

Intellectual Property Forum

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Editor
Fiona Rotstein



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Intellectual Property Forum

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March 2024	before 1 February 2024

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

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The John McLaren Emerson QC Essay Prize 2023



The Intellectual Property Society of Australia and New Zealand Inc. is pleased to announce its 2023 competition for an essay on a topic of the author's choice regarding intellectual property.

1st Prize of the John McLaren Emerson QC Essay Prize will comprise the sum of AU\$5,000 plus complimentary registration at the IPSANZ 36th Annual Conference scheduled to be held over the weekend of **22-24 September 2023** including 2 nights' accommodation at the Mantra on Salt Beach Kingscliff, New South Wales, Australia and a return economy airfare from within Australia or New Zealand to the Conference.

2nd Prize will comprise the sum of AU\$3,000 plus complimentary registration at the IPSANZ 36th Annual Conference, including 2 nights' accommodation at the Mantra on Salt Beach Kingscliff, New South Wales, Australia.

3rd Prize will comprise the sum of AU\$2,000 plus complimentary registration at the IPSANZ 36th Annual Conference, including 2 nights' accommodation at the Mantra on Salt Beach Kingscliff, New South Wales, Australia.

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

COMPETITION RULES

- Entries must be unpublished essays, which are the original work of the author. Entries should be between 5,000 and 10,000 words (including endnotes).
- Entries should be substantive works displaying original thinking in an area of intellectual property of the author's choice. A maximum of two co-authors is permitted for entries. In the case of co-authors, the prize is to be shared between the authors. A maximum of two entries per author or pair of co-authors is allowed.
- Endnotes must appear at the end of the essay. Entries should include a summary of the essay (50-100 words). Authors should keep a copy of the entry, as no entries will be returned.
- A copy of each entry should be submitted electronically (in Word format).

- Each entry should be accompanied by a separate detached page giving the author's name and contact details and a short biography. No identification of the author should appear on the entry itself.
- Upon entry, each author warrants and represents that it agrees to accept and abide by the Competition Rules, that it is the author of the original work, and that the author is of good repute.
- The decision of the judging panel will be final and no correspondence will be entered into. The judging panel will retain the discretion not to award the Prize and, in any year, may decline to award the first, second and/or third prize as it sees fit. No feedback or reasons will be provided. Non-compliance with the Competition Rules will result in automatic disqualification.
- Airfares, accommodation and entry to the IPSANZ Conference are non-transferable and not redeemable for cash. In the case of a winning entry from a country other than Australia or New Zealand a monetary contribution representing the cost of a return economy airfare from Sydney to the capital city/Gold Coast airport in which the Conference is to be held, will be made.
- No extensions of the closing date for entries will be granted to anyone under any circumstances.
- **Closing date for entries is Monday, 15 May 2023, 11.59pm AEST.**

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Editorial – Fiona Rotstein



Photo by Harvey Andrews

Fiona Rotstein, Editor

There is a theory that Australia only wakes up from its festive season of socialising and summer fun until after Australia Day on 26 January. However, just as there is increasing public sentiment to change the date out of respect for Indigenous Australians,¹ this theory doesn't seem to apply to the practice of intellectual property law. Like New York City which famously never sleeps, the cogs of IP law appear to always be turning. So far this year, there has been a variety of IP developments in the Antipodes, as well as internationally.

On 30 January 2023, the Australian Government released its cultural policy for the next five years. Initiatives foreshadowed include introducing legislation to protect Indigenous knowledge (traditional knowledge and traditional cultural expressions) and boosting the Resale Royalty Scheme to provide royalty payments to visual artists from the commercial sale of eligible works internationally.² This follows an announcement by the Australian Attorney-General late last year of a review of the copyright enforcement regime.³ Submissions to the *Copyright Enforcement Review: Issues Paper* close on 7 March 2023.⁴

Further, New Zealand's new plant breeders' rights regime finally came to fruition on 24 January 2023 when most of the substantive provisions of the *Plant Variety Rights Act 2022* (NZ) came into force.⁵ The Bill had been delayed for more than 30 years because of a claim to the Waitangi Tribunal, Wai 262. However, the Māori Plant Varieties Committee still has another year to be appointed and to set up its guidelines. We have also witnessed the recent rise (and predicted rise) of actions in the United Kingdom and United States on behalf of artists alleging copyright infringement by artificial intelligence ("AI") image generators, such as Stable Diffusion.⁶ Throw in the break-neck uptake of ChatGPT (an AI text generator) and the resulting existential angst (or gleeful excitement, it depends upon whom you ask) amongst IP practitioners and academics, it's safe to say the year is off to an interesting start! Who knows how the rest of 2023 will proceed?

Thankfully, this edition of *Intellectual Property Forum* expertly examines the latest national and international developments in IP. It covers a panorama of IP, namely, copyright, designs, trade marks, geographical indications ("GIs") and Indigenous knowledge. Our specially commissioned authors consider the ever-evolving IP landscape to canvass current issues and hot topics on the horizon. There is something for everyone: from claim construction in patent law, to the requirements for distinctiveness for certification trade marks. There is also analyses of works of artistic craftsmanship, and of the

intersections between IP and blockchain-based technologies – such as smart contracts, the metaverse and cryptocurrency. In addition, there is discussion of the perils of greenwashing in trade mark practice, an exploration of the person skilled in the art ("PSA") in patent law, plus reviews of two texts which examine the application of IP laws to cultural heritage and to the development of the commercialisation of childhood play. As usual, the Journal is also brimming with updates from our regular contributors across Australia, New Zealand, Asia, Europe and North America.

We begin with a profile of renowned New Zealand barrister, Julian Miles KC. Miles was a litigation partner with the firm Bell Gully from 1969 to 1990, when he went to the independent Bar in New Zealand, taking silk in 1991. In a candid conversation with Jane Glover, Miles reflects on his professional highlights, having been involved in many landmark cases. He shares his thoughts on a specialist IP Bench in New Zealand and how IP litigation has changed over the course of his career. He also discusses how being at the Bar compares to working in a firm, noting:

... When I made the move I felt a lightening of spirit, which is still with me. I enjoy the independence, the freedom, and the friendships – not only with other barristers but also with so many young lawyers in firms who work with me as juniors. They are invigorating, fun and clever and it is a pleasure and a privilege to work with them. The reason I am still doing it is that I can't resist it.

Next, we move to the first of our four articles. Katrina Howard SC explores the principles for construction of patent claims laid down by the High Court of Australia in *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588. According to Howard, these principles have been inconsistently applied by lower courts, creating uncertainty. Howard demonstrates this uncertainty by examining a range of recent Australian patent decisions. In particular, Howard closely analyses the judgment by the Federal Court of Australia in *Merck Sharp & Dohme Corporation v Wyeth LLC (No. 3)* [2020] FCA 1477. In addition, Howard compares the Australian approach to construction of patent claims to other key jurisdictions, namely, the UK, US and Canada.

Then, Clive Elliott KC examines the influence of functionality on works of artistic craftsmanship. He analyses the first instance and appeal judgments of the Federal Court of Australia in *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606 and [2022] FCAFC 63 which both determined that copyright did not subsist in a perforated neoprene tote bag as a work of artistic craftsmanship within section 10(1) of the *Copyright Act* 1968 (Cth). Elliott contrasts the Australian position to the recent UK decision of *WaterRower (UK) Ltd v Liking Ltd (T/A Topiom)* [2022] EWHC 2084 (IPEC) which found that a rowing machine could be protected as a work of artistic craftsmanship in UK and EU copyright law. Elliott also considers other developments and New Zealand, UK and European judgments to appraise the role of functionality in this complex and fragmented area of IP.

On a completely different note, Angelina Gomez and Lucy Hartland discuss the implications for IP of blockchain and related emerging technologies. Gomez and Hartland write:

The market share of blockchain solutions, decentralised opportunities in the metaverse, non-fungible tokens (“NFTs”) and quantum technologies, to name a few, are expected to grow from billions to trillions in the coming years. How will our legal systems cope with these new technologies? How will IP rights be protected in this new decentralised, technology driven world with smart contracts increasingly being used to operationalise our digitised existence?

The authors analyse how blockchain-based technologies can intersect with IP – as assets, as proxies for IP assets, to manage IP assets, and in anticounterfeiting efforts. Gomez and Hartland therefore examine a myriad of topics relevant to what is happening right now in the field of IP, as well as in the very near future.

Next, Jane Rawlings considers certification trade marks in Australia, New Zealand, the UK and the EU in light of recent opposition decisions regarding the Manuka or Mānuka trade marks for honey. Also examined are the connections between certification trade marks certifying geographical origin and GIs for food, wine and spirits. GIs are especially relevant to the ongoing negotiations for an

Australia-European Union Free Trade Agreement (“AU-EU FTA”). Rawlings discusses how the negotiations for the New Zealand-European Union Free Trade Agreement (“NZ-EU FTA”) that concluded on 30 June 2022 has “important implications” for an AU-EU FTA, and for the battle between Australia and New Zealand to exclusively use Manuka or Mānuka as trade marks for honey. Interestingly, our Singapore correspondents (in the “Current Developments” section of the Journal) analyse a recent opposition decision which considers whether the GI for “Parmigiano Reggiano” should extend to the use of the term “Parmesan” in Singapore. Both Rawlings and our Singapore correspondents explore the complexities relating to the protection of GIs and their value as collective, intangible assets.

We then move to the first of our four reports. Dr Milena Dryza asks the intriguing question: who exactly is the PSA in patent law? Dr Dryza discusses the role of a PSA, what leads patent attorneys and lawyers to select a particular person as a PSA and the issues around constructing the PSA when inventions are created with the assistance of AI. Next, Kathryn Park considers the surge in applications for “green” trade marks – i.e. for goods and services aimed at combatting the effects of climate change. Park examines how companies can be successful green marketers and what constitutes actionable greenwashing. Emblematic of Rawling’s article, Park discusses the use of certification trade marks to affirm the green credentials of companies for today’s environmentally conscious consumer.

Then, Dr Sarah Hook reviews *Research Handbook on Intellectual Property and Cultural Heritage*. The book covers a variety of topics, including the conservation of street art and graffiti, and the IP implications of 3D printing of cultural heritage. As Dr Hook explains, the connections between cultural heritage and IP scholarship are “complex and dynamic” but this text “allows both narrow and common issues to be explored”. Next, Amy Surkis reviews *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play*. The book charts the intersections of IP law and the rise of child-focused commercial activities. According to Surkis, the authors use IP law “as a reflection of the technological, cultural and commercial changes which dominated the 20th century”.

This issue is then rounded out with latest IP developments from our regular contributors in Australia, New Zealand, China and Hong Kong SAR, Japan, Singapore, the UK, EU, Germany, France and Canada. In addition to local updates, these cover everything from the latest attempt by Christian Louboutin to register the colour red as a trade mark in Japan in respect of its signature lacquered outsole on shoes; proposed amendments to trade mark laws in China; a patent damages enquiry recently decided by the England and Wales Court of Appeal; online marketplaces and trade mark infringement in the EU; and changes to German case law that impact IP practice. At the start of another year for

the Journal, I am particularly grateful to our national and international correspondents who continue to keep us up abreast of the latest IP developments around the world.

Finally, it would be remiss not to spotlight three members of the Journal's Editorial Board. First, I wish long-time IPSANZ friend, the Honourable John Middleton AM, an enjoyable retirement from the Bench. This follows more than 16 years serving as a Judge of the Federal Court of Australia and also as a Deputy President and President of the Australian Competition Tribunal, as a Presidential Member of the Administrative Appeals Tribunal and as a part-time Commissioner of the Australian Law Reform Commission. As Chief Justice Allsop AC noted at the Ceremonial Sitting of the Full Court to farewell his Honour, "The important judgments that you have delivered are far too numerous to deal with exhaustively".⁷

I also congratulate another two members of our valued Editorial Board who were both recently appointed as Officers of the Order of Australia ("AO"). Emeritus Professor Jill McKeough AO was awarded for "distinguished service to intellectual property law, to tertiary education, to law reform, and to professional organisations" and Dr Francis Gurry AO was recognised for "distinguished service to intellectual property law and research, and to tertiary education". The late John F Kennedy remarked, "A rising tide lifts all boats". While he said it to mean that a strong economy benefits businesses and individuals at all levels, the same is true with respect to leadership in the field of IP and legal education.

This edition marks my fifth year and 21st issue editing this Journal. In my role as Editor, I can see that one of the greatest strengths of the IPSANZ and broader IP community is our willingness to learn from each other. No one knows everything about IP, or about any field for that matter! But for the past 131 issues of *Intellectual Property Forum*, Judges, academics and practitioners have all shared their insights

to facilitate a greater understanding of IP scholarship and practice. As the official Journal of IPSANZ – the leading organisation of IP professionals in Australasia – I encourage reader feedback and invite contributions to editors@ipsanz.com.au. In the meantime, happy reading!

- 1 Public sentiment to change the Australia Day date appears to be growing in light of the anticipated referendum on the Indigenous Voice to Parliament, expected to occur later this year. See, for example, Sophie Aubrey, 'Fewer of us will party like it's 1788', *The Age* (Melbourne, 24 January 2023) 1, 8-9.
- 2 Australian Government, 'National Cultural Policy – Revive: a place for every story, a story for every place', *Department of Infrastructure, Transport, Regional Development, Communications and the Arts: Office for the Arts* (Web Page, 30 January 2023) <<https://www.arts.gov.au/publications/national-cultural-policy-revive-place-every-story-story-every-place>>.
- 3 Mark Dreyfus (Attorney-General), 'Protecting Australian artists' (Media Release, 24 November 2022) <<https://ministers.ag.gov.au/media-centre/protecting-australian-artists-24-11-2022>>.
- 4 See Australian Government, 'Copyright Enforcement Review: Issues Paper', *Attorney-General's Department* (Web Page) <<https://www.ag.gov.au/rights-and-protections/copyright/copyright-enforcement-review-2022-23>>.
- 5 The *Plant Variety Rights Regulations 2022* (NZ) and new fees also came into force on 24 January 2023.
- 6 For example, on 17 January 2023, Getty Images announced it had commenced legal proceedings in the High Court of Justice in London against Stability AI, the company responsible for the release of the Stable Diffusion image generator. See Getty Images, 'Getty Images Statement', *gettyimages* (Web Page, 17 January 2023) <<https://newsroom.gettyimages.com/en/getty-images/getty-images-statement>>. In the US, a class-action lawsuit has been filed on behalf of three artist plaintiffs against Stability AI, DeviantArt and Midjourney for their use of Stable Diffusion. See Matthew Butterick, 'We've filed a lawsuit challenging Stable Diffusion, a 21st-century collage tool that violates the rights of artists. Because AI needs to be fair & ethical for everyone.', *Stable Diffusion litigation* (Web Page, 13 January 2023) <<https://stablediffusionlitigation.com/>>.
- 7 Chief Justice James Allsop, 'Ceremonial Sitting of the Full Court To Farewell the Honourable Justice Middleton AM' (Speech, 8 December 2022) <<https://www.fedcourt.gov.au/digital-law-library/judges-speeches/speeches-former-judges/justice-middleton/16-january-2023>>.



In Conversation with Julian Miles KC

Jane Glover¹

Julian Miles KC has been a leader of the intellectual property Bar in New Zealand for many years and is known as a consummate advocate. Over lunch – at a restaurant where he was not only on first name terms with the wait staff but they also knew his preferred style of chardonnay – he shared with Jane Glover some of his experiences, insights and career highlights.



Photo by ImageLounge

Julian Miles KC

Q: Why did you decide to study law?

A: It was inevitable. I am a seventh-generation lawyer and it never occurred to me to be anything else. My father and great-grandfather were both lawyers and my great-grandfather was a High Court Judge. Another of my forebears was Lord Westbury, who was Lord Chancellor in the UK in the 1860s. I never stood a chance.

The legal tradition continues in my family as two of my daughters are now lawyers. Jess is in the IP team at my old firm, Bell Gully, and Kate is a specialist in international law at Gonville & Caius College, Cambridge University.

Q: What were your career ambitions when you first started working in the law?

A: My first job was with Merediths. I was in court every day and it was a wonderful experience. I spent a couple of years there before I went to Buddle Weir, which later became Bell Gully Buddle Weir, and is now Bell Gully. Buddle Weir was a blue-chip firm established in the 1840s. I became a partner there at the age of 28, which was not unusual in those days.

Q: How did IP come to be one of your specialist areas?

A: When I became a partner at Buddle Weir, IP was a niche area of the law and partners at establishment firms, practising orthodox, conventional litigation, had nothing to do with it. Litigation in those days was dominated by personal injury work and general commercial claims. I wouldn't have known what a trade mark was if I fell over it.

That all changed with *American Cyanamid*² in 1975. Prior to that, a plaintiff had to demonstrate a prima facie case to be granted an interim injunction and so they were very difficult to achieve. The relevant threshold was lowered in *American Cyanamid* to an “arguable case”. Interim injunctions became common, particularly where there were registered, statutory rights involved, which is often the case in IP disputes. Suddenly, IP

litigation became both a lot more fun and a lot more attractive to our commercial clients.

I got involved in IP litigation in 1975 when an old friend at the IP firm Baldwins rang me and asked if I would like to act as junior to Peter Hillyer QC in a case involving Cadbury Schweppes. That case was the start of a relationship with Baldwins that lasted 20–30 years.

Q: You have been involved in many landmark cases. What are the professional achievements of which you are most proud, and why?

A: The Spycatcher litigation³ was a career highlight. It raised important issues regarding state security and lifelong confidentiality obligations. Where there is evidence of consistent, unethical or criminal behaviour by intelligence services, at what point should the public interest prevail in enabling that behaviour to be exposed? I remember thinking to myself during the Court of Appeal hearing, “How am I possibly qualified to get into these complex, high-level, philosophical arguments?” Yet that's the excitement and the privilege of the role.

Another career highlight was the Champagne litigation⁴ regarding the distinctiveness of the name “Champagne”. At every level, that was probably the greatest brief I have ever received. It combined deeply interesting legal arguments with a deeply extravagant and hedonistic client. They sent me to the Champagne region in France and plied me with vintage champagne.

Q: You were a litigation partner with the firm Bell Gully from 1969 to 1990, when you went to the independent Bar, taking silk the following year. How does life at the Bar compare to working in a firm?

A: When I first started working in a big firm, in some ways the litigation world had not changed since Edwardian times. Even “large” firms like Buddle Weir and Russell

McVeagh only had around eight or nine partners. At Buddle Weir we had only two litigation partners. When the other litigation partner went to the Bench, I became the sole litigation partner at the age of 31 or 32. All the litigation was handled by the firms. There were no boutique litigation firms, and no real independent Bar apart from a few silks. There was an expectation that litigation partners would eventually go to the Bench. Looking back, that world is now hard to envisage.

However, by 1990, the world had changed. The Bar had become an exciting, viable and very attractive alternative. I decided to join the Bar and I've loved it ever since. There is such a sense of freedom. When I made the move I felt a lightening of spirit, which is still with me. I enjoy the independence, the freedom, and the friendships – not only with other barristers but also with so many young lawyers in firms who work with me as juniors. They are invigorating, fun and clever and it is a pleasure and a privilege to work with them. The reason I am still doing it is that I can't resist it. I love the social aspect: lunches, drinks, camaraderie.

It is also interesting to reflect that while I was at the firm, I genuinely believed that I was acting completely independently, but in reality as a partner you are always influenced to a certain extent by the fact that the clients you are representing are clients of the firm. You have commercial partners looking over your shoulder. At the Bar, that independence is taken to another level.

Q: After many years at Shortland Chambers, you became one of the founding members of Richmond Chambers in 2014. How have you found the experience of establishing a new set of chambers?

A: In some ways, the pressures of being in a large set of chambers are not dissimilar from some of the pressures of being in a large firm. Setting up Richmond Chambers was a release from those pressures. As a new set, we all knew each other, and we all liked and respected each other. There has never been a cross word; it has been a sheer pleasure. We have a clear set of values and confidence in each other. One of my colleagues, Garry Williams, is a superb IP lawyer with a vast repository of IP knowledge, which makes for enjoyable discussions.

Q: You have been described as being “silky in the delivery of an argument”. What are your views on the importance of oral advocacy skills?

A: Oral advocacy is vitally important. In the difficult cases, where there is no obvious answer, the ability to persuade is all-important. If I thought oral advocacy was unimportant I would retire immediately.

Advocacy involves a complex set of skills. At its heart lies judgment: what arguments to emphasise; which Judges to focus on; when to give a little. I think that oral advocacy

involves a combination of learning, experience, and also something innate. You can fine-tune your presentation skills with experience but there is something innate about judgment. There is also an element of the craft that is a projection of your personality. Even as you become more proficient, advocacy remains, at heart, an extension of who you are.

Advocacy is also all about integrity. There is a lot of trust involved. You build up a reputation with the Judges that you can be trusted and that, although you will attempt to persuade, you will not overstate the position and there will be a legitimate basis for your submissions. There is a sense of trust that you would never mislead the court. Integrity at that level is fundamental to being a successful advocate. I don't think you should ever underestimate charm either, by the way!

I find cross-examination to be the most fun, the most satisfying and most exhilarating aspect of advocacy. There is no other environment in which senior politicians, company executives, or bureaucrats have to answer questions in this manner. They go into the witness box alone, unsurrounded by carers or minders or advisors. You have the extraordinary luxury of cross-examining them for as long as you want – days, if necessary.

Q: What are your thoughts on a specialist IP Bench?

A: In the 1970s and 1980s, New Zealand was much more part of the international scene. Our Judges were highly respected internationally, and litigation in New Zealand was more economic than in other jurisdictions. Judgments from New Zealand Judges really did matter. For example, I acted in the SILK CUT/SILK LEAF litigation,⁵ which involved a month in court. British American Tobacco made a deliberate decision to fight this case in New Zealand.

The position has now changed, however. One important reason for this is that other jurisdictions have moved towards having specialist Judges, but New Zealand has not followed suit. In my view, the fact that New Zealand has no IP specialist on the High Court and no specialist IP court, is unfortunate. Moreover, this would be so easy to correct. If there were a few Judges who were interested in IP, say, the judiciary as a whole could help them maintain or develop that area of expertise by sending them to conferences and allocating them to the relevant cases.

To be fair, market conditions are another reason why New Zealand is no longer seen as such a useful jurisdiction in which to base IP litigation. Pharmac (the government agency that decides which medicines and related products are funded in Aotearoa, New Zealand) has put pressure on big pharmaceutical companies – which in many ways is good for New Zealand – so the pharmaceutical market is correspondingly small. As a

result, New Zealand misses out on much pharmaceutical litigation.

Q: You have appeared in many significant non-IP cases, including general commercial disputes, defamation and media law. Do you think there are benefits in maintaining a broad practice?

A: Yes, obviously. It adds to your overall experience, keeps things fun, and stops you getting bored. In terms of keeping things fun, it is helpful to practise more broadly. I have always seen myself as a commercial advocate, with various niche practices, including IP. Also, while it is entirely possible to have a full-time IP practice, and although IP is now mainstream, it is still a small area.

To maintain a broad practice, I rely on my instructing solicitors to tell me what the law is, and to draft the pleadings and prepare the evidence. I don't get too fussed by pleadings or written affidavits or briefs of evidence so long as the right grounds are pleaded, and the bones of the evidence are there. Ultimately, things work themselves out at trial.

Q: How has IP litigation changed over your career?

A: The IP world has moved from being a tiny, niche market into a major career option. All the big firms now have serious IP departments. IP also has huge future career potential, because of the commercial significance of trade marks and patents. When you think about a company like Coca-Cola, for example, at heart it is really just a trade mark.

Q: What challenges do you foresee for the profession in the years ahead?

A: I'm uneasy about the Australian "takeover" – not just firms, but regulatory practices and viewpoints that are not necessarily consistent with New Zealand practices.

It was always going to happen at some level. As the economies of both countries become increasingly interlinked, there are pragmatic advantages in ensuring the professional qualifications and business practises of IP specialists on both sides of the Tasman coincide. However it doesn't follow that control of the appropriate qualifications and training for New Zealand should shift to Australia. While the qualifications and values underpinning the qualifications are likely to be similar there will inevitably be differences at some levels. I don't think the power to determine the future of the profession in New Zealand should be ceded to another country.

I'm also uneasy with the concept of public ownership of professional firms. When control moves from the partners to investors there is an inevitable shift in values. However it is framed there will always be a conflict between the ethical obligations owed to clients and to the courts and the demands of investors. Two of the best known IP firms in New Zealand have merged and are

now owned by Australian interests. The business model might work but whether it's in the best longer term interests for the local profession is debatable.

Q: What advice do you give younger people in the profession – including, of course, your daughter, Jess Miles, who is an IP specialist at Bell Gully?

A: The world that I grew up in, that shaped me and influenced me, is so different from what is happening today I'm not sure I can give useful advice.

There is, of course, that trite saying, "be yourself". This has direct applicability to advocacy. For your advocacy style to work, it must reflect who you really are. To try and turn yourself into something you are not is never effective.

Q: What is the best career advice you have received?

A: I'm not sure I received any. In those days, there were a lot more assumptions made, perhaps, and less thought given to deliberately crafting a career.

I would say, though, that it is important not to under-rate the role of chance. In my own career, so much has come down to chance and luck. For example, Buddle Weir acted for the *New Zealand Herald*, so I had the opportunity to learn about defamation and freedom of speech issues. My first foray into IP law came about because an old friend was a partner at Baldwins. I have made a point of saying yes to everything and it has flowed from there.

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

A: I would have been hopeless at anything else. In around my third or fourth year of law school I did announce to my family that I was chucking in the law and was going to be a primary school teacher.

Although I genuinely did think I wanted to be a teacher, I suppose it was a form of rebellion. My friends at university were mostly poets and artists, and we were part of the proto-hippie, beatnik movement and lived a bohemian lifestyle. I had long hair, I tried to grow a beard, I marched in "ban the bomb" protests, and of course I wore jeans and a black turtleneck.

My father dealt with my impulsive suggestion brilliantly. He said, "That's perfectly possible, but why don't you finish your law degree and then decide?" I never raised the topic again.

- 1 Jane Glover, barrister, Sangro Chambers, Auckland.
- 2 *American Cyanamid v Ethicon Ltd* [1975] AC 396, 407, [1975] 2 WLR 316, 321, [1975] 1 All ER 504 (HL).
- 3 *Attorney-General for the United Kingdom v Wellington Newspapers Ltd* [1988] 1 NZLR 129.
- 4 *Wineworths Group Ltd v Comite Interprofessionel Du Vin de Champagne* [1992] 2 NZLR 327, (1991) 23 NZIPR 435.
- 5 *Gallagher Ltd v International Bonds Ltd* (1976) 1 NZIPR 43.

The Principles of Construction of Patents in *Welch Perrin*: A Discussion of *MSD v Wyeth* and Other Cases

Katrina Howard SC¹

Introduction²

Claim construction is central to patent law. The first task of the court in any legal proceedings concerning a patent is to construe the claims of the patent. Whether or not a claim is infringed will depend upon its construction, and the validity of a patent can only be determined after the meaning and scope of a claim has been determined.

In order to encourage research and innovation in science and technology, it is critical to have clear and consistent guidelines as to how claims will be construed by the court. Patent applicants need to understand how their claims will be construed, and the public must be able to understand the invention that is described and claimed, so they can know the area which they are excluded from using, and the area which they can explore for the purposes of research and innovation.

The High Court of Australia laid down simple, clear and straightforward principles for construction of patent claims in *Welch Perrin & Co Pty Ltd v Worrel* (“*Welch Perrin*”).³ The doctrine of precedent requires that those principles be applied by lower courts. However, these principles have not been consistently applied, leading to uncertainty. This can be illustrated by reference to recent cases, in particular, the decision of the Federal Court of Australia in *Merck Sharp & Dohme Corporation v Wyeth LLC (No. 3)* (“*MSD v Wyeth*”).⁴

MSD v Wyeth

This litigation in Australia was part of a global war between the two pharmaceutical companies, Merck Sharp & Dohme Corporation (“MSD”) and Wyeth LLC (“Wyeth”), now Pfizer, about pneumococcal vaccines. The Federal Court (Burley J) handed down the 251-page decision in *MSD v Wyeth* on 14 October 2020. Both parties appealed, and the appeals were heard from 25–28 May 2021. However, the appeals were discontinued in September 2021 as part of a global settlement before judgment was handed down.

The Patents

There were three patents in suit: two were to immunogenic compositions per se (e.g., vaccines) and one was to immunogenic compositions in a container (e.g., vaccines in a syringe). The trial judge revoked the container patent on the ground of lack of inventive step. However, this article will focus on the composition patents.

The two almost identical composition patents, one pre-*Raising the Bar*⁵ (the “013 Patent”) and one post-*Raising the Bar*⁶ (the “844 Patent”), set up a dichotomy for the trial judge to consider the similarities and differences between fair

basis under the old Act and support under the new Act. On the same set of facts, the trial judge held that the claims of the parent patent were fairly based, but there was no support for the claims of the divisional patent. In my view, the trial judge’s reasoning on support was correct, but the judge’s reasoning on fair basis was not.

Discussions of this decision by others have focused on the difference between the laws of fair basis and support, but the decision also involved important issues of construction, which were at the heart of the trial judge’s conclusions on fair basis and support.

Technical Background

In order to understand the legal issues, it is necessary to be informed of some basic technical facts:

- *Streptococcus pneumoniae*, which causes pneumonia amongst other diseases, is a bacterium with a polysaccharide coating.
- Like other bacteria and viruses, there are different variants. By the priority date, there were at least 90 known serotypes of *Streptococcus pneumoniae* and an unlimited number of unknown serotypes.
- Each serotype is identified by its different polysaccharides. The polysaccharides are used as antigens to induce an immune response against particular serotypes, including the production of antibodies.

The composition patents were directed to immunogenic compositions having polysaccharides from 13 specified serotypes of *Streptococcus pneumoniae*. Each of the polysaccharides is conjugated to a protein, called CRM₁₉₇, which improved the immune response. They covered Pfizer’s vaccine called Prevnar 13.

Claim 1 of the 013 Patent

The issues were decided with respect to claim 1 of the 013 Patent, which reads as follows:

A multivalent immunogenic composition comprising: 13 distinct polysaccharide-protein conjugates, together with a physiologically acceptable vehicle, wherein each of the

conjugates comprises a capsular polysaccharide from a different serotype of Streptococcus pneumoniae conjugated to a carrier protein, and the capsular polysaccharides are prepared from serotypes 1, 3, 4, 5, 6A, 6B, 7E, 9V, 14, 18C, 19A, 19F and 23F and wherein said carrier protein is CRM₁₉₇.

When rearranged to separate out the integers and put the descriptors of each integer before the integer it describes (as I was taught to do when training to become a patent attorney), it is clear that there are two separately identified integers (highlighted in bold below): a combination of 13 specified conjugates and a suitable vehicle, both of which are described with more particularity.

A multivalent immunogenic composition comprising:

13 distinct polysaccharide-protein conjugates

wherein:

Each of the conjugates comprises

A capsular polysaccharide from a different serotype of *Streptococcus pneumoniae*

And the capsular polysaccharides are prepared from [13 specified] serotypes

Conjugated to a carrier protein

And wherein said carrier protein is CRM₁₉₇

Together with a **physiologically acceptable vehicle**.

Principles of Construction

The construction of a patent is a question of law, and ultimately a matter for the court.⁷ The only High Court decision on construction is *Welch Perrin*. The Federal Court has embellished and added to these principles in many different ways in the 60 years since it was decided, but *Welch Perrin* remains binding authority.

The principles in *Welch Perrin*⁸ may be summarised as follows:

- the court must first determine what exactly is the invention the patent describes for which a monopoly is claimed; and
- the claims must be construed in the context of the whole of the specification in light of the common general knowledge before the priority date and any relevant expert evidence.

The cornerstone of construction is consistency between the invention described in the specification and the invention defined in the claims. Put simply, what is described as the invention must be reflected in the claims.

In *MSD v Wyeth*, the trial judge considered that it was necessary to find ambiguity in the claim before taking context into account, and then the question to be asked was whether the specification “mandates a different outcome”, or whether

his construction of claim 1 “could not fall within the scope of the invention described”.⁹ That was not the approach of the High Court. According to *Welch Perrin*, you start reading the patent at the beginning of the specification and finish by reading the claims at the end of the specification, and then you determine the meaning of the claims in that context. With respect, if that approach had been followed, the claim would have been construed as being to a 13 valent vaccine, being the invention described in the specification.

The specification of the 013 Patent

The trial judge acknowledged that the only invention described in the specification was the 13 valent vaccine, and that the set of 13 serotypes had been selected as “a careful nomination of six serotypes in addition to the Prevnar 7 serotypes”.¹⁰ There was nothing in the specification that discussed any serotype other than the 13 specified serotypes, and no immunogenic composition with more than 13 serotypes.¹¹

MSD’s construction of claim 1

MSD’s construction of claim 1 was that the immunogenic composition must include the combination of 13 specified *Streptococcus pneumoniae* conjugates, but not other unspecified *Streptococcus pneumoniae* conjugates. It must also include a physiologically acceptable vehicle, which may include other components.

MSD’s construction can be represented as follows:

A multivalent immunogenic composition comprising:

- A. **Only the 13 specified *Streptococcus pneumoniae* conjugates**, i.e., no other *Streptococcus pneumoniae* conjugates.
- B. A physiologically acceptable vehicle.
- C. May also include other components (as specified in dependent claims):
 - (a) Excipients, e.g., adjuvant; and
 - (b) Other antigens, or conjugates of antigens other than *Streptococcus pneumoniae*.

Thus, the claim must include specified A and specified B, but can also include unspecified C – this is the work done by the word “comprising” in the opening words of the claim. But unspecified C cannot replace specified A with something different. A must only be A. Therefore, for example, a combination of the 90 known *Streptococcus pneumoniae* conjugates could not be substituted for integer A, which specified 13 *Streptococcus pneumoniae* conjugates, because it was a different thing.

This construction was consistent with the invention described in the specification (see above). It was also consistent with the wording of claim 1 (in particular, it did not depend on “comprising” meaning “consisting of”

rather than “including”), and with the dependent claims (no dependent claim refers to more than 13 specified *Streptococcus pneumoniae* conjugates, and with regard to physiologically acceptable vehicle, claim 2 adds adjuvant for example, and claim 9 adds buffer and salt).

To the extent that expert evidence was relevant, Wyeth’s expert supported MSD’s construction. I asked Professor Dagan, Wyeth’s expert, to assume that the claim included compositions with more than 13 conjugates and he said “claim 1 talks about 13 serotypes, not 30 ... this is what I read ... this is 13, not 30”.¹² That spontaneous answer was the common sense reading of claim 1.

Further, the promised advantages of the invention in reducing the burden of pneumococcal disease were only in respect of the combination of the 13 specified *Streptococcus pneumoniae* serotypes.¹³ Indeed, part of Wyeth’s defence to obviousness was that adding serotypes could risk the immunogenicity of a set of conjugates.¹⁴

If MSD’s construction had been accepted, MSD’s proposed 15-valent pneumococcal vaccine would not have infringed the claim, because it included two additional *Streptococcus pneumoniae* conjugates.

Wyeth’s construction of claim 1, accepted by the trial Judge

Wyeth’s construction of claim 1 was that the immunogenic composition could encompass *Streptococcus pneumoniae* conjugates in addition to the 13 specified *Streptococcus pneumoniae* conjugates.¹⁵ That was the only difference from MSD’s construction. Therefore, on Wyeth’s construction, the claim covered an almost infinite number of compositions, being combinations of up to 90 known serotypes of *Streptococcus pneumoniae* and an unknown number of undiscovered serotypes, provided the 13 specified conjugates were present.

The trial judge accepted Wyeth’s construction, despite having accepted that there was nothing in the specification that disclosed the presence of any other *Streptococcus pneumoniae* conjugates in an immunogenic composition, and that the claim would cover unlimited combinations of conjugates provided the 13 conjugates were present.¹⁶

The trial judge accepted Wyeth’s argument that one did not need to go beyond the word “comprising” in the claim.¹⁷ As Wyeth’s senior counsel put it during the appeal, “comprise means that provided you have the 13 conjugates, whatever else goes in, that is Wyeth’s monopoly”.¹⁸

If this were correct, a claim that includes the word “comprising” includes anything and everything in addition to what is specified – one can simply ignore what is in the specification, the other words of the claim, the dependent claims, what was common general knowledge before the

priority date and any relevant expert evidence. This is contrary to the fundamental principles of claim construction in *Welch Perrin*. It is also contrary to the principle that what is not claimed is disclaimed.¹⁹ Applying this principle, 13 *Streptococcus pneumoniae* conjugates are specified in claim 1, therefore other *Streptococcus pneumoniae* conjugates are disclaimed.

On Wyeth’s construction, which was accepted by the trial judge, the only question on infringement was whether the 13 specified conjugates were present. Therefore, MSD’s 15-valent vaccine (and any other immunogenic composition including the 13 specified conjugates) fell within the scope of the claim.²⁰

Need for a consistent approach

Consistency with other major jurisdictions

Given the profound importance of how the claims of a patent are construed, it is desirable that the approach in Australia is consistent with that of other major jurisdictions. Patent applicants should be able to expect consistent constructions of their patent claims in different jurisdictions, especially where the law is derived from the same source, such as the United Kingdom, United States and Canada, where the law also derived from the UK *Statute of Monopolies* 1623.²¹ They should not be left guessing how a claim may be construed in Australia, despite what is in the specification.

After the Australian trial in *MSD v Wyeth* but before the appeal, our UK and Canadian counterparts ran the construction point I have outlined above, and it was accepted in both jurisdictions. In Canada, the claim was almost identical, and in the UK, it was similar. Both courts found that the specification only disclosed a 13 valent composition, and construed the claims as being only to a 13 valent vaccine, when read in that context. That is the *Welch Perrin* approach. Further, both courts acknowledged the problems that would arise if the claims were not so limited, because of the potential breadth of the claims.

In Canada, in the decision delivered on 30 April 2021, Gagne J explained that “[w]hen one reads the patent as a whole...there is no basis to go beyond 12 serotypes”.²² Her Honour rejected Wyeth’s argument that the patent discloses a platform for making a vaccine with greater coverage beyond 13 serotypes (citations omitted):²³

Finally, if the court were to side with Wyeth on the construction of Claim 1, the court would have to choose a cap on the number of serotypes covered by the invention or that could be added using Wyeth’s so-called ‘platform’. It would also mean that the ambit of Wyeth’s monopoly could grow over the life of the 363 Patent as new serotypes – or their structure – are discovered. This would be contrary to the fundamental principles of claim construction.

In the UK, Meade J explained:²⁴

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From a scientific point of view, a set of serotypes is selected as a careful and precise combination balancing efficacy, cross-protection and ability to be manufactured. Adding serotypes could risk the overall package, in particular prejudicing manufacturing feasibility or perhaps inadequate compensating gain in efficacy or cross-protection. Adding serotypes is not something that the skilled person would think could be done lightly or arbitrarily – indeed that is part of Wyeth’s defence to obviousness – so there is a real rationale for the patentee to limit the claims to the precise combination of serotypes...”

I like to think that the appeal court (Jagot J, Yates J and Beach J) would have come to the same view as the UK and Canadian courts. It is hard to imagine that a claim to a vaccine could be construed as broadly as the trial judge construed it, to cover vaccines against all variants of a bacteria whether now known or unknown, especially at a time when the public interest in life-saving vaccines has been heightened and there is a potential for broad unlimited claims to prevent others from developing new vaccines.

Although there was no equivalent case to *MSD v Wyeth* in the US, the same approach is taken to construction of claims. In the US, claim interpretation requires an inquiry as to how a person of ordinary skill in the art understands the claim terms, with each claim term being considered in the context of the intrinsic evidence of record (i.e., the claim itself, the written description, and the prosecution history) and extrinsic evidence (e.g., dictionaries), as appropriate.²⁵ In US courts, it is standard practice for the question of construction to be heard by a judge separately from and before any consideration of infringement and other issues, known as a “Markman” hearing.²⁶ This procedure developed from a recognition that “[t]he interpretation of a claim sets the framework for litigation of a patent dispute, determining what facts must be proved and what evidence is relevant.”²⁷ When claim construction disputes are present, “their resolution, in many cases, may effectively show either infringement or noninfringement because the parties do not dispute the structure and operation of an accused product or process.”²⁸ Thus, the use of “Markman” hearings provides the parties with more clarity concerning the scope of the claims at issue, thereby allowing for more efficient resolution of infringement questions based upon the specific facts of the case, and avoids any views about the infringing product or process infecting the construction of the patent claims. The Federal Court has generally resisted this type of hearing, but it could provide a means of avoiding protracted litigation when many of the issues in dispute can be resolved depending on the construction of the patent.

