plant breeder's rights applications. Improvements to the online platform include:

- a clean and modern portal design;
- intuitive structure to help you find what you need quickly and easily;
- contextual guidance throughout the application process; and
- a streamlined application experience.

Improvements to the platform continue and it is expected that Headstart trade mark applications will shortly be available to file through Online Services. The eServices platform will no longer be accessible from 30 June 2021 and existing eServices information will be automatically transferred to the Online Services platform. IP Australia is interested in receiving feedback from all customers regarding the new Online Services portal. A feedback tool is available within the platform to rate your experience and provide any feedback you have.

Changes in Patent Cooperation Treaty ("PCT") Fees

In accordance with the directives adopted by the PCT Assembly at its Fortieth Session (held from 22 September to 1 October 2009), new equivalent amounts in AUD will be established with effect from **1 May 2021**, as follows:

International PCT Fees

- | | |
|--|-------------------|
| 1. Transmittal Fee | \$200 |
| 2. International Search Fee | \$2200 |
| 3. International Filing Fee | \$1860 |
| If the application contains 30 pages or fewer including the request form | |
| <i>E-filing reductions</i> | |
| Electronic filings filed in PDF format via ePCT | \$280 |
| Electronic filings filed in XML format via ePCT | \$420 |
| <i>PLUS</i> | |
| For each page in the application in excess of 30 Sheets | \$21 |
| 4. Cost of Preparing Certified Copy of Basic Document | \$50 per document |
| 5. Copies of Specifications cited in the International Search Report per copy | \$50 |

International Preliminary Examination Fees

- | | |
|---|--------|
| 1. International Preliminary Examination Fee | |
| If the International Search was performed by IP Australia | |
| | \$590 |
| If the International search was not conducted by IP Australia | |
| | \$820 |
| 2. International Preliminary Handling Fee | \$280 |
| Total if Search performed by IP Australia | \$870 |
| Total if Search not performed by IP Australia | \$1100 |

Australian Intellectual Property Report 2021

Some Report highlights include:

- In 2020 trade mark applications in Australia soared, particularly during periods of lockdown, as governments acted to contain the spread of COVID-19. Trade mark applications increased by 8 per cent compared to 2019, driven by Australian applicants seeking increased trade mark protection.
- Plant breeder's rights filings increased by 12 per cent from decade low filings in 2019.

- New research into how exporters respond to economic shocks and the role of trade marks in shaping their responses found positive results. Trade marks activity is shown as an important predictor of export entry and performance.
- Patents and design rights filings fell by 2 per cent and 4 per cent respectively. In the case of designs, this decline can be attributed to a downturn in international trade, while the fall in patenting is due to a reduction in filings originating in Australia.

Delays to Granting of Innovation Patents

IP Australia is currently processing a high volume of new innovation patent filings. As a result, delays may be experienced in having innovation patents granted.

It will no longer be possible to file for a new innovation patent after 25 August 2021. All applications received by this time will continue to be in force until they expire.

CASES

Tom Cordiner QC, Melissa Marcus, Clare Cunliffe and Marcus Fleming¹

Barristers

Correspondents for Victoria, Western Australia, South Australia, Tasmania and Northern Territory

In this edition, Clare Cunliffe and Marcus Fleming, barristers of the Victorian Bar, join the team to the great appreciation of Tom Cordiner QC and Melissa Marcus. We are equally delighted to take on the role of now reporting on intellectual property cases in the Northern Territory – national domination is not far from our reach.

Below, we discuss the vexed question of when telling people to “Make it Happen” constitutes trade mark infringement, the “Fearless Girl” case, which included almost every cause of action known to intellectual property, excluding (possibly) the “vibe of the thing”, the extent to which the phrase “corner hotel” is inherently adapted to distinguish the services of a corner hotel, Repipe’s failed rewrite of its unpatentable patent claims, and when asking customers “Love where you live?” does not amount to trade mark infringement. A brief mention also on forum transfer in a water transfer case in *UON* and the freezing out of a claim for interlocutory injunctive relief for copyright infringement that looked more like an application for *Mareva* relief.

The Cultural Intelligence Project Pty Ltd v The Entourage Education Group Pty Ltd

[2021] FCCA 504

26 February 2021

Trade Marks – Infringement – Interlocutory Injunction – Serious issue to be tried – balance of convenience – application granted

The applicant was the owner of a registered trade mark for the word mark “MAKE IT HAPPEN” (the “Mark”) in respect of office functions in class 35 and a range of services in class 41, including, inter alia, education and providing of training.

The applicant used the Mark through a platform for First Nations entrepreneurs to arrange workshops to accelerate learning, to support development in local communities and to support First Nation entrepreneurs to pursue their works, ideas, and businesses. The Applicant had developed considerable goodwill in connection with the “MAKE IT HAPPEN” brand and the activities associated with it. A critical aspect of that goodwill was that the Mark is associated with providing support to Indigenous people, rather than with general commercial activities.

¹ Where any of the authors was involved in a case reported and the matter is still running, or potentially so, the other correspondents have taken the role of reporting that case and any comments by the authors are therefore attributable to them.

The respondent was promoting an online forum for entrepreneurs, and persons wishing to become entrepreneurs, under the banner or brand “The Make it Happen Summit” on 2 March 2021, which was free to register and attend, but which included paid, pre-recorded, masterclasses. Seven or eight thousand people had registered. The focus was on commercial and individual entrepreneurship across a broad range of industries.

The applicant first became aware of the respondent’s promotion of and proposal to run its online forum under the name “Make it Happen Summit” on about 8 February 2021. On 16 February 2021, the applicant’s solicitors wrote to the respondent and demanded that the respondent change the name of the Summit to a name that did not include the Mark (or a deceptively similar mark) and remove the Mark from its website and social media accounts. The respondent responded on 17 February 2021, denying infringement.

In its evidence, the respondent raised a question about whether it would wish to put on a cross-claim for revocation of the Mark, because the respondent had historically made use of the phrase “Make it Happen” in an exhortatory and descriptive sense. However, the respondent’s impugned use was of the Mark as the name for, and promotion of its upcoming Summit and masterclasses. The respondent acknowledged that an injunction stopping the use of the Mark as the name of the event would not prevent the event from taking place. However, the respondent expressed a concern that, because of the proximity of the event to the hearing, it would be very difficult for the respondent to rebrand, in its entirety, the upcoming event, because the particular speaker presentation sessions communicated at the Summit are prerecorded, and used the phrase “Make it Happen”, in connection with the Summit and the masterclasses.

Judge Baird found that there was a strong prima facie case for the grant of an injunction for relief because the applicant had a registered trade mark which was prima facie valid and the respondent’s proposed use included the Mark in its entirety, and added descriptive or non-distinctive material, and was within the scope of the class 41 specified services.

The Judge identified the key concern as balance of convenience. A limitation of the respondent’s use of the Mark for the summit would cause it financial damage. Against that, the applicant had a concern that the use of the Mark by the respondent would irreversibly damage the exclusivity it had in respect of use of the Mark. Furthermore, the applicant was concerned that the respondent’s use of the Mark for a broader range of commercial entrepreneurship activities, that was not focused to the indigenous use in respect of which the applicant has built its use of the Mark, would cause a damage that would be irremediable. Her Honour accepted the probability of a diminution of the applicant’s goodwill as a result of the respondent’s use which would be difficult in nature to quantify in monetary terms.

The Judge concluded that with the quality of the speakers identified, and the respondent’s expertise and experience, the event could go ahead with an appropriate alternative branding, but she considered that the pre-recorded seminar sessions fell in a different category.

The Judge therefore granted an injunction preventing the use of MAKE IT HAPPEN or any other substantially identical sign, which excluded use of the name in pre-recorded sessions.

State Street Global Advisors Trust Company v Maurice Blackburn Pty Ltd (No 2)

[2021] FCA 137

25 February 2021

Consumer Law – whether conduct is in trade or commerce – discussion of “not insignificant number” criterion – relevance of criterion to passing off – effectiveness of disclaimer – copyright – whether copyright licence granted – defence of innocent infringement – inducing breach of contract – limitations on artist’s rights – breach of master agreement by artist – interference with contractual relations – defence of honest and reasonable belief – tort of passing off – trade mark infringement – whether FEARLESS GIRL used as a mark – whether use on services of same description or closely related goods – whether use likely to deceive or cause confusion – defence of good faith

The applicants, State Street Global Advisors Trust Company (“State Street US”) and its subsidiary, State Street Global Advisors Australia Ltd (together, “State Street”), claimed that Maurice Blackburn lawyers (“MBL”) had infringed their rights concerning the display and use of the life-size bronze statue known as “Fearless Girl”.

On 6 February 2019, MBL entered into an agreement (the “art agreement”) with the artist Ms Kristen Visbal, to purchase and use a limited-edition reproduction of Fearless Girl for an Australian campaign concerning workplace gender equality including equal pay for women. The original statue had been commissioned from the artist by State Street US. It is currently located in front of the New York Stock Exchange and was the subject of a number of agreements including a master agreement between State Street US and the artist.

The art agreement was negotiated by MBL’s National Brand and Social Media Manager (Ms Hanlan) and MBL’s external solicitor (Mr McDonald) on the one hand, and the artist and her New York lawyer (Ms Wolff) on the other hand.

MBL was joined by two superannuation funds, HESTA and Cbus, who sponsored the campaign. MBL proposed to hold an event to launch the public unveiling of the replica at Federation Square in Melbourne on 26 February 2019. MBL invited people to the launch on 12 February and 14 February 2019. On 14 February 2019, State Street commenced proceedings and obtained interim injunctions

from O’Callaghan J preventing MBL from publicly installing the replica and requiring MBL to cease marketing the replica. On 21 February 2020, Beach J discharged the interim injunctions and refused interlocutory relief. On 26 February 2019, MBL hosted the launch event.

At the event there were electronic billboards and signs of various sizes containing images of a Fearless Girl statue and the name “Fearless Girl” in connection with MBL, HESTA and Cbus. The artist made two speeches at the event. There was a panel discussion involving representatives of MBL, HESTA and Cbus, which included comments about gender issues. There were also interviews given by the artist to Australian media outlets.

Inducing breach of contract

State Street US alleged that MBL induced or procured the artist to enter into the art agreement in circumstances where MBL was wilfully blind or recklessly indifferent to the fact that this would place the artist in breach of her master agreement with State Street US.

Beach J held that no such breach had been established.

His Honour also held that whether MBL was wilfully blind or recklessly indifferent to the substantial prospect of a breach of the master agreement was not the correct test, because the gravamen of the tort is intention, but that in any event, State Street had not proved that MBL was wilfully blind or recklessly indifferent. His Honour found that State Street had cherry picked parts of the communications between MBL and the artist in support of its submission on knowledge, but that when those words were read in context, the meaning State Street attributed to them could not be sustained. His Honour held that State Street had failed to show the requisite intention on the part of MBL to interfere with the artist’s performance of her obligations under the master agreement or to procure a breach of the master agreement.

Indeed, his Honour found that the evidence of MBL’s lawyer and representative established the reverse: at all times, they sought to ensure that entry into the art agreement did not trespass over any obligations the artist may have had under the master agreement. His Honour found that MBL (whether by its representative or its lawyer) did not have knowledge that the artist’s entry into of the art agreement interfered with, or put the artist in breach of, her obligations under the master agreement.

Further, State Street contended that MBL induced or procured the artist to attend and participate in the launch event in such a fashion as to breach the master agreement in circumstances where MBL had full knowledge of the relevant terms of that agreement from at least two weeks before, including various limitations on the activities of the artist and the rights and benefits granted to State Street under that

agreement. Beach J held that he was not, for the most part, satisfied that those breaches had been established, but that even if they were, the tort had not been established as against MBL. He held that State Street had not established that the artist breached the terms of the master agreement by entering into the art agreement or participating in the launch event. He also held that MBL did not have the relevant state of mind to make out this tort, whether he considered the state of mind of the relevant MBL representative or the minds of the MBL representative and MBL’s external lawyer. His Honour considered that MBL had established that it held a genuine and reasonably entertained belief that the relevant acts would not be a breach of the master agreement.

Justice Beach noted that, to establish the tort of inducing breach of contract, State Street needed to show more knowledge on the part of MBL than just the fact of the existence of the master agreement – it needed to show that MBL had knowledge of the relevant terms of that agreement. His Honour also noted that State Street needed to show that MBL had induced or procured the breach. What needed to be shown was some persuasion, encouragement, assistance or pressure that was aimed at the contract such that there was a clear causal link between the respondent’s conduct and the breach.

Australian Consumer Law claims and passing off

Justice Beach also rejected the assertion that, in the promotion or use of the replica, MBL made various representations that were false and engaged in conduct that was misleading or deceptive or likely to mislead or deceive, or engaged in the tort of passing off.

In so doing, Beach J held that he was bound by the Full Court authority of *Trivago NV v ACCC* (2020) 384 ALR 496 (“*Trivago*”) and could not apply the test of whether a not insignificant number of persons within the relevant section of the public would be misled or be likely to be misled by reason of the impugned conduct.

Justice Beach found that MBL’s conduct was undertaken in trade or commerce, and had a purpose of promoting MBL itself, as well as public advocacy. His Honour found that the relevant class was members of the public (including members of the financial services sector). His Honour held that there was little if any evidence that the Australian public at large were keenly aware of, or had an interest in, the association between the New York statue and State Street, or that the reputation of the New York statue was State Street’s reputation. Justice Beach held that State Street’s market was very select, highly educated, commercially sophisticated, and not likely to make any connection between State Street and MBL simply because of the use of an artwork.

Justice Beach held that members of the Australian public may have known of the New York statue and the name “Fearless Girl” and recalled the publicity several years earlier

concerning its unveiling in New York. Such members would have associated the New York statue and the name “Fearless Girl” with gender diversity and other social issues concerning equal opportunity and equal pay. His Honour did not accept that such members, except a very small wealthy few, would have known of State Street, or would have known that State Street (US) was the commissioner of the New York statue. His Honour held that those few would not mix up MBL (or HESTA or Cbus) with State Street or consider that MBL or HESTA or Cbus was associated with State Street. The authors note that this reasoning necessarily involved a consideration of the number of members of the relevant class that might have known of the relationship between State Street US and the original Fearless Girl statue, but because his Honour found that even those few people would not be misled, the reasoning does not fall foul of *Trivago*.

Justice Beach said it was problematic to say the least to suggest that the ordinary and reasonable member of the Australian public would, in early 2019, think that State Street had licensed or approved of the replica as it was unveiled in Australia by a local plaintiff law firm known for its social justice work and its “fight for fair” mantra. His Honour found that there was no representation that the statue was the New York statue, or that there was an association with the New York statue or with State Street.

Even if the alleged association representation was made, Beach J considered it was dispelled by the disclaimers MBL had included on its published materials relating to the replica since 14 February 2019.

Passing off

State Street failed in its passing off claim, because: there was no misrepresentation; State Street did not have sufficient reputation; and State Street had not shown any damage.

Trade mark infringement

State Street US is the registered proprietor of Australian trade mark no. 1858845 for the word mark “FEARLESS GIRL” in relation to the services with a priority date of 16 March 2017 in class 35, namely publicity services in the field of public interest in and awareness of gender and diversity issues, and issues pertaining to the governance of corporations and other institutions; and class 36 in respect of funds investment; financial investment advisory services; financial management of donor-advised funds for charitable purposes; accepting and administering monetary charitable contributions; financial information.

State Street US alleged that MBL used the words “Fearless Girl” in connection with such services and thereby infringed State Street US’s trade mark under sections 120(1) and 120(2) of the *Trade Marks Act* 1995 (Cth) and that HESTA and Cbus also used such words in relation to such services and that MBL authorised such use.

There was no dispute that MBL, HESTA and Cbus had used the words “Fearless Girl” in connection with the replica, including in press releases and in social media posts. State Street said that MBL’s use of the Fearless Girl trade mark was not solely descriptive as the name of the artwork but included trade mark use as the brand of the MBL campaign. Further, it said that the MBL campaign was not merely a social or political campaign but also a form of modern marketing, namely, a cause-related publicity campaign.

Justice Beach found that “Fearless Girl” may have been used to promote the MBL campaign and to promote various gender related issues or messages, but that the use of Fearless Girl was not trade mark use, let alone trade mark infringement as alleged.

His Honour noted that: (1) the words were used principally to describe the replica; (2) that if the words were used in a fashion beyond the mere descriptive, it was not trade mark use; (3) that the prominence of the words “Fearless Girl” in the various uses asserted by State Street US to be trade mark use actually reinforced his first and second points; and (4) that the presence of MBL’s, HESTA’s and Cbus’ own logos on relevant material was a powerful but not definitive point against State Street US.

Justice Beach observed that even if the words “Fearless Girl” and their use were not solely descriptive, the words “Fearless Girl” were being used to describe a social campaign for gender diversity in the work-force and equal pay, and the breadth of such a campaign included within it gender diversity at board level and in the financial services sector, that did not necessarily entail that MBL’s, HESTA’s and Cbus’ use of the words “Fearless Girl” was trade mark usage. His Honour rejected the proposition that the campaign was a marketing campaign for MBL, Cbus and HESTA.

His Honour also held that MBL was not in the business of providing publicity services, and had not done so by engaging in its public interest campaign or by involving partners in such a campaign. Justice Beach held that, in any event, given the use of MBL’s own mark on all of the material complained about, and the disclaimer used, its use was not likely to deceive or cause confusion (which would be relevant to section 120(2) not section 120(1) of the Trade Marks Act).