Consistency within the Federal Court

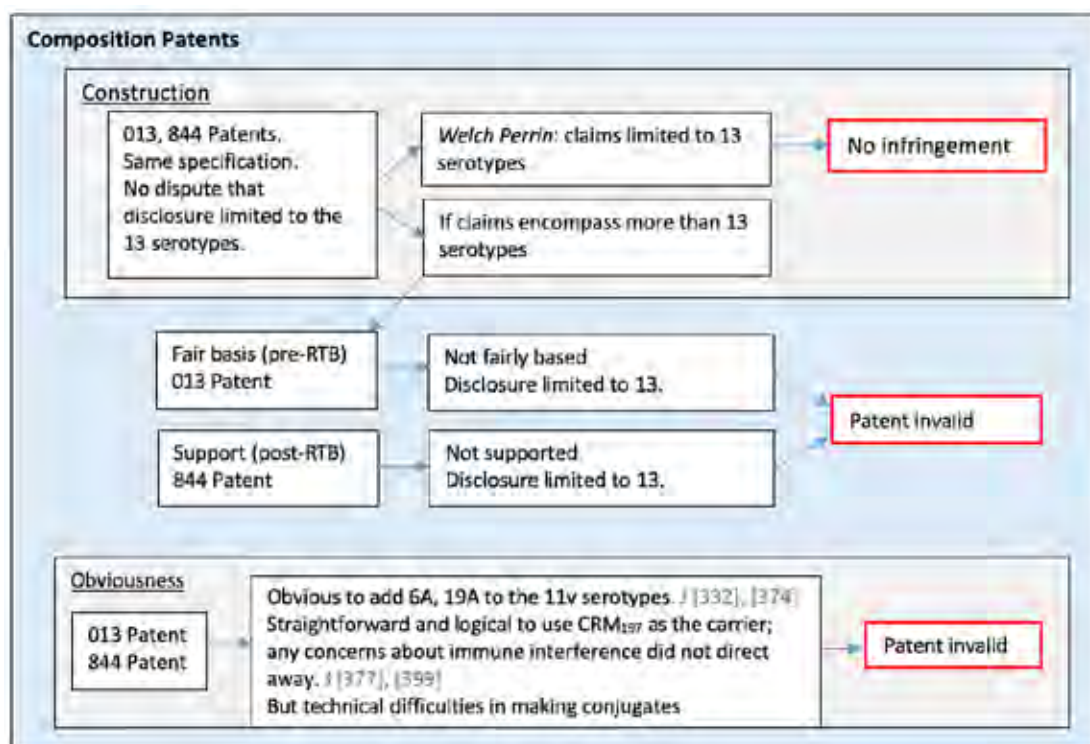
It is highly desirable for the Federal Court to uniformly apply the principles of construction of patent claims in *Welch Perrin*, in order to provide certainty for those who may be involved in patent litigation in the Court. However, the Court has not been consistent in construing patent claims consistently with the invention described in the specification. This can be illustrated, for example, by the following contrasting decisions.

In *Nichia Corporation v Arrow Electronics Australia Pty Ltd* (“*Nichia v Arrow*”),²⁹ the claim was to a light emitting device (or “LED”) which contained a mixture of phosphors. Akin to Wyeth’s position in respect of “comprises” in *MSD v Wyeth*, Nichia’s position, which was rejected by the trial judge (Yates J), was that “contains” ought to be construed such that the claim included LEDs with phosphors that included one or more fluorescent materials represented by the claimed general formula, irrespective of whether the phosphor also contained fluorescent material not within that formula.³⁰ The Full Court of the Federal Court of Australia (Besanko, Jagot and Nicholas JJ) upheld the trial judge’s construction of claim 3 as requiring the phosphor to be of the claimed formula, with no other fluorescent material, with the result that Arrow’s devices did not infringe the claim because they included additional fluorescent material that was not specified in the claim – this construction was consistent with the specification.³¹ Thus, an analogous argument to the argument rejected by the trial judge in *MSD v Wyeth* was accepted by four judges in *Nichia v Arrow*. Special leave to appeal was refused on 7 August 2019.

But not long afterwards, four judges of the Federal Court (at trial, Besanko J, who was the only judge who heard *Nichia v Arrow*, and on appeal, Kenny, Robertson and Moshinsky JJ), rejected a similar argument in *Globaltech Corporation Pty Ltd v Australian Mud Company Pty Ltd* (“*Globaltech v AMC*”).³² Both the trial judge and the appeal court accepted that there was no disclosure of the claimed invention when the claims were construed in the way the patentee contended for,³³ but nevertheless, they accepted that the claims should be so construed.³⁴ Given the inconsistent decisions of the Federal Court and the consequent uncertainty in the scope of monopolies, it was hoped that the High Court would revisit and confirm the principles of construction, which underpin every aspect of patent law, more than 60 years after its decision in *Welch Perrin*. To our great disappointment, an application for special leave was refused even though we were offered an oral hearing (being the last application heard before the High Court closed due to COVID in March 2020).

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Summary of appeal arguments



This chart shows the interaction between the different arguments with regard to the composition patents on appeal (“RTB” means “Raising the Bar” and “J” means judgment). The fair basis and support arguments hinged on construction. On MSD’s construction, the claims would be fairly based and supported and there would be no infringement. On Wyeth’s construction, there would be infringement, but the claims would not be fairly based or supported.

The inventive step argument applied to both the narrow and broad constructions. The trial judge made findings that prima facie satisfied the Cripps question³⁵ (set out in the above chart), but nevertheless found that there was an inventive step. This was because the trial judge accepted Wyeth’s argument that there were “technical difficulties” in making the conjugates (i.e., in the step of conjugating the protein to the polysaccharide).³⁶ This was despite the fact that overcoming unidentified technical difficulties would not of itself involve an inventive step, and the only evidence on the issue, given by MSD’s experts, was that chemical conjugation, in particular, reductive amination, was a well-known and routine technique before the priority date.³⁷ Indeed, the specification described the conjugation chemistry as “standard”, and the trial judge found that the general methods of conjugation used in the specification were common general knowledge.³⁸ The fundamental error, however, was that the trial judge did not apply the test for inventive step to the invention *as claimed*. As explained above, the “invention” described and claimed in

the composition patents was not about making conjugates – it was a “multivalent immunogenic composition” having a combination of 13 specified conjugates. These arguments were the subject of a separate ground of appeal.

On the broad construction accepted by the trial judge, the consequence of the trial judge’s finding on inventive step was that the claim included unlimited new inventions yet to be made, as making conjugates not described in the specification would likely involve the same “technical difficulties” as with the 13 specified conjugates (which the trial judge found involved an inventive step, contrary to evidence that it was routine). That was contrary to the fundamental principle that a patentee cannot have a monopoly over something it has not invented, which the High Court most recently stated in *D’Arcy v Myriad Genetics Inc.*³⁹

Fair Basis

Section 40(3) of the *Patents Act* 1990 (Cth), pre-*Raising the Bar*, which applied to the 013 patent, required the claims of the patent to be fairly based on the matter described in the specification. The test for fair basis is whether the claims “travel beyond” the invention described in the specification, as stated by Barwick CJ in *Olin Corporation v Super Cartridge Co Pty Ltd.*⁴⁰ An alternative formulation, also approved in *Lockwood Security v Doric Products* (“*Lockwood No. 1*”),⁴¹ is whether there is “a real and reasonably clear disclosure” in the body of the specification of the invention claimed.

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Given that the trial judge accepted that there was no mention in the specification of any *Streptococcus pneumoniae* conjugates other than the 13 specified conjugates in the claim, let alone a description of how to make them, it should have followed that the claim, when construed as including an unlimited number of additional *Streptococcus pneumoniae* conjugates, was not fairly based. Put one way, the claims “travelled beyond” the specification. The trial judge even said, in the context of support, that the claims “go beyond” the disclosure and cover a monopoly including at least 90 serotypes of *Streptococcus pneumoniae* (provided the 13 specified conjugates were included).⁴² Put another way, there was no disclosure of any vaccine other than the 13 valent vaccine, let alone a real and reasonably clear disclosure. Therefore, neither of the High Court tests were satisfied.

Nevertheless, the trial judge concluded that the claim was fairly based. He reached this conclusion because he did not compare the claims *as construed* with the description in the specification, even though he did so with respect to support. The trial judge found that the claim was fairly based simply because the consistory clause was word for word the same as the claim.⁴³ That approach took no account of the description in the specification, apart from the consistory clause.

As the High Court demonstrated in *Welch Perrin*, the first task of the court is to construe the claim in the context of the whole of the specification, and then every test for validity and infringement is applied to the claims *so construed*. Therefore, the proper question for fair basis is whether the claims, when construed in the context of the whole specification, travel beyond what is described, or whether there is a real and reasonably clear disclosure of the claims as construed. *Lockwood No. 1* does not stand for the proposition that the test for fair basis is applied to a claim before it is construed, nor that a consistory clause is sufficient to provide fair basis.⁴⁴

A review of major cases post-*Lockwood No. 1* shows that the approach prescribed by the High Court in *Welch Perrin* has been followed by the majority of judges in the Federal Court, but not consistently (see, e.g., the two cases asterisked in the below list):

- In *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005),⁴⁵ the Full Court upheld the trial judge’s conclusion that claim 10 lacked fair basis because it extended to any compound that was “a cGMP PDEv inhibitor”, which travelled beyond the range of compounds disclosed in the body of the specification.
- In *Sigma Pharmaceuticals (Australia) Pty Ltd v Wyeth*,⁴⁶ the Full Court upheld the trial judge’s conclusion that the claim lacked fair basis when construed to include “all single daily dosing formulations of venlafaxine hydrochloride that achieve results” because the specification did not describe a method including a particular formulation produced by “hydrogel tablet technology”.

- In *AstraZeneca AB v Apotex Pty Ltd* (2014),⁴⁷ five judges of the Federal Court overturned the finding by Jagot J that the Cation Patent lacked fair basis because there was no disclosure of the claims, even in a general sense, when they were construed as including a pharmaceutical composition in which there might be no mixture of the active ingredient and inorganic salt.
- In *Nichia v Arrow* (discussed above), it was unnecessary to decide the question of fair basis because the Full Court upheld the trial judge’s narrow construction of claim 3. Nevertheless, Jagot J (Besanko and Nicholas JJ agreeing) indicated that the claim would not be fairly based if construed broadly as *Nichia* contended.⁴⁸
- In *Globaltech v AMC** (discussed above), the Full Court upheld the trial judge’s finding that claim 1 should be broadly construed and was fairly based because of the consistory clause, even though there was no disclosure in the specification that supported that broad construction.⁴⁹
- *MSD v Wyeth*,* discussed above.⁵⁰
- In *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd*,⁵¹ five judges of the Federal Court rejected Mylan’s argument that claims 12 and 13 were fairly based because of the consistory clause. The Full Court said the consistory clause must be read in the context of the specification as a whole, which involved fenofibrate in micronized form having a size less than 20 µm, therefore, claims 12 and 13, which did not need to contain fenofibrate in a micronized form, travelled beyond the matter disclosed in the specification.

Lack of Support

Section 40(3) of the Patents Act, post-*Raising the Bar*, which applied to the 044 patent, required the claims of the patent to be supported by matter disclosed in the specification.

The trial judge found that the claims *as construed* were not supported because they “go beyond” the disclosure of a 13 valent vaccine.⁵² That same fact should have given rise to a finding that the 013 patent claims were not fairly based – one only needs to substitute “travel beyond” for “go beyond”. The difference was that for “support”, the trial judge compared the claim, when broadly construed, with the specification, whereas for “fair basis”, he only compared the words of the claims with the words of the consistory clause. The same approach to both tests would have resulted in the same outcome, regardless of any differences in the law.

In *Cytec Industries Inc. v Nalco Company*,⁵³ Burley J followed his decision in *MSD v Wyeth*. Again, his finding of lack of support followed from his construction of the claims as being to a reaction mixture consisting of “only one small molecule”.

The Principles of Construction of Patents in *Welch Perrin*: A Discussion of *MSD v Wyeth* and Other Cases

- 1 9 Selborne Chambers, Sydney.
- 2 This article is based on a presentation originally given at the IPTA 2022 Annual conference in Kingscliff, NSW, on 8 April 2022, and then at the 35th Annual IPSANZ conference in Melbourne, Victoria, on 17 September 2022.
- 3 *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588 (“*Welch Perrin*”).
- 4 *Merck Sharp & Dohme Corporation v Wyeth LLC (No. 3)* [2020] FCA 1477 (“*MSD v Wyeth*”).
- 5 The form of the *Patents Act* 1990 (Cth) amendment by the *Patents Amendment (Innovation Patents) Act* 2000 (Cth) but prior to the changes implemented by the *Intellectual Property Laws Amendment (Raising the Bar) Act* 2021 (Cth).
- 6 The form of the *Patents Act* 1990 (Cth) after the changes implemented by the *Intellectual Property Laws Amendment (Raising the Bar) Act* 2021 (Cth).
- 7 See, for example, T A Blanco White, *Patents for Inventions*, (Stevens, 5th ed, 1983), 2-101: “As with any other document, questions of construction of a patent specification, arising in legal proceedings, are for the court to decide as a matter of law”.
- 8 *Welch Perrin* [6]–[7] and [8]–[37].
- 9 See, e.g., *MSD v Wyeth*, [178], [192] and [199].
- 10 See, e.g., *MSD v Wyeth*, [158], [199] and [468].
- 11 See, e.g., *MSD v Wyeth*, [77], [112], [114]–[120], [124]–[125], [131]–[132], [136], [146]–[147] and [550].
- 12 *MSD v Wyeth* trial transcript: T606.36-607.2.
- 13 See, e.g., *MSD v Wyeth*, [114]–[116].
- 14 See, e.g., *MSD v Wyeth*, [354].
- 15 See, e.g., *MSD v Wyeth*, [169].
- 16 See, e.g., *MSD v Wyeth*, [549]–[550].
- 17 See, e.g., *MSD v Wyeth*, [178], cf. [200].
- 18 See appeal transcript.
- 19 See *Nichia Corporation v Arrow Electronics Australia Pty Ltd* [2019] FCAFC 2, [48], [59]–[60] (“*Nichia v Arrow*”) referring to *Electric & Musical Industries Ltd v Lissen Ltd* [1938] 56 RPC 23, 224–25, cited in *MSD v Wyeth*, [187].
- 20 See, e.g., *MSD v Wyeth*, [5] and [598].
- 21 *Statute of Monopolies* 1623 (21 Jac, c 3).
- 22 *Merck Sharp & Dohme Corp. v Wyeth LLC* [2021] FC 317 (the “Canadian Decision”), [58].
- 23 The Canadian Decision, [66].
- 24 *Merck Sharp & Dohme Limited v Wyeth LLC* [2020] EWHC 2636 (Pat), [269].
- 25 *Phillips v AWH Corp.*, 415 F.3d 1303, 1316, 75 USPQ2d 1321, 1329 (Fed. Cir. 2005).
- 26 *Markman v Westview Instruments, Inc.*, 517 U.S. 370 (1996).
- 27 Donald S Chisum, *Chisum on Patents* (Matthew Bender, 1997), § 18.06[2].
- 28 Donald S Chisum, *Chisum on Patents* (Matthew Bender, 1997), §18.06[2](a).
- 29 *Nichia v Arrow* [2019] FCAFC 2.
- 30 See e.g., *Nichia v Arrow*, [13], [33] and [57].
- 31 See e.g., *Nichia v Arrow*, [34], [59]–[61] and [64].
- 32 *Globaltech Corporation Pty Ltd v Australian Mud Company Pty Ltd*. [2019] FCAFC 162 (“*Globaltech v AMC*”).
- 33 See e.g., *Globaltech v AMC*, [109], [111], [127] and [148].
- 34 See e.g., *Globaltech v AMC*, [108]–[111], [144].
- 35 *Aktiebolaget Hässle v Alphapharm Pty Ltd* [2002] HCA 59, [53].
- 36 See, e.g., *MSD v Wyeth*, [401]–[402].
- 37 See, e.g., *MSD v Wyeth*, [271], [345]–[346] and [349]–[351].
- 38 See, e.g., *MSD v Wyeth*, [132] [296] [302] [326]–[327], [347], [601] and [617].
- 39 *D’Arcy v Myriad Genetics Inc* (2015) 258 CLR 334, [29].
- 40 *Olin Corporation v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236, followed in *Kimberly Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, [15] and in *Lockwood Security v Doric Products* (2004) 217 CLR 274 (“*Lockwood No. 1*”), [1], [57] and [62].
- 41 *Lockwood No. 1*, [69].
- 42 *MSD v Wyeth*, [549].
- 43 *MSD v Wyeth*, [500].
- 44 *Lockwood No. 1*, [38], [99] and [100].
- 45 *Pfizer Overseas Pharmaceuticals v Eli Lilly & Co* (2005) 225 ALR 416, [272]–[277].
- 46 *Sigma Pharmaceuticals (Australia) Pty Ltd v Wyeth* (2011) 119 IPR 194, [237], [247] and [248].
- 47 *AstraZeneca AB v Apotex Pty Ltd* (2014) 226 FCR 324, [422].
- 48 *Nichia v Arrow*, [64].
- 49 *Globaltech v AMC*, [144] and [148].
- 50 *MSD v Wyeth*, [498]–[500].
- 51 *Mylan Health Pty Ltd v Sun Pharma ANZ Pty Ltd* (2020) 279 FCR 354, [583]–[587].
- 52 *MSD v Wyeth*, [549] and [553].
- 53 *Cytec Industries Inc. v Nalco Company* [2021] FCA 970, [129]–[132].

Works of Artistic Craftsmanship: The Over-Rated Influence of Function

Clive Elliott KC¹

I. Introduction

In copyright law, a plaintiff must establish that copyright subsists in the work in issue and that it has been infringed, typically through unauthorised reproduction of the work. In short, in this scenario, the copyright owner needs to establish that it has the requisite rights and that the defendant has infringed those rights by copying the work, either in its entirety or by taking a substantial part. To establish subsistence, the plaintiff must show that the work is original. But what does “original” mean, and to what extent does functionality or utility have a bearing on that question? I explore that question by reference to artistic works and, in particular, works of artistic craftsmanship.²

The article proceeds as follows. First, I briefly discuss the general policy behind copyright law and how the concept of originality works. My focus is mainly on Australia, New Zealand, and the United Kingdom. Secondly, I analyse the first instance and appeal judgments of the Federal Court of Australia in *State of Escape Accessories Pty Ltd v Schwartz*,³ which held that a perforated neoprene tote bag was not a work of artistic craftsmanship within section 10(1) of the *Copyright Act 1968* (Cth). Thirdly, I compare the Australian approach to that of the UK Intellectual Property Enterprise Court in *WaterRower (UK) Ltd v Liking Ltd (T/A Topiom)*,⁴ which considered that a rowing machine could be protected as a work of artistic craftsmanship under both UK and European Union copyright law. Fourthly, I then go on to consider other developments and decisions in the UK, New Zealand and, to a lesser extent, Europe to assess where the law in this area might be heading. Finally, I discuss the role that functionality plays in this increasingly nuanced and at times disjointed area of the law.

In summary, an analysis of decisions in Australia, New Zealand, and the UK shows that the concept of artistic craftsmanship, which originates from the UK, has developed such that the law in Australia has diverged from that in the UK and New Zealand. Whether this divergence is good or bad is beyond the scope of this article, but what is clear is that designers in the UK and New Zealand, for example in the fashion and fashion accessories business, are in a better position to protect their designs and prevent copying.

II. Background Legal Principles

The Policy Considerations Underpinning Copyright

Copyright law has always strived to maintain the right balance between rewarding innovation and not stifling progress. In *Steelbro NZ Ltd v Tidd Ross Todd Ltd*,⁵ the New Zealand Court of Appeal considered whether the first instance

decision had struck the right balance between protection of copyright and fair competition. The Court commented that in the area of industrial design, a certain degree of copying and comparison was inevitable and indeed desirable in a competitive market. The alleged copier, Steelbro, argued that innovation based on a prior design should not be unduly constrained, relying upon the judgment of Hoffmann J (as his Honour then was) in *Billhöfer Maschinenfabrik GmbH v TH Dixon & Co Ltd*.⁶ Justice Laddie, writing extrajudicially in his oft-quoted article “Copyright: Over-Strength, Over-Regulated, Over-Rated”, endorsed this sentiment:⁷

*The Court of Appeal sought to strike the right balance under the particular circumstances, stating:*⁸ “We can deal briefly with the competing policy arguments because their resolution depends, in our view, on the factual findings. If on the facts Steelbro substantially copied the design of TRT, there are no valid policy reasons for upholding that conduct. Conversely, if Steelbro’s design represented an innovative development drawing upon but further developing existing technology, it should be welcomed and encouraged.”

Originality in the Copyright Scheme

In common law systems such as the UK, Australia and New Zealand, copyright is broken down into a series of categories or types of works susceptible to treatment as copyright works for purposes of the legislation. Copyright is a creature of statute, and has been since the enactment of the *Statute of Anne 1710*, the first full-fledged copyright statute in the world, which formalised England’s existing common-law rights. English copyright law has always been characterised by its closed categories of works. Inherent in this is that originality has vested in these works in different ways. For example, with a literary work, originality of literary expression is expected. Likewise, with artistic works, the author is required to express artistic originality. Even so, originality in a copyright sense is very much a term of art. It does not mean originality in the normal sense of the word.

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Its statutory meaning is more restricted and technical.

I contend that the concept of originality is the same for all artistic works, whether they are artistic works generally or artistic works exhibiting elements of craftsmanship. If I am correct, works of artistic craftsmanship are, and remain, in all relevant respects, artistic works. That is certainly the way Tipping J interpreted the relevant New Zealand section, treating artistic works and works of artistic craftsmanship essentially the same when it came to assessing originality.

Section 14(2) of the *Copyright Act 1994* (NZ) sets out a negatively framed test for originality, around what is excluded, by stating that:

A work is not original if—

- (a) *it is, or to the extent that it is, a copy of another work; or*
- (b) *it infringes the copyright in, or to the extent that it infringes the copyright in, another work.*

In *Henkel KGAA v Holdfast New Zealand Ltd*, the New Zealand Supreme Court held that:⁹

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

In *IceTV Pty Ltd v Nine Network Australia Pty Ltd*,¹⁰ a decision of the High Court of Australia, French CJ and Crennan and Kiefel JJ (the “Chief Justice’s Group”) dealt at some length with the issue of originality in their joint judgment, albeit in relation to literary works, namely programme guides for TV shows. The Court had to assess the level of originality in the work and whether a substantial part had been reproduced by IceTV.

When analysing the historical background, the Chief Justice’s Group noted:¹¹

Copyright is not given to reward work distinct from the production of a particular form of expression ... [Footnote 28 —] “[I]t is the product of the labour, skill and capital of one man which must not be appropriated by another, not the elements, the raw material ... upon which the labour and skill and capital of the first have been expended”: *MacMillan & Co Ltd v K & J Cooper* (1923) 93 LJPC 113 at 117-118 *per Lord Atkinson*. [Emphasis added]

The Chief Justice’s Group also addressed the question of “[o]riginality in the context of subsistence of copyright” and, having traced the common law origins of the test, stated:¹²

... Originality for this purpose requires that the literary work in question originated with the author and that it was not merely copied from another work. It is the author or

joint authors who bring into existence the work protected by the Act. In that context, originality means that the creation (ie the production) of the work required some independent intellectual effort, but neither literary merit nor novelty or inventiveness as required in patent law. [Emphasis in original, citations removed]

The Chief Justice’s Group went on to clarify the position, stating:¹³

... This means that where the part reproduced did not originate with the author, so that the author would not have copyright in the part standing alone, the part reproduced will not be a substantial part. ...

... The same point is made in the current edition of Copinger and Skone James on Copyright: “[T]he more simple or lacking in substantial originality the copyright work, the greater the degree of taking will be needed before the substantial part test is satisfied.”

III. The “State of Escape” Decisions

In *State of Escape Accessories Pty Ltd v Schwartz*,¹⁴ the Federal Court of Australia considered whether a perforated neoprene tote bag known as the “Escape Bag” was a work of artistic craftsmanship. At first instance, Davies J found the Escape Bag was not a work of artistic craftsmanship.¹⁵ On appeal, the Full Federal Court agreed,¹⁶ ruling that the work was not worthy of the moniker “artistic craftsmanship”, even though Davies J had found that the respondents had copied the bag. Accordingly, both courts found that subsistence had not been established and therefore there could be no infringement.

The decisions are arguably consistent with earlier Australian authorities in this area. However, I argue that, on analysis, they show an approach different from that in New Zealand and the UK. The question is whether these decisions are illustrative of a different approach to the area and whether the application of the test for artistic craftsmanship has diverged, or whether these are simply illustrations of unique cases decided on their facts.

As I will attempt to show, the law in this area has diverged due to what might be described as an over-emphasis on function. This has resulted in Australian designers, for example, those working in the fashion industry and designing and making fashion accessories such as handbags, being disadvantaged relative to their colleagues in New Zealand and the UK.

The Federal Court Decision (First Instance)

In the Federal Court, the applicant, State of Escape, relied on the protection afforded by a work of artistic craftsmanship pursuant to section 10(1), the definition of “artistic work” at paragraph (1)(c) and section 32 of the *Copyright Act 1968* (Cth).

The Escape Bag was designed by one of its directors, Ms MacGowan. The tote bag is represented in the image below.

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Importantly for the comments that follow, Davies J found that Ms MacGowan and her colleague in the company “were cross examined in some detail, [and] the evidence was largely unchallenged”.¹⁷ The evidence included Ms MacGowan’s statement that she wanted to make a bag that looked beautiful but was also practical and that she made at least 15 samples or prototypes over months, accompanied by a lot of testing, sewing, unpicking, and re-cutting. The judgment sets out in some detail the “creative design process”.¹⁸ Relevantly, she tried a type of sailing tape used to fix tears in sails but ended up settling on a “heat-seal tape”. She also used, following research, glue-lined heat-shrink black tubing that electricians use to protect exposed electrical cables. This was to fix the rope at the bottom of the bag. She also outlined how she had overcome problems with getting the rope to sit in the corners and not fray. Ms MacGowan gave evidence that she wanted the seams to be “beautifully finished” and for the inside finish to be as good as the outside finish, pointing out how she had hand cut the pattern pieces to achieve this.¹⁹

The image below shows the high-quality finish and design. It suggests that Ms MacGowan achieved her objective in this regard.



The judgment records that Ms MacGowan had difficulty finding suitable manufacturers. For example, Bush Leather declined to make the bag because the degree of hand work and precision required to make the bags was not within their scope,²⁰ given the demands of working with neoprene, which while soft is more difficult to work with than say leather.

Her Honour summarised²¹ the “guiding principles” based on the earlier High Court of Australia decision of *Burge v Swarbrick*.²² Two parts of that summary are worth mentioning. The first is that a work of craftsmanship, even though not necessarily confined to handicraft “at least presupposes special training, skill and knowledge for its production ... [and] implies a manifestation of pride and sound workmanship” (at paragraph (g)). This fact proved to be pivotal in the Court’s decision because it found that Ms MacGowan lacked special training even though it had accepted her evidence as to the significant efforts she had gone to, to solve a range of design problems and that she had consistently thought outside the box and come up with solutions that illustrated a high degree of skill and intuition.

The second notable part of the summary, and one which I expand on below, is that in considering whether a work is a work of artistic craftsmanship “the beauty or aesthetic appeal of the work is not determinative”. The Court must also weigh in the balance the extent to which functional considerations have dictated the artistic expression in the form of the work” (at paragraph (i)). This is a reference to *Burge*, where the High Court of Australia stated:²³

It may be impossible, and certainly would be unwise, to attempt any exhaustive and fully predictive identification of what can and cannot amount to “a work of artistic craftsmanship” within the meaning of the Copyright Act as it stood after the 1989 Act. However, determining whether a work is “a work of artistic craftsmanship” does not turn on assessing the beauty or aesthetic appeal of work or on assessing any harmony between its visual appeal and its utility. The determination turns on assessing the extent to which the particular work’s artistic expression, in its form, is unconstrained by functional considerations. ...

Justice Davies observed that the practical effect of this is that “the more that functional considerations dictate the form of expression of the work, the less the scope for real or substantial artistic expression”.²⁴

The first point to make is that the test in *Burge* relates to the extent to which the expression, in its form, is unconstrained by functional considerations, whereas Davies J understood this to mean the extent to which “functional considerations dictate the form of expression”. Perhaps the difference is only semantic and both tests contemplate a graduated scale from minor functional constraints to complete dictation of the form of the expression.

In her evidence Ms MacGowan deposed that in creating the Escape Bag she hoped to achieve the following:²⁵

The aesthetic considerations which dominated were simplicity, beauty and originality. My aim was to create something free of embellishments, that was so pure in its form, structure and makeup that it embodied beauty in simplicity. It had to be unique.

State of Escape's expert, Ms Beale, expressed the view that the overall ratios of the bag were "very well handled from an aesthetic and technical sense",²⁶ but Mr Smith for Schwartz gave expert evidence that the process of designing the Escape Bag did not involve any special training, skill or knowledge and that the overall design was straightforward.²⁷ Ultimately, the Court came back to the question of the extent to which the design was constrained by functional considerations. The Court concluded that the design approach "was constrained by functional considerations" and that the "function and utility of the bag as a carry all bag governed the overall design of the bag".²⁸

With respect, however, most design considerations are constrained to some extent by functional considerations or are at least influenced by these considerations. The real question is the extent to which they are *dictated* by these considerations and whether the designer has design choices and equally whether the alleged copier itself has design choices.

The Court found that functional issues were overcome using methods that were common practice and that none of these features alone represented a departure from bags known as at November 2013.²⁹ However, with respect, that is hardly the question. The relevant question should be whether function dictated design choices. Clearly, Ms MacGowan would not have engaged in a lot of "sewing, unpicking and re-cutting" if there was only one way to do things and having tried sailing tape to stop the neoprene edges fraying and come up with a heat seal tape, an innovative fixing point on the bottom of the bag using glue lined heat shrink tubing, she clearly had design choices which were not constrained, let alone dictated by function.

The Court quoted extensively from Mr Smith's evidence.³⁰ His evidence is replete with reference to the function of the bag and its functional elements. Mr Smith also noted that material selection has a functional element. I will come back to this point shortly.

Ultimately, the Court found that the selection and use of perforated neoprene or its use in combination with sailing rope did not involve an act of artistic craftsmanship and that:³¹

Both materials were readily available commercial materials capable of being used to manufacture a carry all bag without some particular training, skill or knowledge. At its

highest, the use of those materials to make an everyday bag was an evolution in styling. Whilst Ms Beale was of the view the combination of those materials made the Escape Bag "unique" she accepted in cross-examination that the uniqueness to which she referred related to "design decision" to use those materials, rather than in any contribution to the creation of those materials.

In essence, the Court's decision is predicated on the finding that two known materials were used as the principal materials and the combination of those materials did not result in anything amounting to artistic craftsmanship. Therefore, the focus is very much on the use of existing materials, the influence of function, and that Ms MacGowan basically lacked the particular training, skill, or knowledge necessary to meet the statutory test.

The decision turns very much on function and the use of existing materials to make a bag both useful and practical. However, I suggest that there lies a contradiction within both the *State of Escape* and *Burge* decisions. In both cases, the Courts rely on and quote Lord Simon's observation in *George Hensher Ltd v Restawile Upholstery (Lancs) Ltd*:³²

Even more important, the whole antithesis between utility and beauty, between function and art, is a false one – especially in the context of the Arts and Crafts movement. "I never begin to be satisfied," said Philip Webb, one of the founders, "until my work looks commonplace." Lethaby's object, declared towards the end, was "to create an efficiency style." Artistic form should, they all held, be an emanation of regard for materials on the one hand and for function on the other.

In my respectful assessment, the Federal Court's decision is based on a view that the Escape Bag is beautiful but that the design decisions made by Ms MacGowan were directed at utility and were functionally driven rather than artistically driven. What the decision suggests is that even though Ms MacGowan set out to create a beautiful-looking, well-made and useful tote bag and to "create an efficiency style" in all respects, and succeeded in doing so, this was not enough to meet the test.

The Full Court Decision (Appeal)

On appeal, the Full Federal Court, comprising Greenwood, Nicholas and Anderson JJ, upheld the first instance decision. The respondent's argument was that the use of commercially available materials to make a commercial product did not rise to the level of artistic craftsmanship. We, therefore, come back to the same issue, about a commercial product made of available materials.³³ The key finding was that her Honour was to be understood as saying that the Escape Bag "embodied the common design features and methods each of which was known and used at that time" and that this was "consistent with, and tends to reinforce, the primary Judge's conclusion that the Escape Bag represented an evolution in

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styling rather than a work of artistic craftsmanship”.³⁴

The Full Court noted that the Primary Judge found that the Escape Bag is a work of craftsmanship but even if it had aesthetic and design qualities, it was not a work of artistic craftsmanship.³⁵ However, it is unclear what the distinction is and where the dividing line lies between an evolution in styling and a work of artistic craftsmanship.

As Louise Longdin notes in her article discussing disentangling fact, form, and function in the design world,³⁶ little is completely new, quoting Laddie J’s rather famous observation that:³⁷

The whole of human development is derivative. We stand on the shoulders of the scientists, artists and craftsmen who precede us. We borrow and develop what they have done: not necessarily as parasites, but simply as the next generation. It is at the heart of what we know as progress ... [B]orrowing and developing have always been acceptable.

Ms MacGowan never suggested that her bag was a completely new departure. It was designed to be a substantially better, well-designed, well-conceived, and well-made tote bag that borrowed and developed from other solutions but in a way that had not been done before.

The Full Court agreed that the Escape Bag had been “substantially constrained by function” and that the “functional considerations substantially outweighed other considerations, which related to the bag’s visual and aesthetic appeal”.³⁸ In other words, the functional considerations substantially outweighed the visual and aesthetic considerations. In effect, in this area, the position in Australia seems to be that function trumps form.

IV. The “WaterRower UK” Decision

By contrast, in the recent UK decision of *WaterRower (UK) Ltd v Liking Ltd (T/A Topiom)*,³⁹ a rather mundane piece of equipment, a rowing machine was found to be a work of artistic craftsmanship. In the Intellectual Property Enterprise Court, his Honour, Judge David Stone (sitting as a Deputy High Court Judge), decided that the defendant’s summary judgment application on its counterclaim and on its application to strike out the claim failed. Effectively the decision was whether the claim that the WaterRower was a work of artistic craftsmanship could proceed to trial. The Judge decided it could. An early iteration of the WaterRower is set out below.



The device is made of wood and appears to be a different form of rower than those that can be found at everyday gyms. In technical terms, it is a water resistance rowing machine. The question before the Court was whether there were “no reasonable grounds” to claim that the WaterRower is a work of artistic craftsmanship and had no real prospects of success. The applicable legal standard is different from that applied in the *State of Escape* case. Nevertheless, the same basic question was addressed, namely whether the WaterRower was a work of artistic craftsmanship within the meaning of section 4(1)(c) of the *Copyright, Designs and Patents Act 1988* (UK), which for all intents and purposes is the same as that in Australia.

Section 4(1)(c) of the Copyright, Designs and Patents Act includes in the definition of protected “artistic works” “a work of artistic craftsmanship” without defining what the term means. Relevantly, *Hensher* is the leading case on the scope of works of artistic craftsmanship.⁴⁰ In that case, it had been conceded that the prototype piece of furniture, a chair, was a work of craftsmanship, but the House of Lords concluded that notwithstanding this it lacked the necessary element of being “artistic”. The chair, therefore, fell at the same hurdle as the tote bag in *State of Escape*.

Interestingly, even though *Hensher* remains the leading case in this area, Judge Stone quoted, with apparent approval, the comments of Judge Hacon in *Response Clothing Ltd v Edinburgh Woollen Mill Ltd* (mirroring what the High Court of Australia noted in *Burge*⁴¹):⁴²

[Hensher] is not a straightforward judgment, as has been acknowledged since. In Lucasfilm Ltd v Ainsworth [2011] UKSC 39; [2012] 1 A.C. 208; [2011] E.C.D.R. 21 Lord Walker and Lord Collins (in a combined judgment with which Lord Phillips and Lady Hale agreed) concurred (at [29]) with Mann J’s assessment at first instance that it was difficult to identify the true principle of the judgment in Hensher and thus a meaning given to ‘artistic craftsmanship’ by the House of Lords.

Judge Stone also noted the comments of Lord Reid in *Hensher* at 79 that:⁴³

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The whole conception of artistic craftsmanship appears to me to be to produce things which are both useful and artistic in the belief that being artistic does not make them any less useful.

This shows a reliance on *Hensher* and the focus on making things that are both useful and artistic. There is no mention here of functionality, perhaps because it is an inherent part of things that are both useful and artistic, just in different ways.

Judge Stone also observed⁴⁴ that Viscount Dilhorne in *Hensher* was of the opinion that the proper interpretation of the words of the statute did not involve the formulation of any test or the application of any particular formula but that the words “should be given their ordinary and natural meaning”.⁴⁵ That, I suggest, means that whether something is a work of artistic craftsmanship is a question of fact and the test is not “works of artistic craftsmanship unconstrained by function” as formulated by the High Court of Australia. Here, the defendant contended that the design of the WaterRower was principally based on technical considerations, which necessarily placed relevant design constraints on the author.

I accept however that care needs to be taken in comparing cases decided in different jurisdictions and on very different facts. For example, unlike the Escape Bag which is yet to fully earn its stripes, the WaterRower was described as iconic and had been displayed at the Museum of Modern Art in New York and the Design Museum in London. The Enterprise Court concluded that there was a real prospect of proving that the WaterRower had real artistic or aesthetic quality, over and above appealing to the eye.

In terms of commentary from the profession, Bart Topps, an associate at Mishcon de Reya, commented:⁴⁶

A wide range of products (including clothing and other products where creators can demonstrate appropriate creativity) may attract copyright protection, where before the focus would have been on (much shorter) design protection. Businesses, particularly those in the retail and product design spaces,⁴⁷ should watch this area closely. It is developing quickly ...

Heidi Hurdle of Bird and Bird commented that the decision “is interesting because it highlights a move away from the quite rigid analysis that we in the UK have grown up with after *Hensher*, and towards a more open-minded way of thinking about copyright.”⁴⁸ This is unlike the situation in Australia.

Having said that, it is appropriate to dig a bit deeper because Judge Stone relied on an earlier decision by Judge Hacon in *Response Clothing*.⁴⁹ In *Response Clothing*, the question was whether fabric with what has been described as a distinctive Wave Fabric used for women’s tops, made from a jacquard fabric was a work of artistic craftsmanship. The plaintiff and defendant’s fabrics are shown below.⁵⁰



His Honour Judge Hacon found⁵¹ that a craftsman was a person who made something in a skilful way and took justified pride in their workmanship, and that an artist was a person with creative ability who produced something which had aesthetic appeal. Applying this to the *State of Escape* case, there was no real dispute that Ms MacGowan had produced something which had aesthetic appeal, indeed it was beautiful; the question is whether she had made the bag in a skilful way, as she clearly took pride in her workmanship.

In *Response Clothing*, arguably we see a far more nuanced and pragmatic approach to questions of evidence and the statutory standard. The Judge was untroubled by the fact that the author of the fabric was never identified and there was no evidence as to how the work was created.⁵² Indeed, there was some doubt about how the work had eventuated, through whose efforts, and as to record keeping. To compound matters, witnesses who knew of events had left the relevant companies and were not willing to give evidence. However, notwithstanding this, the Judge concluded that he had no good reason to doubt the available witnesses’ evidence that “the Wave Fabric was the original work of the employee and not copied from any other design”.⁵³

In finding that a craftsman is a person who makes something in a skilful way and takes justified pride in their workmanship and that an artist is a person with creative ability who produces something which has aesthetic appeal, his Honour relied on Tipping J’s decision in *Bonz Group (Pty) Ltd v Cooke*.⁵⁴ The Judge concluded that:⁵⁵

The primary goal of this individual was presumably to make something that would be aesthetically pleasing to customers. I am not sure whether Tipping J’s formulation has in mind the intention of the craftsman to make something aesthetically pleasing or rather whether the work is aesthetically pleasing to at least some people. Either way, I think it is likely that the criterion was satisfied in the present case. I know from Mr Patel’s evidence that the top made from the Wave Fabric was a commercial success, so customers must have found it aesthetically pleasing.