Justice Beach also held that MBL was not engaged in the provision of services in class 36 such as “funds investment”. Although Justice Beach accepted HESTA and Cbus were in the financial services sector, his Honour held that neither was using “Fearless Girl” as a badge of origin in relation to the same services, or services of the same description, as the registered services.

Beach J also held that the defence under section 122(1)(b) (i) of the Trade Marks Act applied, because MBL (and Cbus

and Hesta) used the mark in good faith to indicate the name of the replica.

Copyright infringement

State Street alleged that MBL's reproduction a two-dimensional image of Fearless Girl in campaign materials constituted an infringement of its copyright because it had an exclusive licence to use those images in relation to, inter alia, gender diversity issues in corporate governance and the financial services sector.

Justice Beach rejected this claim because he found that the campaign materials did not refer to gender diversity issues in corporate governance or the financial services sector. His Honour held that the presence of the company names HESTA and Cbus did not make the reproduction "in connection with financial services" and that comments at the launch event about gender diversity did not turn the earlier or later instances of alleged infringement into being "in connection with gender diversity issues in corporate governance". His Honour also held that the use was licensed by the artist. Finally, his Honour found that MBL was entitled to rely on the defence of innocent infringement.

Curiously, Beach J identified the only outstanding substantial question as being what could be done with the replica and how it could be displayed in future. This seems to the authors to suggest that State Street might have a claim with respect to that future use but Beach J did not describe how that could arise.

Swancom Pty Ltd v The Jazz Corner Hotel Pty Ltd (No 2) [2021] FCA 328

9 April 2021

Trade marks – validity (s.41) – infringement – defences (s.122(1)(b)(i); s.122(1)(e); s.122(1)(fa))

This case concerned two live music venues located in Melbourne, and the right to use trade marks which include the words "corner" and "corner hotel".

The applicant was the owner and operator of a live music venue located in the inner-city suburb of Richmond, referred to as "The Corner Hotel". It was the registered proprietor of four trade marks incorporating the word "Corner", including "CORNER HOTEL", "CORNER", "CORNER PRESENTS" and "THE CORNER" (trade mark nos. 1388154, 1442211, 1623364 and 1669900, respectively) (the "Applicant's Corner Marks") in connection with various services associated with the organisation and conduct of entertainment activities including live music performances.

The first to third respondents conducted three distinct but related businesses within a building located at 330-360 William Street in the Melbourne CBD, under the names "The Jazz Corner Hotel", "Bird's Basement" and "The Jazz Corner Café". The fourth respondent, Mr Albert Dadon,

was the sole director of each of the first to third Respondents. The fifth respondent was the registered proprietor of trade mark no. 1825739 for "THE JAZZ CORNER HOTEL" (device) and trade mark no. 1839135 for "JAZZ CORNER" in connection with various accommodation services. The third respondent was the registered proprietor of trade mark no. 1893220 for "JAZZ CORNER" and trade mark no. 1906026 for "THE JAZZ CORNER CAFÉ" (device) in connection with café and restaurant services (collectively, the "Respondents' Jazz Corner Marks").

In the proceeding, the applicant claimed that the respondents had infringed one or more of the Applicant's Corner Marks, and also sought cancellation of the Respondents' Jazz Corner Marks. Those claims were ultimately unsuccessful.

Validity of the Applicant's Corner Marks

As part of the respondents' defence, the first respondent filed a cross-claim seeking rectification of the Register of Trade Marks by cancellation of the Applicant's Corner Marks in respect of class 41 services.

The first respondent alleged that the Applicant's Corner Marks were liable to be cancelled in respect of class 41 services on the bases that: (a) the marks were not capable of distinguishing the Applicant's services (relying upon section 82(2)(a) and section 41 of the Trade Marks Act); and (b) the use of the Applicant's Corner Marks was likely to deceive or cause confusion (relying upon section 88(2)(c) of the Trade Marks Act).

As to the "CORNER HOTEL" trade mark, O'Bryan J found that the phrase "corner hotel" was not to any extent inherently adapted to distinguish ordinary hotel services (described as alcoholic drinks served on the premises, prepared meals and, to a lesser extent, accommodation), observing that it was questionable whether any amount of use of that phrase would render it capable of distinguishing such services (at [152]). However, the first respondent's challenge to the Applicant's Corner Marks was limited to class 41 services (namely, live music, ticket booking and related services) – it did not challenge the registrations insofar as they specified services in class 43.

In respect of the class 41 services, O'Bryan J held that "the words ["corner hotel"] have no direct reference to those services" (at [152]). Although O'Bryan J did not accept the submission that the phrase "corner hotel" had no signification in respect of live music services (at [154]), his Honour held that the "CORNER HOTEL" mark was, at its filing date, capable of distinguishing the Applicant's live music services (at [155]). That finding was based on evidence demonstrating substantial use of the mark before the filing date, including a long history as a professional live music venue which was supported by evidence given by several industry witnesses (at [155]–[156]). While not expressing a concluded view, O'Bryan J observed that, because of that

evidence of use, the mark would satisfy the requirements of either old section 41(5) or section 41(6) (at [162]).

Justice O'Bryan held that similar conclusions applied in respect of the "CORNER" and "THE CORNER" marks, insofar as those registrations covered live music services in class 41 (at [163]–[164]). However, the specifications of services for those marks were broader than for the "CORNER HOTEL" mark, extending to services relating to the provision of amusement and entertainment services more generally. His Honour determined that a question arose whether the registration of those marks ought to be amended, or a condition or limitation imposed upon registration, in respect of those services (at [166]). The question whether the specifications of the marks should be amended will be the subject of further submissions on the question of relief.

As to the fourth mark, "CORNER PRESENTS", O'Bryan J held that mark was inherently capable of distinguishing the services of the Applicant in respect of which the mark is registered (at [169]).

Finally, O'Bryan J rejected the ground of cancellation pursuant to section 88(2)(c), finding that the use of the Applicant's Corner Marks was not likely to deceive or cause confusion (at [175]).

Trade mark infringement

The applicant alleged that each of the first to third respondents had infringed the Applicant's Corner Marks pursuant to section 120(1) of the Trade Marks Act by using the following trade marks in connection with live music services and booking services: (a) "THE JAZZ CORNER OF MELBOURNE" and "JAZZ CORNER OF MELBOURNE"; (b) "THE JAZZ CORNER OF THE WORLD" and "JAZZ CORNER OF THE WORLD"; (c) "THE JAZZ CORNER HOTEL", "JAZZ CORNER HOTEL" and "JAZZCORNERHOTEL"; and (d) "THE JAZZ CORNER CAFÉ", "JAZZ CORNER CAFÉ" and "THEJAZZCNRCAFÉ".

The respondents denied infringement of the Applicant's Corner Marks, amongst other things relying upon several defences under the Trade Marks Act. Justice O'Bryan ultimately dismissed the applicant's claims, principally on the basis that the impugned marks were not deceptively similar to the Applicant's Corner Marks.

As a threshold issue, his Honour was required to determine whether, by reason of the cross-promotion engaged in by the first to third respondents, ordinary members of the public would reasonably perceive that any of the Jazz Corner marks were being used as a "badge of origin" in respect of the live music performances conducted at the Bird's Basement venue. Justice O'Bryan held that ordinary members of the public would perceive that The Jazz Corner Hotel is a provider of

live music performances in the basement jazz club known as Bird's Basement – that is, the first respondent had used the Jazz Corner Hotel marks to distinguish live music performances in the sense of indicating origin (at [208]). While those services were also promoted using the Bird's Basement trade mark, O'Bryan J held that the use of that mark did not diminish the significance of the Jazz Corner Hotel marks as a badge of origin, as the Bird's Basement mark would be perceived as a sub-mark or secondary mark (at [212]).

On the question of use as a trade mark, O'Bryan J also held that: (a) the second respondent had not used the Jazz Corner Hotel marks in respect of live music services (at [215]); (b) the third respondent had not used the Jazz Corner Café marks as a trade mark in relation to live music services (at [216]); (c) the first and second respondents had used the "Jazz Corner of Melbourne" mark as a trade mark in connection with all businesses conducted from the William Street building, including the jazz club (at [219]); (d) the respondents had not used the phrase "Jazz Corner of the World" as a trade mark, but rather had used it in a descriptive manner (at [220]–[221]); and (e) the first to third respondents had not engaged in a "concerted and agreed common action" to jointly market and promote the services offered and provided by each of them (at [222]).

On the question of deceptive similarity, O'Bryan J observed (referring to his earlier findings) that the words "corner hotel" are descriptive and have a clear primary meaning to consumers of hotel services and some signification for persons who wish to attend a live music performance (at [247]), noting the evidence of widespread use of the word "corner" in relation to hotel and hospitality business and the ubiquitous use of "hotel" in the hotel industry (at [248]). While accepting that the word "jazz" also had a descriptive meaning, his Honour held that, in comparison to "corner" and "hotel", "it is a word that leaves a more striking impression" (at [250]) which gave the composite phrase "Jazz Corner Hotel" a distinct sound and meaning (at [251]). Justice O'Bryan ultimately held that the risk of an ordinary member of the public being confused was remote (a mere possibility), and that therefore the marks were not deceptively similar (at [255]). His Honour previously held that confusion could arise if the reasonable consumer would be "caused to wonder" and so was apparently applying the relatively low bar set by the authorities.

Although not determinative, O'Bryan J also considered three statutory defences raised by the respondents. First, his Honour rejected the respondent's defence based on section 120(1)(b)(i) of the Trade Marks Act (use in good faith to indicate a characteristic of services), finding that the phrases "Jazz Corner of Melbourne" and "Jazz Corner of the World" do not involve the use of common words for a descriptive purpose (at [265]). Secondly, his Honour held that, had he determined the marks "Jazz Corner of Melbourne" and

“Jazz Corner of the World” to be deceptively similar to the Applicant’s Corner Marks, the respondents would not have been able to rely upon the defence under section 120(1)(fa) of the Trade Marks Act (entitlement to obtain registration) as the Applicant’s Corner Marks would have prevented registration under s 44 and there was no relevant prior use (at [268]). Thirdly, O’Byrne J rejected the respondents’ contention that they were entitled to avail themselves of the defence under section 122(1)(e) of the Trade Marks Act (exercise of rights under the Trade Marks Act) in relation to the “Jazz Corner Hotel” and “Jazz Corner Café” marks, as the rights conferred by the respondent’s registrations did not extend to class 41 services (at [273]–[274]).

Validity of the Registered Jazz Corner Marks

The applicant also sought the cancellation or amendment of the Respondents’ Jazz Corner Marks under section 88(2) (a) of the Trade Marks Act on the basis that they could have been opposed under section 57 and section 44(2) for being substantially identical with or deceptively similar to one or more of the Applicant’s Corner Marks.

Justice O’Byrne dismissed the application for cancellation, principally on the basis that the Respondents’ Jazz Corner Marks were not deceptively similar to the Applicant’s Corner Marks (at [290]). His Honour also observed that the applicant’s cancellation application was effectively to exclude live music services from the scope of registration of the Respondents’ Jazz Corner Marks, but that such services were not within the scope of the registration in the first place (at [291]–[292]).

Repipe Pty Ltd v Commissioner of Patents (No 3)

[2021] FCA 31

29 January 2021

Patents – amendment to overcome manner of manufacture objection – whether possible to overcome s.102 – whether the “principle of finality” should prevent iterative amendment applications

Astute readers will recall Repipe’s failed attempt to overcome a manner of manufacture objection raised by the Commissioner in respect of its patents for methods and systems for providing and receiving information for risk management in the field: *Repipe Pty Ltd v Commissioner of Patents* [2019] FCA 1956.

In that earlier case, McKerracher J found that the inventions were to a business method, which was inherently not patentable subject matter. The sense in which the claimed inventions were “technology driven” was only that the business schemes used computers to implement a solution to a business problem, using standard computing functions to provide a non-standard solution. While specific software needs were required to achieve the invention, that was not the “substance of the claimed inventions”. Accordingly, the

claims were not to patentable subject matter.

Then in *Repipe Pty Ltd v Commissioner of Patents (No 2)* [2019] FCA 2125, Repipe convinced McKerracher J that there was still hope for it. The Commissioner sought orders that the appeal be dismissed, but Repipe sought orders allowing it to file an application to amend pursuant to section 105(1A) of the *Patents Act* 1990 (Cth). While McKerracher J expressed doubt as to whether the claims could be resurrected, and noted the importance for “finality of litigation”, his Honour allowed Repipe time in which to propose amendments as the prejudice to it outweighed any prejudice to the Commissioner.

In the present case, perhaps unsurprisingly, McKerracher dismissed Repipe’s application to amend the patents, and refused leave to file a further amendment application. The Commissioner argued that Repipe’s first amendment application was essentially an attempt to reopen and rehear the original case, contrary to the principles of finality of litigation. The Commissioner argued that the first amendment application did not seek to address McKerracher J’s first decision, but instead simply added detail into the claims which were either drawn from the specification as filed which had been found not to disclose a patentable invention, or added detail not found in the specification as filed, in which case the amendments would not be allowable under section 102 of the Patents Act.

In response, Repipe sought to address the Commissioner’s complaint that the attempt to introduce “pseudo code” into the specification did not comply with section 102, by proposing a second amendment application. The Commissioner opposed leave on the basis that the amendments were futile because they would not overcome the original decision, that they did not comply with section 102 and that there should be finality of litigation. As to futility, McKerracher J observed that the Commissioner had contended that the more recent Full Court decision in *Commissioner of Patents v Rokt Pte Ltd* [2020] FCAFC 86 (“*Rokt*”) supported McKerracher J’s first decision, in that it affirmed and applied the same approach to assessing computer-implemented business methods and schemes that was adopted by the Full Court in *Encompass Corporation Pty Ltd v InfoTrack Pty Ltd* [2019] FCAFC 161; (2019) 372 ALR 646, *Research Affiliates LLC v Commissioner of Patents* [2014] FCAFC 150; (2014) 227 FCR 378 and *Commissioner of Patents v RPL Central Pty Ltd* [2015] FCAFC 177; (2015) 238 FCR 27. This involves asking whether the computer is a mere tool in which the invention is performed (unpatentable), or whether the invention lies in the computerisation (potentially patentable): *Rokt* (at [108]).

Justice McKerracher expressed doubt as to whether *Rokt* impacted on his earlier decision but observed that, if that was the case, that was a matter for appeal, not re-hearing by a side-wind in an amendment application. Justice McKerracher specifically observed (at [70]):

The conclusion in Roki by the Full Court was that the claim amounted to nothing more than instruction to carry out the business scheme, which in that case, was a marketing scheme. The claims in this instance are nothing more than an instruction to carry out a work place health and safety document scheme using generic computer technology.

Justice McKerracher also distinguished the decision of Burley J in *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents* [2020] FCA 778, observing (at [71]) that the invention in that case did not “involve the use of generic computer technology such as a smartphone and a server. Rather, the findings were that the claim was directed to a device, namely, an electronic gaming machine, which his Honour held by reference to regulatory and other considerations specific to the context of gaming machines, was a device of a specific character.”

***UON Pty Ltd v Hoascar* [No 3]**

[2021] WASC 17

22 January 2021

Patents – transfer of proceedings to Federal Court – overlap in subject matter – risk of inconsistent findings

Justice Archer of the Supreme Court of Western Australia held that UON’s case against its former employee, Mr Hoascar, and his new employee, Taranis Power Group Pty Ltd, for misuse of confidential information in relation to an alleged invention for a “control and power management system with specific application to remote island mine sites”, should be referred to a concurrent dispute in the Federal Court. The Federal Court case involves UON’s appeal from a decision of the Commissioner of Patents rejecting UON’s assertions that it was the true inventor of Taranis’ patent application for a control and power management system, and also rejecting other assertions of invalidity of that patent application.

Justice Archer recited the relevant principles regarding transfer of proceedings as follows. The question calls for “nuts and bolts” management decision as to which Court, in the pursuit of the interests of justice, is the more appropriate to hear and determine the substantive dispute. If the Court is of the opinion that section 5(1) of the *Jurisdiction of Courts (Cross-Vesting) Act* 1987 (Cth) (or its State equivalent) is satisfied, it must transfer the proceeding. There is no question of judicial discretion. The interests of justice capture not just the interests of the parties – competing or conflicting – but may also capture interests wider than those of either party. The interests of justice concern those of both parties and, rather than the selection of the most advantageous or least disadvantageous forum for one of them, the interests of justice are to be judged by more objective factors which facilitate identification of the “natural forum”, in which objectively judged, the dispute would fall to be resolved, with its concomitant juridical advantages and disadvantages

for each party, whatever they may be.

As to the relevant “connecting factors”, Archer J identified them as:

(a) factors indicating that justice can be done in one forum at substantially less inconvenience or expense such as the availability of witnesses;

(b) factors which may make a forum the ‘natural forum’ as being the forum with which the action has the most real and substantial connection, such as where the relevant transactions took place and where the parties carry on business.

An important consideration is which forum can provide more effectively for the complete resolution of the matters in issue between the parties. Finally, because it is necessary to identify the more appropriate forum, no specific emphasis can be given in favour of the choice of forum made by the plaintiff.

Justice Archer considered each of the relevant factors identified in the authorities and addressed by the parties in detail. In short, Archer J observed that the matter could not be transferred from the Federal Court to the Supreme Court because the Federal Court was seized of matters that the Supreme Court did not have jurisdiction to deal with. Furthermore, if the matter were transferred there would be no risk of inconsistent factual findings (which risk would have existed if there was no such transfer). It was suggested by the plaintiff that the way to avoid inconsistent findings would have been for the Federal Court to stay its proceeding, but Archer J observed that there was no power of the Supreme Court to make the Federal Court do so. The authors query whether that observation is strictly correct given the Court’s inherent power to issue an anti-suit injunction to protect its own processes, but the plaintiff apparently accepted the correctness of that proposition in this proceeding. The stay sought by the plaintiff would have, in any event, extended the uncertainty in relation to the patent application. Finally, as to costs already incurred in the Supreme Court, Archer J considered they could be dealt with quickly and efficiently so as to not delay the transfer of proceedings.