Two points emerge very clearly from this analysis. The first is that the law in this area in the UK and Australia has been applied very differently. The second is that the UK

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decisions do not focus on functional constraints, whereas the Australian decisions do.

V. The Role of Functionality in New Zealand Cases

To what extent then does functionality influence originality and subsistence in New Zealand?

The influence that functionality has should in principle apply regardless of whether the work is an artistic work in broad terms or more specifically a work of artistic craftsmanship. That is, on the basis that neither category is defined by reference to functionality or technical effect, and both are artistic works. In this regard, the leading New Zealand authority on the test for substantiality when assessing copyright infringement is *Wham-O Mfg Co v Lincoln*.⁵⁶ It sets out a three-step test, which makes no mention of the absence or presence of functionality.

A number of recent decisions, relating to artistic works residing in industrially applied three-dimensional works have grappled with this problem.

*Dodson Motorsport Ltd v Logiical Performance Ltd*⁵⁷

This case involved copyright in a clutch assembly specifically designed to fit into and upgrade a Nissan GT-R R35. The R35 is a high-performance vehicle that could be upgraded even further by putting in a Dodson Promax clutch system. The functionality issue arose because the defendant argued that Dodson parts were derived from the original Nissan (OEM) parts and contained commonplace features or that the parts were dictated by functional constraints.

In essence, the defendant's defence was that the clutch parts were functional by nature and any differences between the Dodson and Nissan parts could be explained by functional or manufacturing constraints rather than any form of independent design.

The way the Court approached the issue is best explained by reference to one of the parts: an "outer basket". The outer basket sits on the outer side of the clutch assembly and basically encases the other parts. In short, the Nissan part was made out of pressed steel whereas the Dodson part was made out of aluminium billet. The outer basket is depicted below.



Functionally, the outer basket is designed to both house and simultaneously squash the clutch pack. The outer basket's

apertures need to be suitably placed, preferably substantially equidistant. The number and placement of apertures need to be worked out. This is primarily a matter of engineering, but that does not mean that there is no design involved. Placement is important, as is the trade-off between strength and weight. The apertures assist in cooling. Further, in the case of internal clutch components, for example, the piston, the movement of lubricants does the same. Perhaps rather counter-intuitively, the fact that these features have a strong functional purpose does not mean that there are no aesthetic considerations. Importantly, the Dodson design team wanted the clutch to not just work well, but to look good, because it was being purchased at some considerable cost.

My argument here is that it is one thing to say that an aperture is purely functional, but quite another thing to say that it has no design character at all, even in the case of highly functional items, such as the outer basket. On proper analysis, the designer is left with a largely clean slate when it comes to designing the size and placement of apertures. In the case of a machined aluminium billet, Dodson resolved to camber the sharp edges of the apertures. The purpose here once again was primarily functional, that is, to avoid installers of the clutch assembly cutting their fingers on sharp ages. However, it was also aesthetic, that is, to make the item look professionally finished and attractive because even the car enthusiast wants to install well-made and attractive parts into their performance vehicle.

In the *State of Escape* case, the defendant's expert Mr Smith said that the basic construction of the Escape Bag, including material selection, reflected the function it performs,⁵⁸ and that the need to avoid the fabric fraying was functional in nature. It is apparent that Mr Smith focused his attention on the functional implications of choosing a particular material. The choice of aluminium over pressed steel in *Dodson* would arguably have the same implications. Notwithstanding this, Edwards J noted that the designer of the Dodson part explained that the aluminium allowed thicker fingers to be provided and this in turn provided a larger area to push on the clutch and clamp the frictions and steels together, and that this in turn allowed more area within the clutch. Obviously, for a high-performance clutch this is important. Equally clear is the fact that the purpose of the larger internal area was to have more clutch plates and therefore accommodate an engine with more power. This is entirely functional on one view. However, the provision of thicker fingers on the basket was nevertheless a design decision and therefore not dictated by function.

The Court in *Dodson* concluded that:⁵⁹

Although the quantity of the differences between the two parts may not be significant, the quality of them is. They reflect independent skill and judgment in design of the part which is at odds with the claim of copying. Although manufacturing ease may explain some of the design

differences, I am satisfied that the key driver for these changes was design, with the objective of creating a stronger clutch assembly which could withstand greater power. Whether considered individually or cumulatively, I consider the quality of the differences reflects an originality in the Dodson outer basket which distinguishes it from the OEM part. Copyright subsists in the Dodson outer basket.

The Court relied⁶⁰ on the Court of Appeal decision in *Oraka Technologies Ltd v Geostel Vision Ltd*,⁶¹ which I will come to shortly, in finding that the parts were original. The Court then went on to summarise its findings on originality, stating:⁶²

Standing back, it is clear that Dodson has taken Nissan's idea of a dual clutch transmission. That explains the substantial similarities between the various parts. Those similarities are the result of the functional constraints imposed by a dual clutch transmission, and the space constraints imposed by the dimensions of the R35. That that does not mean Dodson has copied the OEM parts. It was entitled to take the idea of a dual clutch transmission – copyright does not protect ideas.

Insofar as the expression of the idea, it is the differences between the parts that are telling. Those differences are the product of independent skill, labour and effort, and an independent design path involving development by trial and error. There is no evidence of copying; to the contrary many of the features of the Dodson parts are not only original, but innovative too. Those features are enough to impart originality to the individual parts, and the clutch assembly as a whole.

In my view, it is important in these situations to distinguish between the idea (an outer basket or tote bag) and the expression of that idea (a basket having greater internal capacity and larger fingers, and a bag having consistent internal and external styling and finish).

The equivalent in the *Burge* case is the “concept” of the JS9000 as a “unique high performance racing yacht” that included the characteristic of being “exceptionally fast”⁶³ something very manufacturers of the Promax Clutch were aiming to achieve and had succeeded in securing a number of world records. While that might be largely, if not entirely, a functional requirement, it is more in the nature of the concept or idea behind not just that yacht but any racing yacht or any high-performance clutch for that matter. That however does not mean that Mr Swarbrick did not aspire to design a yacht that was not just exceptionally fast but also beautiful to the eye, particularly when under full sail. Arguably, how the designer chose to shape the hull while certainly tending in that case firmly towards the industrial, would nevertheless still contain an element of aesthetics and I expect that a not insignificant number of people, particularly yacht racing enthusiasts, would find racing yachts to be things of great beauty.

Oraka Technologies Ltd v Geostel Vision Ltd⁶⁴

In this case, the product in question was very much a product of the industrial age – a mechanised grader for asparagus. In short, it comprised a conveyer belt with a specially designed cup assembly designed to receive individual asparagus spears at the rate of 12 spears per second.

Unsurprisingly, “functional constraints” played a big part in the arguments at first instance and on appeal. The respondent (the alleged copiers) argued that the design was functionally constrained, the constraints being the technical parameters of the grading machine itself, excluding the cup assembly. The respondent argued that when these high-impact functional constraints were taken into account, the respective expressions of the design in the cup assembly were substantially different. It is apparent from this brief summary that the copiers did not allege that there was no copyright but that the copyright or level of originality should be downgraded due to the highly functional nature of the design. This is an important point that I will expand on below.

The Court of Appeal rejected the respondent’s arguments. First, the Court noted that “there was not an independent design path for the Geostel cup assembly. An independent design path would have started with the Oraka grader or with general functional constraints of the product. Instead, as the Judge found, the design path undertaken by Napier Tool took as a starting point the Schwarz cup assembly.”⁶⁵

This, in the Court’s view, dealt with the question of causal connection. In other words, in terms of derivation, it dealt with the question of functionality more fully under the head of whether a substantial part had been taken (that is, whether the design had been copied). In doing so, the Court emphasised that whether or not a substantial part had been taken is closely associated with how original the work or respective part of the work is.

Further, the Court stressed that copyright is concerned not with originality of ideas but originality of expression. Writing for the majority, Glazebrook J then observed that:⁶⁶

*The issue of functional constraints may become important at this point. If similarities between two works are dictated by the function of the item, then the similarities are an inevitable consequence of the object and its function rather than the labour and skill of the claimant, against whom misappropriation the law of copyright seeks to protect.*⁶⁷

The Court went on to point out that while functional constraints are primarily relevant to questions of originality, it is equally important to the question of copying. Glazebrook J accepted that some aspects of the cup assembly were functional constraints in the true sense. Her Honour then asked whether, discarding the similarities that are due to what is described as “true functional constraints”, the

respondent's cup was a copy of the appellant's cup assembly. The Court concluded that:⁶⁸

... the respondents copied a number of elements that, while not functional in the true sense, nevertheless possessed low originality. These elements are still protected, although this protection is not great. In this case it was not one such element alone that was copied but a number and it is significant that both experts agreed that the Geostel cup appeared to be a second generation of the Schwarz cup.

The important point that emerges from this finding is that even if elements of the work are functional, this typically affects originality, but it does not mean that the work is necessarily deprived entirely of copyright protection. It may mean that allegations of infringement are not proven, but that is a different issue.

*Zhang v Sealegs International Ltd*⁶⁹

A similar result arose in the third New Zealand decision to be discussed. This case involved copyright in models, being prototypes of wheel assemblies for amphibious systems. Basically, the idea was to place wheel assemblies on the outside of a boat hull which could be retracted when in the water. In the High Court, Davison J found that the defendants had copied the systems from the plaintiff (Sealegs). The defendants successfully appealed. The appellants argued that it was well established in law that similarities derived from functional constraints ought not to be relied on to establish infringement.⁷⁰

Importantly, the Court of Appeal observed that the greater the extent to which the creation of the copyright work is dictated by functional constraints, the less original the work is likely to be.⁷¹ In other words, function is clearly relevant, but it is dependent on fact and degree, and it will have a bearing on the degree of originality of the work. In effect, this may mean that the work is so functional as to lack any originality at all. But, in my view, that would require the work to be entirely functional and without any ability for artistic expression whatsoever. That however would be a very rare case.

Writing for the Court, Brown J discussed the fact that the way the case was argued by Sealegs was with respect to the location of the component parts and the sequence in which they operated, noting that this was effectively describing the functional operability of the leg and that the degree of originality of the sequence of these different generic components was negligible.⁷² The Court then observed that constraints arising from a mechanical structure of a functional part do not typically arise in the context of aesthetic artistic works such as, for example, in the *Bonz* case, the selection of figures.⁷³

The Court concluded that:⁷⁴

... In our view the Judge [at first instance] erroneously approached the issue of the originality in the collocation of

common features by reference to the criteria for patentability, coupled with his assessment of the commercial success of Mr Bryham's invention. In doing so he fell victim to the confusion inherent in Sealegs asserting the copying of its "unique design" while confining its claim to copyright in an arrangement of known components.

Brown J then turned to the question of infringement and concluded that on undertaking a "visual comparison without taking into account the extent to which the claimed copyright work was commonplace or dictated by functional constraints" the trial Judge had adopted an erroneous approach.⁷⁵ In other words, the copyright work was necessarily limited in scope given it was essentially a claim to a method of operability and therefore largely devoid of originality — in that sense, it was more in the realm of patents than copyright.⁷⁶

Therefore, the Court found that effectively there was no originality in the sequence of generic components and that the case failed on the basis of being an alleged collocation of known components in a functional sequence but also for the reason that the components themselves were generic in nature.⁷⁷ This illustrates that functionality can and, in this case, did have an important impact on the outcome of the case.

The case may well have been very different had the plaintiff (Sealegs) relied on expression, rather than the idea of folding legs, and on the copyright drawings described in the schedules to the statement of claim. Relevantly, the Court of Appeal did not in any way doubt the correctness of the findings in *Oraka*, it being a very different case. Accordingly, the Court's discussion about functionality needs to be understood in light of that particular case. A novel and inventive collocation of common features having a functional purpose, might, however, be eligible for patent protection;⁷⁸ Sealegs' error was in trying to run a patent case dressed up as copyright.

VI. The Position in Europe

In Europe, copyright protection is potentially available for products such as the WaterRower, unless the product's shape is "solely dictated by its technical function".⁷⁹ The rationale for this approach is that the author of the work would not be able to express their creativity in creating the design, if technical function is the *sole* driver. Importantly, however, that test requires function to be the *sole dictate*, unlike the Australian test which permits significantly less influence. In practice, in Europe, where the functional considerations did not prevent the author from coming up with creative solutions, copyright could still subsist in the design.

The current approach in Europe differs from the one adopted by the majority in *Hensher* — something more than eye appeal is necessary. The European Court of Justice in both *Cofemel* and *Brompton* has made it clear that what is

required for an object to qualify for copyright protection is originality, that is, the work must be the author's own intellectual creation. The law in New Zealand is substantially the same. Originality in a copyright sense is very much a term of art; it simply has to derive from the skill and effort of the author, but, unlike in Europe, that skill and effort can be, but does not necessarily have to be, intellectual and creative in nature.

What these recent cases show is that courts in the UK, Europe, and New Zealand have no real difficulty in assessing whether a work exhibits craftsmanship. What is more problematic is deciding whether it is artistic. The *Hensher* case established that the work must have “eye appeal” — it requires more than that, but it is unclear what that elusive “more” is, or how it is assessed. Given that the UK will soon be untethered from Europe, the courts there will not have to grapple with the issue of whether and if so the extent to which the principles established by the European Court of Justice in *Cofemel*⁸⁰ should be adopted in the UK. What is relevant for the purpose of this article is that, in relation to functionality, the European approach is conceptually similar to that in the UK and New Zealand, but differs from Australia.

As a brief aside, I note that there is a legitimate question as to whether the European approach of granting copyright protection to products, particularly industrially applied articles, which protection lasts 70 years after the death of the author, is appropriate. In my view, such long-standing protection is neither appropriate nor necessary. Take the Wave Fabric design for example — its currency and value from a design or fashion point of view is likely to be short-lived, probably more in the order of five to 10 years, but certainly not 70 years. That issue is addressed in New Zealand by limiting the copyright term in three-dimensional industrially applied articles to 15 years. In my view this is more than enough.

VII. Remarks

The True Nature of Artistic Craftsmanship

In *Bonz*,⁸¹ Tipping J construed the term artistic craftsmanship as follows:

The composite expression ‘artistic craftsmanship’ has caused difficulties. Although one must not lose sight of the fact that the expression is a composite one, for the purposes of analysis both words must be construed. The word ‘craftsmanship’ has been found easier than the word ‘artistic’ ... In the end the Court must make its own assessment of the work in question assisted by whatever evidence has been produced on the point.

His Honour did however stress that:⁸²

That is not to make the Court an arbiter in comparative terms of the merits of an allegedly artistic product. It simply recognises that for a work to be one of artistic craftsmanship

*it must, in my judgment, have **some** artistic quality.*
[Emphasis added]

The reference to “some” of artistic quality can be contrasted with the requirement in the Australian authorities for “real” artistic quality. The Full Federal Court in *State of Escape*,⁸³ relied on earlier Australian authorities stating that:⁸⁴

*What may justify the **special status** conferred on works of artistic craftsmanship by ss 74–77 is recognition that the **real artistic quality** that is an **essential feature** of such works and the desirability of encouraging **real artistic effort** directed to industrial design is sufficient to warrant the greater protection and the accompanying stifling effect on manufacturing development that long copyright gives, in contrast to relatively short design-protection.* [Emphasis added]

Perhaps that helps explain the divergence in approach in Australia. I think it is distinctly arguable that even though the experts in *State of Escape* agreed that the functional issues were overcome using methods that were common practice at the time, those solutions were not necessarily associated with tote bags, perforated neoprene, and nautical rope; all of which had been brought together skilfully in this particular manner for the first time. The trial judge was plainly entitled to find that the choice of perforated neoprene was unconstrained by function and utility. However, I respectfully disagree with her Honour's conclusion, upheld by the Full Court on appeal, that the subsequent design choices, namely the expression of those solutions, were materially constrained by functional considerations.

I consider that the legal standard has plainly been set at an extremely high level, namely, an elevated or special status that requires, as an essential element, “real” artistic quality and “real” artistic effort. The *State of Escape* case is a casualty of that judicial gloss on the statutory test. And, while we should not engage in idle speculation, I do wonder what the outcome might have been if Ms MacGowan had started her working life as a designer at Fendi or Tiffany & Co, before branching out on her own. In both *IceTV and Henkel*, the High Court of Australia and the New Zealand Supreme Court respectively made it clear that the originality threshold is relatively low, requiring nominal skill, labour and effort in the creation of the work. If that is the case, one must inquire: is the *Coog*⁸⁵ gloss appropriate? This of course assumes that artistic craftsmanship should be to be treated essentially the same as artistic works, which I suggest it ought to be so.

Justice Tipping in *Bonz* analysed the interrelationship between potentially different levels of artistic quality between artistic works per se and works of artistic craftsmanship, suggesting that there was no difference when it comes to the degree of originality:⁸⁶

There is support for that view from the fact that certain works under para (a) qualify irrespective of artistic quality.

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*It would be strange if a work of artistic craftsmanship could qualify without having any artistic quality. At the risk of being regarded as unduly simplistic I am of the view that for a work to be regarded as one of artistic craftsmanship it must be **possible fairly to say that the author was both a craftsman and an artist**. A craftsman is a person who makes something in a skilful way and takes justified pride in their workmanship. An artist is a person with creative ability who produces something which has aesthetic appeal.* [Emphasis added]

In my view, this analysis of the definition “artistic craftsmanship” is sound, insofar as it identifies the key attribute of an author as someone who is both a craftsman and an artist. That, I submit, is an appropriate description of an author of a work of artistic craftsmanship, rather than someone who is able to call upon more refined and elevated levels of forensic and artistic ability. That is, on the basis that at the end of the day, both are artistic works and my argument is that when it comes to originality they should be subject to substantially the same legal standard. In addition, they should satisfy the same evidential standards for subsistence.

Digging a bit deeper into the Escape Bag, it benefited from its use of perforated neoprene, but it also had its own unique drawbacks. For example, having two consumer-facing perforated neoprene surfaces, one exterior, and the other interior, created its own unique challenges. These drawbacks and challenges needed to be overcome, and that required original thought and ingenuity. Simple grommet eyelets could have been used to provide entry points and to feed the rope into or under the bag. In addition, an additional layer of neoprene could have been used to feed the rope under the bag and in the process hide it. The use of grommet eyelets would probably have been quicker and cheaper. Instead, a different, more elegant but fiddlier option was chosen. An additional layer of neoprene on the base would have added to the cost, but it would also have created more rigidity in the bag. Bearing in mind that Ms MacGowan set out to design a bag that was distinctive as opposed to affordable, this option might well have been feasible.

The point is that the designer had choices, and design choices like this should properly inform the question of whether sufficient craftsmanship and artistic flair have been employed. In addition, there is no compelling reason why a sliding scale of originality cannot be applied to works of artistic craftsmanship, just as it is with artistic works.

As cases such as *Oraka* and *Sealegs* show, when considering the question of functionality, it is important to differentiate between whether, on analysis, it resides in the idea or the expression of that idea. While the idea of using perforated neoprene for a tote bag might not have been novel and innovative in itself, it was still original *in a copyright sense*. More to the point, the focus should have been on how

that material was used (or expressed), and I consider that insufficient weight was given to the way in which the problems inherent in the use of that material in that particular setting were addressed and solved.

As I understand the evidence, no one had done this before Ms MacGowan did. In addition, no one had come up with the particular fixes that she found. Nor was there evidence that the design choices she made were dictated, rather than influenced, by functional considerations. This is the very essence of original design effort, and having accepted that the designer had exhibited craftsmanship, arguably the next step of assessing whether that effort was artistic in nature would have been a relatively small one to take.

Ultimately, I consider that, had the case arisen in the UK or New Zealand, there is a reasonable prospect that the Escape Bag would have been found to be a work of artistic craftsmanship. And the bag would almost certainly have been found to be an artistic work in New Zealand and protected by the unregistered design right in the UK. Given that the defendant in the *State of Escape* case was found to have copied the Escape Bag that might be seen as an unfortunate outcome for an otherwise worthy plaintiff, who on one view had provided an intuitive and innovative development, albeit drawing upon (but still further developing) existing technology.

The real skill of the skilled artisan or artist is to blur the line between form and function and to create a work that is a true merger of ideas, materials, and expression. The true artist is able to achieve his or her art form, while still making it seem effortless. That does not mean the outcome is achieved without time, effort, and skill, or in the case of works of artistic craftsmanship without genuine artistry and craftsmanship.

Questions of originality and subsistence are inevitably fact-specific and it can be misleading to compare something that is inherently functional or factual and exhibits analytical rather than artistic skill, for example, a database or directory, and something that is more an expression of the author’s personal style or taste. In that respect, I think that the Escape Bag is at the style/taste end of the originality continuum.

Where Do We Draw the Line?

If I am wrong and it is appropriate to assess artistic craftsmanship primarily according to a functionality standard, the question arises: where do we draw the line? That is, between true design and “true functionality” (to borrow a phrase from the New Zealand Court of Appeal). Take for example the recent collaboration between Tiffany & Co and Fendi. Both companies are fashion icons and create their own designs and branding. They have come up with a combined logo to celebrate the 25th anniversary of the Fendi

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Baguette bag. They have done this by creating a limited series of Tiffany Baguette bags incorporating a new “Double T” motif superimposed over the Fendi “FF” buckle. A photo of the bag and buckle is shown below.



All of the features of the bag are relatively standard. The buckle or at least the flap of leather to which it is secured is highly functional insofar as its primary purpose is to keep the bag closed. Assuming for argument's sake that the buckle did secure the bag, would it qualify in Australia as a work of artistic craftsmanship? Even if the buckle is beautiful,⁸⁷ its primary purpose remains to achieve a functional outcome. It seems to me that on the basis of the judgments in *State of Escape*,⁸⁸ the answer is probably “no”, and if the “Double T” logo was designed by an artist with no knowledge of bag or buckle design, the prospects of success would be further diminished.

VIII. Conclusion

Where does this leave us? The first point, and I think this is clear enough, is that the law in Australia diverges from that of New Zealand and the UK, and to a large extent Europe, which jurisdictions are largely aligned. While one does not question *Burge* lightly, perhaps it is, at least in part, because of its influence on the jurisprudence in this area. On its facts, the Court was no doubt correct in reaching the view it did. The design of a racing yacht plug is crammed with functional imperatives and constraints and as the Court noted, speed and sail-ability were the principal considerations and, unfortunately for Mr Swarbrick, his own evidence confirmed that.

As I see it, the High Court focused unduly on the question of functionality and its decision has been treated as not just an authoritative statement of principle, but the final word on the subject, rather than a finding on the unusual facts of that case. Notwithstanding this, the sentiments expressed in *Burge* were expanded on by Drummond J in the *Coogi* case and elevated further, by requiring a “real” artistic contribution and a “real” addition to the state of design knowledge. The question is whether that was justified. The reasoning in the New Zealand and UK decisions suggests maybe not.

The *State of Escape* decisions now build on both the *Burge* emphasis on functionality and the *Coogi* gloss that a *real* or enhanced contribution, something significant in all respects, is needed, resulting in an unduly high bar and an otherwise

deserving plaintiff having no recourse against what was found to be a copy.

If an assessment of artistic merit is to be eschewed, as we are told must be the case, one can understand that it matters not how the garish hand-knitted jerseys in *Bonz* and the machine-knitted jerseys in *Coogi* were found to be works of artistic craftsmanship when some, if not many, arbiters of fashion might find those garments an affront to good taste.



Bonz



Coogi

The need for the garments to be made by the craftsman has now been removed and it matters not whether the jerseys were knitted by contractors sitting at home religiously following a pattern, or a machine spitting out lurid Coogi jerseys at the other end. To that extent New Zealand and Australia and indeed the UK are at one. Where we differ is in the influence that function has on the question of subsistence of copyright for artistic works, particularly in relation to works of artistic craftsmanship.

As I have tried to articulate, the Australian approach, as it has evolved, is arguably at odds with the principles upon which the discrete category of artistic craftsmanship was envisaged. It disadvantages designers who have genuinely attempted to combine form and function and created a product that is original and unique and excels in terms of conception, design, and production. I respectfully venture the view that the *State of Escape* decisions adopt too rigid a view of function and that this is inimical to the statutory regime. That is, to protect designs that are both artistic and exhibit sufficient craftsmanship and have been copied. While I can accept that the racing yacht plug in *Burge* may have struggled to pass the finish line if the *Coogi* jersey managed to do so, then the Escape Bag should have as well.

To conclude, I feel that a closer look at the role that functionality plays in this area of the law is warranted. What is needed is a principled and pragmatic approach, where functionality plays its part but is not allowed to steal the show!

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- 1 Barrister, Shortland Chambers, Auckland, and member of the New Zealand and New South Wales Bar.
- 2 The term “craftsmanship” is gender exclusive and shows its age, but it remains part of the statutory definition. It is therefore the term I use throughout this article, but it should be read interchangeably with “craftsperson”.
- 3 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606 and *State of Escape Accessories Pty Ltd v Schwartz* [2022] FCAFC 63.
- 4 *WaterRower (UK) Ltd v Liking Ltd (T/A Topiom)* [2022] EWHC 2084 (IPEC).
- 5 *Steelbro NZ Ltd v Tidd Ross Todd Ltd* [2007] NZCA 486.
- 6 *Billhöfer Maschinenfabrik GmbH v TH Dixon & Co Ltd* [1990] FSR 105 (Ch).
- 7 Hugh Laddie, ‘Copyright: Over-Strength, Over-Regulated, Over-Rated’ (1996) *European Intellectual Property Review* EIPR 263, 269.
- 8 *Steelbro NZ Ltd v Tidd Ross Todd Ltd* [2007] NZCA 486, [101]–[103].
- 9 *Henkel KGAA v Holdfast New Zealand Ltd* [2006] NZSC 102, [2007] 1 NZLR 577, [38].
- 10 *IceTV Pty Ltd v Nine Network Australia Pty Ltd* [2009] HCA 14, (2009) 239 CLR 458.
- 11 *IceTV Pty Ltd v Nine Network Australia Pty Ltd* [2009] HCA 14, (2009) 239 CLR 458, [28].
- 12 *IceTV Pty Ltd v Nine Network Australia Pty Ltd* [2009] HCA 14, (2009) 239 CLR 458, [33].
- 13 *IceTV Pty Ltd v Nine Network Australia Pty Ltd* [2009] HCA 14, (2009) 239 CLR 458, [37] and [40], n 57.
- 14 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606.
- 15 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606.
- 16 *State of Escape Accessories Pty Ltd v Schwartz* [2022] FCAFC 63.
- 17 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [23].
- 18 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [33]–[40].
- 19 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [40].
- 20 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [53].
- 21 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [77].
- 22 *Burge v Swarbrick* [2007] HCA 17, (2007) 232 CLR 336.
- 23 *Burge v Swarbrick* [2007] HCA 17, (2007) 232 CLR 336, [83], as cited in *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [78].
- 24 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [78].
- 25 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [81].
- 26 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [93].
- 27 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [100].
- 28 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [110].
- 29 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [118].
- 30 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [111].
- 31 *State of Escape Accessories Pty Ltd v Schwartz* [2020] FCA 1606, [122].
- 32 *George Hensher Ltd v Restawile Upholstery (Lancs) Ltd* [1976] AC 64, [93].
- 33 *State of Escape Accessories Pty Ltd v Schwartz* [2022] FCAFC 63, [41].
- 34 *State of Escape Accessories Pty Ltd v Schwartz* [2022] FCAFC 63, [69].
- 35 *State of Escape Accessories Pty Ltd v Schwartz* [2022] FCAFC 63, [19].
- 36 Louise Longdin, ‘Copyright Protection for Business Systems and Surveys: Disentangling Fact, Form and Function’ (2005) 11 *New Zealand Business Law Quarterly* 161.
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- 38 *State of Escape Accessories Pty Ltd v Schwartz* [2022] FCAFC 63, [73].
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- 87 The Escape Bag was regarded as beautiful by both Ms MacGowan and to some extent the Court.
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Blockchain, Emerging Technologies and Intellectual Property

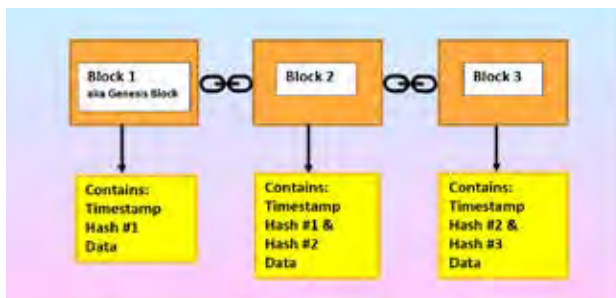
Angelina Gomez¹ and Lucy Hartland²

This article covers blockchain and related emerging technologies and their intersection with intellectual property. After covering some of the basics of emerging technologies, the article looks at how these emerging technologies may give rise to IP assets, assist in the management of IP assets, and otherwise pose challenges ahead for the field of IP.

Introduction

The reach of emerging technologies is ever expanding, and it is revolutionising how we work, live and play. The market share of blockchain solutions, decentralised opportunities in the metaverse, non-fungible tokens (“NFTs”) and quantum technologies, to name a few, are expected to grow from billions to trillions in the coming years. How will our legal systems cope with these new technologies? How will IP rights be protected in this new decentralised, technology driven world with smart contracts increasingly being used to operationalise our digitised existence? What about in the metaverse? When creating, selling and buying NFTs? Are there adequate protections in place today? What issues will the future likely bring? Should blockchain technology be used to protect unregistered IP rights (unregistered design rights and copyright)? In this article, prior to examining the above IP issues, we will run through various concepts in emerging technologies: What are blockchains? What are smart contracts? What is the metaverse? What is Web 3.0? What is an NFT? What is crypto? What is the Internet of Things (“IoT”)?

What is blockchain?



Blockchains are the foundation on which the world of emerging decentralised technology is built. Its concept was first expounded in a white paper by a person or persons under the pseudonym of Satoshi Nakamoto, as a peer-to-peer electronic cash system, also known as Bitcoin (discussed further below).³

At its core, a blockchain (not just Bitcoin) is a type of distributed ledger technology that can be used to verify, share and track information or anything of value. This

technology allows for concurrent access, validation and updating across a widely dispersed network of nodes. In broad terms, the technological infrastructure of a blockchain system comprises a network of computers (“nodes”) that maintains and validates transactions on the blockchain. They execute proposed transactions according to an agreed-upon algorithm called the consensus mechanism (that governs the operation of the blockchain). Each computer in the network possesses an identical copy of the ledger, and when transactions are added, they are reflected in all copies of the ledger. The network of nodes is decentralised meaning that a trusted party (like a clearinghouse) is not required to validate each transaction.

Each block on the blockchain acts like a container that holds data relating to a transaction (or several), a unique “hash” for the block and the hash for the block immediately preceding it. Each block is chained to another using cryptography, once the transaction is validated.

Data is permanently stored in these blocks and is immutable. The data is encrypted and cannot be changed or tampered with in any way. This is because the blocks are time-stamped (when added to the chain) and can only be added to the chain sequentially with every block referencing the one preceding it. Any attempt to tamper with the block will change its hash which would result in it being rejected by the nodes on the network, because the new hash will no longer correspond with the next block (which will have the old hash for the untampered block).

A blockchain contains a record of all validated transactions. Block 1 is chained to Block 2 which is chained to Block 3 and so on, in a linear and consecutive manner. If a correction is required, for example, with a transaction coded into Block 2, then this *correction* transaction is added to the blockchain, as Block 4. Both the error (Block 2) and the *correction* (Block 4) remain visible on the blockchain. It does not change the earlier entry, it is a new transaction, in its own block. In this respect, a blockchain is similar to a hardcopy ledger book. This allows for an easy, reliable and transparent audit trail of transactions all the way along the chain, which is accessible in real time by all participants on the blockchain.

The first ever block mined on a blockchain, occasionally referred to as Block 0 or Block 1, is the genesis block. Additional blocks are added to the genesis block, and they link together to form the blockchain. All blocks that come after are the descendants of the genesis block.

Blockchains may be public with no access restrictions or permissioned (with limited access). As noted above, the first and most famous blockchain is Bitcoin, a public blockchain. At page 1 of his whitepaper, Mr Nakamoto describes the core strength of this decentralised technology: ⁴

What is needed is an electronic payment system based on cryptographic proof instead of trust, allowing any two willing parties to transact directly with each other without the need for a trusted third party. Transactions that are computationally impractical to reverse would protect sellers from fraud, and routine escrow mechanisms could easily be implemented to protect buyers. In this paper, we propose a solution to the double-spending problem using a peer-to-peer distributed timestamp server to generate computational proof of the chronological order of transactions. The system is secure as long as honest nodes collectively control more CPU power than any cooperating group of attacker nodes.

Transactions on the Bitcoin blockchain (for example, the buying and selling of the Bitcoin cryptocurrency “BTC”) are validated through its proof-of-work consensus mechanism, which rewards cryptocurrency miners for validating transactions (also known as Bitcoin mining). This authentication process ensures that you cannot sell a Bitcoin that you have previously sold or spend a Bitcoin you do not have. We discuss cryptocurrency in further detail in a later section.

Blockchain-based technologies

Smart contracts

In the early 1990s, Nick Szabo coined the term “smart contract” to refer to “a set of promises, specified in digital form, including protocols within which the parties perform on these promises.”⁵ Once initiated, a smart contract is coded to perform when a pre-set condition is met. Smart contracts are self-executing programs that allow for performance of an agreement without the need of intermediaries. Essentially, taking a sale of goods by X to Y as an example:

When Inputs A + B from X are entered (and if these are in accordance with the terms agreed by X and Y), then payment will be transferred from Y to X automatically, without the need for any further validation.

This process is commonly used in supply chain management. It is usually automated by using IoT sensors (explained below) to provide Inputs A and B, for example the weight and condition of the goods being sold. With IoT, the weight and condition of goods can be monitored throughout their transport as well as at the point of delivery.

While smart contracts may not necessarily amount to contracts in the legal sense, they can provide the machinery for contractual operation, in a manner that excludes human discretion, interpretation and control. The use of smart contracts also has the potential to reduce the delays between when a purchaser makes payment and when a seller receives payment, and it removes the need for third party validation before payment, as a smart contract will automatically enforce a participant’s obligation to pay, when pre-set conditions are set.

Blockchain and smart contracts have been intertwined since at least 2009 with the development of the bitcoin blockchain. The development of the Ethereum blockchain allowed for more complex smart contracts (using smart contract language “Solidity”). In Ethereum, a smart contract is described as:⁶

simply a program that runs on the Ethereum blockchain. It’s a collection of code (its functions) and data (its state) that resides at a specific address on the Ethereum blockchain.

NFTs

NFTs are digital data stored on a blockchain (the most popular being the Ethereum blockchain). They can be music, photos, drawings, really anything digital, anything that can be tokenised. NFTs exist “on-chain” and minting an NFT is the act of publishing a digital asset on a blockchain so that it can be bought, sold, and traded.

An NFT is a unique asset, and can be owned, sold, bought and traded. As such they are non-fungible, unlike cryptocurrency (or real world currency) which is fungible, and can be exchanged one for another.

The value of an NFT like any asset is determined by market supply and demand. The sale of NFT art can have some very expensive price tags. In 2021, a set of 107 “Bored Ape” NFTs sold for US\$24.4 million (AU\$35.8 million) in a Sotheby’s online auction.⁷ A digital artwork by American graphic designer Mike Winkelmann, better known as Beeple, “Everydays: The First 5000 Days”, being a collage of his 5,000 earlier artworks, sold for US\$69.3 million (AU\$102 million) in February 2021.⁸



See <<https://www.beeple-crap.com/viewing>> for better visibility of the individual items that make up the above whole image.

“CryptoPunk #5822” sold for US\$23.7 million (AU\$34.8 million) in February 2022. It comes from the rarest alien edition (only nine in the collection) and is only one of 333 with a bandana.⁹



Web 3.0

The various stages of the evolution of the world wide web (so far) is known as Web 1.0, Web 2.0 and Web 3.0. These stages reflect increases in user interaction as well as the development of the underlying technology over time. Web 3.0 (or Web3) is the third generation of the world wide web, which is currently a work in progress and is expected to be decentralised and blockchain-based (or supported) with a token-based economy.

Metaverse

Neal Stephenson is credited with coining the term “metaverse” in his science fiction novel, “Snow Crash”, published in 1992 in which he predicted user-controlled avatars who met in virtual reality environments.

The term metaverse refers to the persistent, real-time, virtual world that could be built using Web 3.0 technologies. The metaverse is intrinsically linked with the blockchain concept of an open, interoperable network where virtual assets are exchanged and stored via a trustless and verifiable ledger.

The metaverse is a digital space that blends virtual and/or augmented reality with permanent virtual spaces, it is a digital avatar-based universe. Avatars are digital representations of participants in the metaverse and skins are their digital accessories and includes apparel that can be used by the avatars.

Users (through their avatars) “live” in this digital universe, a hyper-real alternative world to live and interact in – a virtual reality world where users can interact, play games and experience things or activities as they would in the real world.

Ownership of aspects of the metaverse is increasingly sought after. NFTs, blockchain, smart contracts, and cryptocurrencies provide the payments and legal infrastructure needed to complement virtual reality (“VR”) capabilities.

For example, in Decentraland, a metaverse operating platform, LAND is a non-fungible digital asset, and

Decentraland uses the Ethereum blockchain to store and verify information about LAND ownership and content. MANA is Decentraland’s cryptocurrency, and it can be burned, or spent, in exchange for LAND parcels and accessories for your avatar. Below is an overhead view of Genesis City, the “capital” of Decentraland and a virtual party held in Decentraland with users showing off their NFT-connected costumes.¹⁰



Cryptocurrency

Cryptocurrency is any form of currency that exists digitally or virtually and uses cryptography to secure transactions. As mentioned previously, the most famous of these is Bitcoin (“BTC”) but there is an ever increasing number of other digital coins, for example, Ethereum (“Ether” or “ETH”) and altcoins.

Transactions involving cryptocurrency take place in a decentralised system that verifies whether the parties to a transaction own the crypto they claim to have, eliminating the need for traditional intermediaries, such as banks, when crypto is being transferred between two entities. In particular, cryptocurrency is the main way to transact and engage with items and individuals in the metaverse – often using tokens that are completely bespoke to the specific digital world (platform) in which you choose to participate.

Price volatility has been commonly associated decentralised cryptocurrencies, and there have been efforts to create stablecoins (cryptocurrency that is pegged to another currency or commodity) and central bank digital currencies

(“CBDCs”, being digital forms of currency), to reduce this volatility.¹¹

Related to cryptocurrency but not necessarily requiring cryptocurrency is the emerging financial technology “Decentralised finance” or “DeFi”. As with cryptocurrencies, this technology is based on a secure distributed ledger. As is indicated in the name, DeFi cuts out middle entities, such as banks, and the associated transaction costs and time require, to enable direct transfer of funds from one entity to another.

IoT

The IoT is a collection of interconnected devices and sensors (for example, RFID chips, mobile sensors and smart devices) that can collect data and communicate that information) which allows stakeholders to monitor and track goods. Information about the location and time of arrival/ departure of goods (and therefore how long they were at a location) can be transmitted as well as, in given cases, the quantity and condition of those goods. The disadvantage is that as IoT devices/sensors rely on WiFi networks and Bluetooth to transmit information and consequently, their functions may be impacted in areas with high radio/electrical interference.

IP and blockchain technologies

Blockchain technologies can intersect with IP in a number of ways.

As Assets

A number of patents for inventions incorporating blockchain have been granted, including in Australia. As noted in *Advanced New Technologies Co., Ltd.* [2021] APO 29:

I can see no reason why technical improvements to fundamental mechanisms related to consensus within a blockchain should not be patentable, even though these improvements might not necessarily be addressing technical problems. In my view, the balance of considerations weigh in favour of finding that the claimed invention is a manner of manufacture.