D’Annunzio v Willunga Projects Pty Ltd

[2021] SADC 36

29 March 2021

Copyright in plan of subdivision – interlocutory injunction application – balance of convenience weighted against grant of injunction

Mr D’Annunzio sought an interlocutory injunction to restrain the defendant, Willunga Projects, disposing or dealing with its interests in certain land and requiring Willunga Projects to pay proceeds of sale of the land into Court.

On 24 April 2015, Mr D’Annunzio entered into a contract to purchase land from the then registered proprietor, Graeme Edward Inkley, being three vacant allotments, situated at Willunga in the State of South Australia.

Mr D’Annunzio planned to develop a subdivision comprising 35 vacant allotments of the Willunga land. He then retained consultants, including a Mr Davidson, to survey the Willunga land and to prepare plans for the subdivision. The plans for subdivision included a number of matters including the size of the allotments, the location and layout of an internal roadway and storm water drainage.

Mr D’Annunzio asserted that he and Mr Davidson were the joint authors of the draft plans and subsequent plans created by them or either of them in respect of the subdivision of the Willunga land. For the purposes of the injunction application, Davison J accepted this was the case.

Mr D’Annunzio was unable to settle on the contract to purchase the Willunga land. On or about 10 August 2020, Mr Inkley transferred the Willunga land to Willunga Projects. Mr D’Annunzio became aware that Willunga Projects purchased the Willunga land and caused it to be subdivided, and had placed residential allotments resulting from the subdivision on the market. Mr D’Annunzio asserts that in doing so, Willunga Projects had infringed Mr D’Annunzio’s copyright in the plans of subdivision prepared by him and Mr Davidson.

Judge Davison accepted for the purposes of the application, and “notwithstanding that it could be expected there to be certain generic qualities to a subdivision”, that there were sufficient objective similarities between Messrs D’Annunzio and Davidson’s 2018 plan and the Willunga Projects subdivision plan to justify a finding on a prima facie basis that Willunga Projects had infringed the copyright of the applicant by reproducing the plan. Her Honour was therefore satisfied for the purposes of this application that Mr D’Annunzio had established a prima facie case in the sense that this term is used in *ABC v O’Neill* (2006) 227 CLR 57.

The difficulty for Mr D’Annunzio lay in the balance of convenience. Mr D’Annunzio’s claim was based on an asserted right to an account of profits from the infringing conduct. Her Honour observed (at [40]):

The applicant has adduced no evidence that the plans were such an essential feature of the subdivision. Indeed, the evidence before me suggests the contrary conclusion. That is, the subdivision could have been undertaken without using the plans of the applicant. If that is the case, the accounting of profits requires an inquiry as to what part, if any, of the profits, was attributable to the drawings of the applicant. This is obviously not the whole of the net proceeds.

Her Honour held that the risk that Mr D’Annunzio would succeed at trial but would not be unable to receive the profits (because they have been disbursed) outweighed the damage and inconvenience that would be suffered by Willunga Projects if the injunction were to be granted. In particular, her Honour found that Willunga Projects would be significantly inhibited or prevented from carrying on with the project if the injunction were granted. Her Honour observed that the risk to Mr D’Annunzio could be addressed by an order for an urgent trial.

The authors observe that the relief Mr D’Annunzio sought was really in the nature of a *Mareva* injunction or freezing order (and, indeed, Willunga Projects made that point to Davison J). While Davison J did not refer to the principles involved in determining an application for a freezing order, the authors consider the result would have been the same. A freezing order is made to prevent the frustration or inhibition of the Court’s process by seeking to meet a danger that a judgment of the Court may be wholly or partly unsatisfied: *Cardile v LED Builders Pty Limited* (1999) 198 CLR 380 at [25]. It did not appear that Mr D’Annunzio had a sufficiently clear claim to the amount of profits he sought to have frozen, and it was far from clear that there was sufficient risk that Willunga Projects would not be good for any judgment in favour of Mr D’Annunzio.

Meticon Homes Pty Ltd v Zac Homes Pty Ltd

[2021] FCCA 394

10 March 2021

Meticon owns the registered mark “LOVE WHERE YOU LIVE” in classes 35, 36, 37, 42 and 44 covering a variety of services relating to building and real estate.

In this judgment, Judge Baird considered a separate question posed by the Court on 13 August 2019 and heard on 8 October 2019 as to whether Zac Homes’ use of the phrases “Love where you live?” on its website and “You love where you live” in a radio advertisement, constituted use of those phrases as a trade mark for the purposes of section 120 of the Trade Marks Act. Her Honour answered “No” to that question.

Her Honour set out the principles involved in determining whether the use of a sign is a use as a trade mark, referring in the main to the Full Court’s recitation of the following principles in *Nature’s Blend Pty Ltd v Nestle Australia Ltd* [2010] FCAFC 117; (2010) 87 IPR 464:

- (i) *a mark may contain descriptive elements but still be a ‘badge of origin’;*
- (ii) *the appropriate question to ask is whether the impugned words would appear to consumers as possessing the character of the brand;*

- (iii) *the purpose and nature of the impugned use is the relevant inquiry in answering the question whether the use complained of is a use “as a trade mark”;*
- (iv) *consideration of the totality of the packaging, including the way in which the words are displayed in relation to the goods and the existence of a label of a clear and dominant brand, are relevant in determining the purpose and nature (or “context”) of the impugned words;*
- (v) *in determining the nature and purpose of the impugned words, the court must ask what a person looking at the label would see and take from it.*

Her Honour also referred to Justice Hill’s observation on the Full Court in *Aldi Stores Ltd Partnership v Frito-Lay Trading Co GmbH* [2001] FCA 187; (2001) 54 IPR 344 at [23] that where a phrase has a clear meaning in ordinary use, the question of whether the use is trade mark use is more difficult than in the case of an inverted word or combination of words, “as the word or combination of words may either have taken on a secondary meaning indicating the origin of the goods or may simply convey an ordinary meaning (i.e. some message other than the trade origin of the goods) ...”.

As to the use of the phrase “Love where you live?” on the Zac Homes website, her Honour considered that the phrase was posing a conversational question which was answered by the phrase “Stay where you are!”. In that context, the impugned phrase was introductory and descriptive to potential consumers of the services offered by Zac Homes. The use was also in smaller font than other elements on the website, including the Zac Homes mark.

Her Honour concluded (at [29]) that:

... the impugned phrase is answered by directing the reader/viewer to the services of Zac Homes as the provider of a solution to the question posed does not transform the phrase from its ordinary meaning to one having, or taking on, a secondary meaning: as indicating the origin of particular services. The impugned phrase does not function as a badge of origin so as to distinguish Zac Homes’ services from similar services offered by other persons. The message conveyed by the phrase asks the reader whether they describe themselves as persons – who ‘love where you live’. In context, the phrase merely conveys its ordinary meaning, and invites the reader to interrogate themselves as to whether they fit the description.

In the radio advertisement, the phrase “You love where you live” was used once at the beginning of the ad over one second, and by comparison the Zac Homes brand was used five times. Her Honour considered that the phrase was merely introductory and used to give narrative context to the announcement that followed and would not strike the listener as a badge of origin. Her Honour equated the case to the one in *Hoser v Sportsbet Pty Ltd* [2018] FCA 1557

where Sportsbet’s use of the phrase “OI, SNAKE MAN!” in a television advertisement was at issue. In that case, Robertson J found that the phrase was not use as a trade mark because the words “snake man” were used for the purpose of narrative structure, and were merely introductory to the premise of the commercial. For that and a few other reasons, her Honour concluded that Zac Homes’ use of the phrase “You love where you live” in the radio advertisement was also not use as a trade mark.

The authors observe that the posing of this question was somewhat unusual given an answer either way does not, on its face, appear to have been likely to dispose of the case or make it more efficient. The question did not address Mettricon’s claims for passing off or contravention of the Australian Consumer Law for misleading or deceptive conduct. Furthermore, answering the question in the negative only did away with the trade mark infringement part of the case which would appear, at first blush, likely to have involved mostly legal submission, and, to the extent evidence was relevant, would have involved much the same evidence as will be required on the remaining claims. It may be noted that it also took almost 19 months from the date the separate question was posed to its determination – it seems plausible that the entire proceeding could have been determined in that same time.

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Goodman Fielder Pte Ltd v Conga Foods Pty Ltd
[2020] FCA 1808 (17 December 2020); and [2021] FCA 307 (31 March 2021)

This case concerned infringement claims by La Famiglia Fine Foods Pty Ltd and Goodman Fielder Pte Ltd (the applicants) regarding use of “La Famiglia” trade marks by Conga Foods Pty Ltd and Pastificio Rana S.p.A. (the respondents), as well as claims for removal for non-use of several of the Goodman Fielder’s registrations by the respondents.

Justice Burley of the Federal Court of Australia found largely in favour of the applicants and held that respondents infringed several of Goodman Fielder’s “La Famiglia” trade mark registrations. However, “general foodstuffs” claims were partially removed from Goodman Fielder’s trade mark registrations on the basis of non-use. As a side issue, the respondents’ cross claim for rectification based on LA FAMIGLIA being non-distinctive for food goods, also failed.

These decisions serve as an important reminder to trade mark owners that if the only use of trade marks is in relation to a small subset of the specified goods, then the broader term may be removed for non-use even if the remaining goods for which the mark is used are considered similar (and

the trade mark owner may be liable for costs for that partial removal). It also serves as a caution to non-use applicants that seeking removal for non-use risks retaliatory infringement proceedings (and vice-versa).

Key Facts Relating to the Proceedings

The respondents operate an Italian pasta business, and Pastificio Rana owns pending trade mark application no.

1875074  filed on 22 September 2017.

Pastificio Rana sought registration for the mark in respect of the following goods in class 30:

Precooked, fresh, or frozen meals consisting primarily of pasta or rice; pizza; pasta; pasta with fillings, including tortellini, tortelloni, ravioli, cappelletti, flour-based gnocchi; condiments; sauces.

Pastificio Rana sought to remove six of the applicants' trade mark registrations which were blocking Pastificio Rana's mark from attaining registration, on the basis of non-use. Two of those registrations were ultimately cancelled by Goodman Fielder. However, Goodman Fielder retained registration nos. 1155473 LA FAMIGLIA, 1171906,



1689133 LA FAMIGLIA KITCHEN and 1689131.



The two plain word registrations were relied on as the basis for an infringement cross-claim against the respondents. The respondents then cross-claimed on the basis that the asserted marks were not distinctive, and that the applicants had no intention to use the marks at the time of filing.

In considering the applicants' use of the LA FAMIGLIA marks, Justice Burley discussed the use from 1999 to present of the various iterations of the applicants' marks on their website, and in presentations to large retailers such as Woolworths, as well as in respect of Wayback Machine and Catalytics (<https://catalytics.com/>) evidence. The applicants also presented evidence in respect of the position of goods such as "garlic bread" in supermarkets in comparison to ready-made meals such as filled pasta.

Justice Burley found at [108] that as goods such as garlic bread and ready-made meals such as pasta were often displayed in close proximity in supermarkets, it was likely

that consumers wishing to purchase one of these products would observe the other goods "in close proximity".

Removal/rectification: Lack of use of intent to use (s.59, s.92(4)(a)-(b))

The respondents sought rectification of the LA FAMIGLIA marks pursuant to s.59 of the *Trade Marks Act* 1995 (Cth) (via s.88), and removal of those registrations on the basis of non-use, pursuant to s.92(4)(a)-(b), contending that at the date of filing Goodman Fielder had no intention to use the LA FAMIGLIA marks in respect of any goods other than bread and bread products, and that it had not used the mark for goods other than bread and bread products. The applicants argued however that they had used and/or intended to use the mark in respect of all goods specified in class 30 (including ... "foodstuffs having a base of rice, of flour or of cereals, also in the form of ready made dishes").

Justice Burley found that the applicants had used or had a bona-fide intention to use the marks in respect of bread and bread products but not in respect of pizza bases and general food-stuffs. The applicants argued that garlic bread was a natural accompaniment to ready made meals or pizza. However, Justice Burley found that presentations, linkage of garlic bread to "pizza occasions" or brand expansion proposals were only considered preliminary preparations for use and did not demonstrate actual use or intention to use. Justice Burley went on at [314] to say that, even if he was wrong on this point, he in any event would exercise his discretion to retain the registrations for pizza bases, but noted it was not appropriate for this discretion to extend as far as retaining general food stuffs more broadly.

Rectification: Non-distinctive (s.41, 88(1)(a))

The respondents also relied on ss.41 and 88(1)(a)-(2)(a) and argued that the LA FAMIGLIA marks were non-distinctive, because they would be recognised by consumers as "... the name of a family owned and operated enterprise, and one which made food for families and for family-type occasions". At [206] however, Justice Burley stated:

*In the present case, and in the context of the goods to which they are applied, the words "la famiglia" have vague, if any definite meaning, and connote, in relation to the designated products, **no more than an emotive tendency that the designated goods (like garlic bread) perhaps may ultimately be consumed in a convivial dining setting a bit like that in which Italian families are imagined to dine when together, or perhaps may be concerned with family. To institute a search for meaning almost necessarily implies that in ordinary English speech the words do not possess a connotation sufficiently definite to amount to a direct reference of the character or quality of the goods.** [Emphasis added]*

For completeness, Justice Burley stated that while LA FAMIGLIA KITCHEN was less allusive, it was still

considered distinctive (as it was a combination of Italian and English words). He also considered that the evidence presented by the applicants would have been sufficient to establish acquired distinctive capacity under s.41.

Infringement

The applicants also cross-claimed under Trade Marks Act s.120(2) and argued that use of



infringed Goodman Fielder's plain word registrations for LA FAMIGLIA and LA FAMIGLIA KITCHEN. They argued that FAMIGLIA was the central identifying element in the above mark, and that pasta and garlic bread are goods of the same description.

The respondents argued that Australian consumers would recognise their mark as THE FAMILY RANA and sought to rely upon the s.120(2) defence, namely that the manner in which the mark was used would not deceive or confuse consumers.

Justice Burley ultimately found that the prominence and font on the packaging of the respondents' goods would draw the eye to the words LA FAMIGLIA.



Justice Burley also concluded the goods were of the same description, as garlic bread as a side dish would be regarded by many Australians as a dish to be eaten with an Italian meal, such as filled pasta ("pace"); pasta and garlic bread are both substantially made from dough, and trade channels of pasta and garlic bread significantly overlap. Further, there was evidence that large retailers such as Coles and Woolworths promoted Italian main meals in close proximity to garlic bread in their stores.

The defence under s.120(2) was held not to apply in this instance, because the presence of the word RANA was not considered sufficient and the goods were of the same description, such that use of the respondents' mark would be likely to deceive or confuse.

In a subsequent decision handed down on 31 March 2021, Justice Burley issued orders giving effect to the above decision, and also confirmed that fresh gnocchi and fresh lasagne sheets were goods of the same description as garlic bread, and that use of the respondents' mark on those goods

therefore also infringed Goodman Fielder's registrations.

Conclusion

The respondents' claims for removal on the basis of non-use (or no intention to use) succeeded only so far as removing "general foodstuffs" from class 30 of Goodman Fielder's registrations. However, Justice Burley decided to retain garlic bread in the registrations, which was sufficient to support the applicants' infringement claims.

It is interesting to note that although pasta and garlic bread were considered "goods of the same description" for infringement purposes, use of the LA FAMIGLIA marks in relation to garlic bread was not sufficient to enable the applicants' registrations to be retained in relation to "general food-stuffs" in the non-use proceedings. If use of a trade mark is only in respect of a small sub-set of broad claims, retaining broader claims frustrates the policy of discretion for non-use.

The respondents have sought leave to appeal the decision to the Full Federal Court.

Dr Dimitrios Eliades

Barrister, Queensland

In this issue, I review the following decision of Justice Greenwood of the Federal Court of Australia, which relates to an appeal from a decision of a delegate of the Registrar of Designs. The delegate determined that the registered design in suit should be removed from the Register of Designs. The main issue was whether there was a prior publication of the relevant design constituted by two emails issued by the rights holder to its distribution group and associates. Broadly, the delegate considered that as the emails were not couched in language importing an obligation of confidence, there was prior publication.

It should be noted, although having no application to this case, that the *Designs Amendment (Advisory Council on Intellectual Property Response) Bill 2020* (Cth) amends the *Designs Act 2003* (Cth), in response to a 2015 report by the former Advisory Council on Intellectual Property. The Bill was considered non-controversial and passed the Senate without amendments on 4 February 2021. The Bill was introduced and read for the first time in the House of Representatives on 4 February 2021.

Specifically, Schedule 1 repeals the *Designs Act* s.17(1) and substitutes a new s.17(1), which sets out a grace period, during which prior publications of a design are to be disregarded when deciding whether a design is new and distinctive. The intention, similar to the patent regime, is

to protect designers from losing the opportunity to apply for protection due to inadvertent disclosures of their design before they file a design application.