An example of such a granted (standard) patent is AU2018348317 entitled *Blockchain data protection using homomorphic Encryption* owned by Advanced New Technologies Co., Ltd, and directed at enabling the validation of transactions between blockchain users without revealing, among other things, the transaction amount or account balances. Patents incorporating blockchain can, of course include other technologies such as NFTs and DeFi.¹² As with other computer related inventions they are subject to the same issues concerning manner of manufacture, and in the few patent office cases to date in which an adverse finding has been made on manner of manufacture, have been characterised as (effectively) business schemes or business innovations.¹³

In mid-2022 in the United States, the top filers and owners of blockchain patents were in the financial and tech industries,

in particular the Alibaba Group (which includes Advanced New Technologies Co., Ltd), but also IBM, Bank of America, Microsoft among others.¹⁴ Over 1,500 blockchain patents were filed in the US in the 18 months to July 2022.

As a proxy for an IP asset

Blockchain technologies, and specifically NFTs can also represent assets and in that context, be assets themselves. NFTs derive their value from the rights attaching to the underlying assets they represent. They are not, except when the work itself is on the blockchain, themselves IP assets. As they are on the blockchain, they may be dealt with by means of transactions on the blockchain. These features raise some issues when dealing with NFTs in the context of IP.

As a first step, the underlying IP asset may not be readily apparent. An example of information about an asset as stored on a NFT is below:¹⁵

```
"description": "A sad circle.",  
"image": "https://i.imgur.com/Qkw9N0A.jpeg",  
"name": "Sad Circle"
```

The image in this case is represented below.



However if the image at the URL is deleted or changed (or the host goes down) then there is a question as to whether the NFT in this case is the image above, or whatever is displayed at the URL (if anything). A high-profile example involves FTX, which had been one of the world’s largest cryptocurrency exchanges up until its collapse in November 2022. Among other things, it hosted NFTs and as a result of the collapse, images of or associated with the NFTs could not be seen once the domain was redirected as a result of bankruptcy proceedings.¹⁶

Secondly, having identified an IP asset, it is necessary to determine what rights are associated with that asset. These may be determined by the terms of sale on the relevant platform and any additional terms specific to the seller. Either or both of these may be silent as to IP rights, including the terms of any licence. The Opensea platform, currently the largest such platform, leaves terms “with respect to the use of the NFT content and benefits associated with a given NFT” (Purchase Terms) to be determined between the purchaser and seller of the NFT.¹⁷ An example of such Purchase Terms are those for the Bored Ape Yacht Club (“BAYC”) NFTs,

which are linked out from the relevant page on Opensea.¹⁸ However the terms of such “Purchase Terms” may not be clear. The BAYC example purports to transfer ownership of the NFT and “underlying Bored Ape, the Art, completely” at clause but also includes a licence to the purchaser to “use, copy, and display the purchased Art” subject to compliance with the licence (clauses 2 and 3).

The rights associated with an NFTs often involve a non-exclusive licences to the underlying asset, which may be limited in terms of the extent of any reproduction right and whether usage extends to commercial use or is confined to non-commercial usage.¹⁹ Further, the ownership of the NFT may be associated with other, non IP specific rights.

To the extent that such a licence was intended to be exclusive, it would need to be in writing and signed by the copyright owner granting the licence for it to be valid in Australia.²⁰ A valid assignment of Australian copyright must be in writing and signed by the assignor.²¹ Similar issues may apply in connection with overseas jurisdictions. Accordingly, the transfer of a NFT may in fact transfer nothing in the way of IP rights.

Although NFTs are not themselves IP Assets, they can raise infringement issues in connection with the way in which they use IP Assets, particularly in the context of marketing the NFTs. Many NFT platforms have takedown procedures in accordance with the Digital Millennium Copyright Act (“DMCA”), however legal proceedings are also an option.

A trade mark focused example in the US are the proceedings brought by Hermès against Mason Rothschild in connection with the creation and sale of 100 NFTs linking to a depiction of a digital Hermès BIRKIN bag being the so called MetaBirkin NFTs.²² Other conduct complained of included the registration and use of the domain name www.metabirkin.com (this site is down at the time of writing) and the use of social media handles such as @metabirkins. While Opensea removed the NFTs in response to a take down notice, Rothschild transferred the NFTs to a different platform.

Hermès sued for trade mark infringement and trade mark dilution in connection with US Registration Nos. 2991927 BIRKIN and 3936105 Birkin Bag Image and related causes of action.²³ Among these related causes of action was claim under s.43(a) of the *Lanham Act*, 15 U.S.C. § 1125(a) that the defendant’s actions involved the use in commerce of false designations of origin and false and/or misleading descriptions or representations, tending to falsely or misleadingly describe and/or represent that the METABIRKINS NFTs were those of the plaintiff. Having gone to trial on 30 January 2023, it was the first such trial in the US . A jury found in favour of Hermès on 8 February 2023 awarding US\$133,000 (AU\$195,000) in total damages.²⁴

Another example, focused on copyright, is the recently settled proceedings between Miramax and Quentin Tarantino. Tarantino had announced that he would be auctioning as NFTs excerpts from the original handwritten screenplay of the 1994 film *Pulp Fiction*. Although Tarantino had signed over the rights to the film, certain rights were reserved, including “print publication (including, without limitation, screenplay publication)” of the film Miramax commenced proceedings for copyright infringement (among other things) on the basis that it, rather than Tarantino, owned the rights to the film and relevantly to the NFTs.²⁵ While the settlement of this case means that there will be no finding as to how the minting and sale of the NFTs would have been characterised and therefore whether it would have fallen within the reserved rights, it is likely that future agreements of this kind will make express provision for NFTs.

A third example of litigation in this space is between Yuga Labs Inc. the entity behind the BAYC NFTs referred to above and an artist (Ryder Ripps) in connection with alleged copycat NFTs based on the BAYC in the United States District Court Central District of California.²⁶

Management of IP assets

Blockchain and related technologies can be used to manage assets and IP Offices are developing blockchain-based systems. An example of this is the European Union Intellectual Property Office (“EUIPO”) blockchain platform (“IP Register in Blockchain”).

The IP Register in Blockchain was established on 17 April 2021 with the creation of the Genesis Block joining the EUIPO to TMview and DesignView, involving tens of millions of trade marks and designs. The first local office (Malta) joined on 1 July 2021, transferring 60,000 records to TMview and DesignView through a blockchain network. As at the end of 2022, there were 3.5 million records for trade marks and 1.6 million records for designs and four additional local offices (Lithuania, Estonia, Poland and Italy). It is expected by 2025 that most EU IP offices and some IP offices outside the EU will join the platform.²⁷

An example of an NFT-based system is the one used by the Società Italiana degli Autori ed Editori (“SIAE”), the Italian copyright collecting agency, to manage the rights of its members. This uses NFTs on the “Algorand Blockchain”. The SIAE has launched more than 4,000,000 NFTs to digitally represent the rights of nearly 100,000 creators. The objective is to create an open infrastructure capable of protecting author’s rights end-to-end.²⁸

Anticounterfeiting

Blockchain is also being used in the fight against counterfeit goods.

In Australia, IP Australia has engaged in trials of anticounterfeiting mechanisms using blockchain and trade

mark (“Smart Trade Mark”). The first involved a trial tracking events on the supply chain, in which the trade mark owner is authenticated by IP Australia and issued an encrypted Smart Trade Mark along with the digital Certificate of Authority – “the master key”.²⁹

The owner can issue of digital “restricted keys” to third parties such as:

- exporters;
- warehouses;
- wholesalers;
- distributors; and
- retailers.

Each event/transaction is recorded the supply chain by keyholders.

Consumers can ascertain product authenticity by scanning a certificate on product packaging with a smartphone and tracing its entire journey, as proof of origin.

Separately, owners of registered Australian trade marks can also provide IP Australia with the details of websites through which their genuine goods are sold, together with the relevant trade mark registrations to IP Australia. IP Australia then stores those details and uses blockchain technology and application programming interfaces (“APIs”) to authenticate the trade mark by linking the details provided by the trade mark owner to the Australian Trade Marks Register.

A trust badge can be used by the trade mark owner to allow consumers to verify the Smart Trade Mark online.

Royalty rights management

The use of blockchain for royalty rights management has been much discussed although to date has not been implemented to any significant degree. In the context of resale royalties, the 2021, the Copyright Agency was looking at the potential for blockchain to manage resale royalty rights using the Ethereum blockchain, but as at the time of writing has not published any update. For the music industry at least, the obstacles to a blockchain system for managing royalty rights are the scale and the cost of blockchain solutions in the present day, considering the number of works and the complexity of some royalty regimes.³⁰

A particular obstacle is the cost. Transactions on blockchains require energy in order to be executed. On the Ethereum blockchain, this energy is known as “Gas” and the fee associated with a transaction is known as the “Gas Fee”.³¹ Gas fees are calculated and paid in ETH (the Ethereum cryptocurrency), but can be translated to real world value. On 10 December 2022, the average transaction fee cost the equivalent of \$US2.87 (AU\$4.20), which, while relatively low in the context of the previous two years, is prohibitively high for a system that would require the number of transactions that a comprehensive royalty management system would

demand.³² There are other blockchains with lower fees or fees that may be charged on different basis. Another example is the “Algorand” blockchain referred to earlier which charges fees based on the size of the transaction.³³

IP issues in the metaverse

A particular challenge posed by the metaverse is that trade and commerce can take place wholly within that environment. This in turn can raise particular issues in connection with trade marks where virtual products may be offered for sale and sold within the metaverse under or by reference to a trade mark. The cost of such products can, in given cases, exceed the cost of the real world version. An example is the digital version of a Gucci bag (Dionysus Bag with Bee) which ultimately sold for US\$800 (AU\$1,190) more than the price of the physical version.³⁴

To the extent that relevant conduct can be said to take place in Australia, the next questions would concern the goods or services with respect to which the trade mark has been used. For example, where the item is a skin that is a digital copy of a physical branded item (such as clothing) that is used only in the metaverse then this would not be a class 9 good (as currently classified). While class 9 covers computer software, it encompasses software on physical media or downloadable software. Instead, relevant classes of services would be class 41 entertainment services, which in this case could be “providing on-line, non-downloadable goods for use in virtual environments” and/or class 42 (Provision of online non-downloadable web-based software).

This characterisation will be relevant when considering whether the use of a trade mark in connection with the sale of a skin would involve an infringement of an otherwise identical registered trade mark for clothing (registered in class 25). Since this is not a scenario involving the same goods, the question would be one of indirect infringement under s.120(2), in this case, whether the sale of the skin has involved the use of the trade mark in relation to services that are closely related to registered goods.³⁵ Similarly, in the context of prosecution, it will be necessary to consider whether use of a trade mark within the metaverse could be a prior use for the purpose of s.44 of the *Trade Marks Act* 1995 (Cth) in respect of goods. A further problem under s.44 may arise if a third party has obtained a class 41 or class 42 registration for a trade mark which blocks the original class 25 trade mark holder from obtaining its own class 41 or class 42 registration.³⁶

Because of the lack of certainty as to the effect the virtual use of the trade mark and the physical use of the trade mark will have upon each other, clients who are concerned about use of their trade marks in the metaverse may wish to consider entering the metaverse themselves, both in the Trade Marks Office and online.

Another area of expansion on the trade mark front is with the use of trade marks associated with goods authenticated by NFTs. For example class 41 “Games services provided online utilising digital avatars authenticated by non-fungible tokens [NFTs]”, class 18 “Physical handbags authenticated by non-fungible tokens [NFTs]” and class 9 “Downloadable digital artwork authenticated by non-fungible tokens [NFTs]”.³⁷

Conclusion

The evolving world of emerging technology has implications for IP. Significant developments have already taken place and more can be expected in the coming years. It will be necessary for lawyers to engage with these emerging technologies to obtain a full understanding of the range of issues facing clients.

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“Certification-ness”: Distinctiveness and the Intersection Between Certification Trade Marks Certifying Geographical Origin and Geographical Indications for Food, Wine and Spirits

Jane Rawlings¹

Abstract

Lack of distinctiveness in the sense required for certification trade marks is a ground for refusal of certification trade marks in Australia, New Zealand, the United Kingdom (“UK”) and the European Union (“EU”). Recent opposition decisions, including on the Manuka or Mānuka trade marks for honey, illustrate the special requirements for distinctiveness for certification trade marks and the intersection between certification trade marks certifying geographical origin and geographical indications for food, wine and spirits. As the EU’s free trade talks with Australia appear to have moved closer to final agreement, the issue of reciprocal protection of geographical indications for food and spirits between the EU and Australia remains to be resolved. The recently concluded negotiations between New Zealand and the EU has important implications for Australia’s own continuing free trade negotiations with the EU – and the difficult question of who should have exclusive rights to use Manuka or Mānuka on honey.

Nature of certification trade marks in Australia, New Zealand and the EU

Certification trade marks are trade marks used to certify the quality, accuracy or some other characteristic of goods or services dealt with in the course of trade, including (in the case of goods) origin, material or mode of manufacture to which the trade mark is applied.² They indicate that the goods or services which they are used have some objective, verifiable characteristics that have been tested and verified by the registered owner as certifier (or by another person on their behalf) to have those characteristics.

Signalling the certification message

The use of a certification trade mark in relation to the certified goods or services has an essential signalling function to consumers and thus is an aspect of the goodwill of the certification trade mark, as Chon discusses in the context of signalling sustainability standards in conveying corporate social responsibility.³

In this context, I argue that the signalling function of a certification trade mark is that:

1. Goods or services have characteristics of value to consumers, such as geographical origin, manner of manufacture, which are capable of being tested and verified by a trusted third party – a certifier.
2. There is a certification scheme that has been promoted to consumers and known by them. Under this certification scheme, those valuable characteristics of particular goods or services can be tested and certified by a certifier (or some

person who has carried out those test of the certifier’s behalf) to indicate to consumers that those stated characteristics are present.

3. The certifier has applied those tests in accordance with stated rules forming part of the registration of the certification trade mark and has certified the presence of those stated characteristics in the goods or services on which the certification trade mark is used.
4. Consumers can trust that the use of certification trade mark on goods and services indicates the presence of those valuable objective characteristics in goods or services because they have passed the certifier’s tests, irrespective of the identity of the undertaking that actually produces or provides the goods or services bearing the certification trade mark. Other goods or services that do not bear the certification trade mark either do not pass the certifier’s tests for that certification trade mark or have not yet been tested for compliance by the certifier.

Thus, it is essential for this signalling function that a certification trade mark operates as a guarantee of those specific characteristics by the certifier. To do so, a certification trade mark must be capable of distinguishing the goods or services on which it is used or intended to be used to certify a valuable objective characteristic from other goods or services not bearing the certification mark, that do not have that valuable objective characteristic.

This is reflected in the legislative provisions in Australia, New Zealand, the UK and the EU. In each jurisdiction, a sign registrable as a certification trade mark must be capable

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of distinguishing the goods or services which are certified by the proprietor of the certification mark from those goods or services which are not certified.⁴

The nature of certification trade marks in Australia, New Zealand, the UK and the EU

In Australia, a certification trade mark may be in relation to the quality, accuracy or some other characteristic of goods or services, including in the case of goods, their origin, material or mode of manufacture.⁵ In New Zealand and the UK, certification trade marks for goods may certify geographical origin, material, mode of manufacture, quality, accuracy, or other characteristic of goods and quality, accuracy, performance, or other characteristics of services.⁶ Where a Member State of the EU has chosen to implement certification trade marks into its national trade mark law, a **national** certification trade mark registered in a Member State may certify geographical origin as well as other characteristics of goods or services.⁷ By contrast, an EU certification trade mark cannot certify geographical origin,⁸ as this is dealt with under the EU’s regime for guarantees of protected designations of origin, protected geographical indications and traditional specialities under Regulation (EU) 1151/2012 and for wines and spirits under Regulation (EU) 2019/787.

The applicant for a certification trade mark must lodge rules⁹ for a certification trade mark which include:

1. the certification requirements that goods or services must meet before the certification trade mark can be used on those goods or services;
2. the process for testing whether the goods or services meets those certification requirements;
3. the attributes of an approved certifier of the certification requirements;
4. the requirements that a person must meet to become an approved user of the certification trade mark and the manner of use of the certification trade mark; and
5. dispute resolution about testing or any other issue relating to the certification trade mark.

Among other things the applicant must file rules governing the use of the certification trade mark, as part of the certification trade mark application. These rules must be approved for compliance with competition law and consumer law, including product safety and product labelling.

In Australia, this involves the approval of the rules for the certification trade mark by both IP Australia and the Australian Competition and Consumer Commission (“ACCC”) under ss.173, 175 and 176 of the *Trade Marks Act* 1995 (Cth) (“Australian Trade Marks Act”). The ACCC has considerable latitude¹⁰ under s.173 and s.175 to consider wide ranging questions of whether the rules for

the certification trade mark might involve anti-competitive conduct, unconscionable conduct and various unfair practices, product safety and product information provisions of the *Competition and Consumer Act* 2010 (Cth) (including the Australian Consumer Law at Schedule 2).

In New Zealand, the Intellectual Property Office of New Zealand (“IPONZ”) as Commissioner of Trade Marks, carries out both functions in examining the certification rules for a certification trade mark according to the criteria set out in s.55 and s.56 of the *Trade Marks Act* 2002 (NZ) (“NZ Trade Marks Act”). This is in addition to its general trade mark examination requirements for compliance, including the absolute and relative grounds for rejection of a trade mark application under the NZ Trade Marks Act.¹¹

The registered owner of the certification mark must be competent to certify the goods or services for which the certification mark is registered.¹² In Australia, the registered owner of a certification trade mark may carry out the certification tests themselves or may appoint another person competent to do so.¹³ In New Zealand, the UK and the EU, the registered owner of a certification trade mark must be the certifier.¹⁴

The impartiality of the certifier is an important aspect of consumer trust in the messages conveyed by the use of a certification trade mark. In New Zealand, the UK and the EU the proprietor must not carry on a business involving the supply of goods or services of the kind certified.¹⁵ Indeed, it is one of the grounds of revocation of a certification trade mark in the EU, the UK and New Zealand if the proprietor of the certification trade mark does carry out a business in the goods or services certified by the certification trade mark.¹⁶ By contrast in Australia, the proprietor of a certification trade mark may trade in the certified goods or services and indeed may “self-certify” their own goods or services or have them certified by the person approved by the owner of the certification trade mark to certify goods or services.¹⁷

“Certification-ness” and distinctiveness of certification trade marks

Given that the function of a certification trade mark is to distinguish the certified goods or services from goods or services from those which have not been certified, must a certification trade mark have, for want of a better word, “certification-ness”?¹⁸

“Certification-ness” is distinctiveness of a trade mark in the special sense required of certification trade marks. It is a quality inherent in the definition of a certification trade mark. “Certification-ness” may also be acquired through use because the average consumer has been educated, through the use of a sign, to recognise that the goods or services it is used on have been certified, as opposed to having a trade origin. Indeed, lack of “certification-ness” is the basis on which an application for a certification trade mark might be rejected.

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It is related to the law of distinctiveness as a requirement for a registrable trade mark as this has developed in Australia, New Zealand, the UK and the EU.¹⁹ But the concept of distinctiveness of trade marks is adapted when applied to certification trade marks.

“Certification-ness” has two dimensions.

The first dimension of “certification-ness”

The first dimension is that it must be apparent, either inherently in terms of the ordinary signification of the sign or through use before the priority date of the application that the mark has been used (or is intended to be used) as a certification trade mark and not as a standard trade mark: *Wilson’s and Mathieson’s Ltd’s Application*.²⁰ Thus, use of terms such as “certified” or “approved” or “tested” in the certification trade mark that indicate compliance with an external standard or certification process fulfil this requirement.²¹ Similarly in New Zealand, when examining an application for a certification trade mark under s.55 of the NZ Trade Marks Act, the Commissioner of Trade Marks or a Court must consider whether the certification trade mark should indicate that it is such a trade mark.²² It is not necessary that the certification trade mark identify the actual characteristics being certified: *Union-Nationale Inter-Syndicale des Marques Collectives’ Appn*.²³

However, this first dimension of “certification-ness” is really an aspect of the general requirement in trade mark law that a registered trade mark (including a certification trade mark) should not be likely to deceive or cause confusion in use, whether this is at the time of the trade mark application²⁴ or subsequently, in the circumstances at the time of the application for revocation.²⁵ This applies to the identity and nature of the certifier, the tests it applies to certify goods or services for compliance with its standards and the licencing and use of the certification trade mark under the rules for that certification trade mark.

In the Australian case, *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* (“*Halal Certification Authority*”),²⁶ a standard trade mark HALAL CERTIFICATION AUTHORITY and device was registered for the services of providing Halal certification services. Bromwich J held that the use of the word AUTHORITY in the mark was likely to mislead or confuse the public, because the words “Halal Certification Authority” presented “in the form of an official stamp or seal” would most likely give members of the public the “impression that there was some official, authoritative body that was saying that the goods were in fact halal, as opposed to the specific certification of a private company”. In addition, Bromwich J held that the mark HALAL CERTIFICATION AUTHORITY (words and device) was essentially descriptive of the services and thus not distinctive and had not acquired distinctiveness through use. It was not capable of distinguishing the services

of the Halal Certification Authority from the services provided by anyone else (including 25 other providers of these services) for the purposes of s.41(2) of the Australian Trade Marks Act.²⁷ This was grounds for revocation of the trade mark under s.88 (2)(c) of the Australian Trade Marks Act. Bromwich J held that there was not sufficient public interest grounds for the exercise of the discretion to refuse rectification of the Register under s.88(1) to permit the trade mark to remain on the Register.

Bromwich J was, however, considering the distinctiveness of a standard trade mark under s.41 of the Australian Trade Marks Act, which was being used as if it were a certification trade mark.

New Zealand has express *ordre publique* type grounds of refusal, cancellation or alteration of certification trade mark on the grounds that it is “not in public interest for the trade mark to be registered or that the certification trade mark regulations be altered”.²⁸ Similarly the ground of revocation under s.66(1)(e)²⁹ contemplates that a certification trade mark, as may any other trade mark may become likely to deceive or confuse the public for instance as to the nature, quality, or geographical origin of those goods or services “in consequence of the trade mark’s use by the owner or with the owner’s consent in relation to the goods or services in respect of which the trade mark is registered.”

The second dimension of “certification-ness”

The second dimension of “certification-ness” is really distinctiveness in the special sense required for certification trade marks: that the certification trade mark must be capable of distinguishing goods and services that are certified from those that are not certified. This may be both with respect to goods or services that are not certified at all or goods and services which have been certified by another certifier. This is an enquiry which is more closely related to the ground or rejection for lack of distinctiveness in standard trade mark applications.³⁰

For standard trade marks in Australia and New Zealand, the focus on whether a mark is inherently adapted to distinguish is whether other traders are likely, “in the ordinary course of their business and without any improper motive, to desire to use the same mark or some mark nearly resembling it in connection with their goods”: *Registrar of Trade Marks v W & G Du Cros Ltd*.³¹ Thus the inherent adaptation of words to distinguish must be considered in terms of the “ordinary signification” of those words to the public, (including other traders): *Cantarella Bros Pty Ltd v Modena Trading Pty Ltd* (“*Cantarella*”).³²

The question is whether that test of distinctiveness should be adapted in considering the function of a certification trade mark to distinguish good or services that are certified, from those which are not certified, as defined in Australia and New Zealand.

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In *Re Brilliant Investment Publishing Pty Ltd*,³³ an application for a certification trade mark CERTIFIED PORTFOLIO PHILOSOPHY was rejected because the mark CERTIFIED PORTFOLIO PHILOSOPHY was insufficiently distinctive for the purposes of s.177(1) of the Australian Trade Marks Act. Neither s.33 nor s.41 applies to applications for certification trade marks in Australia. Instead s.177 applies as a ground of rejection or opposition for a certification trade mark.³⁴ Thus the enquiry under s.177(2) focuses on inherent adaptation to distinguish under s.177(2)(a) or acquired distinctiveness through use or other circumstances under s.177(2)(b) at the date the certification trade mark application was filed. This is because s.177(2) does not include acquired distinctiveness through intended use up to the date of registration, unlike s.41(4) of the Australian Trade Marks Act.³⁵

The hearing officer applied the two-step enquiry in *Cantarella* to s.177(1) and (2). The hearing officer found that the ordinary signification of “certified portfolio philosophy” – a rather vague and descriptive term on its face – was a term that financial services providers might legitimately want to use to describe their own portfolio management services.³⁶ The applicant was unable to provide evidence that the certification trade mark had acquired distinctiveness through use before its priority date. The question was thus one of a lack of inherent capacity to distinguish and a lack of evidence of acquired distinctiveness in the way that a certification trade mark must do under s.177(1) and (2).³⁷

However, in applying the *Cantarella* tests, the hearing officer did not take full account of the requirements of s.177(1) and (2) of the Australian Trade Marks Act. The question is not solely one of whether other traders might legitimately need to use the term “certified portfolio philosophy” in providing those services. It is in terms of the perception of average members of the public, for the purposes of the function of a certification trade under s.169, whether this term distinguishes those services that are certified from the same services provided by other traders which are not certified. The presence of the term “certified” indicates that the services are certified by a certifier. Thus a lower level of distinctiveness might be permitted for a certification trade mark that expressly includes such terms of guarantee of quality or characteristics, compared to a standard trade mark. It has the first element of “certification-ness”.

In the Australian case, *US Dairy Export Council v Consorzio Per La Tutela Del Formaggio Gorgonzola*,³⁸ the hearing officer refused registration of GORGONZOLA for cheese in class 29 under s.177(2)(a) of the Australian Trade Marks Act. The hearing officer held that GORGONZOLA was not inherently adapted to distinguish goods certified by the applicant from goods not so certified because:

- (a) as at the priority date, the ordinary signification of the trade mark was as a descriptive term for a type of blue vein cheese historically originating in a particular

geographical region of Italy (and a geographical reference to a town in Italy); and

- (b) there was clear evidence, based on existing use, that other traders wished to use the trade mark for its descriptive purposes.³⁹

In addition, there was no evidence that consumers in Australia had been educated through use in Australia to regard the small amount of blue vein cheese imported into Australia bearing the mark GORGONZOLA as having been certified by the Consorzio Per La Tutela Del Formaggio Gorgonzola.⁴⁰

However, this decision depended on the reasoning in *Re Brilliant Investment Publishing Pty Ltd*.⁴¹ It thus fell into the same trap of failing to consider the functions of a certification trade mark in considering the question of inherent adaptation to distinguish of certification trade marks.

The decision on the distinctiveness of GORGONZOLA as a certification trade mark went the other way in New Zealand before IPONZ. In *Consorzio per la Tutela del Formaggio Gorgonzola v Dairy Companies Association of New Zealand Incorporated*,⁴² the certification trade mark GORGONZOLA for cheese in class 29 was accepted for registration as being distinctive in the manner required for a certification trade mark, for the purposes of s.18(1) of the NZ Trade Marks Act and to have acquired distinctiveness prior to its priority date for the purposes of s.18(2). This was notwithstanding evidence of long-term use of “gorgonzola” on blue vein cheese by cheese producers in New Zealand and thus some evidence of a legitimate need by traders to use that term on blue vein cheese in the *Re W & G du Cros Ltd's Application*.⁴³

GORGONZOLA for cheese was found to have some inherent capacity of distinguish when used on cheese for the purposes of s.18(1)(a) of the NZ Trade Marks Act i.e. it could function as a trade mark.⁴⁴

The Commissioner’s delegate noted amendments to s.18(1) in 2006, which made the test for distinctiveness of certification trade marks under s.18(1) the same as for standard trade marks in terms of inherent capacity to distinguish, leaving the question one of whether an otherwise non-distinctive certification trade mark might acquire distinctiveness through use before the priority date under s.18(2).⁴⁵

The net result is that the Commissioner’s delegate held that the first aspect of certification-ness – the certifying requirement – is not an essential part of the test of distinctiveness of a certification trade mark in New Zealand,⁴⁶ unlike in Australia⁴⁷ and the UK.⁴⁸ This does not seem consistent with the definition of “certification trade mark” in New Zealand discussed above nor with the Court of Justice of the European Union authorities on distinctiveness discussed by the 5th Board in Decision R 1410/2019-5 of the 5th Board of Appeal of the European Intellectual Property Office

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(“EIPO”) on MANUKA HONEY⁴⁹ nor with the terms of s.55 (1)(b) requiring the Commissioner to consider whether a certification trade mark should indicate that it is such a mark.⁵⁰ This suggests that the amendments to the NZ Trade Marks Act discussed in *Consorzio per la Tutela del Formaggio Gorgonzola v Dairy Companies Association of New Zealand Incorporated* at [181]–[185] may have had the effect of taking New Zealand law of distinctiveness of certification trade marks closer to UK and EU law on distinctiveness of certification trade marks, rather than farther away from it.

The net result in *Consorzio per la Tutela del Formaggio Gorgonzola v Dairy Companies Association of New Zealand Incorporated* was that geographical names as certification trade marks, such as GORGONZOLA, fell foul of s.18(1)(b) (c) and must rely on acquired distinctiveness under s.18(2).⁵¹ The evidence established that GORGONZOLA had acquired distinctiveness in New Zealand under s.18(2), with the result that the opposition failed and GORGONZOLA was registered as a certification trade mark in New Zealand with the endorsement under s.55(1)(b) to the effect that it was a certification trade mark and a protected designation of origin in Europe.⁵²

Use of standard trade marks as certification trade marks

Not all marks used to signal certification or guarantee messages are registered as certification trade marks. The standard trade mark, HALAL CERTIFICATION AUTHORITY was being used as if it were a certification trade mark. In *Halal Certification Authority*, Bromwich J held that HALAL CERTIFICATION AUTHORITY and device for Halal certification services was essentially descriptive of the services. It was thus not distinctive and had not acquired distinctiveness through use. It was not capable of distinguishing the services of the Halal Certification Authority from the services provided by anyone else (including 25 other providers of these services) for the purposes of s.41(2) of the Australian Trade Marks Act.⁵³ This was also grounds for revocation of the trade mark under s.88 (2)(c) of the Australian Trade Marks Act. Bromwich J held that there were not sufficient public interest grounds for the exercise of the discretion to refuse rectification of the Register under s.88(1) to permit the trade mark to remain on the Register.⁵⁴

The outcome on rectification of HALAL CERTIFICATION AUTHORITY for Halal certification services may have been different had it been registered as a certification trade mark in the first place. However, the essentially descriptive nature of the mark may have led to the same conclusion under s.177 of the Australian Trade Marks Act (and thus vulnerability to revocation under s.88) without significant evidence of acquired distinctiveness through use before the priority date of the application, as well as arguably the use of terms such as “certified” or “tested” to supplement the low

inherent adaptation to distinguish of the sign in use on Halal certification services.

So why not simply register, use and licence a standard trade mark to convey the guarantee and certification messages of a certification trade mark? In Australia at least there is no obligation to register a certification trade mark to “certify” or “guarantee” the quality or characteristics of goods or services. This use of a standard trade mark to convey “certification” or “guarantee” brand messages does not of itself make that standard trade mark likely to cause deception or confusion in use for the purposes of s.88(2)(c) of the Australian Trade Marks Act as Bromwich J pointed out in *Halal Certification Authority*.⁵⁵

As Lai points out in her case study of the “Rainbow Tick” trade marks in Australia and New Zealand,⁵⁶ the use of a standard trade mark as if it were a certification trade mark exploits consumer concerns about social issues and the consumer’s desire to buy goods or services that accord with those social issues. Lai argues that allowing a standard trade to be used in this way “hijacks” consumer trust in the certification trade mark system and consumer trust of the value of certification. It simply becomes one more piece of marketing puff or virtue signalling by a brand.

However, such uses of standard marks to signal messages about the characteristics of goods, as if they were certification trade marks, may also hijack words that ordinary traders might legitimately need to use to describe their goods or services. Such trade marks are not distinctive, as discussed above and are thus liable to be rejected on application or vulnerable to rectification as being non-distinctive.

The Manuka honey and Mānuka honey trade marks – a case study in descriptiveness and geographical indications

The Manuka or Mānuka, *Leptospermum scoparium*, is a flowering plant that grows in both New Zealand and Australia. Honey produced from it has been called mānuka honey or manuka honey for more than 100 years in Australia and New Zealand. Manuka honey has distinctive characteristics including a non-peroxide antibacterial activity. It also has a distinctive, consumer reputation both as a food product and a health product. There is an obvious concern in both Australia and New Zealand that the high consumer value of manuka honey or manuka renders it especially vulnerable to adulteration and passing off, including of its purity, its biological activity and its true geographical origin.

Accordingly, honey industry participants and two certification bodies, one from New Zealand and the other from Australia have waged trade mark battles against each other in Australia, New Zealand, the UK and the EU. These were over whether or New Zealand can claim exclusive rights to call honey produced from the manuka *Leptospermum scoparium* “manuka” or “mānuka honey” or not. The arguments turn on:

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- whether the term “manuka honey” or “mānuka honey” denotes geographical origin exclusively in New Zealand or refers to any honey produced by bees from *Leptospermum scoparium*, wherever that plant is grown;
- whether the term “manuka honey” is wholly descriptive of a type of honey in the eyes of consumers outside New Zealand and thus lacks distinctiveness in the sense required for a certification trade mark;
- whether, as a Māori word, “mānuka honey” should be protected as a cultural term for honey outside New Zealand, permitting its registration as a certification trade mark or whether it has become part of the common language as a term for any honey produced by bees from *Leptospermum scoparium*.

Starting in 2016, the Manuka Honey Appellation Society (“MHAS”) in New Zealand applied for MANUKA HONEY for honey in class 30 in New Zealand, Australia, the UK and the EU.

(1) *Manuka Honey Appellation Society Incorporated* [2018] NZIPOTM 7 (20 March 2018)

IPONZ raised objections on examination that the certification trade mark had no distinctive character (s.18(1)(b)), and the certification trade mark consists only of signs or indications that may serve in trade to designate a characteristic of the goods (s.18(1)(c)). The Commissioner’s Delegate noted:

- a certification mark needs to be capable of distinguishing goods or services that are certified from goods or services that are not certified for the purposes of s.18 of the NZ Trade Marks Act.⁵⁷
- for New Zealand consumers at the relevant date [18 August 2015], the mark MANUKA HONEY was apt to differentiate *Leptospermum scoparium* honey produced **in New Zealand** from *Leptospermum* honey produced elsewhere.⁵⁸

However, this finding on geographical origin is influenced by the fact no manuka honey can be legally imported into New Zealand from any other country (apart from certain Pacific islands). This makes it unlikely that the reasonable New Zealand consumer of manuka honey or mānuka honey would have exposure to manuka honey from any other geographical origin and thus recognise it as an essentially descriptive term for honey from *Leptospermum scoparium*, rather than as an indication of geographical origin in New Zealand. The evidentiary foundation for this statement is not discussed in the case report. In any event, this finding applies only to consumer recognition in New Zealand

of “manuka honey” as denoting a geographical origin in New Zealand.

The application was accepted for registration but an opposition by the Australian Manuka Honey Association was filed with a hearing date of three days on 6 October 2021. As of 29 January 2023, there has been no judgment on this opposition.⁵⁹

(2) *Manuka Honey Appellation Society Incorporated v Howes* (2021) 166 IPR 189

This was an opposition under s.43, s.42(b) and s.60 of the Australian Trade Marks Act brought by MHAS to an application for the words AUSTRALIAN MANUKA and device for honey in class 30 by Mr Howes.

The hearing officer held that the word MANUKA was descriptive of its floral source.⁶⁰ MHAS argued that “manuka” was operating as a type of proto-geographical indication as defined under s.6 of the Australian Trade Marks Act. There was insufficient evidence of differences of composition or other characteristics of Australia manuka honey compared to New Zealand manuka honey, that might be attributable to its geographical origin to support this argument. Thus the word AUSTRALIAN used with MANUKA was not likely to deceive or cause confusion for the purposes of s.43 of the Australian Trade Marks Act⁶¹ and was not contrary to law as a form of passing off for the purposes of s.42(b).⁶² Similarly the s.60 ground failed, because there was no evidence for use and reputation of manuka (in Australia) as anything other than a descriptive term for honey for the purposes of s.60(a).⁶³

(3) *Decision R 1410/2019-5* of the 5th Board of Appeal of the EIPO on 27 October 2021 on EUTM 017285421 MANUKA HONEY in class 30 for honey

On 2 October 2017, MHAS applied in the EIPO for the certification EU trade mark EUTM 017285421 MANUKA HONEY for honey in class 30 on 2 October 2017, initially certifying geographical origin in New Zealand, barred under Article 83(1) of Regulation (EU) 2017/1001 *EU Trade Mark Regulation* (“EUTMR”). The regulations of use were amended to certifying the chemical composition of honey, as manuka honey. The application was rejected on examination under Articles 7(1)(b), 7(2) and 83(1) of Regulation (EU) 2017/1001 EUTMR.

The EUIPO 5th Board upheld the examiners rejection on appeal and made some interesting comments about the nature and function of EU certification trade marks.

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In Europe as in the UK under s.3 of the *Trade Marks Act 1995* (UK) (“UK Trade Marks Act”) and s.18(1) of the NZ Trade Marks Act,⁶⁴ the distinctiveness of a trade mark (whether inherent or acquired) is assessed:

1. by reference to the goods or services for which registration is sought; and
2. by reference to the perception of the relevant public, which consists of average consumers of the goods or services in question who are reasonably well informed and reasonably observant and circumspect.⁶⁵

The grounds of refusal under Article 7 of Regulation (EU) 2017/1001 EUTMR are independent of each other and must be exercised in terms of the public interest, which may vary in terms of the particular ground in question.⁶⁶

The Board held that when assessing the distinctive character of an EU certification mark under Article 85(1) in combination with Article 7(1) (b) of Regulation (EU) 2017/1001 EUTMR, the specific function of EU certification trade marks to distinguish a particular group of certified goods or services from otherwise identical non-certified goods or services must be borne in mind.⁶⁷

The circumstances in which certification trade marks are used in relation to goods or services and how reasonable consumers might view them are likewise different to standard trade marks. Firstly, the users of certification trade marks are in competition in the relevant market for those goods or services with other companies whose goods or services are not certified. The certification trade mark may be used on packaging and promotional material in combination with standard trade marks. The certification mark may contain quality guarantee type statements such as “certified”, “tested”, “approved” and so on. They are thus perceived differently by the reasonable consumer to a standard trade mark.⁶⁸

These factors drive a different assessment of the minimum degree of inherent distinctiveness required for a certification trade mark under Article 85(1) in combination with Article 7(1)(b) of Regulation (EU) 2017/1001 EUTMR, compared to a standard trade mark under Article 7(1)(b) alone. A certification trade mark may be of lower inherent distinctiveness, compared to the same sign, registered as a standard trade mark.⁶⁹

MANUKA HONEY did not pass even that lowered bar of distinctiveness for a certification trade mark under Article 7(1)(b) and Article 83(1). The evidence established that English speakers in the UK, the Republic of Ireland and Malta perceived Manuka

honey as a reference to a type of honey and an indication of the product itself.⁷⁰

The 5th Board held that the words MANUKA HONEY are a generic term for a type of honey, free for legitimate use by competitors in the EU. It was wholly descriptive of goods for which the registration was sought and in terms of evidence of the relevant public’s perception of it (English speakers in UK, Ireland and Malta) for the purposes of Articles 7(1) (c) of Regulation (EU) 2017/1001 EUTMR and Article 83(1).⁷¹

The 5th Board noted that a certification trade mark that is of low distinctiveness or is descriptive may be still be registrable if the descriptive sign in the application itself contained an indication that the goods had been certified or approved by a certifier – for example by including the words “Cert.” or “Certified” or similar expressions indicating that the goods had been tested and certified by a certifier – an illustration of the first element of “certification-ness” discussed above. This was not the case for EUTM 017285421. The Fifth Board held:

In particular, there is no link between the meaning of the sign and any certification. The mere indication of certain characteristics must be kept for all competitors even if there might be alternative expressions to refer to those characteristics, as alleged by the applicant.

- (4) UK Intellectual Property Office inter partes decision O/899/21 *Australian Manuka Honey Association Ltd v Manuka Honey Appellation Society*

The application for UKTM 3150262 was filed in the United Kingdom Intellectual Property Office (“UKIPO”) on 17 February 2016, claiming a priority date of 18 August 2015. The registration was opposed by the Australian Manuka Society Ltd and by two UK distributors of manuka honey, Valeo Foods UK Ltd and Rowse Honey, under section

3(1)(b), (c) and (d), section 3(3)(a) and Schedule 2, paragraph 7(1)(a)(ii), section 3(3)(b) and section 3(6) of the UK Trade Marks Act.⁷²

The question was whether, at the priority date, “MANUKA HONEY” simply referred to a characteristic of the goods as a type of honey characteristic of the goods and thus lack the inherent capacity to distinguish (“devoid of distinctive character”). If that was so, whether the use made of it before the priority date was such that the relevant public had been educated to perceive it as designating goods which are certified from those which are not.

The parties put on extensive evidence on the nature of manuka honey, its anti-microbial activity and its floral origin in the manuka bush *Leptospermum*

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scoparium endemic in New Zealand and Tasmania. They also relied on the dictionary meaning of “manuka” and on evidence of the manner of use of “manuka honey” on honey before the priority date of the application. This in the opinion of the hearing officer that “manuka” had been used to indicate a type of honey, without a geographical connection to New Zealand.

The hearing officer held that “manuka honey” was understood in that descriptive sense by members of the public in the UK and thus was “devoid of distinctive character” or was descriptive for the purposes of s3(1)(b) of the UK Trade Marks Act (and thus was not distinctive for the purposes of Article 7(1)(c) of Regulation EUTMR⁷³ and s.18(1)(b) of the New Zealand Trade Marks Act). It was not perceived by the average consumer in the UK as a foreign word, let alone a Māori word.⁷⁴

The outcome of the Manuka Honey wars – for now

According to press reports in Australia on 23 January 2023,⁷⁵ MHAS has withdrawn its appeals to these decisions in the High Court of Justice in the United Kingdom and to the General Court of the Court of Justice of the European Union. The certification trade mark applications EUTM 071285421 has been withdrawn. UK certification trade mark application UK 3150262 MANUKA HONEY in class 30 was refused on 23 January 2023, following the opposition proceedings in the UK discussed above.⁷⁶

This may not be the end of the manuka honey trade mark war. It may simply be a strategic withdrawal in order to regroup to fight the battle on geographical indications and the trade mark registrations required to support and enforce them.⁷⁷ Another New Zealand association, the Manuka Charitable Trust, applied in the EUIPO on 14 September 2022 for an EU certification trade mark EUTM 018761735 MĀNUKA HONEY for honey in class 30 and for an UK certification trade mark application UK00003895674 MĀNUKA HONEY for claiming priority from EUTM 018761735. These certification trade mark applications are, at the very least, similar if not identical to the non-distinctive, wholly descriptive EUTM 071285421 MANUKA HONEY and UKTM 3150262 MANUKA HONEY in the proceedings discussed above.

It may come down to whether the reasonable or average consumer in either the EU or the UK will attach sufficient significance to the macron over the “a” in MĀNUKA HONEY, to make those words with the macron inherently adapted to distinguish and thus distinctive. Any additional evidence of acquired distinctiveness through use of MĀNUKA HONEY at 14 September 2022, as opposed to 15 August 2015, may make a difference. But such evidence must demonstrate recognition of Mānuka as a foreign word by the reasonable consumer in the EU or the UK, capable

of overcoming the reasonable consumer’s recognition of its descriptive use as a type of honey.

Time may tell – but these new trade mark applications for MĀNUKA HONEY may suffer the same fate as EUTM 071285421 and UKTM 3150262 on examination.

The intersection of certification trade marks, collective marks and geographical indications in Australia and New Zealand

One of the characteristics of goods or services that might be certified by a certification trade mark in Australia or New Zealand is the geographical origin of those goods, alongside other valuable verifiable characteristics of the goods included in the rules for that certification trade mark. A collective trade mark may have the same function where it is a condition of membership of the collective association that members are located in and manufacture or trade in goods or provide services in the same geographical region.⁷⁸

An alternative means of “guaranteeing” the geographical origin of goods is the use of geographical indications as part of the labelling of those goods. However, typically such geographic indications are supported by trade mark registrations, for the purposes of enforcement and border control.

Geographical indications are particularly relevant to the current free trade negotiations between the EU and Australia⁷⁹ and the concluded negotiations with New Zealand.⁸⁰ One of the focuses of these negotiations has been the use of geographical indications on agricultural products and foodstuffs, such as “feta” and “prosecco”. The EU has asked Australia and separately New Zealand to protect a list of EU protected designations of origin and geographical indications for a range of foodstuffs and agricultural products of various agricultural sectors including dairy, meat, smallgoods, horticulture, confectionery, oils, beer and spirits. Both Australia and New Zealand can negotiate protection of their own geographical indications for protection under a free trade agreement (“FTA”) with the EU.

This will involve substantive reform of the current systems for the protection of geographical indications in both Australia and New Zealand. The current system for protection of geographical indications in Australia is currently confined to the protection of geographical indications for wine, namely wine growing regions, grape varieties, methods of wine production and wine quality terms.⁸¹

Geographical indications under TRIPS

Both Australia and New Zealand are members of the *Trade-Related Aspects of Intellectual Property Rights* (“TRIPS”). A geographical indication under TRIPS carries addition messages to other producers and to consumers beyond the simple geographical location of the production or manufacture of goods. A geographical indication of a

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country or a region or locality in a TRIPS Member State identifies both geographical origin in a TRIPS Member State and that the goods have “a given quality, reputation or other characteristic of the good which is essentially attributable to [their] geographical origin”: Article 22(1) of TRIPS. Articles 2 and 3 of TRIPS reinforces the existing treaty obligations of Australia and New Zealand under the Paris Convention for the Protection of Industrial Property in relation to the protection of trade marks and geographical indications.

This definition in Article 22(1) of TRIPS is reflected in the definition of “geographical indication” in s.6 of the Australian Trade Marks Act and in s.5 of the New Zealand Trade Marks Act.

Essentially Article 22(2) of TRIPS requires World Trade Organisation (“WTO”) members, including Australia and New Zealand, to enact legislation against use of geographical indications that mislead consumers as to the true origin of the goods, or use of geographical indications that amounts to “unfair competition” under Article 10*bis Paris Convention for the Protection of Industrial Property*. These requirements are met in Australia and New Zealand by the tort of passing off, the action for statutory misleading or deceptive conduct and by specific prohibitions against the use of false or misleading indications of geographical origin under the Australian Consumer Law⁸² and *The Fair Trading Act 1986* (NZ).

Articles 22(3) and (4) of TRIPS requires WTO members to refuse or invalidate the registration of a trade mark that contains a false or misleading geographical indication.

Article 23 creates additional protections for geographical indications for wines and spirits. For wines and spirits, WTO members must provide the means to prevent the use of a geographical indication irrespective of whether the true origin of the goods is indicated and even where the geographical indication is accompanied by expressions such as “kind”, “style” or “like”. Article 23(4) allows “the establishment of a multilateral system of notification and registration of geographical indications for wines eligible for protection in those Members participating in the system.” WTO members agree to enter negotiations to increase the protections for individual geographical indications for wines or spirits; Article 24(1)

Arguably, outside of general consumer law provisions and the tort of passing off in Australia and New Zealand, neither Australia nor New Zealand have fully complied with their general obligations under TRIPS for geographical indications for goods. This is especially acute for geographical indications for foods and agricultural products which are not protected at all.

The contents of a mutually recognised list of geographical indications for food and other goods has been left to free trade negotiations between the EU and each of Australia and New Zealand and separately with the UK.⁸³

Protected designations of origin, geographical indications and traditional specialities in Europe

As noted above, in the EU, a guarantee or certification mark registered as an EUTM cannot certify the geographical origin of goods.⁸⁴ That indication of geographical origin has been left to the quality scheme for agricultural products and foodstuffs implemented by Regulation (EU) No 1151/2012⁸⁵ and to the quality scheme for wines and spirits under Regulation (EC) No 1234/2007. Alternatively, a quasi-geographical indication is possible by collective trade mark registration in the EU or Australia or New Zealand, where membership of a collective association and use of its collective trade mark is confined to undertakings producing or providing goods or services in a particular geographical area.

Regulation (EU) No 1151/2012 has the aim of communicating fostering fair competition between food producers, reliable information to consumers as well as respect for intellectual property rights and the functioning of the internal market in the EU. It creates a register of protected designations of origin, protected geographical indications and traditional specialities.

Article 5 Regulation (EU) No 1151/2012 sets out the requirements for protected designations of origin and geographical indications. A protected designation of origin under Article 5(1) identifies designation of origin as identifying a product from a place, region (or in exceptional circumstances a country), where its quality or characteristics are “essentially or exclusively due to a particular geographical environment with its inherent natural and human factors”. Essentially, goods that carry a protected designation of origin must be wholly produced within a defined geographical area.⁸⁶ Protected geographic indications (“PDO”) must have at least one of their production steps carried out in the geographical area, but need not have all of them carried out in that geographical area (“PGI”).⁸⁷ Both PDO and PGI require a specification that includes the name, a description of the product including its “raw materials if appropriate and definition of its principal physical, chemical, microbiological or organoleptic characteristics of the product”, the link between a given quality, reputation or other characteristic for a PDO or where this is appropriate for a PGI and testing of evidence of origin and quality and the identity of the authorities verifying compliance of the PDO or PGI with that given quality, reputation or other characteristic⁸⁸

Misleading or generic terms cannot be registered as protected designations of origin or protected geographical indications in Europe. Generic terms cannot be registered as protected designations of origin or protected geographical indications.⁸⁹ Similarly designations of origin or protected geographical indications cannot be registered where the proposed designation of origin or protected geographical indication would be liable to mislead the consumer as to the true identity of the product, in light of a “trade mark’s reputation or renown”.⁹⁰

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Is “manuka” or “mānuka” a valid geographical indication for honey?

New Zealand has negotiated with the EU the protection of Mānuka as a geographical indication for honey, under the terms of its free trade negotiations with the EU concluded on 30 June 2022.⁹¹ The draft documents for the FTA include a definition for “Mānuka” as the Māori word used exclusively for the *Leptospermum scoparium* tree grown in Aotearoa New Zealand, and derivative products such as honey and oil. “Mānuka” is also recognised as culturally important to Māori as a tāonga and traditional medicine under Te Tiriti o Waitangi/the Treaty of Waitangi.

The draft New Zealand-European Union Free Trade Agreement (“NZ-EU FTA”) has not yet been signed or ratified by the EU and New Zealand. New Zealand has committed to reform of its regulation of geographical indications, as a result of the agreed mutual recognition of EU and New Zealand geographical indications under the negotiations for a FTA between Australia and New Zealand concluded on 30 June 2022. The timeline to signature and ratification of the NZ-EU FTA suggests that the process will take at least until 2024, with a transitional period for geographical indications of at least five years.⁹²

This raises significant issues of whether the process of appropriation of a Māori word over many years of use as descriptive of a generic term for a type of honey can be redressed, simply by recognising it in a FTA.

There are two immediate problems for “manuka” or “mānuka” as a candidate for recognition and protection as a geographical indication under any FTA.

First, the evidence of consumer perceptions the evidence of use and consumer perceptions of “manuka” or “mānuka” in the manuka cases in Australia, the EU and the UK discussed above have treated “manuka” or “mānuka” as a generic or descriptive term for a type of honey, as a result of the use that has been made of it and how it is regarded by the average consumer or trader in those countries.⁹³ That is not to say that the reasonable or average consumer might be educated by advertising and use to regard “mānuka” as a geographic indication, connoting honey from the *Leptospermum scoparium* tree grown in Aotearoa New Zealand. The current evidence before the trade mark regulators in Australia, the UK and the EU does not prove that “manuka” or “mānuka” connotes a clear and exclusive geographical indication to New Zealand, excluding Australia. The reason is that manuka honey is also produced in Australia from *Leptospermum scoparium*, which is endemic to Australia.

Secondly, “manuka” or “mānuka”, on the available evidence, does not operate as a valid geographical indication for the purposes of Article 22(1) of TRIPS.

The valuable anti-microbial activity of manuka or mānuka honey derives from its floral origin in the manuka bush *Leptospermum scoparium*, which grows naturally in both Australia and New Zealand.⁹⁴ Manuka or mānuka honey is distinguishable from other anti-microbial honeys such as kānuka honey⁹⁵ and is also distinguishable in its small RNA content from multi-floral honey.⁹⁶ This anti-microbial activity depends on its floral origin, not its geographical origin. It is not “essentially attributable” to the geographical origin where the manuka honey or mānuka honey was produced for the purposes of the definition of “geographical indication” in Article 22(1) of TRIPS. Ongoing research may establish other characteristics of manuka honey which may form the basis for certification tests for manuka honey to verify the floral origin of manuka honey definitively, including molecular characteristics of Manuka or mānuka honey which may be “essentially attributable” to its geographical origin as well as its floral origin.⁹⁷

Finally, the fact that *Leptospermum scoparium* is endemic in both Australia and New Zealand may render “mānuka” or “manuka” misleading as a designation of exclusive geographical origin in New Zealand. These are shadings of pronunciation and depiction of a sign, especially for non-speakers of te reo Māori/ Māori language. They carry their own potential for confusion or deception of the public, especially consumers overseas in markets targeted by both New Zealand and Australian producers of manuka or mānuka honey.

Drawing up the list of potential geographical indications in Australia

In free trade negotiations for the recognition of geographical indications, the requirements of Article 22(1) of TRIPS suggests that careful thought needs to be given to any candidate for inclusion as a geographical indication. There is also the risk that such a term may turn out to be generic or misleading to consumers or may be used as a tool for market segmentation and potentially anti-competitive market exclusion.

The policy question must be asked: What is special about the goods from that geographical region compared to the same goods from other regions and how are those characteristics, reputation or quality *essentially attributable* to that geographic region? How should those characteristics, reputation or quality be verified and who should be verify them? How do we establish that a name should be accepted as a valid geographic indication and guard against registration of geographical indications that are generic or misleading? This last question is dependent on gathering evidence of recognition over time of those characteristics, reputation or quality of the region or country by the reasonable consumer in Australia. The temptation for negotiators of FTAs may be to replace this evidence-based enquiry with the politically or

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economically expedient solution to conclude that portion of a FTA.

The longer-term solution is to create a comprehensive system for the recognition and registration of geographical indications in Australia to include foods and agricultural products, as well as wines and spirits. It should also protect geographical indications for agricultural products and foods produced by Aboriginal and Torres Strait Islanders, in the same way that the cultural interests of Māori people under Te Tiriti o Waitangi/The Treaty of Waitangi have been protected under the draft NZ-EU FTA discussed above.

FTAs are the first step. Full protection comes from the implementation of this new comprehensive system for geographical indications in Australia and New Zealand and its integration into the trade mark systems of Australia and New Zealand.

- 1 Jane Rawlings is an Australian intellectual property barrister and lecturer in Australian and New Zealand trade marks law and trade marks practice at the Faculty of Law, University of Technology Sydney.
- 2 Section 169 *Trade Marks Act* 1995 (Cth).
- 3 Margaret Chon, ‘Trademark Goodwill as a Public Good: Brands and Innovations in Corporate Social Responsibility’ (2017) 21(2) *Lewis & Clark Law Review* 277.
- 4 Section 169 *Trade Marks Act* 1995 (Cth), s.5 *Trade Marks Act* 2002 (NZ); s.1(1) and paragraph 2 Schedule 2 *Trade Marks Act* 1994 (UK), Article 27 (a) definition of “guarantee or certification mark” Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (“Directive (EU) 2015/2436”); Article 28(2) and Article 83(1) Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (“Regulation (EU) 2017/1001 EUTMR”).
- 5 Section 169(b) *Trade Marks Act* 1995 (Cth).
- 6 Section 5 *Trade Marks Act* 2002 (NZ) definition of “certification trade mark” ultimately derived from Article 27(a) Directive (EU) 2015/2436.
- 7 *Trade Marks Act* 1996 (Ireland); *Trademarks Act Chapter 597*, 14 May 2019 (Malta).
- 8 Article 83(1) Directive (EU) 2015/2436.
- 9 Section 173 *Trade Marks Act* 1995 (Cth); s.54 *Trade Marks Act* 2002 (NZ).
- 10 Notwithstanding the out of date references to the *Trade Practices Act* 1974 (Cth) in the matters the ACCC must consider in assessing the rules for a certification trade mark in reg 16.6 *Trade Marks Regulations* 1995 (Cth).
- 11 Section 39 *Trade Marks Act* 2002 (NZ).
- 12 Section 175(2)(a) *Trade Marks Act* 1995 (Cth); s.55(1)(c) *Trade Marks Act* 2002 (NZ); Article 28(2) Directive (EU) 2015/2436 ; Article 83(1) Regulation (EU) 2017/1001 EUTMR.
- 13 Section 169(b) *Trade Marks Act* 1995 (Australia).
- 14 Section 55(1)(c) *Trade Marks Act* 2002 (NZ); Article 28(2) Directive (EU) 2015/2436; Article 83(1) Regulation (EU) 2017/1001 EUTMR.
- 15 Section 14(b) *Trade Marks Act* 2002 (NZ); Paragraph 4 Schedule 2 *Trade Marks Act* 1994 (UK); Article 28 (2) Directive (EU) 2015/2436; Article 83(2) Regulation (EU) 2017/1001 EUTMR.
- 16 This use of the certification trade mark by its registered owner in New Zealand would amount to a breach of s.14(b) *Trade Marks Act* 2002 (NZ) and of the certification rules for that mark, amounting to grounds for cancellation under s.63(b) *Trade Marks Act* 2002 (NZ). It is an additional ground of revocation of registration to those under s.46 *Trade Marks Act* 1994 (UK) if the proprietor has begun to carry out such a business; paragraph 15(a) Schedule 2 *Trade Marks Act* 1994 (UK); Article 91(a) Regulation (EU) 2017/1001 EUTMR; see also Article 28 (2) and (3) Directive (EU) 2015/2436 for those Member States which have chosen to transpose guarantee or certification trade marks into their national trade mark legislation under Article 28(1)
- 17 Section 169(b) *Trade Marks Act* 1995 (Cth) and the interpretative note to that section.
- 18 This is not a term I can claim to have invented. It was used by counsel for the opponent in the UK opposition to registration of MANUKA HONEY for honey in class 30; see UK Intellectual Property Office decision O/899/21 of 13 December 2021, hearing officer M Bryant, [23] <<https://www.ipo.gov.uk/t-challenge-decision-results/o89921.pdf>>. I have however expanded on its significance in this article.
- 19 Section 41 *Trade Marks Act* 1995 (Cth); s.18 *Trade Marks Act* 2002 (NZ); Article 4 (1)(b) (c) (d) and (e) Directive (EU) 2015/2436; Articles 4, Article 7 (1)(a)–(e) and Article 83(2)(1) Regulation (EU) 2017/1001 EUTMR.
- 20 *Wilson’s and Mathieson’s Ltd’s Application* (1929) 46 RPC 80,89.
- 21 E.g. *Brilliant Investment Publishing Pty Ltd* [2019] 151 IPR 68, where the hearing officer found that the inclusion of the word “certified” satisfied this requirement in the application for a certification trade mark.
- 22 Section 55(1)(b) *Trade Marks Act* 2002 (NZ).
- 23 *Union-Nationale Inter-Syndicale des Marques Collectives’ Appn* (1922) 39 RPC 346, 356–7, 362.
- 24 Section 43 *Trade Marks Act* 1995 (Cth); s17(1)(a) *Trade Marks Act* 2002 (NZ).
- 25 Section 88(2)(c) *Trade Marks Act* 1995 (Cth); section 66(1)(e) *Trade Marks Act* 2002 (NZ).
- 26 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399; (2021) 163 IPR 433.
- 27 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399; (2021) 163 IPR 433, [181]–[183], [185]. The registered owner previously successfully enforced the trade mark in trade mark infringement actions under s120 *Trade Marks Act* 1995 (Australia) see e.g. *Halal Certification Authority Pty Ltd v Scadilone Pty Ltd* (2014) 107 IPR 23.
- 28 Section 63(c) and s.63(d) *Trade Marks Act* 2002 (NZ).
- 29 Section 66(1)(e) *Trade Marks Act* 2002 (NZ).
- 30 Section 41 *Trade Marks Act* 1995 (Cth); s.18 *Trade Marks Act* 2002 (NZ); Article 4 (1)(b) (c) (d) and (e) Directive (EU) 2015/2436;
- 31 *Registrar of Trade Marks v W & G Du Cros Ltd.* [1913] AC 624, 635–6.
- 32 *Cantarella Bros Pty Ltd v Modena Trading Pty Ltd* (2014) 254 CLR 337, [26], [28], [44] and [58] - [59].
- 33 *Brilliant Investment Publishing Pty Ltd, Re* (2019) 151 IPR 68.
- 34 Section 170 *Trade Marks Act* 1995 (Cth).
- 35 *Brilliant Investment Publishing Pty Ltd, Re* (2019) 151 IPR 68, [10].
- 36 *Brilliant Investment Publishing Pty Ltd, Re* (2019) 151 IPR 68, [18].
- 37 *Brilliant Investment Publishing Pty Ltd, Re* (2019) 151 IPR 68, [22]–[23].
- 38 *US Dairy Export Council v Consorzio Per La Tutela Del Formaggio Gorgonzola* (2020) 156 IPR 182.
- 39 *US Dairy Export Council v Consorzio Per La Tutela Del Formaggio Gorgonzola* (2020) 156 IPR 182, [43].
- 40 *US Dairy Export Council v Consorzio Per La Tutela Del Formaggio Gorgonzola* (2020) 156 IPR, [48]–[49]. See also *US Dairy Export Council v Consorzio Per La Tutela Del Formaggio Asiago* (2020) 156 IPR 523 for a similar result with respect to ASIAGO for cheese in class 29.
- 41 *Brilliant Investment Publishing Pty Ltd, Re* (2019) 151 IPR 68.
- 42 *Consorzio per la Tutela del Formaggio Gorgonzola v Dairy Companies Association of New Zealand Incorporated* [2022] NZIPOTM 13.
- 43 *Re W & G du Cros Ltd’s Application* (1913) 30 RPC 660, 671–672; and see *Cantarella Bros Pty Ltd v Modena Trading Pty Ltd* (2014) 254 CLR 337, [26], [28], [44] and [58]–[59].
- 44 *Consorzio per la Tutela del Formaggio Gorgonzola v Dairy Companies Association of New Zealand Incorporated* [2022] NZIPOTM 13, [140]–[141], relying on *Fredco Trading Ltd v Miller* (2004) 65 IPR

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- 653 (HC NZ), [39] and *Fredco Trading Ltd v Miller* (NZCA) (2006) 11 TCLR 751, [61].
- 45 *Consorzio per la Tutela del Formaggio Gorgonzola v Dairy Companies Association of New Zealand Incorporated* [2022] NZIPOTM 13, [151]–[154].
- 46 *Consorzio per la Tutela del Formaggio Gorgonzola v Dairy Companies Association of New Zealand Incorporated* [2022] NZIPOTM 13, [181]–[185].
- 47 *US Dairy Export Council v Consorzio Per La Tutela Del Formaggio Gorgonzola* (2020) 156 IPR 182..
- 48 *Re STILTON Trade Mark* [1967] RPC 173, 183 (which concerned the provisions in the *Trade Marks Act 1938* (UK)). The current provisions are constitutive with EU law on distinctiveness: s.1(1) s.3 (1) and Schedule 2 paragraph 2 *Trade Marks Act 1994* (UK).
- 49 Decision R 1410/2019-5 of the 5th Board of Appeal of the European Intellectual Property Office on 27 October 2021 [25]–[27] <<https://euipo.europa.eu/eSearch/#details/trademarks/017285421>>.
- 50 Indeed this was required as a condition of registration of GORGONZOLA in New Zealand, along with a reference to Gorgonzola being a protected designation of origin in Europe; *Consorzio per la Tutela del Formaggio Gorgonzola v Dairy Companies Association of New Zealand Incorporated* [2022] NZIPOTM 13, [277].
- 51 *Consorzio per la Tutela del Formaggio Gorgonzola v Dairy Companies Association of New Zealand Incorporated* [2022] NZIPOTM 13, [154]–[155].
- 52 *Consorzio per la Tutela del Formaggio Gorgonzola v Dairy Companies Association of New Zealand Incorporated* [2022] NZIPOTM 13, [277].
- 53 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* (2021) 163 IPR 433, [181] – [183], [185]. The registered owner previously successfully enforced the trade mark in trade mark infringement actions under s120 *Trade Marks Act 1995* (Cth) see e.g. *Halal Certification Authority Pty Ltd v Scadilone Pty Ltd* (2014) 107 IPR 234602.
- 54 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* (2021) 163 IPR 433, [197].
- 55 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* (2021) 163 IPR 433, [168]. Or indeed or indeed for the purposes of s.43 *Trade Marks Act 1995* (Cth).
- 56 Jessica C Lai, ‘Hijacking Consumer Trust Systems: Of Self-declared Watchdogs and Certification Trade Marks’ (2021) 52(1) *International Review of Intellectual Property and Competition Law* 34.
- 57 *Manuka Honey Appellation Society Incorporated* [2018] NZIPOTM 7, [55].
- 58 *Manuka Honey Appellation Society Incorporated* [2018] NZIPOTM 7, [64].
- 59 The subsequent fate of the trade mark applications of MANUKA HONEY in the EUIPO and the UKIPO give an indication of how this decision might go – given that the absolute and relative grounds of rejection under the *Trade Marks Act 2002* (NZ) ultimately have their foundation in the *Trade Marks Act 1995* (UK) and thus ultimately in the trade mark law of the EU.
- 60 *Manuka Honey Appellation Society Incorporated v Howes* (2021) 166 IPR 189, [17]–[23].
- 61 *Manuka Honey Appellation Society Incorporated v Howes* (2021) 166 IPR 189, [24]–[27].
- 62 *Manuka Honey Appellation Society Incorporated v Howes* (2021) 166 IPR 189, [28].
- 63 *Manuka Honey Appellation Society Incorporated v Howes* (2021) 166 IPR 189, [30]–[31].
- 64 The terms of s.18(1) *Trade Marks Act 2002* (NZ) are very close in their drafting to s.3(1) *Trade Marks Act 1994* (UK), Article 4 (a)(b) (c) and (d) of Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks. Article 4(1)(b) of Directive (EU) 2015/2436 and s. 3(1) *Trade Marks Act 1994* (UK) all refer to trade marks that are “devoid of any distinctive character”.
- 65 See e.g. the Court of Justice of the European Union decision in *Freixenet SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* (OHIM) C-344/10 P and C-345/10 P, *Botella esmerlada II*, EU:C:2011:680, [42]–[43] and the case-law cited there.
- 66 *Henkel KGaA v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* (OHIM) C-456/01 P and C-457/01 P, Tabs, EU:C:2004:258, [45]–[46]; 02/07/2002, *Satelliten Fernsehen GmbH v European Union Intellectual Property Office T-323/00*, (SAT.2), EU:T:2002:172, [25].
- 67 Decision R 1410/2019-5 of the 5th Board of Appeal of the European Intellectual Property Office on 27 October 2021, [25] <<https://euipo.europa.eu/eSearch/#details/trademarks/017285421>>.
- 68 Decision R 1410/2019-5 of the 5th Board of Appeal of the European Intellectual Property Office on 27 October 2021, [26] <<https://euipo.europa.eu/eSearch/#details/trademarks/017285421>>.
- 69 Decision R 1410/2019-5 of the 5th Board of Appeal of the European Intellectual Property Office on 27 October 2021, [27] <<https://euipo.europa.eu/eSearch/#details/trademarks/017285421>>.
- 70 Decision R 1410/2019-5 of the 5th Board of Appeal of the European Intellectual Property Office on 27 October 2021 <<https://euipo.europa.eu/eSearch/#details/trademarks/017285421>>.
- 71 Decision R 1410/2019-5 of the 5th Board of Appeal of the European Intellectual Property Office on 27 October 2021 <<https://euipo.europa.eu/eSearch/#details/trademarks/017285421>>.
- 72 UK Intellectual Property Office decision O/899/21 of 13 December 2021, hearing officer M Bryant <<https://www.ipo.gov.uk/t-challenge-decision-results/o89921.pdf>>.
- 73 The relevant UK and EU law on distinctiveness is discussed in the UK Intellectual Property Office decision O/899/21 of 13 December 2021, hearing officer M Bryant, [21]–[22] <<https://www.ipo.gov.uk/t-challenge-decision-results/o89921.pdf>>.
- 74 UK Intellectual Property Office decision O/899/21 of 13 December 2021, hearing officer M Bryant, [37]–[39] <<https://www.ipo.gov.uk/t-challenge-decision-results/o89921.pdf>> .
- 75 Clint Jasper, ‘Australian manuka honey producers score legal win over New Zealand producers in Europe, UK’, *Australian Broadcasting Corporation* (Web Page, 23 January 2023) <<https://www.abc.net.au/news/rural/2023-01-23/manuka-honey-legal-win-over-new-zealand-in-europe-uk/101876528>>.
- 76 Trade marks search European Intellectual Property Office <<https://euipo.europa.eu/eSearch/#details/trademarks/017285421>> (online at 29 January 2023); trade mark search UK Intellectual Property Office <<https://trademarks.ipo.gov.uk/ipo-tmcase/page/History/1/UK00003150262>> (online at 29 January 2023).
- 77 Esther Taunton, ‘The fight isn’t over’: Beekeepers withdraw appeal over mānuka honey trademark’, *Stuff* (Web Page, 23 January 2023) <<https://www.stuff.co.nz/business/131038712/the-fight-isnt-over-beekeepers-withdraw-appeal-over-mnuka-honey-trademark>>; Sally Murphy, ‘New Zealand mānuka honey producers vow to continue trademark fight’, *RNZ* (Web Page, 24 January 2023) <<https://www.rnz.co.nz/news/country/482988/new-zealand-manuka-honey-producers-vow-to-continue-trademark-fight>>.
- 78 Sections 162 *Trade Marks Act 1995* (Cth) definition of “collective trade mark” and see s.163 *Trade Marks Act 1995* (Australia); s.5 *Trade Marks Act 2002* (NZ) definition of “collective trade mark” and “collective association”.
- 79 Details of negotiations for Australia on geographical indications under the AU-EU FTA by the Australian Government Department of Foreign Affairs and Trade can be found at <<https://www.dfat.gov.au/trade/agreements/negotiations/aeufta/geographical-indications>>.
- 80 The key points of the finalised negotiations of the NZ-EU FTA from a New Zealand point of view of New Zealand Trade and Enterprise appear here <https://my.nzte.govt.nz/article2/eu-nz-fta-negotiations-concluded?gclid=EALalQobChMIxKKEjO_r_AIVGYbCCh3LWgr2EAAAYASAAEgLRXfd_BwET> (Web Page, 29 January 2023).
- 81 *Wine Australia Act 2013* (Cth); *Wine Australia Regulations 2018* (Cth). For New Zealand, see s.6 *Geographical Indications (Wine and Spirits) Registration Act 2006* (NZ) and *The Geographical Indications (Wine and Spirits) Registration Regulations 2016* (NZ).
- 82 Schedule 2 *Competition and Consumer Act 2010* (Cth).
- 83 E.g. negotiations between Australia and the European Union on the AU-EU FTA <<https://www.dfat.gov.au/trade/agreements/negotiations/aeufta>>.
- 84 Article 55 Regulation (EU) 2017/1001.
- 85 Regulation (EU) No. 1151/2012 of the European Parliament and of the Council with regard to the establishment of the Union symbols for protected designations of origin, protected geographical

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- indications and traditional specialities guaranteed and with regard to certain rules on sourcing, certain procedural rules and certain additional transitional rules OJ L 343/1 a 14.12.2012 (“Regulation (EU) No. 1151/2012”).
- 86 Article 5(1)(c) subject to Article 5(3) Regulation (EU) No. 1151/2012.
- 87 Article 5(2)(c) subject to Article 5(3) Regulation (EU) No. 1151/2012.
- 88 Article 7 Regulation (EU) No. 1151/2012.
- 89 Article 6(1) Regulation (EU) No. 1151/2012.
- 90 Article 6(4) Regulation (EU) No. 1151/2012.
- 91 The key points of the NZ-EU FTA from a New Zealand point of view from New Zealand Trade and Enterprise appear here: <https://my.nzte.govt.nz/article2/eu-nz-fta-negotiations-concluded?gclid=EAIAIQobChMIxKKEjO_r_AIVGYbCCh3LWgr2EAAAYASAAEgLRXfD_BwET>. The summary and the negotiating documents and policy directives from the EU side for the NZ-EU FTA can be found here: <https://policy.trade.ec.europa.eu/news/key-elements-eu-new-zealand-trade-agreement-2022-06-30_en>; and here: <https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/new-zealand/eu-new-zealand-agreement/documents_en>.
- 92 New Zealand Foreign Affairs and Trade, *NZ-EU FTA Steps to Completion Between Now and 2024* <<https://www.mfat.govt.nz/assets/Trade-agreements/EU-NZ-FTA/NZ-EU-FTA-Steps-to-Completion.pdf>>.
- 93 See e.g. in the UK Intellectual Property Office decision O/899/21 of 13 December 2021, hearing officer M Bryant <<https://www.ipo.gov.uk/t-challenge-decision-results/o89921.pdf>>; in Australia *Manuka Honey Appellation Society Incorporated v Howes* (2021) 166 IPR 189 and in the EU Decision R 1410/2019-5 of the 5th Board of Appeal of the European Intellectual Property Office on 27 October 2021 <<https://euipo.europa.eu/eSearch/#details/trademarks/017285421>>.
- 94 E.g. CJ Adams, C H Boulton, B J Deadman, J M Farr, M N C Grainger, M Manley-Harris and M J Snow, ‘Isolation by HPLC and characterisation of the bioactive fraction of New Zealand manuka (*Leptospermum scoparium*) honey’ 343 (4) *Carbohydrate Research* 651 <<https://doi.org/10.1016/j.carres.2007.12.011>>; N N Cokcetin, M. Pappalardo, L T Campbell, P Brooks, D A Carter, S E Blair and E J Harry, ‘The antibacterial activity of Australian *Leptospermum* honey correlates with methylglyoxal levels’ (2016) 11(12) *PLoS ONE*, 11(12), 1 <<https://doi.org/10.1371/journal.pone.0167780>>.
- 95 Carolin Schmidt, Kristin Eichelberger, Harald Rohm, “New Zealand mānuka honey - A review on specific properties and possibilities to distinguish mānuka from kānuka honey” (2021) 136(1) *LWT—Food Science and Technology* <<https://www.sciencedirect.com/science/article/pii/S0023643820313001>>.
- 96 C Smith, N Cokcetin, T Truong, E Harry, G Hutvagner and S Bajan, ‘Cataloguing the small RNA content of honey using next generation sequencing’ (2021) 2 *Food Chemistry: Molecular Sciences* 100014.
- 97 See e.g. C Smith, N Cokcetin, T Truong, E Harry, G Hutvagner and S Bajan, ‘Cataloguing the small RNA content of honey using next generation sequencing’ (2021) 2 *Food Chemistry: Molecular Sciences* 100014.

Not So Ordinary: Who is the “Person Skilled in the Art”?

Dr Milena Dryza¹

I was fortunate enough to attend a presentation by the Honourable Justice Jagot at the 2022 IPSANZ Conference which was subsequently published as an article in this Journal.² Her Honour opined on how evidence relating to lack of inventive step is gathered for the purposes of court proceedings, and how the desire to avoid hindsight in the gathering of this evidence has led to the development, by patent attorneys and lawyers, of rituals which are time consuming, expensive and may not actually achieve the objective of avoiding hindsight.

For some time, I have been puzzled by a tangential but related point – on what basis do patent attorneys and lawyers decide who the best expert(s) will be to represent the notional person skilled in the art (“PSA”) in a particular case?

What does a PSA do?

Let’s take a step back. We are familiar with the concept of a “reasonable person” or “the man on the Clapham omnibus” in tort, criminal and contract law. “Reasonable person” is defined by the *Merriam-Webster* dictionary as:³

A fictional person with an ordinary degree of reason, prudence, care, foresight, or intelligence whose conduct, conclusion, or expectation in relation to a particular circumstance or fact is used as an objective standard by which to measure or determine something (as the existence of negligence).

In Australian patent law, we have the concept of a PSA. The PSA is a hypothetical construct that is not that different from the “reasonable person” – they too may be said to possess ordinary skills and intelligence, and their expectation in relation to a particular set of information, and what can be routinely done with it, is used as an objective standard to assess the patentability of an invention.

Specifically in the context of Australian patent law, the PSA is a skilled but non-inventive worker in the relevant field of technology, taken to be informed of the common general knowledge in the art. Their expertise may vary from that of a tradesperson to that of a scientist (depending on the nature of the invention). The PSA is assumed to have a practical interest in the claimed invention and want to put the claimed invention to use.⁴ Depending on the complexity of the relevant field, the common general knowledge of the PSA may be quite sophisticated and may even be derived from multiple fields. In the case of the latter, the PSA may be a team of people with different types of expertise.

The PSA is a feature of many aspects of Australian patent law. I will borrow some of Justice Jagot’s introductory statements from her article, which highlight the way in which a PSA is invoked in patent law:⁵

The “art” is the subject-matter or field of the patent: Catnic Components Ltd v Hill & Smith Ltd [1982] RPC 183 at 235. ... Identifying the field or fields of the patent is important because the person skilled in the art is the person with expertise in that area who is to be attributed with the common general knowledge of the relevant field or fields of the patent: JMVB Enterprises Pty Ltd v Camoflag Pty Ltd [2005] FCA 1474; (2005) 67 IPR 68 at [91].

So, we get to the relevant PSA by determining the field or fields of the patent. Patents are also to be construed through the eyes of the PSA. As are prior art documents. Therefore, the PSA is used to interpret the meanings of terms in patent claims, and to help us understand what prior art documents disclose or “teach”, and what a patent specification enables a PSA to do. Thus, the PSA is invoked when assessing the grounds of novelty, support and sufficiency, and in determining claim scope.

The PSA also plays a central role in determining whether an invention is obvious, or “lacks an inventive step”. As noted above, the PSA is imbued with “common general knowledge”, which is the knowledge that has been assimilated and accepted by the majority of those in the relevant field. It includes material and information to which a PSA would have regard to as a matter of course. An invention is taken to involve an inventive step, unless it would have been obvious to a PSA in light of the common general knowledge and any prior art information that was publicly available before the priority date of the relevant patent application or patent.

Therefore, whether one is trying to determine whether an invention claimed in a patent is novel, inventive, or sufficiently disclosed, whether the claims are supported, or to determine the scope of a claim to ascertain whether a particular act infringes the claim, the PSA needs to be involved.

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How is a PSA used?

So, how does one establish what a prior art document discloses to a PSA? Or what a term in a claim means to a PSA? Or what was the common general knowledge of a PSA working in a particular area before the priority date of a patent? One consults a PSA and obtains evidence from them.

Depending on the ground that is to be relied on and the nature of the evidence that therefore needs to be gathered from the PSA, the PSA may, for example, be asked a series of questions to ascertain their common general knowledge. They may be presented with relevant prior art documents and/or the patent or patent application. They may be asked what these documents disclose to them, and/or they may be asked to conduct prior art searching to show that particular documents would have been found by a PSA. They may even be asked to recreate experiments described in prior art documents, or in the patent or patent application itself.

The PSA then works with lawyers and/or patent attorneys to prepare the relevant declarations and/or affidavits in which they attest to certain facts and knowledge. The aim of the evidence is to assist the relevant audience (usually the Commissioner of Patents or a Judge) in determining exactly what a PSA would have done, thought or found given the circumstances and context.

Are we picking the right PSA?

This brings me to my main question: why do patent attorneys and lawyers select the experts that they do to represent the PSA? As mentioned above, according to well-established legal principles, the PSA should be a skilled *but non-inventive* worker in the relevant field of technology, *who knows the common general knowledge in the art at the relevant time*. Given this, why is it that, for court proceedings in particular, the most highly qualified and therefore arguably least non-inventive experts are selected? As eloquently enunciated by her Honour:⁶

The understandable tendency of a litigation lawyer is to retain the best, most renowned experts in the field. But the knowledge (and inventive capacity) of these experts might be far removed from the person skilled in the art. The greater the knowledge of the expert, the more they might have to disregard as not forming part of the common general knowledge at the priority date. Without detailed and explicit instructions, this is a strange position for an expert to be put in. They are being retained because they are renowned in the field, but the evidence being sought from them is not evidence of their own knowledge and capacities and what they could have invented – what is sought is their opinions about what effectively everyone in the relevant field would know and take as given.

Other artificialities arise as a result of selecting the most renowned expert in a field. Typically, such an expert has not relied on or used the common general knowledge that existed before the relevant priority date for many years, if not decades. Therefore, what they remember as forming part of the common general knowledge at a particular time may be difficult for them to accurately recall. In terms of re-creating and conducting experiments, many renowned experts have not actually been in a laboratory for decades. Whether they accurately remember how certain steps were performed before the priority date may therefore also be questionable.