Key Logic Pty Ltd v Sun-Wizard Holding Pty Ltd

[2021] FCA 208

12 March 2021

Justice Greenwood's reasons for judgment relate to an appeal under the Designs Act s.68(6), from a decision of the delegate of the Registrar of Designs revoking the registration of a design for application to a product called a "solar bollard". The overall appearance of the registered design appeared in the Court Book as seven representations. His Honour noted that the representations were not as clear as they might be, to which the appellant ("Key Logic") invited his Honour to view the representations online through the Registrar's website. The respondent ("SunWizard") cautioned that this approach might lead to the problem that the version of the representations relied upon by the Court in making its decision might not be clear. His Honour, however, had the benefit of the design representations reproduced in the Registrar's decision and in an exhibit to evidence in the hearing, both sources of which produced with clarity the seven representations. The representations are reproduced at [4] of his Honour's reasons.

Key Logic is the current owner of the design registration, taking this by assignment from the original applicant and owner (Exlites). Key Logic was controlled by Mr Arieni. Sun-Wizard contended that "the design was not a registerable design". This question invoked considerations raised by the Designs Act ss.5, 6, 7, 8, 15, 16 and 19, having regard to the reasons of the Registrar's delegate.

On the substantive questions, Greenwood J noted that in deciding whether the registered design was substantially similar in overall impression to another design, the Court applies the standard of the informed user as described in s.19(4): [22].

Greenwood J observed at [16] of his Honour's reasons for judgment, that the delegate concluded that an email sent by Mr Arieni on 3 May 2010 had the effect of publishing the design the subject of the application prior to the priority date. The email was addressed to "all Exlites Associates", attaching a "pre release data sheet on the new 2010 solar bollard" containing an image of an "Exlites Solar Bollard" (otherwise described as the "New 2010 GENII"). Another similar email was sent earlier on 21 April 2010 attaching a document bearing the title "Exlites New Bollard Comparison V2", addressed "To All".

The Registrar's delegate came to this conclusion because the emails were not couched in terms marking them confidential. Put another way, there was no obligation of confidence imposed on the email recipients. Accordingly, the delegate

concluded, there was a nonconfidential publication of the design, which meant that the design formed part of the prior art base before the priority date and was therefore neither new nor distinctive at the priority date. It is noted that the two emails were dated 21 April 2010 and 3 May 2010 and the priority date was 7 June 2010.

A matter of some attention in this regard was a notice appearing at the footer of each of the emails from Mr Arieni:

Confidentiality: This EMail is from EXlites [sic]. The contents are confidential and are intended only for the named recipient. The recipient is hereby notified that any use, copying, disclosure or distribution of the information contained in the EMail is strictly prohibited. If you have received this email in error, please reply to us immediately at [an email address is set out]. Please delete the document from your EMail system.

As background to the recipients of the relevant emails, in approximately mid-2009, Exlites distributed its products through a main distributor (Orca). At about this time, Orca indicated it no longer wished to distribute Exlites products. Rather than appoint a main distributor, Mr Arieni decided to establish distributors in multiple locations and this concept became known as the Central Installer Network ("CIN"). Mr Arieni in his evidence said that the contents of the emails were confidential because the production line had not been finalised.

Allowing the appeal, Greenwood J determined that after considering the evidence, there was an obligation of confidence existing at the time of the two emails, arising from the particular financial arrangements between the members of the CIN group and Exlites and the state of development of the GENII product. Greenwood J at [284] of his Honour's reasons, found that the recipients of the emails came under an obligation of confidence to maintain the confidentiality of those matters until the product was in its final form and in a position to be promoted to the public at large as a saleable product. His Honour's reasons supporting this conclusion included the following:

- A witness with a direct commercial interest in seeking to invalidate the registration of the design for the GENII product (Mr Fry), recognised and accepted that the GENII was undergoing design changes and tooling modifications for about 18 months and as at 21 April 2010 and 3 May 2010, the GENII product was still under development.
- Mr Fry accepted that the process of developing the tooling to the point where Exlites had a product suitable to put on the market was "a long and difficult process"; that the process of designing and developing the GENII solar bollard was "a very expensive process"; that Exlites had invested a "significant amount of money" in the development

of the GENII bollard; that during the period that the GENII solar bollard was in the process of being developed. In such circumstances, Exlites would have wanted to keep information concerning the development of the design confidential.

- The CIN cohort received financial benefits from being members in that they received prices for product that were lower than the prices available to wholesalers or resellers.
- Mr Fry accepted that there was an exchange of confidential information between individuals within the CIN cohort.
- Greenwood J accepted that the information contained in the email of 21 April 2010 was concerned with some matters of fact going directly to the development of the GENII product and that information was inherently confidential as it went to features of the product still under development and the information was put to the cohort in order to obtain the opinions of members of the cohort.
- Greenwood J also accepted that the information contained in the email of 3 May 2010 was inherently confidential for the same reason. The information in the email provided the members of the cohort with new system design facts prior to the new product information brochure that would be completed shortly. The attachment to the email, described as the pre release data sheet for the new 2010 solar bollard was a “pre release data sheet”. It was a data sheet for the benefit of the members in order to inform them about the design features of the new product.

Current Developments – New Zealand

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Ian James Burden & Plantation Grown Timbers (International) Limited & Anor v ESR Group (NZ) Limited & Ors

High Court of New Zealand, Duffy J

11 June 2020, 23 March 2021

[2021] NZHC 597

Copyright – border enforcement notice – Goods seized by New Zealand Customs pursuant to notice and detained until outcome of trial and appeal – Extensive storage costs paid by plaintiffs at direction of Customs under indemnity – ability of plaintiffs to recover storage costs – special damages – “costs” – recovery of storage costs as disbursements – ss.136, 140, 141A Copyright Act 1994 (NZ) – s.52 Judicature Act 1908 (NZ); High Court Rules 2016 (NZ) rr.14.1, 14.2, 14.12

Facts

In 2016 the High Court of New Zealand (Duffy J) delivered a judgment finding that the first plaintiff was successful in its claim against ESR Group (NZ) Limited (“ESR”) for infringement of copyright in respect of the importation and sale of items of furniture. The High Court further found that a border enforcement notice issued under s.136 *Copyright Act 1994* (NZ) was valid and that (pursuant to the notice) furniture imported by ESR comprised pirated goods and had lawfully been detained by New Zealand Customs under s.140.

On appeal the Court of Appeal of New Zealand upheld some of the High Court’s findings but found that the second and the third plaintiffs were properly the copyright owners and entitled to enforce the copyright. The Court of Appeal upheld the High Court’s findings that ESR was liable for secondary infringement as well as its findings as to validity of the border enforcement notice and the Customs detention of the furniture.

Duffy J came to consider the costs to be awarded in the High Court. Of particular importance was the sum of NZ\$196,297.00 which (under an indemnity given to Customs) the plaintiffs had been obliged to pay for the storage of five container loads of furniture held in a Customs controlled area pending the outcome of the trial and appeal.

A key issue was whether the storage costs were recoverable either as costs or disbursements in the proceeding. ESR asserted that the storage costs could only be recovered as special damages. ESR further claimed that, as the plaintiffs

had not pleaded recovery of storage costs as special damages and had elected an account of profits as the remedy, the storage costs were irrecoverable. The Court noted [7] that if ESR was correct, then other copyright claimants that utilised the border protection measures, but elected an account of profits as their remedy, would have to bear the storage costs that flowed from enforcing their rights.

In the parties’ submissions they identified three mutually exclusive possibilities for characterising the storage costs:

- (a) special damages;
- (b) as being in the nature of costs of or incidental to the proceeding; and
- (c) as being a disbursement.

The judgment is reported only on the issue of storage costs.

Held:

- (1) The statutory border enforcement measures in Part 7 of the Copyright Act provide an effective and efficient procedure to ensure copyright ownership is protected. All an owner need do is to give notice to Customs and once a s.136 notice is accepted, Customs provide the necessary surveillance and detention to ensure pirated items do not enter the New Zealand market to the detriment of the copyright owner. Further, once legal proceedings are brought under Part 7, copyright owners’ rights are protected until final disposition through exhaustion of all appeal rights. The regime operates to ensure that the local and international copyright owners have an efficient means of protecting and enforcing their copyright and New Zealand thereby discharges its international obligations as a signatory of the World Trade Organization’s *Agreement on Trade Related Aspects on Intellectual Property Rights* (“TRIPS”) [21].
- (2) However, neither Part 7 nor the Regulations provided a mechanism for the recovery of storage costs incurred under the indemnity required by Customs in reg. 6 *Copyright (Border Enforcement) Regulations 1994* (NZ) [25].

Could storage costs be recoverable as special damages?

- (3) While the Courts have been alive to the difficulties of assessing the measure of loss in copyright infringement cases, the standard approach has been the compensatory measure employed in tort. General law principles regarding recoverability of loss require the loss to flow directly and naturally from the infringement, and not be too remote [36].

Claydon Architectural Metalwork Limited v DJ Higgins & Sons Limited [1997] FSR 475 (HC);
A-ONE Accessory Imports Pty Limited v Off Road Imports Pty Limited (No 2) (1996) 34 IPR 332 (FCA) referred to.

- (4) On this analysis a plaintiff's storage costs as in this case did not fit squarely with the types of loss recognised as recoverable in damages for copyright infringement [37].
- (5) In the present case the plaintiffs would not have taken the steps under Part 7 of the Copyright Act but for a general concern that others might attempt to import pirated versions of their copyright works into New Zealand. Here the part played by ESR in importing the pirated copies was too remote. The more proximate cause of the loss was the plaintiffs' decision to implement the statutory scheme which required the giving of an indemnity for costs to Customs [40].
- (6) If ESR's infringement were to be understood as a cause of the storage costs, then equally it could be claimed that legal costs would not have been incurred but for ESR's infringement. However, there was no suggestion that legal costs could be recovered as special damages [41]. Storage costs were too remote to be recoverable as special damages [44]. While the greatest portion of storage costs flowed directly from the plaintiffs' decision to bring proceedings, the storage costs continue to accrue for the duration of the proceedings and on appeal. The storage costs were therefore directly linked to the proceeding rather than to the costs caused by the infringement [45]–[46].

Boswell v Millar [2014] NZCA 314 at [50] applied; *McElroy Milne v Commercial Electronics Limited* (1993) 1 NZLR 39 CA referred to.
- (7) Storage costs do not resemble costs that are recoverable as special damages because they are known costs. The requirement to expressly plead special damages reflects the principle that the losses are unexpected and unknown. ESR knew storage costs would be likely to be incurred. It knew its goods were being detained and knew it could seek release of the goods. (It had indeed taken that step early on but had been unsuccessful). Storage costs resulting from an indemnity given under reg. 6 can never be recoverable as special damages [48]; [50].
- (8) It is available to an importer to forfeit goods to the Crown under s. 141A as a means of reducing the risk of facing a claim for reimbursement of an expensive storage bill. This process had not been used [49].

Could storage costs be recoverable as costs?

- (9) The jurisdiction to award costs is found in s.51G *Judicature Act* 1908 (NZ) [51]. Costs are in the discretion of the Court under r.14.1 *High Court Rules* 2016 (NZ). The word "costs" is not defined in the statute nor in the rules [52]. The costs regime indicates that the purpose of costs is to ensure the losing party makes a payment towards the winning party's legal expenses [55].

High Court Rules 14.2(1)(a) and 14.2(1)(f) referred to.

- (10) The phrase "costs incidental to a proceeding" in r.14.1(1) does not allow recovery of something other than costs arising from legal professional services [58]. The plain meaning of "costs" in r.14.1, even with the inclusion of the phrase "incidental to a proceeding" cannot be read to encompass non-legal costs like the storage costs. To do so would entail a major departure from how the word "costs" is understood elsewhere in rr.14.1 and 14.2 [60]. Further, to read costs in r.14.1 *purposively* would be inconsistent with the scheme and purpose of the costs regime and do violence to the common understanding of costs in r.14 [61].

Could storage costs be recoverable as disbursements

- (11) The better prospect for a purposive reading lay with the meaning of "disbursements" in r. 14.12. Disbursements encompass non-legal expenses incurred out-of-pocket and/or incidental to the litigation process. Seen in this way, disbursements are expenses associated with the costs of litigation but exclusive of the fees paid to the legal professionals. [64]. The categories of disbursements are not closed. Here the largest portion of the storage costs were incurred because the plaintiffs chose to bring this proceeding. Accordingly, the storage costs were a direct result of the plaintiffs bringing this proceeding. Without the proceeding there would be no detention, and therefore no storage costs in the sum now sought. The Court was satisfied that on the plain reading of "disbursements" the largest portion of the storage costs were a disbursement [65].
- (12) Had storage costs not qualified as a disbursement on a plain reading of the word, the Court would have adopted a purposive reading that enabled storage costs to be claimed under this head. To find otherwise would significantly reduce the effectiveness of the border protection measures in Part 7 [66].
- (13) The plaintiffs were entitled to recover the costs of indemnifying Customs for the storage costs less pre-litigation storage costs of 10 days which should be subtracted from the sum sought [67], [97].

Current Developments – Asia

CHINA & HONG KONG

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Update on Latest Developments in Respect of Bad Faith Trade Mark Filings in China

Since the promulgation of 2019 amendments to the *Trademark Law of the People's Republic of China*, China has made ground-breaking strides in the ensuing two years to curb bad faith piracy at both the administrative and judicial levels. The last few years have seen a number of encouraging developments for brand owners dealing with registry piracy in China. For instance, the China Trade Mark Office (“TMO”) is now actively rejecting thousands of pirate applications and publishing some of its decisions online. In November 2020, the China National Intellectual Property Administration (“CNIPA”) reported having commenced a campaign targeting online adverts for the sale of trade mark registrations, leading to the deletion of adverts for more than 1.6 million marks held by 2,500 warehouse owners. Even more encouragingly, the first quarter of 2021 has witnessed several meaningful developments that continue to bolster brand owners’ arsenal in the fight against bad faith piracy, and which indicate that China may finally be getting serious about this perennial problem.

This update discusses some of these latest developments in China’s judicial and administrative spheres and recommends additional best practices brand owners should observe to help navigate the changing climate for “bad faith” trade mark filings.

CNIPA Campaign Against Bad Faith Registration

To more effectively implement the provisions of the 2019 Trade Mark Law amendments and the related Implementing Regulations, on 15 March 2021, the CNIPA announced an *Action Plan for Combatting Bad Faith Trade Mark Registration*.

The Action Plan is effectively a nine-month campaign designed to identify and penalise bad faith filers and trade mark agencies with the aim of creating deterrence against a range of behaviours and bringing the problem to heel, both under the provisions of the Trade Mark Law as well as under China’s “social credit” penalty system.¹

Targeted Behaviour

The new campaign targets a wide range of behaviours by pirates, including malicious filing of trade mark applications, seeking improper benefits, disrupting the order of trade mark registration management, as well as causing greater adverse social impact.

In addition to bad faith registration of various types of marks that are against the public interest, such as the names of major public security events, catastrophes and key competitions, the Action Plan explicitly focuses on the following aspects that are of particular relevance to brand owners:

- “bad faith registration of third-party trade marks or other commercial markings that have a relatively high reputation or have strong distinctiveness, damaging the prior rights and interests of others”; and
- “bad faith registration of the names of public figures, well-known works or character names with a high reputation”.²

New Measures Against Bad Faith Filings

The Action Plan also sets out several mission measures that are intended to help eliminate or at least reduce the targeted behaviours. Most notably, the Action Plan calls for “precision strikes” around the entire process of trade mark registration, including a number of new measures that will be deployed against bad faith marks. Among these are the following:

- adoption of a “rapid rejection mechanism” for applications identified as having been filed in bad faith (e.g., fast-tracking decisions against bad faith filings, oppositions or invalidations);
- consolidation of bad faith cases connected to each other;
- crackdown on bad faith registrations where no intent to use can be discerned;
- disallowance of transfer of bad faith filings for profit; and
- imposition of “social credit” penalties against bad faith actors, including through insertion of their names into the national public credit database.

Implementation Timetable for Action Plan

The Action Plan will be carried out in three phases. Phase I – which had already concluded by end of March 2021 – essentially provided time for Chinese trade mark authorities across the country and hierarchy to mobilise and deploy the Action Plan.

The current stage – Phase II – is expected to run through October 2021 and requires, among others, that the Trade Mark Office and local trade mark examination and cooperation centres actively seek out indications of bad faith filings during the trade mark registration process. For trade marks already undergoing opposition and invalidation proceedings, the TMO is slated to review and select a batch of “typical” trade marks for invalidation.

The final phase should take place in the last two months of 2021 and conclude with analysis of results from the Action Plan's implementation. Ideally, authorities take practical and aggressive action throughout the campaign and transparently report on those results, eventually implementing systemic changes that build upon the campaign's successes, failures and lessons learned.

Rejections of Assignments for Bad Faith Marks?

The TMO's new policy on the possible rejection of assignment applications for marks applied for in bad faith discussed above is positive. Nevertheless, it carries with it issues of real concern for victimised brand owners that have been able to successfully purchase a trade mark back from a pirate.

In China, assignments of trade marks are not effective until they have been reviewed and approved by the TMO. In the past, this has not been a serious issue, where the assignment approval process primarily only involved checking the parties' signatures and seals, and confirmation that all similar marks owned by the registrant have been transferred together. Although the TMO has always had the authority to reject assignment applications deemed to cause "adverse effects" under Article 42 of the Trade Mark Law, such rejections were exceedingly rare.

In the wake of the current CNIPA crackdown against pirate trade mark filings, however, the TMO has now begun issuing examination notices threatening refusal of applications to assign marks suspected of having been initially applied for in bad faith. The TMO has cited that "other adverse effects" language from Article 42 in support of these rejections. To illustrate, in one recent case, the TMO issued an examination notice to an assignor and assignee in respect of their application for assignment, stating the following:

After investigation, [it has been determined that] the assignor has applied for and registered a large number of trade marks, and it has assigned a large number of trade marks to various assignees.

The assignor is suspected of hoarding trade marks for profit, which has adverse effects. As such, please provide evidence of use or intent to use the trade mark being assigned.

If there are no valid reasons for failing to provide evidence or if the evidence provided is invalid, this Office will rule that the aforementioned assignment application is an assignment having other adverse effects, as provided under paragraph 3 of Article 42 of the Trade Mark Law.

In cases where such examination notices have been issued, the assignor and assignee are required to provide evidence of use or intent to use within 30 days after receiving the TMO's notice. If this is a classic "bad faith" warehouser situation, it seems most unlikely that the assignor would be able to

provide evidence of an intent to use sufficient to overcome the TMO's objection.

Implications for Brand Owners

Positively, broad application of this new policy could significantly deter future warehousers from pirating marks. Unfortunately, it could also work against victimised brand owners who, with a bona fide intent, have purchased a pirated mark from a known pirate in hope of avoiding expensive and time-consuming opposition or invalidation procedures. If this new policy is applied strictly, any of a "bad faith" filer's trade marks – even ones assigned to their lawful owner – could be permanently vulnerable to invalidation due to their original applicant's lack of intent to use at the time of filing.

Regrettably, neither the Action Plan nor the TMO's latest policies provide guidance on just how the TMO or the Trade Mark Review and Adjudication Division ("TRAD"), the body that hears invalidation cases, will deal with cases where the assignee of such pirated marks is the rightful owner. This is because the real scope of the TMO's inquiry is directed towards the warehouser and its actions, not the assignee/victim brand owner.

Given the uncertainty created by this policy, and before purchasing any pirated trade marks (or where any such marks have already been purchased) brand owners should consider the following steps:

- *Conduct due diligence against the assignor* – if the assignor's background bears all the hallmarks of being a dyed-in-the-wool trade mark pirate, e.g., they have filed for a huge number of trade marks, the mark being assigned has never been used, the risks of an assignment being rejected must be accounted for.
- *File back-up trade mark applications* – in case the risk of rejection for the assignment application is heightened due to the registrant's background, buyers should strongly consider also filing their own applications for the mark, too, rather than relying entirely on the assignment of the pirated mark.
- *Clarify consequences of rejection in assignment agreements* – any assignment agreement with a bad-faith filer should clarify that if the TMO rejects the assignment application, the purchase price will be reduced and the pirate will agree to voluntarily de-register the mark in lieu of assignment. Alternatively, payment could be made in stages, with the final instalment payable only after the TMO has approved the transfer.
- *Seek other cooperation from pirate* – consideration should also be given to requiring the pirate to provide contractual assurances that it will cooperate with any office actions initiated by the TMO, including provision of evidence of use (if any) and allowing the

assignee's trade mark agent to respond to the TMO's request to clarify the rightful owner's involvement in the assignment process.

The BRITA Case: The Door Cracks Open for Civil Damages Claims Based Purely on Bad Faith Trade Mark Filings

Clearly, the once fuzzy lines surrounding “bad faith” in trade mark filings in China have come more clearly into focus over the last few years, particularly at the TMO and TRAD. Nevertheless, Chinese courts have mostly remained unwilling to acknowledge the real and practical impacts of bad faith trade mark filings on victimised brand owners, particularly the monetary impact. Instead, courts have almost universally held that filing of pirated trade marks does not qualify as a “civil act” by the pirate. As a result, the sole means of resolving any issues surrounding such trade marks can only be resolved through trade mark opposition and invalidation procedures. Such actions can take years to resolve, and involve significant costs, costs that victimised brand owners have always had to bear and for which reimbursement was simply not a viable option.

That said, a recent decision by a district court in Shanghai awarding compensation to a victimised brand owner on the basis of China's *Anti-Unfair Competition Law* (“AUCL”) offers a hint that the door to obtaining civil relief – including compensation for damages – may be starting to crack open for brand owners willing to try their luck with the judicial system.

BRITA Case Background

The decision, issued in October 2020 by the Shanghai Minhang District Court and now final following the pirate's failure to appeal, involved the German company Brita GmbH (“Brita”), owner of the BRITA marks used in connection with its well-known water filters. Brita first registered its BRITA trade mark in China in 1993. BRITA-branded water filters formally entered the Chinese market in 2008. Following years of advertising, sales and media coverage, the plaintiff's brand became widely known to the relevant public in China.

The defendant was local company Kangdian Co. Ltd. (“Kangdian”). Beginning as early as 2011, the defendant began selling counterfeit water filters through its Alibaba store, which used the trade name BRITA. The defendant similarly opened a WeChat media account, but with plaintiff's trade marks contained within its formal account names “britachina” and “EuBrita” and in their profile photo. During the same time period, the defendant also filed 21 pirate applications targeting the BRITA trade mark – all of which were eventually successfully opposed or invalidated by Brita. The defendant unsuccessfully appealed one such invalidation to the Beijing IP Court and then, the Beijing Higher People's Court. In parallel, the defendant aggressively filed its own oppositions and invalidations against Brita's

trade mark applications and registrations. Notably, however, the defendant did not have a record of pirating other famous brands.

In 2017, the plaintiff filed a civil action with the Shanghai District Court, seeking relief on the basis of trade mark infringement and unfair competition. As part of its claims, Brita sought compensation for economic losses directly resulting from the defendant's bad faith filings. This included a claim for reasonable enforcement costs, including legal fees and the cost of notarisations, library searches and court filing fees. The plaintiff also demanded a public apology from the defendant published in China's *Intellectual Property Magazine*.

BRITA Court's Decision

The Shanghai District Court found the defendant unlawfully engaged in the production, advertising and sale of infringing water filters using the BRITA trade mark in various formats, awarding Brita statutory damages of RMB2.3 million (~US\$350,000) plus RMB500,000 (~US\$80,000) for legal and other expenses incurred in bringing the case. Most remarkably, the Court also expressly held that the defendant's malicious filing of applications for the plaintiff's trade mark and its interference with the plaintiff's just use of its own mark through offensive trade mark procedures itself constituted a form of unfair competition.

Even though the plaintiff's trade mark rights had ultimately been protected, the Court found that the plaintiff's normal business operations had been severely disrupted and adversely affected as a result of the defendant's history of bad faith filings and abuse of trade mark prosecution procedures. This included the pirate's appealing an invalidation decision to the Beijing Higher People's Court as well as its initiation of a number of opposition and invalidation actions against the plaintiff's own trade marks.

In the decision, the Court did not dispute that corporate entities have a legal right to file trade mark registration applications, oppose / request the invalidation of registered trade marks belonging to third parties, etc. However, the Court also noted that commercial entities must exercise their rights legally and must not use ostensibly legal means in order to achieve substantively illegal ends.

The Court therefore held that the defendant's actions against plaintiff's marks were designed to and did interfere with the plaintiff's exercise of its trade mark rights and to undermine its competitive advantage. These actions were therefore deemed a type of unfair competition.

Although the AUCL does not explicitly address the abuse of administrative and judicial procedures, the Court was comfortable finding that this activity was prohibited by the general provisions set out under Article 2 of the AUCL, which require commercial entities to abide by the principles of honesty and business morality.

Measure and Method of Damages Assessment by the BRITA Court

Notably, the Court's holding included explicit language indicating that a portion of the damages awarded were expressly in respect of the defendant's aggressive strategy of both filing for marks containing BRITA as well as its filing oppositions and invalidations against the plaintiff's marks. The Court also referred to four other factors when calculating the economic loss of the plaintiff, including: (1) the defendant's bad faith and recidivism, including its reopening of a WeChat account after it had been closed; (2) the high degree of reputation of the plaintiff's mark; (3) the duration and scope of the infringing behaviour; and (4) economic losses caused by the defendant's bad faith filings.

Implications of the BRITA Decision

Under China's Civil Law system, decisions by the courts – particularly those at the regional level – are not binding on other courts, even within the same district. That said, this decision will hopefully encourage courts throughout China to recognise the clear economic and commercial damage done by registry pirates and to hold them accountable under the AUCL. If more broadly accepted, this decision could act as a significant deterrent to bad faith trade mark pirates, particularly those aggressively targeting individual brand owners via dozens of pirate trade mark applications and attacks against the brand owners' portfolio of rights.

The full impact of this decision could be amplified by the Supreme People's Court's February 2021 "Interpretations on the Application of Punitive Damages in Adjudicating Civil Intellectual Property Rights Infringement Cases" (最高人民法院关于审理侵害知识产权民事案件适用惩罚性赔偿的解释) ("SPC Interpretation"), which clarifies the conditions under which courts may impose punitive damages in all major IP legislation in China, including the AUCL and the Trade Mark Law. In that regard, in cases of "bad faith" infringement and where the circumstances are deemed "serious", Article 63 now allows Chinese courts to award punitive damages up to five times (increased from three times under the earlier law) the amount of damages determined by one of the prescribed calculation methods: actual loss, profits or royalties.

The interpretation also confirms that enforcement-related expenses (such as legal fees, notarial charges for sample purchases and other investigation costs) are to be awarded separately from punitive damages and may not be the subject of multiplication.

Conclusion

China has made considerable strides in the last three to four years in providing brand owners with stronger tools to combat bad faith trade mark filers. Hopefully, the CNIPA's focused "bad faith" campaign and the exciting BRITA decision point towards further positive changes to come in

the next three to four years. In any event, with the landscape shifting so rapidly, brand owners victimised by bad faith warehousers will need to pay close attention to developments in this space, both to maximise their odds of success against such pirates, as well as to avoid potential pitfalls arising from the CNIPA's broad application of these new measures.

- 1 While many bad faith filers are warehousers that file for huge numbers of trade marks solely for the purpose of resale, the CNIPA announcement indicates that this phenomenon will be the subject of a separate initiative which has yet to be publicly disclosed.
- 2 This seems to refer to movies / TV series and the names of characters appearing in such works.

JAPAN

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Telephone Booth Goldfish Aquarium Copyright Litigation in Japan

Introduction

In *Nobuki Yamamoto v Koriyama Yanagicho Shopping Street Cooperative & Another*, Reiwa 1 (ne) 1735 dated 14 January 2021 (“The Telephone Booth Goldfish Aquarium case”), the Osaka High Court (“OHC”) found that the copyright of an artwork created by Nobuki Yamamoto was infringed by a cooperative of merchants based in Yamato-Koriyama, Nara and the defendants were ordered to pay 550,000 yen (US\$5,300) in damages.

Yamamoto, based in Iawki Fukushima, had created an artwork titled “Message” in December 2000 (see below Fig. 1) in which he put goldfish in a tank replicating a phone booth, including features such as air bubbles rising out of the telephone receiver. In 2014, the defendants filled an out-of-order phone booth with water and placed dozens of goldfish and exhibited it as a tourist attraction in Yamato-Koriyama City, Nara (see also below Fig. 2). Yamato-Koriyama City is famous as a major ornamental goldfish producer.



Fig. 1
Plaintiff's work



Fig. 2
Defendants' work

In 2018, the artist filed a copyright infringement suit with Nara District Court (“NDC”) claiming 3,300,000 yen (US\$30,000) as damages against the defendants. In *Nobuki Yamamoto v Koriyama Yanagicho Shopping Street Cooperative & Another*, Heisei 30 (wa) 466 dated 11 July 2019, the NDC dismissed the artist's copyright infringement complaint.

Presiding Judge Shimaoka of the NDC found that even though the plaintiff's

idea was indeed novel and original; it consisted of weaving an extraordinary scene inside an everyday object. However by putting goldfish inside and letting them swim around by likening an item such as a telephone booth to an aquarium is nothing but an idea and not an expression and such a

mere idea is not subject to protection under the Copyright Act of Japan.

Moreover, as to bubbles emerging from handset element, the NDC found:

If air bubbles are to be generated from an object usually existing in a public telephone booth, it is a reasonable and natural idea to generate them from a telephone receiver with a hole in it. In other words, once the idea is decided, the choice of methods to realise it is limited, and therefore, creativity cannot be recognised in this respect.

Accordingly, the NDC held that no copyrightability could be recognised from the artwork and dismissed the plaintiff's claim in its entirety.

Dissatisfied with the first instance NDC decision, the artist appealed to the OHC, which was more sympathetic to the artist's copyright infringement claim and overturned the lower court decision and awarded damages for the infringement.

OHC Decision

In *The Telephone Booth Goldfish Aquarium* case, the OHC held:

... in order to receive protection as a copyrighted work under the Copyright Act of Japan, a work (i) is required not to be a “thought or sentiment” itself, but to be an “expression” of thoughts or sentiments, and (ii) needs to be expressed “in a creative way” as per section 2(1)(i) of the Copyright Act of Japan. “Creativity” does not require a high level of originality; however, it requires the personality of an author to be expressed in some way. Commonplace expressions do not exhibit an author's personality and lack “creativity”. In the case where there is only one way to express an idea, or expressions of an idea are restricted to a substantial degree, expressions given by anyone based on such an idea necessarily result in the same or similar expressions, and therefore, such expressions lack “creativity”.

Presiding Judge Yamada of the OHC, in applying the aforesaid copyrightability test to plaintiff Yamamoto's work, found:

Of differences in appearance between the plaintiff's work and an actual telephone booth, each individual different part of the plaintiff's work listed below does not contain any creative expressions: (a) the telephone booth is almost completely filled with water, (b) there are no long hinges on the surface of the entrance of the telephone booth, and four side faces of the telephone booth are formed by acrylic glass, and (c) red goldfishes numbering in the range of approximately 50 to 150 swim around in the water. The reason therefore is that, in regard to (a), there is a narrow range of choices available to others for a method of expressing an idea of a telephone booth as an aquarium, in regard to

(b), it is hard to attract the attention of viewers, and in regard to (c), the combination of the colour and quantity of goldfishes is commonplace.

While on the other hand, the personality of the author is expressed in the different part (d) a phone receiver of a public telephone is fixed in the state of being taken off the hook and floating in the water, and bubbles are generated from the receiver. The reason therefore is that the different part (d) is an extraordinary scene that would never occur in reality, from which a state of communicating with someone can be visualised, and which has much impact on the audience.

It is noted that the colour of the roof and the public telephone of the telephone booth of the plaintiff's work is yellowish green, on which the plaintiff places importance since the plaintiff's work is themed on environmental issues, and this part is common with actual public telephone booths; therefore, such part itself lacks creative expression. From the above, it is recognised that the personality of the author is expressed in the plaintiff's work by combining part (d) with parts (a) and (c), and it thus should be said that the plaintiff's work corresponds to an artistic work as an art which exhibits creative expression.

The OHC held that the defendants' work was an unauthorised reproduction of the plaintiff's work and that it was not

an adaptation of a work that constituted a newly created work based on an existing work by maintaining the identicalness with the existing work in terms of the fundamental characteristics of expressions, but modifying, increasing or decreasing, or changing specific expressions in order to express a new thought or sentiment in a creative manner to such an extent that any person who comes across the adaptation can directly perceive the fundamental characteristics of the expressions of the existing work, citing the Supreme Court of Japan decisions rendered on 7 September 1978, and on 28 June 2001.

After carefully examining both works, Presiding Judge Yamada found that the defendants' work had sufficient similarities to creative expressions in the plaintiff's work. His Honour also found that the

defendants' work maintained the identicalness with the plaintiff's work in terms of the fundamental characteristics of expression, and any person who comes across the defendants' work can directly perceive the fundamental characteristics of the expression of the plaintiff's work.

Commentary

Japanese copyright law recognises the copyrightability of a work if said work possesses creative expressions that exhibit the personality of the author and the OHC decision in The Telephone Booth Goldfish Aquarium case reaffirms the supremacy of this doctrine.

Additionally, the Intellectual Property High Court of Japan previously held that commonplace expressions do not exhibit an author's personality, and therefore lack creativity and hence are not entitled to copyright protection (*X v Yahoo Japan* Heisei 20 (ne) 10009 dated 17 July 2008).

The OHC correctly applied these two foundational copyright principles on the facts of the current case and reached the appropriate infringement decision in deciding that the plaintiff's work possessed protectable copyrightability and that the plaintiff's work was not a commonplace expression, thereby having protectable copyright.

Additionally, the OHC may not have been impressed by the faltering and inconsistent statements made by the defendants' legal representative during the appellate proceedings when he was asked whether the defendants were aware of the existence of the plaintiff's copyrighted work before it had commissioned the creation of the defendants' goldfish telephone booth work. There was also much more to the relationship between the defendants and the artist than the defendants had admitted in their testimony. The OHC found that there were numerous opportunities for the defendants to come into contact with the artist's work and the defendants' denials were untenable and unconvincing.

Lastly, it can be seen that the OHC demonstrated the pro-creator/copyright owner approach of Japanese courts on the basis of its following three findings. One, that the defendants' work constituted an infringement as their work did not "express a new thought or sentiment in a creative manner to such an extent that any person who comes across the adaptation can directly perceive the fundamental characteristics of the expressions of the existing work". Two, that the defendants' goldfish telephone booth work was not fundamentally different and simply reproduced the expression of the artist's personality as found in the artist's work. And three, that the infringing work retained the essential elements of the artist's work.

¹ Any questions about this update should be emailed 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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The Singapore IP Strategy 2030: Singapore's 10-year national blueprint for IA/IP management

A 10-year national master plan to develop Singapore's intangible assets and intellectual property ("IA/IP") landscape was announced this year on World IP Day, 26 April 2021.