It is interesting to note that, for the purposes of patent oppositions before the Australian Patent Office, the experts used often more accurately represent the PSA: they are often early-career scientists or engineers under the employ of one of the parties, who are still practically involved in conducting routine testing and experiments. In addition, these experts were often undergraduate students at the relevant priority date, and therefore their common general knowledge is representative of a PSA. Equally, during prosecution of a patent application, Australian patent examiners are often not experts in the field to which a particular technology pertains but are well-versed enough in that field to understand the technology and terminology, as well as have an appreciation of the relevant common general knowledge. Once again, the examiners also approximate a PSA more closely than renowned experts used in litigation proceedings. Therefore, there appear to be different PSAs used to assess the validity of a patent, depending on which stage of its life a patent is at.

The PSA in the era of Artificial Intelligence (“AI”)

Another conundrum about the identity of the PSA arises when we consider inventions made with the assistance of AI. If we take the early stages of drug development and identifying a candidate drug as an example, until quite recently the process has typically involved identifying a biological target (e.g., a receptor), followed by conducting *in silico* studies and/or screening compound libraries to find initial lead candidates that may act on that target. With the advent of AI, both steps (and particularly the second step) can be carried out much faster – once an AI system has been taught what sort of molecules may fit into and interact with a particular target, it can very quickly sort through vast numbers of compounds in a library to identify the optimum candidates. In this situation it is still scientists who have inputted the data to train the AI, and who have developed the library, and therefore the applicable common general knowledge is derivable in this context.

However, what happens in the case of more sophisticated AI systems, where a target is presented, and the AI is left to train itself and solve the problem of finding a drug candidate based on whatever data it can access? In this situation, it is no longer trained by humans that themselves are “constrained” by the common general knowledge in the field of their

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endeavour, and it can also access information from multiple (and sometimes not readily ascertainable) sources. The AI may produce results that are so far out of the common general knowledge, that an assessment of what a human PSA would have done in the context of trying to solve the problem becomes meaningless. This has implications not only for who the PSA is and what common general knowledge they possess, but also for legal tests, such as certain tests for inventive step, where, with no expectations or set course, it may no longer make sense to ask, in the words of the High Court of Australia:⁷

Would the person skilled in the art, when faced with the same problem, be directly led as a matter of course to try the claimed invention in the expectation that it might well produce a useful result?

Therefore, in addition to questions of inventorship, we will soon need to grapple with the implications of AI in other aspects of patent law. The PSA is already more than ordinary in certain contexts, and may soon transcend the human realm altogether!

- 1 Australian and New Zealand Patent Attorney, Senior Associate, Madderns Patent & Trade Mark Attorneys.
- 2 Justice Jayne Jagot, ‘Some Evidentiary Issues in Patent Law’ (2022) 130 *Intellectual Property Forum* 9.
- 3 *Merriam-Webster* (online at 11 January 2022) ‘reasonable person’.
- 4 *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183, 235; *Stanway Oyster Cylinders Pty Ltd v Marks* [1996] FCA 527; (1996) 66 FCR 577, 582.
- 5 Justice Jayne Jagot, ‘Some Evidentiary Issues in Patent Law’ (2022) 130 *Intellectual Property Forum* 9, 9.
- 6 Justice Jayne Jagot, ‘Some Evidentiary Issues in Patent Law’ (2022) 130 *Intellectual Property Forum* 9, 12.
- 7 *Aktiebolaget Hassle v Alphapharm Pty Ltd* [2002] HCA 59.

Green Trade Marks and the Risk of Greenwashing

Kathryn Park¹

The last decade has seen a rapid increase in demand from consumers for “environmentally friendly” products and services. Climate change and its impacts — record-setting tsunamis and hurricanes, out-of-control wildfires, floods and landslides, droughts and scorching temperatures — are driving demand for goods that are sustainably produced and can be used without harming the environment. One recent study by Dentsu International and Microsoft Advertising suggested that over 90 per cent of consumers are interested in brands that are committed to and can demonstrate they are making sustainability a priority.² It further noted that companies that fail to implement this as a strategy will face a consumer backlash in the next few years. Other studies show that well over 50 per cent of millennials and Gen Z consumers will pay more now for such goods. Offering green goods can be very good for business.

With its potential to lure consumers, companies have embraced green marketing in many ways. These include adopting brand names that suggest green; using words like sustainable, compostable, green, organic, eco, zero impact and natural; featuring glossy shots of beautiful mountains, oceans and forests as backdrops in their advertising; use of green-based color schemes for advertising fonts and text; and making claims about the environmental benefits their products confer. But consumers are skeptical of such marketing unless the company can transparently demonstrate the factual basis for making such claims. Equally important, false or unsubstantiated green marketing claims can attract the attention of regulators, lawmakers and potential litigants, such as competitors, customers or consumer watchdogs.

Going green the right way

First, companies that are successful green marketers typically embrace sustainability across their business operations. For example, they make explicit and measurable commitments to reduce their impact on the environment, which are publicly reported and capable of being verified externally. Transparency is key. The claims must be factually supported and meaningful or material to consumers.

Second, and hand-in-hand with the above, successful green marketers do not overstate their sustainability impacts. Companies that make specific claims about particular products are more likely to convince consumers that the claims are legitimate if they are not couched in overly broad terms, but carefully qualified and supported by sound data.

Third, successful green marketers avoid environmental claims that, while strictly true, are misleading. For example, claiming fewer emissions in one refinery while 99 per cent of the business continues to release pollutants into the

environment is such a miniscule benefit that it does not materially change the negative environmental impact of the refinery’s business.

Customers are loyal to brands that have a proven track record of living up to their environmental commitments. For example, the women’s clothing brand, Eileen Fisher, has a dedicated consumer base, which is appreciative of the brand’s commitment to sustainability. And that is highly visible because the company takes back its used clothing and recycles it into new goods.

Beware the green sheen – the perils of greenwashing

Guidelines promulgated by the Federal Trade Commission in the United States in the *Green Guides*³ and by the European Union in its Directive on Unfair Commercial Practices,⁴ offer clear guidance on what constitutes misleading information. Under both regimes, using vague terms such as “sustainable”, “green”, “eco” and the like, are not acceptable if false or misleading. Additionally, claims need to be supported by clear factual evidence and qualified so as not to overstate their benefits. Moreover, the environmental benefit claim must pertain directly to the product as manufactured or used.

While regulators pursue companies that run afoul of consumer protection laws, claims are also pursued by non-governmental entities. Competitors may also sue, as will consumers who are misled, often as part of a consumer class action.

In a recent case of first impression arising in Italy, a court upheld a competitor’s false advertising challenge based on greenwashing. It sustained an interim injunction prohibiting the defendant from continuing to make vague and

unsubstantiated green claims. The plaintiff, Alcantara, which makes a micro-fiber used in automobiles, claimed that its competitor, Miko, was making false claims about the green nature of its micro-fiber. The court held that the claims were unverifiable and false, and ordered their immediate removal from all of Miko's advertising and web uses. It also ordered Miko to publish the court's decision on its company website for 60 days.

An example of the potential havoc a consumer class action can wreak is the case of Wesson, a maker of cooking oil. Consumers of Wesson's cooking oil brought a putative class action over Wesson's claims that the oil was 100 per cent "natural", when in fact the oil was made from genetically modified organisms. The litigation, which lasted an astonishing eight years, eventually settled.

So what constitutes actionable greenwashing? An example is labeling something as compostable, such as a garbage bag that is destined for a landfill where it will not break down. Claiming that something is recyclable when the infrastructure supports only a fraction of the recycling that would be required to remove the environmental harm – think plastic water and soda bottles – may also constitute greenwashing. There have been a number of lawsuits in the United States in the past year against Coca-Cola,⁵ BlueTriton⁶ (which manufactures Poland Spring, Deer Park⁷ and other water brands), and others, for making broad sustainability claims despite the fact the vast majority of their bottles end up in landfills and are not recycled. These lawsuits have been filed by various environmental advocacy groups like the Sierra Club.⁸

One example of this trend is the lawsuit filed in August 2021 by the environmental group Earth Island Institute against BlueTriton (*Earth Island Inst. v BlueTriton Brands*)⁹ arguing that its sustainability claims were in violation of a specific District of Columbia law, the *Consumer Protection Procedures Act*, which prohibits the use of deceptive trade practices. In response, the defendant BlueTriton, argued that its claims were aspirational and constituted puffery, and were thus not actionable. The case is still pending.

And while companies may sometimes technically get away with these sorts of claims, consumers are wary. As demand for truly green products grows, casting a green sheen on products that aren't truly better for the environment is bound to backfire.

In January of 2021, the European Commission, working with national consumer authorities, published a report on its annual sweep of consumer websites, which were scanned for breaches of EU consumer protection laws. The study, for the first time, focused on greenwashing and looked at green claims from a variety of consumer products. It concluded that in 42 per cent of the websites examined, claims were likely false and deceptive and might well constitute actionable

claims for unfair commercial practices.

Beyond the threat of enforcement actions or litigation, which is costly, loss of business looms as an even more significant long-term cost. Customers are balking when greenwashing is blatant. A quick review of YouTube, for example, reveals content created by millennials or Gen Z consumers warning of the worst green washers, and poking fun at many well-known brands. This sort of notoriety is bad for brands, potentially undoing decades of goodwill by turning off the next generation of consumers who are willing to spend more money for brands that deliver on their environmental commitments.

Applications for green trade marks on the rise

Trade mark applications for goods and services that are related to the environment and to combatting climate change continue to grow. In September 2021, the European Union Intellectual Property Office ("EUIPO") released its *Green EU Trade Marks Report*, which analysed trade mark filings by searching more than 900 terms associated with environmental protection and sustainability, such as photovoltaic, solar, wind and recycling. It found the number of such trade marks has risen steadily, from under 1,600 in 1996, the first year the EUIPO was in operation, to almost 16,000 in 2020. Filings for such marks currently account for between 10 and 12 per cent of all filings each year.

Trade mark applications for marks that specifically include direct environmental claims, such as calling a product green, sustainable or eco-friendly, however, are likely to face a refusal. The basis for such refusals is most often because the mark is descriptive, but another potential basis for refusal is that the mark fails to function as a trade mark. A third potential basis for refusal is that the mark is deceptive.

As a descriptiveness refusal analyses the words comprising the mark in relation to the goods delineated, it is straightforward. For example, the United States Patent and Trademark Office has refused registration for marks such as GREEN CEMENT for a cement that is not damaging to the environment, GREEN-KEY for environmentally friendly key cards, CARBON NEGATIVE FIBER for natural fibers used in composite materials for manufacturing, and ZERO WASTE TEE for clothing. In the EU, a similar analysis is used and indeed, terms like "eco" and "green" are specifically called out in the EUIPO Guidelines as being descriptive when used in connection with goods or services that purport to be environmentally friendly.

Use of unqualified green trade marks is likely to give rise to a claim of greenwashing, because of the inherent impossibility of adequately qualifying the claim in the few words that typically constitute a trade mark. Because greenwashing occurs where the claim is not specific or qualified, by default, most trade marks will fail that test.

Green Trade Marks and the Risk of Greenwashing

Creative marketers are adept at finding ways to identify trade marks that qualify for protection, and that are suggestive but not descriptive of the environmental benefit the brand promises. For example, the outdoor lifestyle-clothing brand “Patagonia” has registered trade marks such as BETTER THAN NEW to identify consumer goods. Everlane, another clothing company, has been successful registering marks such as RECASHMERE and REWOOL for goods made of recycled textiles.

Sealing green credentials with a certification mark

One proven way that companies can establish their green credentials is through use of a certification mark. Consumers increasingly rely on certification marks when making purchasing decisions. A certification mark is one owned by an entity that sets standards and testing methodologies that must be met by the companies seeking to use that mark. The Marine Stewardship Council (“MSC”), for example, has a certification program for fisheries that sets strict standards designed to lessen the negative impacts on the oceans of fishing. These standards are updated regularly as science evolves, and those seeking certification must establish that they meet those standards. The MSC certification mark is used directly on consumer facing products and by retailers and restaurants to signify that the seafood and fish that bear the mark have been harvested in accordance with these standards.

Another example is the Leadership in Energy and Environmental Design or “LEED” certification mark, used in the building and construction industry to indicate best practices in sustainable building. Considered the gold standard in certification programs, LEED certifications identify building projects that have positive material environmental improvements, such as lower water use, reductions in carbon emissions, and so on. And there are many others, such as Building Research Establishment Environmental Assessment Method or “BREEAM”, which rates and certifies sustainability of buildings, the Rainforest Alliance certification for farms, Green Seal for consumer and commercial products, and SIP Certified for vineyards and wineries.

For brands that are looking for a way to quickly communicate a commitment to sustainability, a certification mark, used in conjunction with the brand, is often the best choice.

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Book review: *Research Handbook on Intellectual Property and Cultural Heritage*

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Edited by Irimi Stamatoudi

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This is a much needed and ambitious collection of materials that seek to integrate cultural heritage and intellectual property scholarship in a handy go-to sourcebook. The intersections between the fields are complex and dynamic and this collection allows both narrow and common issues to be explored. The materials within navigate the challenges and opportunities both at the local, national, and international levels while also directing thought to past preservation as well as the future.

Most chapters within this handbook start with definitions and all definitions vary slightly, showing the contested nature of what cultural heritage is, given it can mean something different depending on community, geography, identity, and history. What most chapters highlight and press upon the reader is how traditional Western IP is a poor source book for regulating cultural heritage. Western concepts of ownership, authorship, and creativity do not work well when faced with tangible and intangible works such as ritual, custom, relics, folklore, and traditional creative objects and non-objects that are at risk of appropriation, destruction, and being lost for future generations.

The structure of the handbook identifies just how multifaceted cultural heritage issues emerge within the IP field. The first part, including the introduction, by editor Professor Irimi Stamatoudi,² scaffolds the different ways that cultural heritage intersects with different IP rights used both defensively and oppressively. These chapters demarcate their scope by fixating only on one IP right to further explore its association and use in the heritage context. It is difficult to discuss nuance in IP law when a book is not jurisdiction specific, and the chapters try (and succeed) by keeping concepts at a higher, more universal level. This first part also works well as introductory material for people working in cultural heritage institutions (“CHIs”) as to the different type of IP rights as well as the concerns they may have with each type be it copyright, trade marks, patents, design, or unfair competition laws. This includes people such as researchers, archivists and curators working in museums, libraries, archives and galleries.

The second chapter, by Professor Paul Torremans,³ concentrates on copyright-related issues CHIs face such as preservation, insurance, and out-of-commerce works. Most welcome is the warning over perpetual moral rights and how integrity issues and exceptions and case law can be repurposed to find ways of making it work. While not everyone may agree

that there is a market for non-fungible tokens (“NFTs”), the solutions proposed are innovative and original. Professor Mira Burri’s chapter on the protection of cultural heritage by trade marks⁴ similarly wades through the complexities of using economic-based rights and the mismatch between the goals of these regimes and cultural heritage. Professor Burri especially notes the burden then placed on communities to have to monitor trade mark registers for offensive uses and the resources needed to oppose registrations, especially when it takes place *after* registration. The reflection after reading this chapter is that Indigenous issues are not easily squeezed into trade and commerce concerns, and it is interesting how different jurisdictions attempt unique solutions. This chapter is a great compass to the ongoing debate of whether IP regimes rooted in property concerns should even be employed for cultural heritage – a theme that works its way through most of the chapters in this handbook.

Both Pedro Henrique D Batista’s chapter on patent law⁵ and Assistant Professor Bernd Justin Jütte and Assistant Professor Alina Trapova’s chapter on designs⁶ show the problematic utility of using these regimes. For patents in particular, traditional concepts such as ownership, fixed terms of protection, and notification and disclosure (especially where it involves secret or sacred knowledge) makes these areas ill-suited to both positive protection and defensive protection of traditional knowledge and genetic resources. Batista echoes many of the writers within this collection when offering sui generis protection as an alternative.

The last chapter in the first part looks at trade secrets and unfair competition law. Dr Neethu Rajam and Professor Jens Schovsbo⁷ argue that such fields more easily accommodate communal ownership and are less restrictive than IP law. Unfair competition rules do not give exclusive rights but can cut through issues such as misappropriation and breach of confidential information. Disclosure and secrecy as understood by Indigenous communities continues to prevent it being the sole solution.

Separating out distinct categories of IP rights and their connection to cultural heritage issues is a helpful way to start the volume and makes the rest of the handbook easier to navigate, especially for those employed in CHIs who may lack an understanding of these rights, or as a useful way to add on to IP law subjects within courses that are normally taught in this regime specific way.

The rest of the first part of the handbook is then split into a collection of special issues that connect to the introductory breakdown. This section looks at challenges that technology brings as well as opportunities to use technology to overcome some of the issues previously highlighted. For example, chapter 7 looks at digital libraries and databases to protect traditional knowledge and incorporate it into prior art.⁸ It uses the Indian traditional knowledge digital library as a helpful example for countries examining possibilities and limitations of this as a solution. Some limitations include the “publicly accessible” nature of a database when incorporating sacred knowledge that some communities may wish not to share or avoid diffusion to different parties who may appropriate them in offensive ways. This chapter makes it clear that it is not enough just to have a database and that not all databases are created equal – it will depend on the structure and organisation as well as the particular attention and access it gets. Every community will have different needs and it is imperative that such solutions are done with communities rather than done for communities.

Dr Marina Markellou’s chapter⁹ looks at how modern art challenges the binarism of original and copy and the tension between what some may see as cross-cultural exchange and what others may see as offensive cultural appropriation. The disappearance of the single identifiable author of a work is debated from a framework of post-colonial theory and a re-evaluation of appropriation. It discusses the different ways jurisdictions tread the line between protection and freedom of expression looking at transformative use and fair dealing in several jurisdictions with the German design as an example of good practice. The chapter also looks at pre-existing traditional designs and images that are then incorporated into new works using a few cases from Australia and Mexico. It explores the conundrum of this practice where to use their own cultural heritage communities would need to obtain permission from others that have borrowed their designs into an original work. This is because due to formality challenges – ownership and authorship identification, the original designs are unlikely to be protected, but can be once appropriated. Again, the *sui generis* solution is contended as well as the fact that social norms do regulate this space in ways that the law cannot. An example not mentioned but recalled was the public backlash when Gucci tried to sell Sikh-style turbans as high-end fashion ending in Nordstrom removing the product from their line.¹⁰

Change is pondered in the framework of inclusivity modelled on Professor Severine Dussolier’s work, rethinking our notions of intellectual property “without being trapped by it.”¹¹ Another solution offered is a *domaine public payant*, something that is discussed across a few pieces in the handbook. This is a solution of compulsory acquisition with royalties going to communities. Not much time is spent on these solutions, which after all should be for each state working with communities. Rather the attention is given to

the argument that multiple conceptions of authorship and ownership can, and should, co-exist.

One of the most fascinating chapters in the collection is the chapter by Dr Enrico Bonadio on the issues raised by conservation of graffiti and street art,¹² long considered the artistic genre closest to advocacy, activism, and the voice of communities. The rise in council funding for street art, and the appreciation of artists such as Banksy, has pressed the issue of the transient nature of these works and their preservation, especially when faced with the prospect of vandalism and environmental damage. Dr Bonadio begins with a concise history of graffiti in LA and New York – the tagging and repetition of names and characters which then grew alongside a developing street art scene which was more image based. This chapter is a pure delight in the little historical factoids of a very cool art scene such as “adhesive art”, which made me feel very uncool as I did not know that was a thing. The exploitation of these works by commercial entities or the destruction by property owners and developers is of course worrying but instead of focusing on the copyright and moral right issues used to prevent it – instead he asks whether preservation in fact takes away from its legitimacy and uses interviews with street artists and writers to tease out the issues of the conflicting interests of artists, property owners, and the public.

Both chapter 10¹³ and chapter 11¹⁴ navigate specific issues concerning online dissemination. Both these chapters turn from cultural heritage as commonly understood to focus on what may become future examples of culture that are at risk of becoming lost or not preserved, as well as a focus on specific issues for CHIs. Chapter 12¹⁵ looks at the protection of traditional cultural expressions by geographical indicators (“GIs”) which are markers or identifiers of goods that originate in a certain locality known for its quality. It considers whether handicrafts could be similarly protected. While the general issues with authorship and ownership are bypassed with GIs it is still product bound, meaning traditions, rites and rituals will not be covered, thus being a “second-best” solution.¹⁶

Chapter 13 covers an issue that has attracted a lot of attention in recent years, of the issue of AI generated art works. Dr Theodoros Chiou starts by asking whether AI is a challenge for copyright – is copyright not amenable and in some ways shaped and transformed all the time by technological advancements without too much of a problem? The stumbling block for AI and copyright appears to be the non-human “creative” agent. It is argued that this is what separates AI generated images from past technological challenges as even photographs required an agent to create the boundaries of the photo. Where along the process of generation does the creativity lie? Is it in the training, the algorithm, or is it in the prompts or the decision at which the work is “finished”? Or is there no human factor and it

is in fact artificial creativity? Are they machine generated or just another digital tool for artists? The issue boils down to the situation of the “black box” where the creative decisions made by the algorithm are unexplainable and uncontrolled – if we don’t know what it is doing in there then how can we attribute decision making to a human agent at either end? While this may in practice be a simple matter of a policy choice (and an amendment to respective Copyright Acts), Chiou’s argument that now is a time of reflection may be just what we need to think about how to reshape our understandings of authorship.

Part II of the handbook is orientated towards different policies regulating cultural heritage protection that are in turn underscored by politics of different jurisdictions. The chapter by Dr Maria-Daphne Papadopoulou and Maria G Sinaniou¹⁷ looks at the contest between individual rights and the public interest when it comes to the derogation of IP rights and prohibitions on the free movement of goods when a state classifies something as a national treasure. It looks particularly to the harmonised European Union regime. They argue that if there is no copyright then there will be no national treasures of the future and so we must not be too hasty to allow derogation of rights.

In Professor Peter K Yu’s chapter,¹⁸ the cases of user-generated content, reproduction of Indigenous cultural heritage, and digitisation is used to contextualise the conflicts between human rights and IP when it comes to cultural heritage. Of course, it is not unusual for human rights to be in conflict (freedom of speech versus right to privacy for example) but when it comes to cultural heritage there is not yet a framework where the two sit comfortably. The chapter takes on the role of advocating a three-step balancing process to overcome this. The three-step process involves giving primacy to human rights, thus narrowing the issue, then to address the competing human rights claims giving priority to Article 15 (which is the right of everyone to benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which they are the author)¹⁹ and then finally expanding the process of balancing to other human rights. This is framed not as a hierarchy of rights, but rather a sequencing, that starts with the hardest challenges first to make the internal conflicts more manageable.

One of the most engaging chapters in the collection is Associate Professor Jessica C Lai’s “Best practices’ to protect Indigenous knowledge?”²⁰ This standout piece traverses systems such as the *domaine public* payant system, acknowledging that, while compensated, control is lost under compulsory acquisition systems. It also presents creative commons licensing which allows a bit more control and can be developed *with* communities rather than *for* them. Lai acknowledges that it would require Indigenous knowledge

to meet the requirements of copyright protection which is not always so simple. The biggest issue according to Lai, is that while there is a growing recognition that Indigenous knowledge does not fit easily within existing regimes, we still use concepts modelled on existing regimes to find solutions. None of the solutions involve fundamental changes to the way IP characterise ownership and knowledge creation. We romanticise Indigenous knowledge as raw materials due to an ignorance of the property systems of source communities. Only once we recognise that our existing IP regime is a social construct can we move forward.

The third and last part of the handbook is specifically geared toward special issues for those working in CHIs. Simon Stokes’ chapter on the artist’s resale right is a very practice-focused piece on a narrow but often overlooked issue and provides an excellent overview of the right in the UK and Australia, as well as the shaky ground Indigenous art has in the scheme due to the formalities of copyright.²¹

Chapter 20 looks at digitising initiatives in the EU of cultural heritage and the issue of orphan works, out of commerce works, as well as text mining and data analytics.²² It poses the problem of ownership of the information that has been digitised and possible anti-competitive behaviours such as licence refusal in the development of digital monopolies. Professor Stavroula Karapapa argues that those who benefit from a copyright exemption to digitise should have that exemption then applied to the digital product and that anything taken from the public domain must remain a part of it even after digitisation. It is hard not to agree with this standpoint although funding initiatives without commercial exploitation could be a stumbling block to such proposals. Chapter 21 in a similar vein explores the contests of ownership, authorship and societal identity between archaeological and IP spheres including the issues of responsibility and location.²³

Chapter 22 derives from the “Redefining the future of cultural heritage through a disruptive model of sustainability” project and looks more closely at management issues across institutions.²⁴ It talks about due diligence, dealing with restitutionary claims, and digitisation along with marketing, social inclusion, engagement strategies and climate change concerns. This is an excellent overview for those in CHIs that are looking for a more sustainable model of cultural heritage management. This is complemented by the next chapter by Rina Elster Pantalony that explores risk and rights assessment including an overview of different taxonomies that have developed including an example of a template for rights metadata information capture.²⁵

Adjunct Professor Leila A Amineddoleh²⁶ then presents the reader with an engrossing saunter through past narratives of cultural theft such as the Roman looting of Greek sanctuaries, British recovery of looted items after the Napoleonic wars,

and the international efforts at protecting cultural heritage such and the development of national patrimony laws. She then looks at case studies of litigation regarding the illicit trade in stolen goods such as that against an American art dealer regarding a number of mosaics plundered during the Turkey Invasion of Cyprus in 1974 and the Met's display of goods stolen from Lydian tombs in Turkey. Through these colourful stories emerges the inherent difficulties in negotiating the return of items, especially proving where objects originate from, and when they left the country, as well as the concept of laches or delay where rights may become lost if not exercised upon discovery. Repatriation, claims Adjunct Professor Amineddoleh, is an opportunity to honour the past and recognise and honour communities "it represents our humanity"²⁷ and this chapter shows how the return of these items can be used to "mend fences" as well as make sure our shared history is able to be shared for future generations.

Professor Benjamin Farrand²⁸ moves the reader from the past to talk about cultural items of today that are "born digital" and how to preserve them to become the cultural heritage objects of the future. It uses videogames as the example but can be applied across many different cultural forms (think for example of streamed films and e-books). Technological obsolescence and data loss is a real threat to these objects as technology moves at such a quick pace that often transfer to new systems must happen within copyright terms in order to preserve them. For videogames, many are console restricted, and those consoles become obsolete or no longer supported, or the apparatus on which the game is stored may degrade over time. Transferring them to other types of files can be problematic with technological protection measures enforcing IP restrictions. To avoid a "20th century black-hole" we must ask whose responsibility is it to preserve these cultural items and how can this be done with competing IP rights in opposition? Farrand makes the case that while the EU has made progress to make the digitisation of content lawful and accessible for cultural heritage and CHIs more needs to be done for the born-digital cultural heritage of the very near past and those that are apt to quickly fade in the face of technological obsolescence.

The next two chapters give a useful overview of conflict of laws regarding stolen and illegally exported works of art as well as the use of appropriate alternative dispute resolution procedures that can be used. Chapter 29, written by Adjunct Professor Charles Cronin then brings us back to preservation issues and the implications of 3D printing.²⁹ The chapter explores how new technologies can replicate cultural heritage art and objects thereby challenging the significance of their "original manifestations". Technology can be used as a way of replicating items and leaving them in situ in their original locations, especially where there may be sacred or cultural significance to them. It also means that structural integrity and geographical locations present less of a challenge to some

type of preservation – even if only a digital model of the original. 3D scan and print options and their accessibility mean that this work can be carried out with relative ease. It does, however, come into conflict with the original owners of works who fear such technologies will undervalue the originals that rely on scarcity and exclusivity. The chapter gives an in-depth discussion of the technology followed by the copyright issues it produces in several jurisdictions. The discussion of the institutions' justifications for not allowing open access of 3D scans was an excellent example of undoing arguments to find a fragile base. Similar to the arguments of AI generated works, such scaremongering forgets that art markets and wealthy consumers can tell an original from a fake and, like diamonds that can be replicated flawlessly, the market for the original is unlikely to diminish by greater access to these objects. The chapters in this section together could be a book on their own, marketed to CHIs on management and IP issues. Set within the wider agenda of the book they help exemplify the connections and interplay between cultural heritage and IP.

While the handbook is not a textbook per se I can see it being used in many IP courses as well as a useful resource for CHIs. It is a timely and well needed addition as the needs of communities become more pressed in the face of appropriation. The structure and the wide-ranging reach of issues makes this a particularly useful volume both for reference and to provoke and ruminate over. The chapters taken as a whole reflect a wide gap between the commercial interests that lie behind IP regimes and the values and concerns that cultural heritage brings regarding appropriation and preservation. It is a call for policy makers to reflect on the fact that we are steadily losing the past and are at risk of losing the future if we do not take cultural heritage protection seriously. While IP law may offer some opportunities, grounded as it is on Western concepts, it will never be a panacea for these issues without significant reform of the way we think about ownership, authorship, and creativity.

Book review: *Research Handbook on Intellectual Property and Cultural Heritage*

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Book Review: *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play*

Amy Surkis¹

By Jose Bellido and Kathy Bowrey

[Cambridge University Press 2022 pp 250. The book can be ordered from the Cambridge University Press website <<https://www.cambridge.org/au/academic/>> and is priced UK£85/AU\$139.]

Overview

This book takes the reader on a fascinating journey through the unprecedented technological developments in media in the late 1800s to the 1970s, through the lens of children's entertainment. Along this journey, the authors identify and dissect interrelated cultural and commercial shifts with a particular focus on the role and development of intellectual property.

Copyright, design and trade mark law (and to a smaller extent patent law) are certainly a focus, but the purpose of the text is not on educating the reader on the law. Rather, the authors use intellectual property law (its use, non-use and development) as a reflection of the technological, cultural and commercial changes which dominated the 20th century.

This is not to say that the text does not engage with substantive aspects of intellectual property law. Where relevant to the discussion, the book takes a deep dive into copyright and trade mark ownership issues, relevant legislation, international conventions, landmark court decisions, licensing practices and the intersections between the different branches of intellectual property law, each of which could justify its own publication.

One of the most impressive aspects of this book is its detail. It is clear from the depth of the anecdotes, quotations and comprehensive footnotes that the authors have researched widely and thoroughly. The primary sources considered include business correspondence, confidential memorandums, corporate minutes, trade association records and journals, intellectual property registrars and litigation records.² The result is a book so rich in detail that the reader is left with great insight into what inspired and frustrated the creators of the works being canvassed.

The book is essentially jurisdiction neutral – it looks at the development of child-targeted media internationally. However, perhaps given the location of each of the authors, Dr Bellido in the UK and Professor Bowrey in Australia, there is a distinct focus on the United Kingdom.

Throughout the text, the reader's attention is periodically drawn to society's evolving view of childhood. The authors contend that the publication of *Alice in Wonderland* signalled the beginning of society recognising and exploring childhood as a distinct and significant period in human

development. The authors go on to explain how children, as an audience and consumers, increasingly became a focus for commercial enterprises. This led to a tension between what the authors refer to as “the business of play” and protecting the innocence of the child. Two things struck me about this aspect of the book. First, it was not always the case that society emphasised the significance of childhood in the way it does today. Secondly, and relatedly, child-targeted entertainment did not always exist.

Perhaps the most enjoyable aspect of this book is how the authors take readers through time and use popular child-directed entertainment phenomenon as the vehicle. The book starts with the stories of *Alice in Wonderland* and *Peter Rabbit*, moves to the Meccano construction toy and then, with the advent of film, *Felix the Cat*, *Mickey Mouse* and *Peter Pan*. With the introduction of radio, the book then explores the role of the British Broadcasting Corporation (“BBC”) and finally, on the arrival of television, sensations such as *Davy Crockett* and *The Wombles*.

For readers born in the early or mid-20th century, these case studies will no doubt bring nostalgic feelings and a keen interest in the details uncovered by the authors. However, even for those born later in the century, given their iconic status, these case studies remain relevant. I have sharp memories of playing with my father's old Meccano set, although I admit that his enthusiasm did outshine mine. After reading this text, I have now gained a new appreciation for the significance of Meccano, which traversed a trifecta of intellectual property fields (patents, trade marks and copyright) and was a phenomenon fuelled by clubs, magazines and competitions.

Alice in Wonderland

Chapter 1 is aptly titled “Commercialisation and the Innocent Child”. This chapter explores the impact of the story *Alice's Adventures in Wonderland* written in 1865 and the life of its author, Charles Dodgson (pen name, Lewis Carroll). The authors explore Dodgson's steadfast commitment to engaging with children and his insistence on tightly controlling the publishing of his works and any related merchandise.

Dodgson's approach to intellectual property is explored in detail. The authors observe that, while he had some understanding of the need to protect his copyright, his focus

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was always on controlling the reception of his works to maintain a connection with his child readers. For example, the authors report that in one publication of his works, to keep the price affordable without losing too much quality, he forewent his own copyright royalty. The authors comment that this act “speaks volumes about his genuine desire to entertain greater numbers of children and his relative disinterest in using Alice as a vehicle of profit.”³

Peter Rabbit

In a cohesive segue, the authors then move to discuss Beatrix Potter (the creator of *Peter Rabbit*) who, as a six or seven year old, is said to have been inspired by *Alice in Wonderland*.

As becomes a repeated technique throughout the book, the authors compare and contrast each of the case studies as they build. This serves to provide fluidity to the book and also highlights the impact of the changing environment. Here, the authors observe that while Potter and Dodgson shared an interest in corresponding with children and took similar approaches to the control of their publications, unlike Dodgson, Potter had commercial ambitions. This is reflected in her being described by the Victorian and Albert Museum as:

*the first fully to exploit the merchandise possibilities of fiction. Peter Rabbit became a popular cultural phenomenon twenty-five years before Walt Disney conceived his screen icon, Mickey Mouse.*⁴

In addition to chronicling the success of *Peter Rabbit*, this chapter also describes the difficulties that the book's publishers encountered when attempting to comply with the UK copyright registration system. In a similar vein, the authors also grapple with the difficulties in protecting *Peter Rabbit* copyright in the United States, including the enormous challenges arising from pirated US works, particularly where those works were imported into the UK.

Meccano

Meccano is essentially a set of perforated metal strips with screws and nuts that can be affixed together to construct toys and figures. It was the first major construction-based toy, and it sparked an international craze. As described by the authors:

*Meccano epitomised an ongoing twentieth-century preoccupation with children and the effect of toys on their education. As a mass produced commodity, Meccano traded on a specific niche, exploiting parental desires for educational toys. One of its promises was that the toy would grow with the child and accompany them into adulthood. Meccano was not just a toy. It was a toy to build toys, as well as a platform to recruit friends and socialise, supported by a brand programme that turned children into consumers.*⁵

The authors look at how the intellectual property in Meccano was exploited in its heyday. However, the authors

do not do this in the conventional way by referencing the portfolio of patent and trade mark filings, and copyright claims. Rather, the authors show “how, through engaging in ordinary patent, copyright and trademark activity on a global scale, significant ideas about the qualities of the particular intangible properties of Meccano advanced”.⁶ What becomes clear through this chapter is that Meccano was in its heyday not just a product but a brand that fostered essential family values. To illustrate this, the authors look at the history of Meccano's first patent application. At this time, toy patents in the UK were often rejected on the basis that they did not satisfy the “utility” requirement. A product, the only purpose of which was to entertain a child, was not seen as useful. To overcome this, the claims of Meccano's application focused on the educational aspects of play.

This book also outlines international litigation surrounding Meccano, as well as the company's selective and strategic approach to protecting its intellectual property. Patents were used to protect the Meccano product itself, trade marks were used extensively, including by stamping the name “Meccano” on the individual metal pieces to distinguish Meccano from imitation products and copyright was used to protect the Meccano instruction booklets. Perhaps the most interesting aspect of Meccano explored by the authors was their use of model-building competitions to further develop the toy. As the authors explain, the competitions became a rich source of new model plans. Meccano obtained the copyright in these plans by having the parents and children involved waive their copyright prior to participating in the contests.

Felix the Cat

With the advent of film animation came the *Felix the Cat* phenomenon in the 1920s. In this chapter, the authors discuss Felix's creation and copyright ownership issues, observing that, in the early 20th century “copyright law struggled with the legal classification of film”.⁷ Interestingly, the authors reveal that it is thought that Otto Messmer drew the cat character, not Pat Sullivan (an Australian-American cartoonist who is most often associated with Felix's creation). The authors go on to document the ongoing tussle between various entities over the rights associated with Felix. For example, the book reports on an unsuccessful copyright action brought against a manufacturer of a Felix lookalike doll. The Court found that the making of the three-dimensional article did not infringe the copyright in a two-dimensional picture of Felix.⁸

Mickey Mouse

The authors provide an interesting discussion of the origins of Mickey Mouse, the evolution of Disney and its rigorous approach to child-directed merchandise and intellectual property. Interestingly, the reader learns that the story of Mickey Mouse actually began with a cartoon featuring the character “Oswald the Lucky Rabbit”. The authors explain that Oswald was a hit, but the production company

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(Winkler Productions) sought to take control of Oswald as, according to the terms of the agreement, Oswald was Winkler Productions' intellectual property. Instead of trying to wrestle back the rights to Oswald, Mickey Mouse was born.

Disney's initial focus was on film production and distribution. However, an ongoing problem of undercapitalisation led Disney to explore the role of character merchandise and the value of intellectual property rights. The authors explore international issues with character merchandising through the story of Dean's Rag Book Co. Dean's registered a design right for a Mickey Mouse doll and a related trade mark in the UK. Disney had registered an equivalent design right in the US, but the studio had no capacity to conduct business outside the US. Dean went on to attempt to protect *his* Mickey Mouse doll by initiating proceedings against an importer of a lookalike mouse. As time went on, the authors describe Disney's increased sophistication in its approach to intellectual property by registering new character trade marks and pictorial representations of Mickey Mouse and Minnie Mouse. These registrations enabled Disney to successfully sue for trade mark infringement and unfair competition in relation to crudely drawn imitations of Mickey and Minnie, cheekily named "Milton" and "Mary".⁹

Peter Pan

Continuing with the Disney theme, a good portion of the book is dedicated to exploring the copyright battle between the Great Ormond Street Hospital (a hospital for sick children) and Disney Corporation over the story of *Peter Pan*. The authors do an excellent job of illustrating, through this story, the cultural change that had occurred by the 1960s in society's approach to copyright. As the authors explain:

*The fact that the hospital had recourse to law to argue the point is an indication that the commercial potential around intellectual property had begun to be normalised in such a way that it could be contested.*¹⁰

The text explains that, in 1929 the author of *Peter Pan* (James Barrie) assigned the copyright in his works to the Great Ormond Street Hospital as a benevolent gesture. The book then tracks the hospital's approach to this gift. At the outset, the hospital had no interest in deriving funds from the gift and saw it as their duty to protect the *Peter Pan* story. Eventually, through changes in the hospital structure (including the change in 1946 when the hospital was incorporated in the National Health Service), the hospital began to treat the copyright as an asset from which it could legitimately raise funds.

Disney's involvement emerged when the hospital agreed to license to Disney the rights to produce an animated film based on the *Peter Pan* story. Disney's savvy approach to intellectual property is also showcased in this narrative as the

authors explain that Disney inserted two key terms in the contract to prevent the cartoon against competition. First, a 10-year restrictive covenant having the effect that no other motion picture could be released in theatres to compete with the Disney version. Second, a suspension of the traditional annual performance of the *Peter Pan* play in the year of the Disney release.

In 1964, American film director George Cukor approached the hospital with the idea of filming a new *Peter Pan* movie starring Audrey Hepburn. Disney interfered with these plans with a cease and desist letter which asserted that Disney had already acquired the rights to produce a film titled *Peter Pan*. After failed correspondence between the parties, the hospital issued proceedings against Disney in an attempt to save the film project. The authors report that while the hospital was successful at first instance, after Disney appealed the decision, Audrey Hepburn withdrew from the project. Ultimately, the hospital lost a commercial opportunity to raise funds for sick children.

The BBC

In chapter 7, titled "Troubles at the British Broadcasting Corporation", the authors document the impact of "the wireless" (radio) on "the construction of the child as a mass-mediated subject".¹¹ This chapter describes a tension that the BBC grappled with, which also unpins many of the other case studies. Namely, obtaining a balance between, on the one hand, educating and nurturing the development of the child and, on the other hand, using them as a source of commercial gain.