The Singapore IP Strategy 2030 ("SIPS 2030") aims to build on Singapore's 2013 IP Hub Master Plan as well as its existing capabilities and infrastructure in IA/IP. It is led by an inter-agency committee consisting of more than ten government agencies, including the Intellectual Property Office of Singapore ("IPOS").

The objective of the SIPS 2030 is two-fold: to strengthen Singapore's position as a global hub for IA/IP activities and transactions and to maintain Singapore's top-ranked IA/IP regime.

The SIPS 2030 comprises of the following "thrusters", with each addressing a different aspect of Singapore's economy and IA/IP landscape:

- (i) to strengthen Singapore's position as a global hub for IA/IP;
- (ii) to attract and grow innovative enterprises using IA/IP; and
- (iii) to develop good jobs and valuable skills in IA/IP.

Strengthening Singapore's position as a global hub for IA/IP

One of the aims of the SIPS 2030 is to ensure that Singapore's IA/IP regime remains relevant and conducive for business internationally. To achieve this, the SIPS 2030 sets out the following three objectives:

- (i) **Ensuring a world-class IA/IP regime.** IPOS will continue to review the local IA/IP regime to ensure that it remains up-to-date and conducive for innovative enterprises, especially in the area of big data, artificial intelligence technologies, and protection of trade secrets.

For instance, Singapore is introducing an exception for computational data analysis in the upcoming Copyright Bill. This new exception will allow the use of copyrighted works for purposes such as text and data mining, data analytics, and machine learning.

A next-generation IP filing system is also currently in development and will be launched by mid-2022. It will include new features such as analytical

insights for better decision-making and pre-emptive assistance which will guide users along the filing process.

- (ii) **Positioning Singapore as a node for protection of IA/IP assets overseas.** Singapore has established and participated in various initiatives to foster interoperability amongst IP regimes within the Association of Southeast Asian Nations ("ASEAN") and internationally. To further facilitate the protection of IA/IP assets through Singapore to ASEAN and globally, the SIPS 2030 aims to continue strengthening Singapore's IA/IP regime and international cooperation.

For instance, users can look forward to a one-stop digital platform for consolidated IP information and services within ASEAN through the ASEAN IP Portal, which was launched to improve access to IP information and services in ASEAN.

- (iii) **Growing international IP dispute resolution in Singapore.** On top of Singapore's suite of international commercial dispute resolution services, the SIPS 2030 sets out plans to build IP dispute resolution capabilities by working with law schools and professional training providers.

There are also plans to develop an information portal to consolidate relevant information and links to resources for increased accessibility. Singapore IP court judgments will also be easier to access internationally through various platforms such as the WIPO Lex-Judgments database.

Attracting and growing innovative enterprises using IA/IP

The second thrust of the SIPS 2030 focuses on supporting enterprises in creating, protecting, managing and commercialising their IA/IP assets. In this regard, the SIPS 2030 sets out the following two objectives:

- (i) **Enabling enterprises to better leverage IA/IP growth.** Firstly, the SIPS 2030 sets out the aim to increase enterprises' access to IA/IP advisory and IA/IP-related services, as well as resources relating to the same. For instance, an enterprise-centric online platform, IP Grow, will be developed to help enterprises identify IA/IP challenges in their business journey and connect them to the right service providers. Further, the SIPS 2030 also sets out the plan to build IA/IP awareness and competencies through structured initiatives and various engagements.

In addition, the SIPS 2030 sets out plans to facilitate IA/IP transactions by providing technology platforms and connections, as well as by strengthening Singapore's regulatory and

corporate practices to improve the transparency and disclosure of IA/IP. In particular, the Accounting and Corporate Regulatory Authority (“ACRA”) will work with IPOS to co-lead an inter-agency committee which will develop an IA/IP disclosure framework.

Finally, another objective under the SIPS 2030 is to help innovative enterprises and start-ups access financing using their IA/IP. This will be achieved by working with industry players to increase the appreciation and assessment of IA/IP assets, which will better reflect the underlying risks and rewards of financing such enterprises.

- (ii) **Developing a credible and trusted IA/IP valuation ecosystem.** According to the SIPS 2030, Singapore will also spearhead an international IA/IP valuation panel to develop IA/IP valuation guidelines based on international valuation standards that can be widely adopted globally. It will then work with international and regional IA/IP organisations to promulgate these guidelines. Further, there are plans to introduce accreditation for IA/IP valuers to lift quality standards, ensure uniform application of standards and allow for the identification of trained IA/IP valuers.

Developing good jobs and valuable skills in IA/IP

Finally, the third thrust of the SIPS 2030 focuses on developing a workforce skilled in IA/IP management which will help enterprises manage and obtain value from their IA/IP. This would entail the following three objectives:

- (i) **Building an IA/IP-savvy workforce and base of IA/IP talent.** The SIPS 2030 sets out plans to develop IA/IP programmes at various institutes of higher learning and IA/IP training for working professionals, so that both the current and future workforce will be adequately trained in IA/IP.
- (ii) **Creating good job opportunities for Singaporeans.** Singapore will continue to engage key industry players of various innovation sectors to integrate IA/IP skills and competencies in job roles, to drive adoption and enhanced recognition of such skills.
- (iii) **Bolstering Singapore’s international reputation for quality IA/IP skills.** To fill the gap resulting from a lack of baseline quality standards, the SIPS 2030 sets out plans to develop national standards in IA/IP management and to promote global and regional recognition of the same, so as to create opportunities for accredited Singapore professionals and training providers within the region.

Current Developments – Europe

UNITED KINGDOM

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UK Court of Appeal rules on whether the UK should go its own way post-Brexit on the communication to the public right: *TuneIn Inc v Warner Music UK Ltd and another* [2021] EWCA Civ 441

Introduction

In a case focusing on the communication to the public right in the context of hyperlinking, the United Kingdom Court of Appeal has largely upheld the High Court's 2019 decision that radio aggregation platform "TuneIn" was liable for copyright infringement.

As well as providing an in-depth review of the scope of communication to the public right, including an attempt to reconcile existing case law, the case is also of interest in that the Court firmly declined the opportunity to depart from a large body of European Union jurisprudence on the subject – the first time it had been presented with the opportunity to do so post-Brexit.

The Court gave a number of reasons for that decision which offer some helpful insight into the UK courts' likely approach on IP issues going forward post-Brexit.

Background

The defendant, TuneIn Inc ("TuneIn") operates an online radio platform called TuneIn Radio that enables users in the UK, via its website and app, to easily access tens of thousands of radio stations from around the world which broadcast on the internet.

It essentially acts as a "one-stop shop" for users, who are able to search for, browse and playback audio content from third-party radio stations with the use of indexing and hyperlinks to station streams. Described as "a kind of framing" by the Judge, the user remains on the TuneIn app/page and is not redirected to the radio station's website, with advertisements shown on the TuneIn app/site while the stream plays. From the user's perspective, it therefore appears as though the audio content is provided to them on the TuneIn page/app, rather than coming directly from a third-party website via a weblink.

In addition to aggregating radio streams, TuneIn Radio provides other features such as enabling users to browse categories of music (e.g. location, genre, language etc), curated radio stations lists, a search function allowing users

to search for specific stations, artists and (for a while, before withdrawing the option) by song, as well as providing station and artist information.

High Court

The initial High Court case in 2019 followed an allegation of infringement by the claimants, Warner Music and Sony Music, on the ground that TuneIn's activities constituted a "communication to the public" under section 20 of the *Copyright Designs and Patents Act 1988* (UK) ("CDPA") and therefore required a licence to operate its service.

TuneIn Radio: akin to Google?

TuneIn denied the allegation, arguing that its service was effectively no different to a search engine in that it merely provided hyperlinks to sound recordings on the internet which had already been made freely available without restriction (geographical or otherwise). The Court rejected this argument on the basis that TuneIn Radio's features extended well beyond those of a basic search engine (e.g. allowing users to search stations playing particular songs).

Targeting

The Court also determined, despite TuneIn's arguments to the contrary, that even where a foreign radio station had been put on the internet by an operator on its own website which was not targeted at the UK, TuneIn's acts (in particular the use of bespoke UK-focused advertising on its website/app) resulted in UK targeting of those same stations. Acts were therefore taking place in the UK for the purposes of the infringement analysis.

Communication to the public

The case then hinged on whether the Judge considered that the restricted act (i.e. communication to the public) had taken place in relation to the radio stations accessible through TuneIn Radio. Due to the large number of stations in question, for the purposes of the trial the Judge split the stations into four separate categories, namely:

- Category 1: radio stations licensed in the UK;
- Category 2: radio stations not licensed in the UK or elsewhere;
- Category 3: radio stations licensed in a territory other than the UK; and
- Category 4: premium radio stations created for TuneIn and made available exclusively for TuneIn's subscribers.

With regard to each category of station, the Judge made the following conclusions:

No infringement by TuneIn in relation to Category 1 stations on the basis that they were all licensed in the UK and had already been made freely available in that territory without restriction. Communication to a “new” public had therefore not occurred.

For Category 2 stations (i.e. those not licensed in the UK or abroad), the Court followed the Court of Justice of the European Union (“CJEU”) judgment in *GS Media*¹ by determining that the initial placing on the internet of unlicensed streams by the radio stations was “not a relevant act of communication to the public” because the rights holder had never given consent. TuneIn’s linking to those streams therefore constituted a communication to the public within the terms of the *GS Media* judgment (see the Court of Appeal decision below for further analysis).

With regard to the stations licensed abroad but not in the UK (i.e. Category 3), the relevant question was whether the public to whom TuneIn’s activities were directed (i.e. UK users) were covered by any consent provided by the rights holder in relation to the initial placing on the internet of the streams by radio stations. In answering that question, the Judge acknowledged that it presented a scenario not previously contemplated by CJEU case law, namely *Svensson*² (where the rights holder was taken to have given broad consent to all internet users) and *GS Media* (where no consent had been given). The Judge’s view was that consent could be deemed to a certain extent, but not as far as to cover acts targeted to the UK. Consequently, TuneIn’s acts targeted to the UK were to a “new” public and therefore an infringement.

The radio stations in Category 4 were created exclusively for TuneIn so there was no prior act of making them available to the public. The provision of those streams by TuneIn therefore amounted to an act of communication to the public and, since they were targeted at the UK but unlicensed, they were deemed infringing acts.

Separately, the Judge held that:

1. Applying the principle set out by the CJEU in *TV Catchup*³ (where the use of a different technical means negates the need to find a new public for infringement), the recording function on the TuneIn Radio “Pro” app was deemed a new and different technical means by which the radio streams were provided, and therefore an infringement.
2. Irrespective of whether they had actively signed up to TuneIn’s directory, providers of the radio stations in Categories 2, 3 and 4 were, on a strict liability assessment, also infringing when their streams were played to a UK user through TuneIn Radio as a consequence of TuneIn Radio being targeted to the UK.
3. TuneIn was separately liable:

- (a) for authorising the infringements by users in relation to the streaming of Categories 2, 3 and 4 radio stations and users making recordings in the “Pro” app; and
- (b) as a joint tortfeasor for those infringements.

Court of Appeal

TuneIn challenged the High Court judgment on numerous grounds, the most notable of which are summarised below.

Targeting

TuneIn accepted that its platform targeted the UK. However, the Court rejected its argument that individual communications to the public of the foreign internet radio stations were not also targeted at the UK.

The search engine comparison

The Court dismissed TuneIn’s argument that its service was akin to a search engine and should be viewed similarly when assessing its liability for copyright infringement. Following the High Court ruling on the issue, the Court determined that the TuneIn Radio service went far beyond a basic search engine given that, even at a technical level, it provides framed links to streams incorporating sound recordings together with information which is organised and displayed using metadata.

Communication to the public: application of CJEU jurisprudence

One of TuneIn’s primary contentions was that the High Court had failed to correctly apply CJEU case law concerning communication to the public. The key issue in this regard was whether the radio streams were communicated to a “new” public and the extent of authorisation by the rights holders of the original communication on the relevant radio station.

In the Court’s view, TuneIn’s strongest argument was the reference to the recent CJEU case of *VG Bild*,⁴ which TuneIn claimed was authority for the principle that a rights holder can only limit its consent to linking or framing through use of effective technological measures. However, while the Court considered that it remains difficult to fully reconcile some of the EU jurisprudence on the subject, on this particular point it took the view that the conclusions in *VG Bild* should not be extrapolated beyond the specific facts of that case. This implies that it may be possible to use contractual measures as an effective means of withholding consent from linking or framing. Whether this extends to, for example, website terms and conditions will require another judgment.

A departure from EU law?

Of TuneIn’s many grounds of appeal, the one which perhaps carried the most far-reaching and fundamental implications was their submission that EU jurisprudence concerning communication to the public was not fit for purpose and that the Court should exercise its new found power to

diverge from an entire body of EU case law on the subject following the end of the post-Brexit transitional period.⁵

Application of EU law post-Brexit

Before turning to TuneIn's submissions, the Court reminded the parties of the following points concerning the application of EU law following the end of the transitional period:

1. The departure of the UK from the EU does not affect "EU-derived domestic legislation" (for example, section 20 of the CDPA) with such legislation remaining in effect unless and until it is repealed or amended.
2. EU case law handed down prior to the end of the transitional period (i.e. 31 December 2020) constitutes "retained EU case law" in the UK, meaning that it continues to form part of domestic law post-Brexit and continues to bind lower courts. EU case law handed down *after* 31 December 2021 is no longer binding on domestic courts, however they "may have regard" to it, so far as it is relevant to the matter before the court.
3. The Court of Appeal and Supreme Court had exercised their power to depart from their own decisions with great caution in recent years.

Refusal to depart from EU jurisprudence

The Court firmly rejected TuneIn's invitation to depart from EU law concerning the communicating to the public right.

In doing so, the Court set out its reasoning as follows:

1. There has been no change to domestic legislation on the subject. While it was acknowledged that since the UK has left the EU the UK Parliament is now free to amend e.g. section 20 of the CDPA as it sees fit, until that happens the will of the Parliament is for section 20 to remain in its current form.
2. Both EU and UK laws on communication to the public derive from international copyright treaties, and there has been no change in the international legislative framework. While it was accepted that the Court of Appeal is no longer bound by CJEU case law, its view was that it should still (as far as possible) be interpreting section 20 consistently with those treaties.
3. Although CJEU case law is not free from criticism, the Court observed that interpreting the concept of communication to the public is a difficult task due in part to the conflict between the territorial nature of the right on the one hand and the global nature of the internet on the other. Solutions to the problems raised are not therefore readily available and, in the Court's view, the CJEU had unrivalled experience in confronting the issue with its jurisprudence developed over time.

4. The Court rejected the suggestion that it could derive assistance from the case law of courts outside the EU, notably those in Australia, Canada and USA, on the basis that the statutory frameworks in those countries differ and the case law did not offer settled or consistent guidance on the relevant questions.
5. Following TuneIn's suggestion that the UK should return to the drawing board and start all over again would result in considerable legal uncertainty.

Conclusion

While the Court's refusal to depart from EU jurisprudence in this particular case may have been influenced by, in the Court's words, the "half-hearted" nature of TuneIn's invitation, the judgment remains of wider interest given that many of the Court's explanations for declining the opportunity concerned overarching principles relating to the international aspects of copyright law. In particular, there is a need for harmonious interpretation of copyright laws between states acceding to international copyright treaties and an acknowledgement that a single state's deviation from the CJEU's approach could cause significant issues in view of the global and interconnected nature of the internet.

Further, despite the observation from many commentators that the wide body of EU jurisprudence concerning communication to the public right has become convoluted and is an area ripe for reform, it is notable that the Court opined that solutions to the problems raised are not readily available. Nonetheless, the Court's acknowledgement that there remains tension between EU case law on the matter suggests that the law will inevitably develop at an EU level (to date there have been no less than 25 CJEU judgments on the communication to the public right), although the extent to which UK courts continue to follow and apply those principles remains to be seen.

1 Case C-160/15 *GS Media BV v Sanoma Media Netherlands BV*.

2 Case C-466/12 *Svensson v Retriever Sverige AB*.

3 Case C-607/11 *ITV Broadcasting Ltd v TVCatchup Ltd*.

4 Case C-392/19 *VG Bild-Kunst v Stiftung Preussischer Kulturbesitz*.

5 *European Union (Withdrawal) Act 2018 (Relevant Court) (Retained EU Case Law) Regulations 2020 (SI 2020/1525)*.

GERMANY

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German Federal Court of Justice clarifies requirements for the protectability of shape marks

Federal Court of Justice, decision dated 23 July 2020, I ZB 42/19

Introduction

A veritable saga about the protectability of a simple shape mark for a bar of chocolate has finally come to an end. The Federal Court of Justice (“FCJ”) ruled that the trade mark, which only consists of the image of the packaging, does not fulfil any grounds for refusal of protection. In its decision, the FCJ deals with the details of the requirements for protection for this trade mark category.

Background

According to the German *Trade Mark Act* (Markengesetz), both the shape of a product and the shape of a package are in principle protectable as trade marks. One of the best-known shape marks is probably the Coca-Cola contour bottle. The various categories of trade marks are listed by way of example in s.3(1) of the Trade Mark Act:

*Any signs, in particular words, including personal names, designs, letters, numerals, sounds, **three-dimensional shapes, including the shape of goods or of their packaging**, and other presentation, including colours and combinations of colours, which are capable of distinguishing the goods or services of one company from those of other companies may be protected as trade marks. [Emphasis added]*

The German legislator has thus made the clear decision that a shape is in principle protectable as a trade mark. Nevertheless, the characteristics of a product represented by the shape may also be subject to other intellectual property rights. For this reason, the Trade Mark Act also provides clear guidelines in s.3(2) as to which shapes cannot be protected as a trade mark:

Signs consisting exclusively of shapes or other distinctive features shall not be eligible for trade mark protection

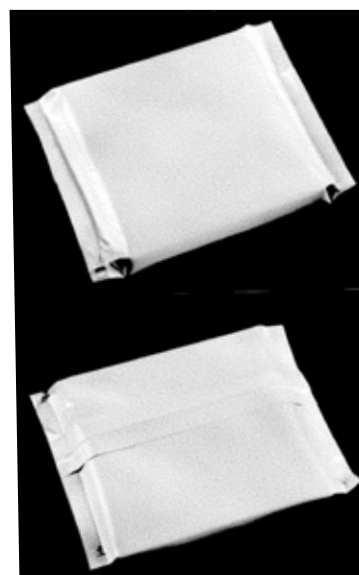
- 1. which are caused by the nature of the goods themselves,*
- 2. which are necessary to achieve a technical effect or*
- 3. which give substantial value to the goods.*

It is the object of these grounds for refusal of protection to prevent other intellectual property rights from being protected under trade mark law where the technical effect or the design itself prevails. Such objects should rather be subject to patent or design law.

Facts of the case

The dispute in the decided case was about the packaging of a chocolate bar, which is very well-known in Germany. The manufacturer sells its chocolate exclusively in square packaging. The chocolate bar is square and that shape is repeated in the individual pieces into which the larger bar can be broken down. Its marketing strategy is also essentially based on the square shape. The manufacturer uses the well-known advertising slogan, “*Quadratisch. Praktisch. Gut*” (“Square. Practical. Good”), which can be recited by almost every consumer in Germany.

The manufacturer applied for registration of the shape of the packaging in class 30 for the product “chocolate bars” by a photo of the packaging (as shown below). The manufacturer filed the trade mark application on 1 January 1995 and the German Patent and Trade mark Office (“GPTO”) registered the trade mark on 24 May 1996.



In 2010, a competitor filed an application for cancellation of the trade mark with the GPTO. He based the cancellation request, inter alia, on the ground for refusal of protection under s.3(2)(1) of the Trade Mark Act – “Signs consisting exclusively of shapes or other distinctive features shall not be eligible for trade mark protection which are caused by the nature of the goods themselves”. The competitor argued that the protected shape was caused by the “nature of the goods themselves”. The competent Federal Patent Court (“FPC”) followed this reasoning and cancelled the trade mark.

On appeal by the manufacturer, the FCJ overturned the decision of the FPC (decision dated 18 October 2017 - I ZB 105/16) and referred the proceedings back to the FPC. In its decision, the FCJ stated that the ground for refusal of protection under s.3(2)(1) only applies if the characteristics of the goods represented by the shape (here: the square shape of the chocolate bar) are typical for the use of the respective

products and support the intended use of the product (here: consumption of the chocolate bar). Advantages which occur only in circumstances which are unusual for the use (here: carrying chocolate bars in a jacket pocket for consumption on the go) do not constitute essential characteristics of use.

After the proceedings were referred back to the FPC, the competitor henceforth based its request for cancellation on the ground for refusal under s.3(2)(3) of the Trade Mark Act – “Signs consisting exclusively of shapes or other distinctive features shall not be eligible for trade mark protection which give substantial value to the goods.” However, the FPC then rejected the request for cancellation.

The FPC first dealt with the question of whether the shape of the packaging can be equated with the shape of the goods, since the ground for refusal of protection under s.3 (2)(3) of the Trade Mark Act only relates to the shape *of the goods*. In the present case, however, the manufacturer had not sought protection of the shape of the goods, but the shape of the packaging. In this context, it must also be considered that only the goods themselves have a specific shape (square). The packaging, on the other hand, consists only of a plastic film wrapped around the goods. It is the shape of the goods that give the packaging its shape.

The FPC ruled that s.3(2)(3) of the Trade Mark Act was also applicable to packaging as long as the packaging clearly indicated the shape of the packaged goods.

In its decision, the FPC also commented on the requirements for the ground for refusal of protection under s.3(2)(3) of the Trade Mark Act. According to the FPC, shapes of goods are excluded from trade mark protection if the aesthetic value of the goods conveyed by the shape is so predominant that the main function of the trade mark, indication of origin, is no longer effective.

That condition was not fulfilled in the present case. The essential characteristic of the packaging is merely its square shape. The packaging does not have any other features. It cannot be assumed that the aesthetic value of the packaging predominates its indication of origin.

The Decision of the FCJ

In its decision, the FCJ followed the view of the FPC and therefore dismissed the appeal against the FPC’s decision. The FCJ thus definitively confirmed the protectability of the contested trade mark.

According to s.3(2)(3) of the Trade Mark Act, a sign should not be protected as a trade mark if it *exclusively* consists of “shape-features” which gives a substantial value to the goods. It is therefore necessary as a first step to identify all different “shape-features” of the contested sign. Subsequently, it must be examined for *each of these* features whether a ground for refusal of protection is fulfilled. Only if *all features* fulfil the

requirements of a ground for refusal of protection, the sign is to be refused trade mark protection.

In the present case, the FPC correctly found that the contested sign only had the feature of the square shape. The side flaps, which were also recognisable on the image of the packaging, did not change this view. The shape of the packaging is merely the basic square shape.

In principle, the Federal Court of Justice understands the *value of a product conveyed by its shape* to be the aesthetic value that the shape gives to the product. Insofar as the public then would recognise the essential value in the aesthetics alone, the shape would not also have the function of indication of origin. However, the rule is not limited to aesthetics, but also refers to essential functional characteristics of a shape. The ground for refusal is therefore applicable to a sign consisting exclusively of the shape of a product with several characteristics, each of which may confer substantial value.

The FCJ mentions the following as decisive criteria regarding rejection of trade mark protection under s.3(2)(3) of the Trade Mark Act:

- the nature of the category of goods in question;
- the artistic value of the shape in question;
- how distinguishing the shape is in relation to the shape of other products;
- a significant price difference; and
- a marketing strategy based mainly on aesthetics.

On basis of these criteria, the FCJ decided that s.3(2)(3) of the Trade Mark Act did not apply. The square shape has no particular aesthetic value. The shape is also significantly different from the usual designs of the goods in question. Almost without exception, chocolate is offered in a rectangular shape. There is also no relevant price difference compared to other products. The advertising slogan “Quadratisch. Praktisch. Gut.” (“Square. Practical. Good.”) had to be taken into account but was not a decisive issue, as all other criteria did not fulfil the ground for refusal of trade mark protection. After all, the shape did not confer a substantial value to the product.

The competitor argued that the trade mark had a high economic value for the manufacturer as it was an important feature of his products. This general economic value would also lead to a substantial value according to s.3(2)(3) of the Trade Mark Act. This argument was however also refused as the general economic value cannot be a decisive criterion in this context. Otherwise, it would be impossible to protect a shape mark with a high economic value, if this specific value would also lead to a substantial value according to s.3(2)(3). The success of a trade mark in the market cannot be a decisive factor as to whether it is protected.

The FCJ thus came to the conclusion that the square shape of the packaging is protectable as a trade mark.

Comment

The FCJ's decision is to be welcomed, as it strengthens the trade mark category of shape marks. In its decision, the FCJ is consistently guided by the core function of a trade mark (indication of origin). The question is therefore whether the public also sees an indication of origin in a specific shape.

Simplified, this can be summarised as follows:

- If a customer buys the goods because he/she knows from the shape that the product comes from a certain company and associates certain quality expectations with it, the shape is protectable as a trade mark.
- If a customer buys the goods only because it has a certain shape, the shape is not protectable as a trade mark.

FRANCE

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The Paris Court of Appeal adds conditions to the parody exception and fails to apply the balance of interests test

(Paris Court of Appeal, 23 February 2021, No. RG 19/09059 – Koons and others v Davidovici and others)

On 23 February 2021, the Paris Court of Appeal upheld the judgment of the Paris Tribunal de Grande Instance on 8 November 2018, which found the American artist Jeff Koons and the Parisian Museum “Centre Georges Pompidou” liable for copyright infringement of the 1985 photograph by Mr Davidovici for an advertisement of French ready-to-wear brand “Naf-Naf” and for which he claimed copyright.

The photograph, entitled “Fait d’hiver”, featured a young brunette woman with short hair, lying in the snow, seemingly in an avalanche and rescued by a tiny pig. During a retrospective exhibition of Koons’ work by the Centre Georges Pompidou in 2014, Davidovici discovered a sculpture, also entitled “Fait d’hiver”, created by the world-famous artist Koons in 1988 and presenting similarities with his advertising visual. He initiated French judicial proceedings against the artist which resulted in a finding of copyright infringement by the Paris Tribunal de Grande Instance.

In the context of the appeal, the defendants raised various arguments with respect, notably, to the applicable law, the standing to sue of the claimant, as well as the statute of limitation. However, the Court refused to follow such reasoning. In regard to the applicable law, it notably held that the citizenship of the artist and/or the fact that the exhibition at the Centre Georges Pompidou was prepared/created in the United States of America were irrelevant circumstances to deem US law applicable in this case. This is questionable.

With respect to the infringement, the Court adopted a very classical view and considered that the infringement should be assessed in light of the similarities of the works, not taking into account the differences between the works, notably the conceptual differences. The Court thus held that the difference in the message conveyed by Koons’ work was irrelevant to conduct such an assessment. The Judges therefore considered that the sculpture displayed in the exhibition and its reproduction in some catalogues amounted to infringement of Davidovici’s copyright.

As far as the parody exception is concerned, the Court rejected the defendants’ argument by ruling that the work was never presented by Koons as a parody of Davidovici’s work nor did he ever make any reference to this prior work and, consequently, Koons could not benefit from such exception.

The Court also ruled that Davidovici's work was not known to the public, which, according to the Court, would prevent the French public from knowing that Koons' sculpture refers or evokes the earlier work. Thus, it appears that the Court added new conditions to the admissibility of the parody exception in contradiction with European Union law.

A similar line of reasoning was followed by the Court with respect to the freedom of artistic expression. The Court held that Koons' message related to his artistic expression/artistic creation and did not contribute to a debate of general interest; therefore such circumstance would limit his rights to invoke his freedom of expression. Besides, the Court noted that Koons would also carry on a commercial activity (because his artworks are worth millions) which would also limit his rights to raise such freedom. The Court also indicated that it should have been possible for Koons to contact Davidovici to obtain an authorisation to use his photograph. Such findings do not seem relevant since it stems from such reasoning that only unsuccessful artists (who do not sell their artworks) could invoke their freedom of artistic expression. This would be discriminating.

The damages ultimately granted to Davidovici for copyright infringement, though not insignificant, represent a tiny portion of the multi millions amount claimed by Davidovici before the French courts.

In France, numerous scholars have expressed their disapproval of this decision. Some consider the Court's arguments to be disappointing as it asserts in several instances that Koons' sculpture is obviously a major artwork bearing the famous artist's hallmarks. It appears that the Court of Appeal of Paris was unfortunately not ready to be the first jurisdiction (ruling on the merits) to decide that the freedom of artistic expression of an artist could negate the prior rights of another artist while applying the fair use standards and the guidelines provided by the Court of Justice of the European Union ("CJEU") and the French Supreme Court in the context of freedom of artistic expression. Others argue that in this decision, the Court unjustifiably added some conditions to apply the parody exception. Of course other scholars and practitioners have approved this decision on the basis that it strictly followed the principles which have been applied for decades.

Needless to say, irrespective of a potential appeal to the French Supreme Court, this fascinating situation in which the prior copyright of one artist restricts the freedom of artistic expression of another artist is far from settled.

Fraudulent and bad faith trade mark filings under French law

Pursuant to French law, rights in a trade mark are acquired through the filing of a trade mark application. In principle, it is considered that the applicant is the legitimate owner of the trade mark. However, this principle can lead to situations where the mark has been applied for by an applicant who

was not permitted to file the mark or who has deprived a third party of an opportunity to secure the mark.

Over the years, French courts have developed a rule that a trade mark filing should not be filed fraudulently. Under the rule, any person who sees their interests being harmed by a trade mark application has the right to seek its cancellation. When the French trade mark law was revised in 1991, the legislator established another similar principle that the legitimate owner of a trade mark should have the right to seek ownership of the mark if there is breach of a contract or of a legal obligation (art. L. 712-6 of the *Intellectual Property Code*).

These abovementioned principles have been applied consistently by French courts towards French national trade marks or French parts of international trade marks.

Recently, a litigant raised the argument that these principles could contravene the EU Directives (Directive 89/104 and Directive 2008/95) that harmonise the national laws on trade marks. Such Directives, like the European Regulation on EU trade marks, do not provide that fraud could be a motive for cancelling a trade mark. Both the Directives and the Regulation merely provide that the mark may be declared invalid if "the application for registration of the trade mark was made in bad faith by the applicant". This concept of bad faith has been interpreted differently by the CJEU and in a much narrower sense than "fraud" under French law. For instance, European courts require proof that the applicant was acting dishonestly, which is not required by French courts.

In a decision dated 17 March 2021 (n°18-19.774), the Court of Cassation decided:

...any trademark filed in fraud of the rights of others being necessarily filed in bad faith, the case law of French courts, before and after the aforementioned Directives, according to which the cancellation of a trademark filed in fraud of the rights of others can be requested on the basis of the "fraus omnia corrumpit" principle combined, since the transposition law of 4 January 1991, with Article L. 712-6 of the Intellectual Property Code, falls within the scope of the grounds for cancellation provided for in the said Articles 3 (2) (d) (...) of Directive 89/104 and Directive 2008/95.

In this case, the applicant of the mark tried to argue that French law did not properly apply the Directives by failing to refer to the principle of "bad faith" pursuant to the Directives. The Court decided not to follow this argument as it considered that the fraud doctrine as applied by the courts falls within the notion of bad faith as provided in the Directives. This decision is most welcome as this principle has been used and applied for a long time by French courts. Any other decision would have drastically changed the means and remedies available to French trade mark owners.

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.

EUROPEAN UNION

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“Elegance is refusal”, said Coco Chanel.

The General Court of the European Union rejects French fashion label Chanel’s claim that Huawei’s trade mark application would conflict with its famous interlocked Cs logo

**Case T-44/20 *Chanel v EUIPO – Huawei Technologies*,
Judgment of the General Court (Fifth Chamber) 21
April 2021**

Introduction

The General Court of the European Union recently handed down a decision involving a trade mark dispute between two unlikely opponents. On one side of the dispute was the Chinese tech giant, Huawei, with the iconic French fashion label founded by Gabrielle Bonheur “Coco” Chanel on the other. In recent years, Huawei has been in the news as one of the targets of section 889 of the *John S. McCain National Defense Authorization Act for Fiscal Year 2019* of the former USA administration while also making headlines in the intellectual property discourse in relation to trade secret protection or standard essential patents (“SEPs”). This dispute, however, relates to more trivial IP matters. The cause of the dispute was Huawei’s application for an EU trade mark at the European Union Intellectual property office (“EUIPO”) in 2017.

Chanel believed that Huawei’s figurative trade mark application would, inter alia, be confusingly similar with its own iconic Chanel “interlocking Cs” logo and filed a notice of opposition pursuant to Article 41 of the *EU Trade Mark Regulation* (“EU TMR”).¹ Eventually, the General Court was called to adjudicate the matter. The decision provides a good overview and discussion of the law in the EU on the assessment of similarity of trade marks in the context of relative grounds of refusal. In addition, the decision discusses whether the assessment of the signs “in action”, i.e., in their everyday use displayed on products, is permitted when assessing the similarity of the signs in question.

Background

In 2017, Huawei, the intervener in the proceedings before the General Court, sought to register the figurative sign shown in Fig. 1 in relation to goods in class 9 of the Nice Agreement (computer hardware and software).² The trade mark was published on 11 October 2017 in the European Union Trade Marks Bulletin No. 193/2017.



Fig. 1

Chanel filed a notice of opposition pursuant to Article 41 of the EU TMR against Huawei’s registration on 28 December 2017. The opposition was based on the ground that there would be a likelihood of confusion pursuant to Article 8(1) (b) of the EU TMR between Huawei’s trade mark application and Chanel’s earlier French trade mark (no. 3 977 077) registered in 2013 covering goods in class 9 corresponding to “cameras, sunglasses, glasses; earphones and headphones; computer hardware”. Chanel’s earlier French trade mark is reproduced in Fig. 2. Additionally, Chanel based its opposition on Article 8(5) of the EU TMR based on the similarity of Huawei’s trade mark application to its allegedly reputed French trade mark (no. 1 334 490) covering goods in classes 3, 14, 18 and 25 (perfumes, cosmetics, costume jewellery, leather goods, clothes). This trade mark is shown in Fig. 3.



Fig. 2



Fig. 3

Both the Opposition Division and the Fourth Board of Appeal (“Board of Appeal”) dismissed Chanel’s claim. The latter body specified that there was no likelihood of confusion on the relevant part of the public and that the conditions of Article 8(5) of the EU TMR were not given since Huawei’s trade mark application was different to Chanel’s allegedly reputed French trade mark.