An illustration of this challenge is presented through the dispute between Derek McCulloch (known as "Uncle Mac"), the director of the radio programme *Children's Hour* and a breakfast cereal manufacturer using the name "Uncle Mac". This dispute arose in the mid-1940s when McCulloch sued the manufacturers and distributors of the breakfast cereal called "Uncle Mac's Puffed Wheat". McCulloch was ultimately unsuccessful in his copyright and passing off claims. The passing off case has subsequently been noted as a landmark case.¹²

The BBC, not wanting to be seen as profiting from child-targeted advertising, took a conservative approach and distanced itself from the "Uncle Mac" litigation.

However, the authors explain that, after the introduction of television, it was no longer possible for the BBC to avoid commercialisation and began to substantively consider copyright and trade mark issues. In that context, the authors also discuss the success and litigation surrounding the popular television show *The Wombles*. For example, the authors discuss the failed litigation against the skip company Wombles Skips Ltd and perhaps most amusingly, requests to newspapers and magazines that they not use terms such as

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“wombling” or “wombleisation” in order to avoid the trade mark becoming genericised.

Davy Crockett

Advent of television in 1950s brought with it a marked increase in merchandising projects and in turn, intellectual property disputes. One interesting dispute discussed by the authors is that between Disney, the creator of the western *Davy Crockett* and the British toy manufacturer “Cheryl Playthings Ltd”. After experiencing incredible success on US television screens, Davy Crockett arrived in Britain. Cheryl Playthings specialised in providing cowboy outfits and related accessories and was notorious for refusing to pay licensing fees to anyone. The authors explain that Disney demanded payment of licence fees but Cheryl Playthings remarkably resisted on the grounds that the western was based on a well-known story in the public domain.

Enid Blyton

The authors also devote a chapter of the book to the rise of “Merchandising Agents”.¹³ Merchandising agents were companies devoted to providing merchandising services, a role previously performed internally. The authors provide the example of the Merchandising Agency “Walter Tuckwell & Associates” and their work with Enid Blyton. Walter Tuckwell was an Australian educated in New Zealand and “a colourful entrepreneur highly competent in the exploitation of intellectual properties”.¹⁴ Tuckwell took the opportunity to associate with the controversial and successful children’s writer Enid Blyton. Blyton had attempted to commercialise her characters but had been unsuccessful in bringing them to broadcasting networks. The authors report that, after her engagement with Tuckwell, the characters began to become widely known, including notable characters such as “Noddy” and “Big Ears” who moved to television.

Concluding remarks

The concluding chapter of this book neatly brings each of the chapters together and, satisfyingly, comes full circle by discussing a controversial remake of *Alice in Wonderland* in 1966. Having completed this circle, the reader is left with a firm understanding of how, as the authors put it, “the business of play and the development of modern intellectual property evolved together, and alongside concerns about children’s consumption becoming a legitimate source of revenue and profit.”¹⁵

With the media advances seen in the 21st century, including the arrival of the internet, smartphones, on-demand music and television and the prevalence of “influencers”, one can only imagine how equally fascinating, and perhaps sometimes disturbing, an equivalent book on this century might be.

- 1 Barrister, List G Barristers and Emmerson Chambers.
- 2 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 5.
- 3 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 24.
- 4 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 39, footnote 6.
- 5 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 70.
- 6 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 71.
- 7 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 110.
- 8 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 122 and footnote 70 which provides “*Ware v Anglo-Italian Commercial Agency Ltd (1907-1923) MacG Cop Cas 246* determined that, while copyright protection extended to materials of all kinds, if an article could be repeated in fifty copies, a man had the option of design protection. If he relied on copyright in a photograph of an object, this did not extend to preventing another constructing the object.”
- 9 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 133 and footnote 111 which provides “*Pathé Exchange and the Van Beuren Corporation v Walk Disney Productions 51 F2D 1082 (1931).*”
- 10 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 143.
- 11 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 237.
- 12 *Derek McCulloch v Lewis A. May (Produce Distributors) Ltd [1948] 65 RPC 58.*
- 13 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), Chapter 6.
- 14 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 215.
- 15 Jose Bellido and Kathy Bowrey, *Adventures in Childhood: Intellectual Property, Imagination and the Business of Play* (Cambridge University Press, 2022), 1.

Current Developments – Australia

IP Australia

Diana Bogunovic, Michelle Catto, Sarah Dixon, Esther Lestrell and Andrea Ruhmann
FB Rice

Tribute to Helen Taylor and better access to the IP system

Helen Taylor was the first female patent attorney in Australia and later the first female Fellow of the Institute of Patent Attorneys in 1962. In October 2022, Helen's children, grandchildren, and great-grandchildren came together in the Helen Taylor Room at IP Australia to honour her legacy. Helen began her IP career as a patent examiner in the chemical division of IP Australia in 1950. The Office of the Chief Economist is presently developing a program of research to analyse barriers to female participation in STEM education and careers, including IP. This will help IP Australia broaden access to the IP system. The full report can be read on the IP Australia website.

Six independent reports and recommendations for Plant Breeder's Rights reform

IP Australia commissioned the University of Queensland to explore the evidence base for reforms to Plant Breeder's Rights ("PBR") legislation. The resulting reports are on the following topics:

- **Information notice scheme**

Dealing with the difficulty facing PBR owners' ability to obtain evidence of infringements, the recommendations discuss a possible adoption of and improvements to the United Kingdom information notice system.

- **Exhaustion of PBR**

This report provides 12 recommendations to simplify exhaustion of rights under the PBR legislation, and to clarify the interactions of different materials and activities under an exhaustion doctrine, in light of recent case law.

- **Harvested material**

Specifically addressing the operation of the harvested material provisions in the PBR legislation, the report makes recommendations for minor legislative reform. Importantly, it also makes recommendations for better explanatory materials to assist PBR stakeholders in this area.

- **Labelling requirements**

Labelling is not extensively dealt with in PBR legislation and consulted stakeholders did not think there were significant problems in this area. The suggestion of mandatory retention of labels was considered, and is the first of eight recommendations made in this area.

- **Plant variety names and synonyms**

This report deals with the overlap and conflict between names or synonyms required to describe varieties under the PBR legislation, and the property rights attached to names and signs under the *Trade Mark Act 1995* (Cth). The report finds that existing legislation achieves a suitable compromise, but that better information and education is required for stakeholders.

- **Essentially derived varieties**

Mirroring global concern about the operation of essentially-derived variety laws, stakeholders want change in this area. Two reform strategies are proposed and discussed:

- aligning current provisions more closely with the *International Convention for the Protection of New Varieties of Plants*, passed by the International Union for the Protection of New Varieties of Plants ("UPOV") in 1991, and particularly with the proposed Explanatory Notes on Essential Derivation (which are currently being deliberated within UPOV which would replace the previous 2017 Explanatory Notes); and
- retaining the current Australian approach with modifications.

The reports are available on the IP Australia website and the recommendations are currently being considered by the Australian Government.

Patent co-design project

IP Australia is conducting a preliminary feasibility study into whether the patent process could be updated to allow co-design of patent specifications by IP Australia, applicants and attorneys, through all stages from drafting to acceptance. Comments are invited, and interested parties can connect with the research team via a link on the IP Australia website.

IP Australia's new website

IP Australia has launched its new website with some new features such as a new Live Chat function on its Contact Us page.

TM Checker

IP Australia has released TM Checker. The tool is in its pilot stage. It is free to use and allows users to conduct an initial check for trade marks that are similar to a proposed name or logo in connection with selected goods or services.

The tool also allows the user to edit the proposed mark and, or, the goods or services. The user can also apply for registration of the proposed mark at the completion of the initial check, regardless of the results. The fees to proceed are the same as applying through TM Headstart, that is, AU\$200 to submit the request, followed by AU\$130 to officially lodge the trade mark application should the user wish to proceed following receipt of an examiner's initial assessment of the request.

Updating headings and office practice in line with Nice Classification update

The 12th edition of the Nice Classification of goods and services for trade marks came into force in Australia on 1 January 2023. IP Australia has updated the Australian Trade Mark Search and the Trade Marks E-form picklist accordingly. While applications filed on or after 1 January 2023 will have to be filed in accordance with the new edition, there are no plans to re-classify any applications filed prior to 1 January 2023.

In person hearing by exception only

Since measures were implemented to manage the COVID-19 pandemic in 2020, the Trade Marks and Designs Group has only been offering hearings by way of written submissions, telephone or videoconference.

In view of the significant changes in public health measures over the past 12 months, IP Australia will now accept requests for in person hearings for exceptional reasons only, but will retain the sole discretion as to whether any in person hearing will be held. The examples of exceptional reasons suggested by IP Australia are:

- a person wanting to attend is unable to use the internet or telephone (for example, due to disability and/or lack of available infrastructure); and
- the evidence includes physical specimens that cannot be adequately shown or seen over a video connection.

CASES

Lauren Eade, Kasumi Champion

Davies Collison Cave, Sydney

Symphony Holdings Limited v Skins IP Limited [2022] FCA 1238

18 October 2022 – Raper J

This matter is an appeal from a decision by the Delegate of the Registrar of Trade Marks in *Symphony Holdings Limited v Skins IP Limited* [2022] ATMO 29. In that case, Symphony Holdings Limited (“Symphony”) opposed a series of non-use removal applications filed by Skins IP Limited (“Skins IP”) in relation to 23 registered trade marks.

Background

On 23 August 2019, Skins IP filed applications under s.92(4)(b) of the *Trade Marks Act* 1995 (Cth) for non-use removal of 20 registrations held by Symphony. This was followed on 5 February 2020 by further s.92(4)(b) applications for removal of an additional three of Symphony's registrations. In each case Skins IP sought removal of the entirety of the registrations, which respectively related to trade marks containing “SKINS” as their dominant element or in combination with additional word and/or device elements. Following Symphony's oppositions to removal of each of the registrations, in which only Symphony filed evidence, the Registrar of Trade Marks considered it appropriate that all 23 proceedings be heard together.


Of note is that Symphony was not recorded as the registered owner of the relevant registrations until November 2019, after previous registrant Skins International Trading AG (“SITAG”) entered into external administration and sold the registrations to Symphony. This impacted Symphony's ability to successfully oppose the removal actions before the Registrar, with Symphony claiming that its efforts to put on evidence of use were impacted by SITAG's withholding of a significant volume of relevant historical materials.¹


Non-use Proceedings at the Trade Marks Office


In the initial proceedings before the Delegate of the Registrar of Trade Marks, Symphony conceded that 16 of the 23 registrations had not been used during the relevant periods. Symphony argued for exercise of the broad discretion afforded to the Registrar under s.101(3) not to remove those 16 registrations, but this was rejected.


As regards the remaining seven registrations, a combination of successfully demonstrated use and the Registrar's discretion was sufficient to preserve:

- The entirety of Registration No. 995860 skins.

- Compression garments, t-shirts, tights, shorts and undergarments, and retail services for the same under Registration No. 1106064  (“6064 Mark”).
- Compression garments, sportswear and retail services for the same for Registration No. 1671034 SKINS.NET (“1034 Mark”).

The Delegate determined that no use was demonstrated for Registration Nos. 1337622  (“7622 Mark”),

1407020 TEAM SKINS (“7020 Mark”), 1407021  (“7020 Mark”),

1614587  (“4587 Mark”), within Australia in the relevant period. Declining to exercise the Registrar’s discretion, the Delegate decided to remove those four registrations in their entirety.

Symphony’s evidence of use before the Delegate was considered to be unsatisfactory for multiple reasons. Repeated criticisms were raised regarding the submitted materials on the basis they demonstrated use of the registered trade marks with additions or alterations which substantially affected their identity, did not show use of the registrations within Australia, or were undated. Of particular note, the Delegate considered a screenshot of a social media post for a promotional giveaway of goods bearing the 7622 Mark did not “provide a cogent basis to infer that the 7622 Mark was used in the course of trade ... as opposed to being a one-off promotional item”,² finding that there was not “overwhelmingly convincing proof” that the trade mark was actually used on those goods in the course of trade.

The Delegate was not moved to exercise any discretion to fully or partially preserve relevant registrations solely on the basis that the timing of Symphony’s acquisition of the registrations impeded their access to sales and branding materials relevant to their oppositions, despite noting several of the registrations may have been used during the relevant period or alternatively the likely existence of residual reputation not sufficiently particularised in the evidence.

Grounds of Appeal

On appeal to the Federal Court of Australia, Symphony sought to appeal the Delegate’s decision only insofar as it related to the 6064 Mark, 7622 Mark, 4587 Mark, 7020 Mark and 1034 Mark, as is particularised below. In large part, this appeal was reliant on additional evidence of use not submitted in the Trade Mark Office decision.

The relevant non-use period for the 6064 Mark, 7622 Mark, 4587 Mark and 7020 Mark was 23 July 2016 to 23 July 2019. For the 1034 Mark the relevant non-use period was 5 January 2017 to 5 January 2020.

Skins IP did not contest the relief sought by Symphony in this appeal.

6064 Mark

Symphony submitted that the Delegate erred in only finding use of the 6064 Mark on “compression garments, t-shirts, tights, shorts and undergarments” and not any other registered goods or services, particularly “clothing; socks; jackets; pullovers; pants; headgear and sportswear” in Class 25 and retail services relating to the same in Class 35.

The evidence adduced included new historical screenshots of the website www.skins.net.au showing the advertising and offering for sale of branded goods in 2017. Raper J considered these demonstrated use of the 6064 Mark directed to Australian consumers on the basis of the .net.au domain name, the advertisement of the relevant goods in English, and their offering for sale in Australian dollars.³ Symphony’s Chief Operating Officer for the SKINS division also deposed that Symphony had distributed goods bearing the 6064 Mark as an authorised user during the relevant period, with the exception of the “Tech Fleece” range of pants and hoodies which the evidence demonstrated SITAG distributed and sold in packaging prominently featuring the 6064 Mark.⁴

Having regard to this evidence, Raper J was satisfied that the 6064 Mark had been used in the relevant period in Australia in relation to “clothing, T-shirts, tights, shorts, undergarments, socks, jackets, pullovers, pants, headgear and sportswear” in Class 25, as well as the retail, wholesale and distribution of the same in Class 35.

7622 Mark

Symphony contended that the Delegate erred in finding that the promotion of bags bearing the 7622 Mark on social media posts and on Symphony’s website did not constitute use of the 7622 Mark in the course of trade in Australia, and sought to maintain this registration in Class 18 for “bags; luggage; sports bags and draw-string bags”.

As Symphony’s evidence before Raper J included new materials, including historical website screenshots showing bags bearing the 7622 Mark offered for sale and evidence of sales of branded bags by third party distributors, it was unnecessary to consider if the social media posts relied on before the Delegate did constitute use of the 7622 Mark in the course of trade.

Raper J ultimately determined that the 7622 Mark had been used in relation to “bags; luggage; sports bags and draw-string bags” during the relevant period.

4587 Mark

Symphony sought to maintain this registration in Class 41 in respect of “providing information about sports activities or sportswear; information services in relation to sports or sportswear; education services regarding anti-corruption, anti doping, the value of sportsmanship or the spirit of competition; providing online electronic publications non-downloadable.” Symphony contended that the Delegate’s acknowledgement that “providing information about sporting activities” had been provided through the skins.net website⁵ meant the Delegate ought to have found corresponding use of the 4587 Mark for this service, as the website prominently features that trade mark. Of note, however, is that the Delegate’s acknowledgement was made in relation to evidence submitted for the 1034 Mark; the evidence relied on for the 4587 Mark before the Delegate consisted only of a post on a London-based blog, which did not actually contain the relevant trade mark.⁶

Before Raper J, Symphony relied on a historical website screenshot for sale of compression garments, alongside which information on the benefits and features of that product (as they related to physical activity) were provided next to the 4587 Mark. Raper J was satisfied that this constituted use of the 4587 Mark to provide information about sportswear. Symphony also sought to rely on blog articles from the skins.net.au website. While the full articles were not in evidence, the portions submitted demonstrated information on “sporting values, anti-doping and sporting events” was regularly provided on the website using the other trade marks “such that it could be inferred that the same applied to the 4587 Mark.”⁷

Consequently, Raper J found that there had been use of the 4587 Mark for the Class 41 services the subject of the appeal.

7020 Mark

Symphony’s appeal concerned maintenance of this registration for compression garments in Class 10, various clothing items in Class 25 and retail, wholesale and distribution services for the same in Class 35. Of the evidence adduced, Raper J specifically determined that the 7020 Mark (TEAM SKINS) was used in relation to compression shorts by the inclusion of the phrase “[w]hile you’re there, join Team SKINS so you don’t miss out on the latest news, competitions and collections” on the packaging for the same.⁸ In addition, a TEAM SKINS newsletter promoting for sale the full range of compression garments and clothing items distributed to 90,000 Australians every fortnight, and use of the tagline “#TEAMSKINS” in social media posts to promote the same, were accepted by Raper J as use of the 7020 Mark in relation to “compression garments” and “clothing” and the retail, wholesale and distribution of the aforesaid.⁹ A broader range of apparel items in Class 25 were also permitted to remain

registered through application of the Registrar’s discretion, as Raper J accepted Symphony’s argument that “t-shirts, tights, shorts, undergarments, socks, jackets, pullovers, pants and sportswear” are either encompassed by “clothing” or are otherwise “similar” goods.¹⁰

1034 Mark

Symphony submitted that the Delegate erred in only finding use of the 1034 Mark for “compression garments and sportswear” and retailing of the same and not any other registered goods or services, in particular bags in Class 18, additional apparel items in Class 25, retail services for the aforesaid in Class 35, and various information and educational services concerning sport and sportswear in Class 41.

Raper J accepted that the 1034 Mark (SKINS.NET) had been used as a trade mark, and in a manner without additions or alterations which substantially affected its identity, through its incorporation in the www.skins.net.au domain name.¹¹ The evidence submitted, including that of substantial sales and website traffic figures, supported the finding that this portion of the domain name was not merely descriptive but functioning to identify a website acting as a functioning online shopfront. Raper J also accepted that the inclusion of the 1034 Mark on packaging items, in promotional materials and in connection with endorsement deals, although not featured prominently, further established use of the trade mark.¹² Even where samples of use submitted by Symphony only showed SKINS.NET appearing in small print at the bottom of promotional materials, this was accepted as use of the 1034 Mark.

Finally, extensive use demonstrated of the word “SKINS” as a trade mark across the provided range of compression garments, apparel items, retail services and information and educational services was accepted as use of the 1034 Mark without additions or alterations which substantially affected its identity.

In the circumstances, Raper J was satisfied that use was demonstrated for all of the goods and services the subject of the appeal.

Key Take Aways

While in large part reinforcing the obvious desirability of locating appropriate evidence of use in non-use removal actions when they are first decided before the Registrar of Trade Marks, this decision also provides several useful illustrations of instances that may or may not constitute use of a trade mark, in the course of trade and without additions or alterations substantially affecting their identity, for the purposes of s.92.

Current Developments – Australia

- 1 *Symphony Holdings Limited v Skins IP Limited* [2022] ATMO 2, [69].
- 2 *Symphony Holdings Limited v Skins IP Limited* [2022] ATMO 2, [42].
- 3 *Symphony Holdings Limited v Skins IP Limited* [2022] FCA 1238, [25].
- 4 *Symphony Holdings Limited v Skins IP Limited* [2022] FCA 1238, [28].
- 5 *Symphony Holdings Limited v Skins IP Limited* [2022] ATMO 2, [58].
- 6 *Symphony Holdings Limited v Skins IP Limited* [2022] ATMO 2, [47].
- 7 *Symphony Holdings Limited v Skins IP Limited* [2022] FCA 1238, [48].
- 8 *Symphony Holdings Limited v Skins IP Limited* [2022] FCA 1238, [55].
- 9 *Symphony Holdings Limited v Skins IP Limited* [2022] FCA 1238, [56].
- 10 *Symphony Holdings Limited v Skins IP Limited* [2022] FCA 1238, [61].
- 11 *Symphony Holdings Limited v Skins IP Limited* [2022] FCA 1238, [67].
- 12 *Symphony Holdings Limited v Skins IP Limited* [2022] FCA 1238, [69].

Current Developments – New Zealand

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Energy Beverages LLC v Frucor Suntory New Zealand Ltd

Court of Appeal of New Zealand

Cooper, Brown and Courtney JJ

Hearing: 30 November and 1 December 2021

Judgment: 11 November 2022

[2022] NZCA 536

Comment: This important decision from the Court of Appeal of New Zealand covers a number of aspects of colour marks. It also reinforces the indefeasibility of registered trade marks from many grounds of invalidity seven years after registration.

The Court held that the owner's registered colour mark was not susceptible to challenge on the ground that it did not qualify as a "trade mark" (on the grounds that it was ambiguous and covered multiple signs). The mark had been registered for more than nine years before the challenge was brought.

Although obiter for this mark, the Court went on to make finding on colour registrations that used (as here) in the written description of the mark, the formulation "predominant colour". This was so as to assist the Commissioner of Trade Marks with other registrations or fresh applications that used a similar written description of the mark.

The Court also dealt with the interpretation of the registered trade mark. Here the wrong colour had been uploaded to the register by the Intellectual Property Office of New Zealand ("IPONZ") during digitisation of the register of trade marks. The Court held that the written description of the mark designating a specific Pantone shade must prevail where there is any inconsistency on the face of the register.

Facts: Frucor Suntory New Zealand Ltd ("Frucor") was owner of a registered trade mark 795206 registered on 23 June 2012 (with a deemed date of registration of 29 August 2008) comprising a swatch of green colour with the explanation:

The mark consists of the colour green (Pantone 376c), as shown in the representation attached to the application, applied as the predominant colour to the goods, their packaging or labels. Section S18(2) of the Trade Marks Act 2022 applies.

When IPONZ scanned the green metal specimen attached to the paper application filed by Frucor, this generated a different shade of green from Pantone 376C. In a written statement filed with the Court of Appeal, the Commissioner stated that:

- (a) *when the application was lodged IPONZ was transitioning to a paper-less system. As part of that process the application (including the metal specimen) was scanned.*
- (b) *the application was examined on the basis of the application as it appeared digitally on the IPONZ online system after scanning and in conjunction with the other material provided, including the Pantone reference for the colour in the metal swatch.*
- (c) *Frucor submitted evidence in support of the registration. The evidence included a physical sample of Frucor's aluminium can packaging featuring the colour to be registered as a trade mark along with print outs of photographs and other printed promotional materials. The examiner was satisfied that the evidence of acquired distinctiveness demonstrated use of Pantone 376c or a colour closely approximating it.*

Almost nine years after the deemed date of registration Energy Beverages LLC ("EBL") applied for removal of Frucor's trade mark from the register in two applications:

- (a) an application for revocation of the registration on the ground of non-use of the colour green appearing on the register; and
- (b) for a declaration that the registration was invalid on the ground that it comprised a sign that did not qualify as a "trade mark".

The applications were dismissed by the Assistant Commissioner of Trade Marks after a hearing. EBL's appeals to the High Court were dismissed. EBL then appealed on both of its non-use and invalidity applications. These were heard together.

In respect of the invalidity application Frucor relied on s.75 of the *Trade Marks Act 2002* which creates a presumption of validity seven years after the deemed date of registration unless –

- (a) *the registration was obtained by fraud; or*
- (b) *the trade mark should not have been registered on any of the grounds set out in section 17(1) or (2); or*
- (c) *the registration maybe recovered on any of the grounds set out in section 66.*

Frucor contended that both ss.73 and 75 used the term “the registration of a trade mark” as the qualifier and should have the same meaning in both provisions. The former provides a mechanism to challenge the validity of a trade mark registration while the latter prevented that mechanism from being used after seven years (except in the three listed circumstances) [40]–[41].

EBL asserted that s.75 deemed valid “the registration of a trade mark”. If what had been registered was not a “trade mark”, there was nothing to deem valid [39].

In relation to the alleged ambiguity of the mark caused by the Commissioner uploading to the register a wrong scanned image, Frucor relied on the fact that the *written description* of the trade mark on the register correctly identified the Pantone shade of the mark (Pantone 476c).

Held, dismissing the appeal

Issue 1: Did the judge err in holding that the time bar in s.75 prevented a challenge to the Registration under s.18(1)(a)?

- (i) The meaning of the statutory provision was to be ascertained from the text of the enactment and in light of its purpose and context [45].
Commerce Commission v Fonterra Cooperative Group Ltd [2007] NZSC 36; [2007] (3) NZLR 767 at [22] applied; Legislation Act 2019, s.10(1)
- (ii) Adopting an interpretation which would involve reading the same significant phrase differently in ss.73 and 75 was strained. Parliament could not have intended that s.73 should extend to address the erroneous registration of s.18(1)(a) signs, while s.75 did not. The result would be an internal inconsistency in a small group of provisions which together address the concept of invalid registrations. If that had been Parliament’s intention a much more obvious course would have been to include s.18(1)(a) in the list of exceptions in s.75 (which had not occurred) [48].
- (iii) The legislative history of s.75 including the Departmental report to the Commerce Select Committee assisted in providing cross-checking of the legislative interpretation and tended to indicate that the purpose of s.75 aligned with how the Court had construed its meaning [52].
- (iv) The New Zealand Act was based on the United Kingdom and Singapore trade marks statutes. The deliberate retention by the New Zealand Parliament in 2002 of the presumption in s.75 some eight years after the 1994 UK Act and 1998 Singapore Act (neither statutes having such a presumption) lent support to Frucor’s argument (that because of s.75, s.18(1)(a) was

not a valid ground of challenge) and the Court’s conclusion [53].

Issue 2: Did the use of the phrase “predominant colour” cause the Registration to be unclear if for more than one sign?

- (v) If the Court’s conclusion on Issue 1 was correct, there was no need to consider Issue 2. However, it was appropriate to consider Issue 2 for the further reason that there should be clarity for the future concerning the registrability of colour as trade marks. While, as a consequence of the Court’s conclusion on Issue 1, the validity of such registrations (which had been on the register for longer than seven years from the deemed date of registration) might not be open to challenge, a decision on Issue 2 might be of relevance for future similar applications [55].
- (vi) Clarity and precision were important for all statutory intellectual property rights, but particularly so in the case of registered trade marks, given the significance of the distinction between identical and similar signs [65].
Crocodile International Pte Ltd v Lacoste [2017] NZSC 14, [2017] 1 NZLR 679, [46] referred to.
- (vii) Although the trade mark as originally sought comprised merely the colour swatch as a representation, in its final form the subject matter of the application comprised the colour swatch as a sample of the colour, the specified Pantone shade and a verbal description [73]. the verbal description required a form of explanation and this had been finally agreed to by Frucor [71]–[72].
- (viii) The word “predominant” in the written description could convey both quantitative and qualitative notions [76]. The use of the adjective “predominant” to qualify the colour comprising a trade mark rendered the description too subjective and imprecise. Actual or potential competitors were entitled to know the scope of the mark applied for and registered. It was the function of the register to provide that information. The information which the register should convey to an enquirer should not be dependent on the “particular circumstances” [86]. Absent further particularity either by way of a written description or appropriate visual representation, the description of colour trade mark by means of the phrase “the predominant colour” (albeit accompanied by the requisite reg. 44(g) of the *Trade Marks Regulations 2003* description) would generally be an insufficient mode of identification of a trade mark [86].

- (ix) The Court endorsed the proposition that a mark must always be perceived unambiguously if it is to fulfil its function as a trade mark. If the authorities and the public were left in a state of uncertainty or confusion as to the nature of a sign, then it was insufficiently clear to be registered as a trade mark. Frucor's registration offended in that respect [102].

Société des Produits Nestlé S.A. v Cadbury UK Ltd [2013] EWCA Civ 1174, [2014] RPC7; *JW Spear & Sons Ltd v Zynga Inc* [2013] EWCA Civ 1175, [2014] 1 All ER 1093; *Glaxo Wellcome UK Ltd v Sandoz Ltd* (Number 2) [2017] EWCA Civ 335, [2017] FSR 33 referred to.

- (x) Traders wishing to monopolise colours should take pains to be clear and not vague as to the boundaries of the registrations which they intend should preclude use by others of the full spectrum of colours. An obvious way to do so is to include in the application a representation of the spatial application of the claimed colour [105].
- (xi) Had the Court reached a different conclusion on Issue 1, it would have ruled that the registration was invalid both because in its use of "predominant" it was insufficiently clear and because in its terms it extended to cover multiple signs [106].

Issue 3: Did the Judge err in holding that the Registration should be interpreted as being defined by the written description of the colour on the register, namely Pantone 376C?

- (xii) With this registration two sources were provided as a means of identification of the colour, namely the colour swatch physically attached to the paper application form and the Pantone code [112]. Regulation 44(g) ensured that, if the trade mark was a colour or colours the applicant was to provide a description acceptable to the Commissioner. This was to ensure certainty and consistency in the identification of the relevant colour. Such a description was not susceptible to deterioration, fading or erroneous transposition. In the Court's view that was the form of identification of the relevant colour which should prevail in the event that there were any inconsistency on the face of the register [113]. It would make no sense for a description of the colour to be specifically required by the regulation as a fixed point of reference and then not to be treated as a prescribed matter for the register [114]. This attack on the conclusions of

both the Assistant Commissioner and the Judge concerning the interpretation of the registration failed [116].

Issue 4: Did the difference between the darker shade of green and the image on the register and the written description Pantone 376C mean the Registration was ambiguous and too imprecise?

- (xiii) Although the colour image for TM 759206 on the register was different from the nominated Pantone code, that ambiguity was resolved in favour of the Pantone code because the description of the colour required by reg.44(g) must prevail. Properly understood, the registration would not be ambiguous and was not susceptible to an invalidity challenge on that ground [117].

Appeals

This matter comprised two appeals. The appellant had filed two applications with the Commissioner of Trade Marks in respect of Frucor's registered trade mark 795206 for a single colour (Pantone 376C) for *energy drinks*. The first application was for a declaration of invalidity; the second application was for removal for non-use. Both applications had been dismissed by an Assistant Commissioner following hearings. Appeals by the appellant to the High Court (Dobson J) were unsuccessful: *Energy Beverages Ltd v Frucor Suntory New Zealand Limited* (2020) 157 IPR 176. The appellant then appealed to the Court of Appeal.

Current Developments – Asia

CHINA & HONG KONG SAR

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Proposed Amendments to PRC Trade Mark Law Have Pirates in their Sights

On 13 January 2023, the China National Intellectual Property Administration (“CNIPA”) issued the *Trade Mark Law Amendments (Draft for Public Comments)* (“Draft Amendments”) and a corresponding Explanation, with the public consultation period providing an opportunity to comment on the draft law until 27 February 2023.

Overall, the Draft Amendments are positive but a number of provisions are a mixed bag for rights holders, with clear efforts made to tackle China’s rampant trade mark theft likely to significantly impact brand owners, too, likely forcing wholesale and, in many cases, unwelcome changes to current anti-piracy strategies.

Speaking generally, the Draft Amendments are extensive and would expand the current Trade Mark Law from 73 to 101 Articles, materially revising a total of 45 Articles. Compared to the prior Trade Mark Law amendments from 2019, which only modified nine Articles, the Draft Amendments represent a more concerted effort to address existing problems in China’s trade mark regime. This is not surprising, given the 2019 amendments appear to have been hastily passed (without any public consultation) to primarily support then-ongoing negotiations with the US on a range of trade issues.

Through the Draft Amendments, the CNIPA clearly intends to target what it refers to as the “unnecessary occupation of trade mark resources” – what most trade mark practitioners simply refer to as “piracy” or “warehousing”. The main tools the CNIPA intends to use in that regard include:

- (a) requiring the filing of a statement of use for each registration every five years;
- (b) a prohibition on refiling for the same mark in respect of the same goods/services;
- (c) the imposition of administrative penalties for “bad faith” filings; and
- (d) civil liability for harm caused by trade mark piracy.

It would also simplify certain registry proceedings. Each of these areas will be briefly discussed herein.

Statements of Use

One of the most significant impacts to registrants of trade marks in the Draft Amendment is the introduction of statements of use. Under the Draft Amendments, a statement explaining the status of use of the mark for the approved goods/services, or failing use, the justifiable reasons for non-use, would need to be filed every five years after registration. If the registrant fails to do so within specified time periods, the CNIPA would cancel the registration.

Random checks would be conducted by the CNIPA to confirm the authenticity of use statements and registrants could be required to substantiate or supplement their use evidence. Statements of use found to be fraudulent would lead to cancellation of the underlying registration.

To limit the additional work for trade mark registrants, the CNIPA suggests in the Explanation that it may only require letters of undertaking or simplistic forms to prove use. As well, proposed Article 61 would allow registrants to submit combined statements of use for multiple trade marks.

Based on the Draft Amendments and the Explanation, it is unclear what impact these new rules will have on registrations specifying “class-wide” coverage (where most/all subclasses in a given class are specified to avoid leaving gaps for pirates to fill) or genuine defensive filings, both of which have long been viewed as necessary evils in China to protect against endemic trade mark piracy. Hopefully, similar recognition of the legitimate need to file a reasonable number of applications for defensive purposes in the 2021 Trade Mark Review and Examination Guidelines will be permitted to justify and excuse non-use of purely defensive filings under the new regime, thus preventing the wholesale or partial cancellation of such registrations.

Prohibition on Refiling Trade Marks Specifying Identical Goods/Services

Under Articles 14 and 21 of the Draft Amendments, applicants would only be permitted to hold one registration for a given identical trade mark covering the same goods or services. As well, and absent justification, no application identical to the applicant’s previous applications, registered trade marks, or trade marks that have been deregistered, cancelled or declared invalid within the prior year for the same goods/services could be filed.

This change would have a major impact on trade mark practice in China, where refiling multiple applications for the same mark is a common tactic for both pirates and legitimate brand owners fighting them.

Pirates regularly file application after application for the same mark to wear down brand owners, draw out proceedings, and amplify the threat they pose, hoping the brand owners will give in to their demands to avoid endless oppositions, invalidations and cancellations.

Brand owners, on the other hand, often file multiple applications to defend against possible cancellation of their marks, particularly their purely defensive filings (which again, are often necessitated by China's rampant piracy). This makes sense when it is much cheaper to simply refile a new application for the same mark every few years than risk losing it to a pirate's non-use attack.

Another reason for multiple refilings is much more justifiable: the Trade Mark Review and Adjudication Division ("TRAD")'s and PRC courts' steadfast refusal to exercise their inherent discretion to suspend rejection appeals pending final outcomes in related oppositions, invalidations or cancellations. The TRAD's almost-blanket rejection of suspension requests forces brand owners to file repeated applications for their marks whilst they are awaiting outcomes in respect of cited marks if they are to avoid expensive court appeals and prevent pirates from "running out the clock" with their own appeals. Such refilings are particularly justifiable where the courts, too, regularly refuse to suspend rejection reviews.¹

In either case, it is unclear precisely how the CNIPA will deal with existing multiple registrations and applications for identical trade marks held by brand owners when the new law comes into effect.

The Explanation explicitly points out refilings by pirates and brand owners hedging against non-use actions as the reasons behind this change, noting that such refilings have disrupted the already overcrowded register and consumed significant trade mark review resources.

Somewhat unsurprisingly (as the problem has been created by its own draconian policy on suspension requests), however, the CNIPA did not explicitly comment on refilings made as part of the ongoing prosecution of applications rejected due to the citation of pirated marks. That said, a catch-all provision in the Draft Amendments that allows refiling based on "other legitimate reasons" could potentially be used to justify such applications. Alternatively, perhaps this requirement could be circumvented by adding or deleting some goods/service items in the refiling, thus preventing the new application from constituting an identical mark on **identical** goods/services items.

Administrative Penalties for "Bad Faith" Conduct

Article 22 of the Draft Amendment finally puts some meat on the bones of provisions in the Trade Mark Law prohibiting "bad faith" filings by actually trying to define "bad faith".

Under that provision, "bad faith" would be found in the following circumstances:

- applying with no intent to use, or filing applications in bulk, which disrupts the management and order of trade mark registration;
- applying through fraudulent or other improper means;
- applying for registration of a trade mark that is detrimental to the national interest, the public interest, or that has other significant unhealthy effects;
- applying with the intention of harming the legitimate rights or interests of others, or to seek improper benefits; and
- engaging in other "bad faith" behaviour.

In addition to the mark(s) in question being rejected/invalidated, the violation of any of these circumstances could result in administrative punishment ranging from a warning to a fine up to Rmb50,000 (~US\$7,400). Where the circumstances are "serious" (where "serious" remains to be defined) a fine of more than Rmb50,000 but less than Rmb250,000 (~US\$37,000) could be imposed, with any illegal gains confiscated.

As well, and under Article 32 of the Draft Amendments, fabrication or concealment of important facts or the deliberate submission of false materials to authorities in respect of trade mark matters could result in a warning or the imposition of a fine of up to Rmb100,000, with the fraudster also be liable to compensate others for losses occasioned by their dishonesty.

Civil Liability for Trade Mark Pirates

As a general rule, trade mark oppositions and invalidations – the primary tools against pirated trade marks – are purely administrative matters under PRC Trade Mark Law. As a result, and up until now, there has never been statutory recognition that trade mark piracy constitutes a "civil act" that could support a right to compensation for any "harm" suffered by victimised brand owners. Similarly, even where pirates file infringement claims against rightful brand owners based on the pirates' stolen trade marks, there has been no mechanism in the Trade Mark Law for victimised brand owners forced to defend such actions to seek compensation.

Over the years, a handful of courts across China have supported compensation claims in such matters brought under the PRC Anti-Unfair Competition Law ("AUCL"), usually only in respect of enforcement claims made by the pirates against the brand owner or its licensees. That said, AUCL claims are notoriously fact dependent, and the few successful cases have usually been based on exceedingly egregious conduct by the pirate. This has long made it

essentially impossible for the majority of brand owners victimised by China’s “run-of-the-mill” pirates to make out viable AUCL claims. This may well change if Articles 83 and 84 of the Draft Amendments are enacted as written.

Under those proposed Articles, a specific right to seek compensation in a People’s Court – including for “at least ... the reasonable expenses paid by the [victim brand owner] to stop the malicious trade mark” applications or infringement lawsuits – will be created. In the case of malicious infringement claims, pirates will also be subject to separate sanctions assessable by the court. As well, a final, non-appealable invalidation decision for the pirated trade mark used in malicious infringement claims will not be required before a victimised brand owner can obtain such compensation. This would hopefully prevent pirates from hiding behind the “still-valid” status of their pirated trade marks to unfairly delay compensation claims.

It remains to be seen just how broadly the CNIPA and courts will define the term “malicious” in respect of trade mark applications or lawsuits, and what level of proof will be required to demonstrate a sufficient level of bad faith. Ideally, they will not require the outrageous level of conduct that has usually been necessary to prevail in AUCL-based claims for damages.

Changes to Trade Mark Opposition Procedures

Under current practice, gazetted applications undergo a three-month opposition period. As well, applicants of successfully opposed marks are permitted to appeal the TMO’s opposition decision to the TRAD. Opponents, on the other hand, are not permitted to appeal unsuccessful oppositions, but must instead wait for the mark to be deemed registered and file a separate invalidation with the TRAD.

Under Article 39 of the Draft Amendment, the opposition period will be reduced to only two months. TRAD appeals of successful oppositions by trade mark applicants will also be eliminated. Instead, they will only be permitted to appeal those decisions directly to the Beijing IP Court (with successful opponents permitted to participate in those proceedings as an interested third party). Finally, and in more complex oppositions, the CNIPA is considering introducing contested oral hearings, including the ability to cross-examine evidence, into the opposition process.

These changes would streamline and shorten the overall opposition process and could also act as somewhat of a deterrent to pirates to appeal lost oppositions, where the costs of an administrative court appeal can run much higher than a simple TRAD appeal. As well, the introduction of contested oppositions hearings would hopefully improve the quality of the jurisprudence in such decisions, making the IP Court’s job that much easier.

Requests for Transfer of Pirated Trade Marks through Invalidation Process

The new process under Articles 45–7 of the Draft Amendment, where victimised brand owners could also ask the TRAD to simply order the pirated mark transferred to it (instead of only invalidated), could significantly streamline recovery efforts for pirated trade marks as well.