The decision

The first plea discussed by the General Court related to the opposition based on Article 8(5) of the EUTMR. This provision seeks to protect trade marks with a reputation against subsequent trade mark applications which could blur, tarnish the reputed mark or take unfair advantage of it. Since a likelihood of confusion is not a requirement for this relative ground of refusal to apply, it significantly widens the protection of trade mark holders. An application for an EU

trade mark can be opposed founded on an earlier national trade mark which has a reputation even though the goods and services for the application are not similar to the goods and services of the registered reputed mark. The General Court reiterated that three cumulative conditions must be met for Article 8(5) of the EU TMR to apply:

- (i) *the marks at issue must be identical or similar;*
- (ii) *the earlier mark cited in opposition must have a reputation; and*
- (iii) *there must be a risk that the use without due cause of the trade mark applied for would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.*³

The General Court outlined that the Board of Appeal rejected the appeal on the basis that the marks were not similar. They had a different structure from a visual point of view and were composed of different elements. A similarity was not provided by “[t]he mere presence, in each of the marks at issue, of two elements that are connected to each other [...] even though they share the basic geometric shape of a circle surrounding those elements.”⁴ Similarly, the Board of Appeal found that a phonetic comparison would be impossible while a conceptual similarity was not given. Chanel, however, submitted before the General Court that Huawei’s application and its reputed mark would have some level of similarity. The similarity would be even higher where the sign applied for would be rotated by 90 degrees. Such a situation would, for instance, occur where the sign is being used on goods. Additionally, Chanel submitted that the Board of Appeal erred on the point that both marks were conceptually dissimilar.

The EUIPO and Huawei as intervener disputed Chanel’s submissions. They outlined that the assessment of whether the marks in questions are identical or similar must be conducted by the comparison of marks in the form in which they are protected, i.e., how they were registered or appear in the application: “The actual or potential use of registered marks in another form is irrelevant when comparing the signs.”⁵ The General Court followed this interpretation. It held that Chanel wrongly found support in precedents, such as *Pi Design*⁶ and *Simba Toys*,⁷ which expanded the assessment of whether a shape is technical and thus excluded from trade mark protection, by looking at elements corresponding to “the reality of use of the sign on the market”.⁸ The General Court found that these cases did not serve as precedents for the question at suit relating to the examination of a relative ground of refusal. Thus, the General Court focused on the representations of the marks as registered/ applied for registration. While it found that both signs “share certain characteristics, namely a black circle, two interlaced curves, which the circle surrounds, also black, intersecting in an inverted mirror image, and a central ellipse, resulting from the intersection of the curves”, visual differences would remain. First, with regard to the shape of

the curves, second by the different stylisation of the curves, third by the orientation of the central ellipse and forth by the greater thickness of the curves of the Chanel’s sign.

Thus, the signs would be visually different despite the presence of two interlaced curves within a black circle. A phonetic similarity was not given as both marks would not be pronounced. Finally, a conceptual similarity would not be given since the interlocked Cs in Chanel’s trade mark would refer to the founder of the fashion house’s initials, while Huawei’s sign would refer to “the stylised letter ‘h’ or the two interlaced letters ‘u’.”⁹ Based on these considerations, the General Court found that the Board of Appeal had not erred in finding no similarity between Chanel’s trade mark and Huawei’s trade mark application.

The second plea brought by Chanel alleged infringement of Article 8(1)(b) of the EU TMR due to the likelihood of confusion created by Huawei’s trade mark application in the territory where the earlier trade mark is protected. This is generated due to the similarity to, Chanel’s mark and the similarity of the goods or services covered by the trade marks. The General Court reiterated the decided case law on this matter which mandates a global assessment of all factors stipulating a likelihood of confusion. This includes an interdependence between the similarity of the signs and that of the goods or services in question. It outlined that the Board of Appeal concluded that there was no visual, phonetic or conceptual similarity between the signs in question. Chanel, however, submitted again that a visual similarity could be given when Huawei’s sign was rotated by 90 degrees. Similarly to the discussion within the first plea, the General Court rejected this argument again based on the fact that only the marks as registered would be compared in order to assess whether there is a likelihood of confusion. Consequently, the General Court also rejected the second plea submitted by Chanel.

Comment

The General Court came to the correct decision in this dispute. It “elegantly” refused Chanel’s submissions and applied a systematic approach of the decided case law in relation to the assessment of similarity of signs. The lack of similarity enabled the General Court to dismiss the pleas at this stage already which made it redundant to discuss other interesting aspects, such as what type of harm Chanel saw to its mark’s reputation based on Huawei’s application. This probably would have been based on Huawei’s mark blurring the distinctive character of Chanel’s famous interlocked Cs logo or maybe even that it would tarnish its reputation. But this can only be speculated now as the Board of Appeal decision does not give much background here.

The submission by Chanel that the similarity of the signs should be assessed not merely by looking at the signs as registered but when seen “in action” was indeed an interesting argument. Usually, absolute or relevant grounds of refusals

of EU trade mark applications are reviewed by assessing the registered sign or the application submitted to the EUIPO. The argument of looking at the marks in action arguably would have widened the scope of protection. However, Courts have only allowed looking more broadly beyond the mere application/registration in exceptional circumstances, such as when assessing whether a sign would fall within the exclusion for functionality as specified in *Pi Design* and *Simba Toys* which is based on the public interest in deterring competition for technical elements of products.¹⁰ The question whether a certain shape is indeed functional would be difficult to ascertain by looking at the mere application or registration on a piece of paper or computer screen. This is why the General Court here did not follow Chanel's line of argument.

- 1 Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark, [2017] OJ L 154/1 ("EU Trade Mark Regulation").
- 2 Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks of 15 June 1957, as revised and amended.
- 3 Case T-44/20 *Chanel v EUIPO - Huawei Technologies*, Judgment of the General Court (Fifth Chamber) 21 April 2021, [18].
- 4 Case T-44/20 *Chanel v EUIPO - Huawei Technologies*, Judgment of the General Court (Fifth Chamber) 21 April 2021, [19].
- 5 Case T-44/20 *Chanel v EUIPO - Huawei Technologies*, Judgment of the General Court (Fifth Chamber) 21 April 2021, [25].
- 6 Case C-337/12 P *Pi-Design and Others v Yoshida Metal Industry*, Judgment of the Court (Seventh Chamber) of 6 March 2014.
- 7 Case C-30/15 P *Simba Toys v EUIPO* (Judgment of the Court (First Chamber) of 10 November 2016.
- 8 Case T-44/20 *Chanel v EUIPO - Huawei Technologies*, Judgment of the General Court (Fifth Chamber) 21 April 2021, [30].
- 9 Case T-44/20 *Chanel v EUIPO - Huawei Technologies*, Judgment of the General Court (Fifth Chamber) 21 April 2021, [25].
- 10 Ilanah Fhima, 'The public interest in European trade mark law' (2017) *Intellectual Property Quarterly* 311, 315.

Current Developments – North America

UNITED STATES OF AMERICA

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US courts are limited in their ability to adjudicate FRAND rates on a global basis

In the United States of America, as in much of the rest of the world, there has been increased attention on the questions of when and how national courts can resolve global disputes involving portfolios of claimed standard-essential patents (“SEPs”). Recently, courts in the United Kingdom and China have shown themselves willing to adjudicate such disputes. Some have called for US courts to follow suit and adjudicate global fair, reasonable, and non-discriminatory (“FRAND”) rates more frequently, including in a recent article titled “US Courts Should Adjudicate FRAND Rates On A Global Basis.”¹ The article describes the UK Supreme Court’s decision in *Unwired Planet International Ltd. v Huawei Technologies (UK) Co. Ltd.* as an example for US courts to follow. The article also argues that the tendency for parties to negotiate global licenses for SEPs should encourage US courts to emulate this market outcome by adjudicating FRAND disputes as a matter of contract law.

But missing from the article is a critical point: an explanation of how US courts would have the authority to engage in FRAND rate setting for global portfolios of SEPs if the potential licensee does not agree to be bound by the court’s determination. US courts have correctly recognised that, absent the agreement of the potential licensee to be bound by a portfolio-wide determination, they lack authority to resolve global FRAND disputes because they cannot compel a party to license patents it has not been found to infringe and, moreover, they cannot determine liability for foreign patents. As one US court has observed, “there exists no legal basis upon which [a potential licensee] may be compelled to take a license for [a SEP owner’s] patents on a portfolio-wide basis.”²

The basic structure of the US legal system is incompatible with the notion that a patent owner can unilaterally demand that a US court set and enforce payments for that party’s global portfolio. US courts should continue to acknowledge the limits on their authority and leave global rate setting only to the rare circumstances when the parties agree to such a procedure. US courts should decline to follow the lead of the *Unwired Planet* case in the UK.

In the *Unwired Planet* litigation, after *Unwired Planet* prevailed at trial on two SEPs, the trial court held a FRAND trial. At the FRAND trial, the court assessed the parties’ competing licensing offers and, finding none of them to be FRAND, set what it concluded were FRAND terms for a worldwide license. Further, while the trial court recognised that “[c]ertainly the implementer could not be ... compelled” to agree to a FRAND license, the court nonetheless held that the availability of an injunction should turn on the defendant’s “willingness” to license, where the court concluded that “a licensor and licensee acting reasonably and on a willing basis would agree on a worldwide licence.”³

Accordingly, the court settled on imposing what it termed a “FRAND injunction”: “A FRAND injunction should be in normal form to restrain infringement of the relevant patent(s) but ought to include a proviso that it will cease to have effect if the defendant enters into that FRAND licence.”⁴ And while, as the article observes, the *Unwired Planet* court termed the prospect that a SEP holder would need to sue country by country “madness,” the court was content to invert the traditional burdens of patent litigation and put the onus on the defendant to go country by country to invalidate patents it was forced to license to reduce the global portfolio royalty rate imposed by the UK court.⁵

The article asks, “why is *Unwired Planet* not a well-settled principle?”. One answer in the US is that a court adjudicating infringement of FRAND-committed SEPs would not be in the same position as the *Unwired Planet* court. While injunctions for patent infringement are often issued as a matter of course in the UK, to obtain an injunction in the US a patent holder has to meet the four-part standard set out by the US Supreme Court in *eBay Inc. v MercExchange, L.L.C.*⁶ The Federal Circuit applied the *eBay* standard to a FRAND-committed patent and concluded that the SEP holder was not entitled to an injunction, including because the patent holder’s “FRAND commitments, which have yielded many license agreements encompassing the [asserted patent], strongly suggest that money damages are adequate to fully compensate ... for any infringement.”⁷ Thus, it is critical in assessing the applicability of *Unwired Planet*’s rationale in the US to consider the procedural context in which it arose and the differences between US and UK patent law.

Absent exceptional circumstances, a US court is unlikely to find itself in the position of the UK court in *Unwired Planet*, putting to a defendant the choice of agreeing to a global license set by the court or being enjoined on an SEP. To the contrary, US courts have set portfolio FRAND rates only when the SEP licensor and the potential licensee have agreed to it.

A potential licensee is most likely to agree to a court's adjudication of a FRAND portfolio rate when a potential licensee sues a SEP holder for breach of contract for failure to offer FRAND terms and wants the court's assistance in reaching a final agreement. For example, when Microsoft brought a breach of contract claim against Motorola alleging it had failed to adhere to its RAND commitments, the parties agreed that the court would set a RAND rate for Motorola's SEP portfolios to resolve that claim.⁸

Similarly, although *In re: Innovatio IP Ventures LLC* was an infringement case, there "the parties and the court agreed that the best course toward resolving the parties' disputes would be to pause and evaluate the potential damages available to Innovatio if the Defendants are found to infringe the claims of Innovatio's patents."⁹ Accordingly, the court undertook a determination of a RAND rate for Innovatio's SEP portfolio – but one that would be relevant only upon a finding of infringement.

The article does not recognise the narrow circumstances in which US courts have undertaken portfolio rate setting. Instead, it focuses on calling for US courts to reject the applicability to FRAND disputes of the Federal Circuit's decision in *Voda v Cordis Corp.*¹⁰ That focus is misplaced: only a few reported decisions have considered *Voda's* applicability to FRAND disputes. Moreover, those decisions have been in cases where a SEP holder was seeking a declaratory judgment that it has abided by its FRAND commitments in negotiating with a potential licensee for a global portfolio, not where the parties had agreed to be bound by the court's FRAND determination.

In *Optis Wireless Technology, LLC v Huawei Technologies Co.*, for example, the court addressed Optis' claim for a declaration that it "has complied with its obligations arising from declaring its patents essential to various standards, and any applicable laws, during ... negotiations with Huawei concerning a worldwide license[.]"¹¹ The court dismissed the claim as to foreign SEPs, concluding that the concerns expressed in *Voda* about international comity were applicable to adjudicating FRAND disputes involving foreign SEPs: "Courts in other countries apply their own law governing FRAND compliance and royalty rate determinations, and this law, like foreign infringement law, can be very different from United States law."¹² The court, in addition, considered and rejected arguments it characterised "as less about what the law is and more about fairness," including the contention that "foreign courts are increasingly making global FRAND determinations, and it would be unfair if United States courts did not follow that trend" and that it would be "unfair to require PanOptis to litigate their FRAND disputes all over the world."¹³

Even if a court heeded the article's urging to find *Voda* inapplicable to a declaratory judgment claim about FRAND compliance, that would not confer authority on the court to

require the defendant to agree to court-determined license terms. US courts have properly recognised that they lack the authority to compel parties to agree to portfolio licenses. One court confronted with a request by defendants to set a FRAND rate for the SEP holders' portfolio found such a ruling would be futile because "even if the Court were to determine a FRAND rate, I am unclear as to how I could actually enforce such a ruling."¹⁴ Accordingly, it observed that "[a]ll the Court's determination of a FRAND rate would accomplish would be to give a data point from which the parties could continue negotiations."¹⁵ As noted above, when another court faced the argument that a SEP holder's claim for a declaration that it had complied with its FRAND obligations would resolve a FRAND dispute, it disagreed because "there exists no legal basis upon which [a potential licensee] may be compelled to take a license for [a SEP owner's] patents on a portfolio-wide basis."¹⁶

SEP owners that have valid, infringed, and enforceable patents should, like all patent holders, be appropriately compensated for their patents by those who use them. But merely because a party has a portfolio of SEPs subject to FRAND commitments does not entitle it to a shortcut unavailable to other patent holders of not having to prove the merits of its patents by having a court force a defendant to accept a license. As the *Innovatio* court observed, "[a]lthough the court is aware that alleged infringers may force RAND-obligated patent holders into court to enforce their patents ... this reality does not present significant concerns unique to the RAND context. The court will therefore not give the ability of alleged infringers to force a lawsuit any special consideration in the RAND analysis beyond what it receives in a typical patent case."¹⁷

Predictably, the leverage that the *Unwired Planet* decision bestows on SEP holders to force potential licensees into global licenses without proving the merits of their portfolios has already made the UK an increasingly attractive forum for SEP holders to litigate. Equally predictably, there are already signs that other countries will engage in competing rate setting adjudications. A Chinese court, for example, recently declared its authority to determine a FRAND rate for a global SEP portfolio. US courts should resist invitations to engage in a "race to the bottom" by competing with these jurisdictions to enhance their desirability as destinations for SEP litigations; instead, US courts should continue to respect the limits on their authority and jurisdiction. The more courts that seek to adjudicate FRAND rights on a global basis, the more complicated FRAND negotiations will become. How will parties navigate different determinations for FRAND rates for the same portfolio from competing jurisdictions? How much time will parties devote to meaningful negotiation if the risk of doing so is that their counterparty will beat them to court in order to have a first-filed case in a favourable jurisdiction?

Current Developments – North America

- 1 Theodore Stevenson, Nicholas Mathews and Patrick Pijls, 'US Courts Should Adjudicate FRAND Rates On A Global Basis', *Law360* (Web Page, 3 December 2020) <<https://www.law360.com/articles/1332630/us-courts-should-adjudicate-frand-rates-on-a-global-basis>>.
- 2 *Apple Inc. v Telefonaktiebolaget LM Ericsson, Inc.*, No. 15-cv-00154-JD, 2015 WL 1802467, 2 (N.D. Cal. 20 April 2015).
- 3 *Unwired Planet International Ltd v Huawei Technologies Co. Ltd* [2017] EWHC 711 (Pat) [142], [543].
- 4 *Unwired Planet International Ltd v Huawei Technologies Co. Ltd* [2017] EWHC 1304 (Pat) [20].
- 5 EWHC 711 (Pat) [543], [588].
- 6 547 U.S. 388 (2006).
- 7 *Apple Inc. v Motorola, Inc.*, 757 F.3d 1286, 1332 (Fed. Cir. 2014), overruled on other grounds by *Williamson v Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015).
- 8 *Microsoft Corp. v Motorola, Inc.*, 795 F.3d 1024, 1038 (9th Cir. 2015). The Ninth Circuit observed that "FRAND and RAND have the same meaning in the world of SEP licensing and in this opinion." *Microsoft Corp. v Motorola, Inc.*, 795 F.3d 1024, 1031 and n 2 (9th Cir. 2015).
- 9 *In re Innovatio IP Ventures, LLC Patent Litig.*, No. 11 C 9308, 2013 WL 5593609, 1 (N.D. Ill. 3 October 2013).
- 10 476 F.3d 887 (Fed. Cir. 2007).
- 11 No. 217CV00123JRGRSP, 2018 WL 3375192, 7 (E.D. Tex. 11 July 2018).
- 12 No. 217CV00123JRGRSP, 2018 WL 3375192, 8 (E.D. Tex. 11 July 2018).
- 13 No. 217CV00123JRGRSP, 2018 WL 3375192, 8 (E.D. Tex. 11 July 2018).
- 14 *InterDigital Communications, Inc. v ZTE Corp.*, No. 1:13-CV-00009-RGA, 2014 WL 2206218, 3 (D. Del. 28 May 2014).
- 15 *InterDigital Communications, Inc. v ZTE Corp.*, No. 1:13-CV-00009-RGA, 2014 WL 2206218, 3 (D. Del. 28 May 2014).
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- 17 2013 WL 5593609, 11.

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