Such requests could be made in a range of situations, including where a well-known mark has been pirated (Article 18); where the pirate is an agent or representative of the brand owner or has a prior relationship with the brand owner (Article 19); or where the pirated filing pre-emptively seeks rights by “unfair means” for a trade mark of another that has acquired certain influence through use (Article 23). If the transfer request is granted, it will go into effect unless the pirate appeals the TRAD’s decision on that basis. It is somewhat ambiguous, however, precisely what authority the courts themselves will have in respect of such requests, e.g., whether they will be able to both uphold transfer orders as well as reverse the TRAD’s rejection of a transfer request when deciding invalidation appeals (where the authority to order transfers appears on its face to be inherent only to the TRAD itself).

After a ruling granting the transfer of a registered trade mark is made and before the ruling takes effect, the pirate is prohibited from transferring the mark and required to maintain its validity. The brand owner’s rights in the mark commence from the TRAD’s gazettal of the transfer.

Comment

Many of the changes proposed by the Draft Amendment are welcome, particularly the clear recognition and delineation of “bad faith” conduct and the possibility of victimised brand owners obtaining damages from pirates. Other changes, however, are likely only to add to the issues facing brand owners suffering from trade mark piracy in China, and seem to have been made without recognition of the fact that many of the issues facing the CNIPA, such as massive backlogs due to legions of filings for identical marks, are the logical consequence of its own years-long refusal to effectively counter trade mark piracy. Hopefully, the consultation process for the Draft Amendment ensures that final version of the new law will more effectively take brand owners’ concerns and their practical reality into full account.

- 1 Interestingly, pressure on brand owners to refile will likely only increase due to proposed Article 42 of the Draft Amendment, which eliminates the People’s Court’s corresponding discretion to suspend cases pending outcomes in related cases, requiring it to only consider the status of cited marks at the time the TRAD’s appealed decision was made (save for situations where the “principle of fairness” is clearly violated).

JAPAN

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Japan may turn out be Louboutin’s Achilles’ heel

Christian Louboutin’s attempt to register a single colour mark for women’s high heels with red-coloured soles received a Final Rejection from the Board of Appeals of the Japan Patent Office (“JPO”) in a decision dated 10 May 2022. This rejection was on the basis that the red-sole high-heel shoe trade mark application lacked inherent and acquired distinctiveness and could not function as a source identifier. The matter is currently on appeal before the Intellectual Property High Court of Japan (“IPHCJ”) and the world’s intellectual property community will be closely watching this IPHCJ case to see whether Japan will turn out to be Louboutin’s Achilles’ heel in its worldwide battle to trade mark the single colour red sole for women’s high heels.

Factual Background

On the very same day that Japan broadened its trade mark regime to allow the registration of colour “*per se*” marks in Japan on 1 April 2015, Christian Louboutin filed a trade mark application for a colour mark consisting of a red (Pantone 18-1663TP) coloured sole (see below Fig. 1) with respect to high heels in class 25.

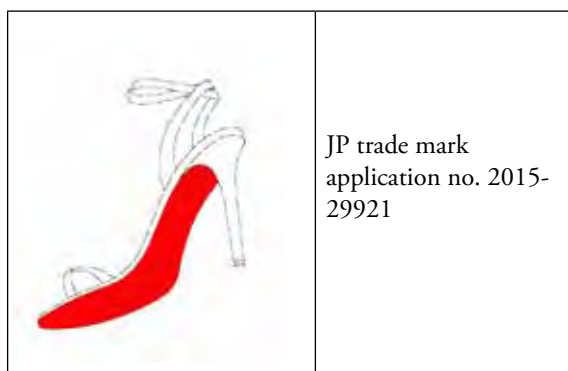


Fig. 1

Louboutin’s red colour *per se* trade mark application no. 2015-29921 was initially rejected by the JPO on 30 July 2019 on the grounds of non-distinctiveness under section 3(1)(iii) of Japan’s *Trademark Act*. The primary examiner found that red-coloured soles have been commonly used on women’s shoes to enhance their aesthetic appearance and attract consumers of high-heel shoes in the Japanese marketplace. Red-coloured heels and shoes have been widely sold from the period before the launch of Louboutin shoes in 1996 in Japan to the filing date of Louboutin’s colour mark application.

Louboutin appealed the initial rejection in trade mark appeal no. 2019-14379 which was finally dismissed by the Board of Appeals of the JPO (Board) in a decision dated 10 May

2022. Louboutin sought to revoke the Board’s decision by appealing to the IPHCJ where it is currently pending as case number Reiwa 4 (gyo-ke) 10089. Although the parties are still briefing the IPHCJ, this matter is likely to be one of the more eagerly awaited decisions of the Court’s 2023 calendar.

Interesting Colour Mark Issues on Appeal

It is very likely that the main issues that the IPHCJ will consider are the basis of the Board’s non-distinctiveness determination and the public interest in granting trade mark protection for a single colour *per se* mark vis-à-vis maintaining marketplace competition.

Essentially the Board was affirming the primary examiner’s findings that Louboutin’s red colour mark *per se* trade mark application lacks distinctiveness and is incapable to act as a source identifier in relation to high-heel shoes in the Japanese shoe industry as it was established that the business practice of producing high-heeled women’s shoes with red soles has occurred in Japan since at least 1996.

The Board noted that even in Louboutin’s own submitted survey evidence, more than half of the interviewees (57 per cent) who live in Japan’s main metropolitan regions such as Osaka, Tokyo and Nagoya where Louboutin stores are situated could *not* recognise that the surveyed red-soled shoes were Louboutin after being asked an open-ended question. Moreover, the Board made a factual finding that Japanese consumers were unable to distinguish Louboutin high-heel shoes from competitors’ shoes just because of the red-coloured soles without the aid of another source indicator.

The other main basis of the Board’s decision was that there:

were numerous shoes with red-colored soles that have been manufactured, distributed and sold by other shoemakers in Japan, there was a public interest against granting an exclusive right to the use of red color soles that had freely been used to enhance the aesthetic appeal of high heels and it would hinder legitimate competition in the high heel red sole shoe marketplace.

The following (see below Fig 2) are a sample of the red-sole shoe sellers (Japanese and foreign brand owners) cited in the Board’s decision.





Fig. 2

Additionally, according to the JPO Trademark Examination Manual, non-traditional colour trade marks without delineated contours, particularly single or double colours *per se*, are generally deemed to be inherently non-distinctive “in principle”. The Manual further states:²

a color trademark may be registered as long as the color(s) alone (separately from the figures, characters, etc. used together with the trademark) is/are recognized among the consumers of the goods or services as the source identifier of a certain party through the use of the color(s).

Therefore, single colour mark trade mark applications are routinely rejected by the JPO at the first instance and applicants must submit evidence that the single colour trade mark application is a source identifier for the designated goods or services. Accordingly, registering single colour *per se* trade marks are an uphill battle in current trade mark examination practice, as the protracted seven-year process Louboutin has undergone amply demonstrates.

The Board’s finding that the single red-colour sole is commonly used in the Japanese high-heel shoe industry and has a decorative or aesthetic function will be very hard to fault on appeal at the IPHCJ. Preserving the public interest in permitting the non-exclusive use of red-colour soles in the Japanese shoe industry may be a bridge too far for Louboutin to overcome. The women’s fashion shoe industry is an integral part of the larger fashion marketplace and it is important for legitimate businesses to freely use colours that are not exclusive source identifiers. Nevertheless, it will also be interesting to see if the IPHCJ will adopt a similar pro-market and pro-competitor approach when applying its distinctiveness examination criteria to Louboutin’s trade mark application.

1 Board Member, SHUSAKU-YAMAMOTO, Osaka, Japan. Any questions about this update should be e-mailed to John A Tessensohn at jtessensohn@shupat.gr.jp. This update reflects only the personal views of the author and should not be attributed to the author’s firm or to any of its present or future clients.

2 Japan Patent Office, *TRADEMARK EXAMINATION MANUAL COLOR PER SE TRADEMARK 54-06* (last updated 17 July 2020) <<https://www.jpo.go.jp/e/system/laws/rule/guideline/trademark/syouhyoubin.html>>.

SINGAPORE

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Request to Qualify the GI for “Parmigiano Reggiano” Successfully Opposed: “Parmesan” is a Protectible “Translation” Falling Within the Scope of GI Protection in Singapore

Consorzio Del Formaggio Parmigiano Reggiano v Fonterra Brands (Singapore) Pte. Ltd.

[2022] SGIPOS 7

In a recent Summary Decision, *Consorzio Del Formaggio Parmigiano Reggiano v Fonterra Brands (Singapore) Pte. Ltd.* [2022] SGIPOS 7, the Intellectual Property Office of Singapore (“IPOS”) issued the first Singapore decision relating to the “Request for Qualification of Rights Regime” in Singapore, where several interesting issues were raised. In particular, IPOS had the opportunity to consider issues pertaining to the scope of protection of “translations” of geographical indications (“GIs”) in Singapore for the first time.

Overview

This case concerned an opposition action to a request for qualification (“Opposition to Request”) of the registered GI No. 50201900057U for “Parmigiano Reggiano” for “cheese” (the “Registered GI”) filed in the name of Consorzio del Formaggio Parmigiano Reggiano (the “Registrant/Opponent”).

Under the request for qualification regime in section 46 of the *Geographical Indications Act* (“GIA”), third parties are allowed to request that any of the rights provided under the Application GI be restricted on the bases that:

1. any name or possible “translation” of the GI is a term to which an exception provided in Part 3 of the GIA applies; or
2. any name or possible “translation” of the GI is not a “translation” of the GI.

In the present case, Fonterra Co-operative Group Limited (the “Requester”) filed a request for qualification of the Registered GI pursuant to s. 46(1)(b) read with s. 46(2)(b) of the GIA on the basis that the protection of Registered GI “Parmigiano Reggiano” should not extend to the use of the term “Parmesan” as it is a name or possible “translation” of the GI that is not a “translation” of the GI (the second basis mentioned above).

The Registrant/Opponent then filed the present Opposition to Request on the basis that “Parmesan” is indeed a “translation” of “Parmigiano Reggiano” and should therefore be protected as part of the Registered GI.

Ultimately, the Registrar allowed the Opposition to Request, holding that:

1. the Registrant/Opponent bore the burden of proof in establishing whether a particular term is a “translation” of a GI;
2. based on a purposive interpretation of s.46(1)(b) read with section s.46(2)(b), “translation” refers simply to whether words have the same meaning in a different language;
3. in considering the issue of a “translation” when s.46(1)(b) is read with section s.46(2)(b), it is not relevant to consider how the terms have been used in the marketplace;
4. the Registrant/Opponent successfully proved that “Parmesan” is a “translation” of “Parmigiano Reggiano”; and
5. the Requester’s attempt to rely on evidence that “Parmesan” has become generic could not be considered as this was not pleaded.

Scope of protection of “translations” of GIs under the GI regime in Singapore clarified

Although obiter dictum, the Registrar made some illuminating statements relating to the manner in which “translations” of a GI are protected in Singapore.

Taking reference from the *Public Consultation on Changes to be made to the Geographical Indications Act and the Trade Marks Act to Enhance Singapore’s Regime for the Protection of Geographical Indications*, prepared by IPOS on 1 November 2013 (“IPOS Public Consultation”), the Registrar opined the scope of protection for “translations” of a GI under the GIA are generally controlled by the following:

- Users of a registered GI are firstly empowered to take action against another party using what is purportedly a “translation” of their GI, and the Courts would be empowered to determine the validity of their argument; and
- The scope of protection of “translations” of GIs can further be considered and clarified using the request for qualification process under s.46 of the GIA.

In an Opposition to Request, the Registrant/Opponent bears the burden of proof

The Registrar considered the issue of who bore the burden of proof in establishing whether a particular term is a “translation” of a GI.

In this regard, the Registrar considered ss.103 and 104 of the *Evidence Act 1893* (“EA”) and concluded that the legal burden of proof lay on the Registrant/Opponent (who commenced the Opposition to Request) to establish whether the term “Parmesan” was a “translation” of the Registered GI. This is because the Registrant/Opponent would necessarily fail if no

evidence at all were given on either side, and the Registrar would have to enter the qualification of rights in the register.

This is further supported by the Registrar’s finding that the IPOS Public Consultation showed a clear intention on the part of the draftsman that the registration of a GI will *not equate to automatic protection* of any term which the user alleges is a “translation” of the GI.

Having said that, it is curious whether such a burden was imposed on the Requester at the point of filing the initial Request for Qualification. As the Request for Qualification in this case was specifically filed on the basis of s.46(1)(b) read with section s.46(2)(b), the Requester would (at that point), presumably, have been required to establish that:

1. “Parmesan” was a potential “translation” of “Parmigiano Reggiano”;
BUT
2. “Parmesan” was not an actual “translation” of “Parmigiano Reggiano”.

It would be interesting to understand the statements, evidence and circumstances in which the Registrar accepted that the second statement was established by the Requester at the point of filing its Request for Qualification.

A “translation” in s.46 of the GIA should not be restricted to a literal translation but should include “faithful translations”

In determining whether “Parmesan” was a “translation” of “Parmigiano Reggiano” the Registrar adopted a purposive interpretation of s.46(2)(b) of the GIA and found that the Registrant/Opponent had adduced sufficient evidence (such as dictionary extracts) to establish on a balance of probabilities that “Parmesan” is indeed a “translation” of “Parmigiano Reggiano” for the following reasons.

1. The relevant inquiry of s.46(2)(b) in the present case was how the word “Parmigiano Reggiano” is converted from its original language (i.e. Italian) into “Parmesan” (in English).
2. Based on the plain dictionary meaning of the word, the Registrar found that “translation” refers simply to the “action of converting from one language to another”.
3. The Registrar also agreed with the Registrant/Opponent that dictionaries have previously been referred to by the Singapore Courts as authoritative sources for meaning of words in the English language.
4. The Registrar also clarified that a “faithful translation” which captures the essence of a word/phrase (as opposed to a literal translation which is simply a word for word translation) should be preferred, given that it is more accurate.

The comments relating to “faithful translations” are ostensibly attractive as they appear to expand the scope of protection of

GIs beyond mere literal translations. However, it remains to be seen what the exact parameters of “faithful translations” will be. For instance, in determining what properly captures the “essence” of a word, would this be done from the perspective of the relevant consumer in Singapore? Would such an enquiry require consideration of certain extraneous factors that inform the perspective of said consumer?

Evidence of use in the market irrelevant to the issue of “translations”

The Registrar also rejected the Requester’s arguments that the enquiry into a “translation” should take into consideration how terms have been used in the market place.

The Requester had attempted to argue that the term “Parmesan” was commonly used in global cheese production and should not be confined to the Registered GI. To this end, the Requester adduced evidence to show a wide array of “Parmesan” cheese products available in the local market. However, the Registrar rejected the Requester’s argument that a “translation” can be determined by how the terms have been used in the marketplace. The Registrar further opined that it was inappropriate for him to consider whether the use of the word “Parmesan” had become common or generic, given that this was not pleaded by the Requester.

While arguments relating to the alleged genericness of the Registered GI should clearly be disregarded (as it was not pleaded), the Registrar’s finding that a “translation” should not take into consideration how terms have been used in the marketplace appears to generate some conceptual friction, especially considering the Registrar’s earlier comments on “faithful translations”.

Conclusion

The present case provides several helpful clarifications as to the scope of protection for “translations” of GIs and is an exciting development in the law of GIs in Singapore. While the Requester did not succeed in this case, it is an interesting thought experiment to consider the circumstances in which a possible translation of a GI would **not** be held to be a “translation” of a GI.

On the practical side of things, this is the second case of this nature where parties have unfortunately not been able to fully ventilate potential arguments due to omissions at the pleading stage. As this is a new and developing area of law in Singapore, it is essential for interested parties to carefully consider all potential issues and possible avenues of argument.

Current Developments – Europe

UNITED KINGDOM

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A Rare Finding: Patent Damages Enquiry Reaches the Court Of Appeal

Anan Kasei Co. Limited & Rhodia Operations SAS v Neo Chemicals & Oxides (Europe) Limited & Ors
[2023] EWCA Civ 11

Damages enquiries in patent cases rarely make it to trial, let alone to the Court of Appeal, so this judgment provides important guidance on the assessment of damages for the infringement of patents, and by extension other IP rights, in England and Wales.

Facts

Anan Kasei is the proprietor of a patent to cerium oxide with a high surface area, a catalyst used in the production of catalytic converters for car exhausts. Rhodia is the exclusive licensee to that patent. In 2016, Anan Kasei and Rhodia started infringement proceedings against Neo, and, in the liability stage of proceedings, were successful at first instance and appeal, with a valid and infringed patent.

Rhodia then sought damages. The customer for both Rhodia and Neo's cerium oxide product is Johnson Matthey, which makes the catalytic converter to sell to car manufacturers. Neo provided sufficient infringing product in the UK for Johnson Matthey to produce prototype catalytic converters for the car manufacturers to test and approve. Neo did not dispute that Rhodia should be entitled to damages for this supply in the UK, and the parties agreed a payment of UK£85,000 (AU\$150,000).

However, once the catalytic converters were approved by the car manufacturers, Neo then provided Johnson Matthey with a far larger, commercial supply of infringing product. However, this product was manufactured in China, where Neo had succeeded in invalidating the relevant patent, and supplied to factories in Macedonia, South Africa and the Netherlands, where there is no patent protection. Rhodia sought over EU€24 million in damages for this commercial supply, arguing that the initial supply in the UK was the cause of its losses.

At first instance ([2022] EWHC 708 (Pat)), Bacon J found that the infringing UK supplies were not the "effective or substantial or proximate cause" of Rhodia's lost sales, and so made no award for damages. Rhodia appealed this decision, with Neo cross-appealing on a number of issues.

Appeal Judgment

Arnold LJ gave the leading judgment in dismissing Rhodia's appeal, with Peter Jackson LJ and Coulson LJ in agreement. The key issues were whether the Court can ever order damages for supply outside the UK, and the meaning of "proximate cause". There was also a dispute on the correct calculation of royalty damages, but as this was highly fact specific, and a moot point in any event, this shall not be addressed further in this update. Finally, the Court considered an application from Neo to introduce new arguments and associated evidence.

General Principles

Patent infringement is a tort, and therefore damages should, where possible, be assessed under the same principles as any other tort. The modern law is said to begin with the speech of Lord Hoffmann in *South Australia Asset Management Corporation v York Montague Ltd* [1997] AC 87 ("SAAMCo"). Key to the issues in this case is the statement:

Rules which make the wrongdoer liable for all the consequences of his wrongful conduct are exceptional and need to be justified by some special policy. Normally the law limits liability to those consequences which are attributable to that which made the act wrongful.

This principle was expanded into a two-part test by the House of Lords in *Kuwait Airways Corp v Iraqi Airways Co (Nos 4 and 5)* [2002] UKHL 19 ("Kuwait Airways"). First the Court must assess factual causation (the "but for" test) and then consider "what is the extent of the loss for which the defendant ought to be held liable". This second test inherently requires a value judgment that should, in most cases, evoke "an immediate intuitive response". Where the response is not intuitive, the Court must consider "the nature and scope of the defendant's obligation in the particular circumstances".

The Supreme Court has reinforced and codified this principle. In *Hughes-Holland v BPE Solicitors* [2017] UKSC 21, Lord Sumption said "a defendant is not necessarily responsible in law for everything that follows from his act, even if it is wrongful." In *Manchester Building Society v Grant Thornton LLP* [2021] UKSC 20 ("MBS") and *Meadows v Khan* [2021] UKSC 21, the Supreme Court set out a six-part test to determining damages for the tort of negligence. The sixth part is termed the "legal responsibility" question, and encompasses a number of different issues, such as remoteness, foreseeability, and intervening acts.

The leading case on damages for patent infringement is *Gerber Garment Technology Inc v Lectra Systems Ltd* (heard

by Jacob J (as his Honour then was) at first instance ([1995] RPC 383), and, in respect of the issues relevant to this update, with whom the Court of Appeal agreed ([1997] RPC 443) (“*Gerber*”). The result in *Gerber* is perhaps what gave Rhodia an expectation of success in its claim for damages for supply outside of the jurisdiction. There the Court found that the patentee could obtain damages in respect of lost sales of non-infringing machines that were sold together with infringing machines (“convoyed goods”), as well as damages for follow-on sales of spare parts and servicing. In justifying this decision Jacob J leaned on a policy argument:

Given that one can foresee these losses, why should the law not provide that the defendant must recompense the plaintiff? and all the more so where the defendant gets a corresponding benefit from his wrong ... If that benefit were large enough it might pay the defendant to commit the wrong. Suppose, for instance, that the ongoing value of service contracts was much greater than the value of the original sales. Then, since exemplary or additional damages are not available, it would pay to infringe.

I think this is a very powerful policy reason for holding that these ancillary damages are recoverable.

The comments at the appeal stage would have further increased Rhodia’s hopes. The Court of Appeal agreed with the principle above that “the tort must ... be, as a matter of common sense, a cause of the loss” but Staughton LJ went on to state:

I cannot find any rule of law which limits the damages for infringement in a patent case in such a way as to exclude the loss claimed by the patentees in the present case.

Acts outside the UK

Turning to the specific issues on appeal, Neo argued that a patentee’s losses are only recoverable for acts committed in the UK, a proposition which Bacon J rejected at first instance. With no previous authority on this point, Arnold LJ considered the issue as a matter of principle.

Although the territorial issue did not arise in *Gerber*, Rhodia argued that the general principle of an infringer not being able to benefit from its wrong should be extended to supplies outside the UK. Arnold LJ agreed, and was fortified in his opinion by a similar ruling from the US Supreme Court in *WesternGeco LLC v Ion Geophysical Corp* 138 S Ct 2129 (“*WesternGeco*”) (Neo attempted to rely on the dissenting opinions in *WesternGeco*, but unsurprisingly Arnold LJ was more persuaded by the majority) and an article by Professor Thomas F Cotter¹ which explained that damages in respect of extraterritorial sales have also been awarded in Canada, Japan and Germany.

Neo countered with two copyright cases (*Paterson Zochonis & Co. Ltd v Merfarken Packaging Ltd* [1983] FSR 273 and *USP plc v London General Holdings Ltd* [2005] EWCA Civ

931) where damages were limited because the actual damage occurred not because of copyright infringement but due to other invasions, such as passing off. Neo’s argument was that damages were only recoverable if they fell within the scope of the duty not to infringe, and that duty only extended to the UK. Arnold LJ found that this interpretation could not be reconciled with *Gerber* and instead these cases were better understood as lacking in legal causation, but this served as a reminder to carefully consider factual and legal causation.

Neo also argued that restraining trade in non-infringing goods would be disproportionate or a barrier to legitimate trade under the TRIPS Agreement and the Enforcement Directive (2004/48/EC). Having considered the relevant provisions, Arnold LJ concluded that, while it was important to ensure that damages are both factually and legally caused by the infringing acts, there was no reason why an award of damages for lost profits in respect of sales which have been lost due to infringement would create a barrier to legitimate trade, including international trade.

Proximate Cause

As explored above, the key question on appeal related to the sixth part of the test set out in *MBS*. This asks whether the loss was legally caused by the infringement. Certain aspects of this question were not in dispute. As well as admitting that its infringing supply in the UK was a cause of the supply abroad (the “but for” test), Neo also admitted that supply abroad was a foreseeable consequence of supply in the UK. Indeed, it would have been hard for Neo to not admit this, given the supply in the UK was made in order to secure those further orders. However, Neo argued that the supply abroad had a “different effective cause”.

At first instance, Bacon J had found that the causal link between the infringing UK supply and the non-infringing foreign supplies was not sufficiently direct. In contrast to *Gerber*, where there was a direct link to the convoyed goods, the supply of an infringing product allowing the infringer to enter the market for a non-infringing product was not sufficiently direct: “the fact that an infringement creates an opportunity to sell a non-infringing product does not mean that the infringement causes the non-infringing sale” (see paragraph 168 of the first instance judgment). Bacon J gave three factors that cumulatively led to this conclusion:

- (i) there were multiple intervening contingencies between the infringing and non-infringing supplies;
- (ii) the infringing and non-infringing supplies were made under separate contracts; and
- (iii) Johnson Matthey had a choice between Rhodia and Neo.

Rhodia’s strongest argument on appeal (Arnold LJ stated “I acknowledge that this argument has some force”) was that these three factors did not justify the conclusion that the

infringing acts were not a proximate cause of the lost sales. Unfortunately for Rhodia, the Court was not persuaded. Arnold LJ considered the factors in reverse order:

- Factor iii): Rhodia argued that it was only by making the infringing supplies that Neo were able to secure the ability to make commercial supplies that competed with Rhodia on capacity and price. Arnold LJ agreed that Neo were only qualified to supply because of the infringement, but this did not mean that Neo would necessarily secure the later orders. As the evidence suggested that Johnson Matthey wanted the security of two suppliers, it was not inevitable that a sale by Neo meant a lost sale by Rhodia.
- Factor ii): Rhodia argued that the fact that there were separate contracts was immaterial. Arnold LJ considered this factor to be relevant to the distinction between creating the opportunity for loss and being a proximate cause of the loss, but not, on its own, determinative of this issue.
- Factor i): This was seen as the most important factor. The evidence demonstrated that Neo's sales depended not only on Johnson Matthey's decision on which catalyst to purchase, but also on the car manufacturers' decision as to which system to use. The car manufacturers' decision was based on the performance of the system as a whole, rather than just the cerium oxide. Rhodia argued that the Court should apply a counterfactual analysis, asking what would have happened if Neo never made the infringing supplies. However, Arnold LJ rejected this as the correct test, as the Court should first determine whether the infringing acts were a proximate cause of the damage claimed, and then may use a counterfactual to calculate the losses.

Taking these three factors together, Arnold LJ considered that Bacon J was entitled to reach the conclusion that her Honour did, and furthermore, agreed with her Honour.

Conclusion

Rhodia, despite having gone to the time (proceedings started in 2016) and expense of having a patent found valid and infringed, only scored a Pyrrhic victory, being left with damages of only UK£85,000 (AU\$150,000) and likely to be on the wrong side of a sizeable costs order from this damages enquiry. This result shows the importance of considering in which jurisdictions to obtain and maintain patents in order to best protect an invention, particularly in global industries such as car manufacturing.

1 Thomas F Cotter, 'Extraterritorial Damages in Patent Law' (2021) 39 *Cardozo Arts & Entertainment Law Journal* 1.

EUROPEAN UNION

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Online Marketplaces and Trade Mark Infringement: Revisited *C-148/21 and C-184/21 Christian Louboutin v Amazon Europe*, EU:C:2022:422 (AG), EU:C:2022:1016 (Court)

Introduction

Online marketplaces enable a multitude of different sellers to use a single platform to sell their goods (or sometimes services) to the public. The question before the Court of Justice of the European Union in C-148/21 and C-184/21 *Christian Louboutin v Amazon Europe* was: when is the operator of a marketplace (in the case, Amazon) liable for infringing goods sold by a third-party on its platform?

The Court of Justice was not working from a clean slate, however. In C-179/15 *Daimler AG*¹ the Court made it clear that only *active* behaviour can be an infringement, because only then does the person have direct or indirect control over the behaviour and is able to stop the use.² Indeed, in C-236 to C-238/08 *Google France*³ the principle was established that a person must use the mark in its own "commercial communication" to infringe. Even so no online marketplace had yet been held responsible for any trade mark infringement by a third-party seller.⁴

For example, eBay's business model was held to be acceptable because its customers were displaying the trade mark in their commercial communication, rather than eBay itself.⁵ Earlier, in *Google* the Court found that Google had only provided the technical conditions necessary for use of the sign and was not therefore using the sign itself.⁶ In C-567/18 *Coty German*, it was held that Amazon were not liable for trade mark infringement where Amazon merely stored infringing goods which were sold by third-party sellers.⁷ At the other extreme, in C-119/10 *Frisdranken Industrie Winters*, the Court held that a commercial communication cannot be made where the identity of the operator was not apparent to the user.⁸ In all these cases it was the third-party and not the operator of the online marketplace who were found to be making the commercial communication.⁹ This means that these cases provide only negative definitions regarding what is not a commercial communication by an intermediary. There was no positive guidance as to when something crosses that line.

Before going on, it is important to remember that even where a marketplace operator is not itself using the trade mark in a commercial communication, it does not mean that the operator cannot be liable under national law as a secondary party¹⁰ or that a blocking injunction cannot

be granted to prevent the operator from displaying the infringing advertisement.¹¹

The Amazon model

What makes the Amazon marketplace different from others is that Amazon sells its own goods next to those of third-party sellers. This was expressed by the Court of Justice in the following terms:¹²

[Amazon] offers on its website in a uniform manner, displaying at the same time advertisements relating to the goods which it sells in its own name and on its own behalf and those relating to goods offered by third-party sellers on that marketplace, the fact that it displays its own logo as a renowned distributor on all those advertisements, and the fact that it offers third-party sellers, for the marketing of their goods, additional services consisting in providing support in the presentation of their advertisements, and in stocking and shipping the goods offered on the same marketplace.

The Court identified the key distinction between the present case and the previous case law as being, “the fact that the online sales website in question incorporates, as well as the online marketplace, sales offers of the operator of that site itself.”¹³

Commercial communications

The Court adopted the Advocate-General’s view that any external communication which is used to promote an undertaking’s activities, goods or services is a commercial communication.¹⁴ It is key, he opined, whether the operator “adopted” the communication so it appeared to be part of its activity.¹⁵ This means, as the Court accepted, the assessment of which person makes the commercial communication must be made from the point of view of the addressee of that communication¹⁶ who is a reasonably well-informed and reasonably observant user (commonly called, the “relevant public”).¹⁷ Accordingly, does the relevant public when using the online marketplace believe that the operator is marketing, in its own name and on its own account, the goods for which the sign in question is being used?¹⁸ The Court concluded when making this assessment the following are relevant:

- (a) the method of presenting the advertisements both individually and as a whole; and (b) the nature and scope of the services provided by the operator.¹⁹

And to Amazon

Amazon’s marketplace is different and distinct from that of eBay, which the Court had already absolved from liability. First, it had been found by the referring court that the commercial offerings of a third-party cannot be distinguished from those of Amazon. Secondly, Amazon’s logo appears on all sales whether by itself or the third-party. Thirdly, Amazon itself sometimes incorporates those offers for sale in its website and listings.²⁰

Notwithstanding these differences, the Advocate-General stated that the relevant public would not see the third-party advertisements as an integral part of Amazon’s commercial communication.²¹ He took the view that despite the uniform presentation of the offer it was always clear to the relevant public whether the goods were supplied by Amazon or a third-party.²² Secondly, while it was true that Amazon was a well-known distributor it was also well-known that it did this both on its own behalf and for third-parties.²³ So to the relevant public, the presence of the Amazon logo could just as easily indicate the goods were being supplied by the third-party. Thirdly, the mere fact that Amazon’s advertisements appear next to the third-party advertisements does not mean the relevant public will see them as Amazon’s commercial communication.²⁴ He went on to say these factors equally apply where the advertisements for third-party goods sold on Amazon appear on third-party websites.²⁵ Fourthly, the Advocate-General did not believe that the grouping of the third-party products with Amazon’s own products when it listed best-sellers made any difference. This was because the relevant public would see this as relating to the presentation and layout of the marketplace rather than an indication of who is selling the product.²⁶

Finally, the Advocate-General referred back to *Coty* where the third-party goods were stocked by Amazon but sold and distributed (shipped) by third parties; activities which the Court had held were not sufficient to make Amazon liable. In the present case, he believed the Court’s answer would not have been different in *Coty* had Amazon actually dispatched the third-party goods. This was because shipping takes place after the goods were purchased.²⁷ So even though efficient delivery and dispatch of the goods strengthens the reputation of the online retailer, this is not enough to make it Amazon’s commercial communication.²⁸ In short, Amazon should not be liable for the trade mark infringement of third-party sellers using its online marketplace.

The Court took entirely the opposite view to the Advocate-General. It concluded that Amazon was adopting the third parties’ commercial communication as its own (and so it would likewise be infringing). First, the Court stated that advertisements need to be transparent under EU law and so any advertisement displayed on an online marketplace must enable the relevant public to easily distinguish between the offering originating from the operator and third parties.²⁹ The Court took the view Amazon’s uniform method of presenting its own and third-party offerings, and the use of its own logo, makes it difficult for the relevant public to draw the necessary distinction. The relevant public therefore may make a link between Amazon, as operator, and the third-party.³⁰ In contrast to the Advocate-General, the Court took the view that the mixing up of third-party offerings with its own in its “bestsellers” and “most popular” listings would, in the mind of the relevant public, be likely to strengthen the link between the operator and the third-party.³¹

Once more diverging from the Advocate-General, the Court held that the nature and scope of the services provided by Amazon, such as dealing with the questions of the users relating to those goods or to the storage, shipping and management of returns of those goods, are further likely to give the impression to the relevant public that those same goods are being marketed by that operator, in its own name and on its own behalf. Thereby, these additional services help to establish the link between its services and the signs placed on those goods in the third-party seller's advertisements. Accordingly, the Court thought that Amazon would be equally liable for actions by a third-party selling infringing goods on its marketplace.

The different conclusions reached by the Court and the Advocate-General as to whether Amazon's marketplace is a commercial communication by Amazon itself comes down to an assessment of the sophistication of the relevant public. The Advocate-General simply thought the relevant public were better informed about the business model than the Court did. As the level of information in the possession of the relevant public is properly a matter for the national court and this will vary between Member States and between goods and services, neither the Advocate-General's nor the Court's answer is necessarily right in every case. It will (at least in theory) depend on the facts.

Final thoughts

The Court of Justice has usually sided with the business models of online marketplaces, seeing the relevant public as sophisticated enough to know who is selling the goods and who is responsible for counterfeit products. The *Louboutin* case is a rare example of a business model adopted by one of the big players being found to be problematic. While the Court's conclusion might not apply to every good or service sold on Amazon (as some customers are better informed and more sophisticated), it is clear that Amazon will need to rethink how it presents goods on its marketplace. This in itself might present it with new problems. Once there is variation between its own goods and those of others on the marketplace, then it might start facing new competition law problems.³² It will be a difficult balance to strike.

- 1 EU:C:2016:134.
- 2 EU:C:2016:134, [41] (as nobody can be legally required to do the impossible, [42]); also see C-567/18 *Coty German*, EU:C:2020:267, [38]).
- 3 [2010] ECR I-2417, [102]; also see C-236/08 *Google France* [2010] ECR I-2417, [56] and C-567/18 *Coty German*, EU:C:2020:267, [39].
- 4 See AG, [52].
- 5 C-236/08 *Google France* [2010] ECR I-2417, [102]
- 6 C-236/08 *Google France* [2010] ECR I-2417, [56] and [57].
- 7 C-567/18 *Coty German*, EU:C:2020:267, [9], [30] and [47]; Court, [33].
- 8 C-119/10 *Frisdranken Industrie Winters* [2011] ECR I-13179, [33]; Court, [41].
- 9 Court, [30].
- 10 AG, [78].
- 11 These are provided for in Directive 2004/48/EC on the enforcement of intellectual property rights, Art. 11.
- 12 Court, [23]
- 13 Court, [34].
- 14 Court, [39]; AG, [55]. The AG also took pains to distinguish the term for "communication to the public" in copyright law: see AG, n. 37.
- 15 AG, [56]. He said this was based on the concept of their being a "link" between the mark and the third party: see AG, [57] and C-62/08 *UDV North America* [2009] ECR I-1279, [47].
- 16 AG, [59], [61] and [72]; AG in C-567/18 *Coty German*, EU:C:2020:267, AG, [53].
- 17 Court, [43]; AG, [67] and so the public will be "reasonably well-informed and reasonably observant".
- 18 Court, [48].
- 19 Court, [49].
- 20 AG, [83].
- 21 AG, [84].
- 22 AG, [85].
- 23 AG, [86].
- 24 AG, [86].
- 25 AG, [87].
- 26 AG, [88].
- 27 AG, [93].
- 28 AG, [92]. He also said that two acts which do not infringe cannot in combination become an infringement: AG, [94].
- 29 Court, [50].
- 30 Court, [51].
- 31 Court, [52].
- 32 See T-612/17 *Google and Alphabet*, EU:T:2021:763 (currently under appeal C-48/22). In this case, Google were issued an EU€2.42 billion fine for favouring its own comparison shopping service in any search.

FRANCE

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Correspondents for France

Transfer of trade marks and related agreements: no automatic assignment within the context of sales of business

French law allows for various means to transfer an economic activity, be it by way of the sale of assets or shares of a company. One of the most used legal vehicles to ensure such transfers is the sale of business as a going concern (“cession de fonds de commerce”). It consists of assigning globally all the assets owned by the sold company to the acquirer.

The purpose of such a mechanism is to avoid the transfer of the seller’s debts to the assignee. However, the business’s agreements themselves, with the exception of certain agreements such as employment agreements or commercial leases, are generally not to be assigned. However, intellectual property rights, such as patents, software or trade marks, are generally key elements of the business and are often assigned.

A recent case submitted to the Commercial Section of the Cassation Court, ruled that distribution agreements authorising a third party to distribute products under several trade marks were not assigned, even though all rights for such trade marks were assigned (19 October 2022, n 21-16.169). The Court stated:

the transfer of a business as a going concern including the transfer of ownership of trademark rights does not imply transfer of the exclusive distribution contract for products bearing these trademarks.

This ruling was justified, according to the Court, on the basis that, except for certain agreements, no agreement is assigned by virtue of such a transfer. Distribution agreements are not an exception to that rule.

It is therefore the liability of the assignee to ensure or request the assignor that certain contracts are expressly transferred, which often requires the consent of the other party to said distribution agreement. Wise advice is to provide for a condition precedent in the transfer agreement aiming at first securing the consent of the co-contractors involved.

CJEU judgments allow trade mark owners to oppose the repackaging of parallel imported or parallel traded medicinal products

European trade mark law, and notably Article 9(2) of Regulation (EU) 2017/1001 (the EU Trade Mark Regulation), grants a monopoly to trade mark owners, allowing them to oppose any use of their trade mark without their prior consent. This monopoly must be reconciled, as stated in the recitals of said Regulation, with the free movement of goods.

The principle of free movement of goods, and notably through their repackaging, is subject to specific conditions affecting pharmaceutical products. To this end, Article 54 of Directive 2001/83/CE (the Directive of the European Parliament and of the Council on the Community code relating to medicinal products for human use) sets out the safety features that prescription medicinal products shall bear: an anti-tampering device and a unique identifier, as defined in Article 3(2) of Delegated Regulation 2016/161 (the EU Falsified Medicines Directive Delegated Regulation on Safety Features).

In view of these provisions, a question has arisen whether parallel importers or parallel traders may repackage a product and affix a new safety feature on new packaging, after having opened the original packaging – in order to make the product otherwise compliant with the regulations for the destination market.

The national jurisdiction asked the Court of Justice of the European Union (“CJEU”) to give a unified interpretation of Article 54(o) of the Directive 2001/83/CE and Article 10) of the Delegated Regulation 2016/161, and to decide whether the fact that parallel traders or importers need to break the seal allows them to use a new outer packaging altogether (affixing a new anti-tampering device).

On 17 November 2022 the CJEU handed down three decisions and answered the questions in the negative (*Merck Sharp & Dohme BV and others v Abacus Medicine AIS and others*, C-224/20) (“MSD”); *Bayer Intellectual Property GmbH v Kohlfarma GmbH*, C-204/20 (“Bayer”) and *Novartis Pharma GmbH v Abacus Medicine AIS*, C-147/20 (“Novartis”). The CJEU affirmed that the opening of the safety feature alone is not a sufficient reason to repackage a product in new packaging. This remains only possible if it is otherwise required for the product to gain access to the destination market.

First, the CJEU specified in *Bayer* (§52) that full repackaging and (just) relabelling constitute equivalent forms of the safety features required under EU law.

However, based on previous case law, the CJEU recalled (*Bayer*, §§65 and 66) that full repackaging constitutes a greater interference with the rights of the trade mark owner than relabelling. Accordingly, trade mark owners may oppose the full repackaging where it is also possible to relabel the product, provided that the relabelled product allows effective access to the relevant market (CJEU, *Boehringer Ingelheim and Others*, C-143/00).

Consequently, the CJEU ruled that opening a product with a safety feature does not automatically justify full repackaging, and a trade mark owner is entitled to oppose the commercialisation of a fully repackaged product provided that:

- (i) it is objectively possible to (only) relabel the product in compliance with the requirements provided for by EU law regarding safety features and
- (ii) the relabelled product could actually access the destination market, confirming in this point the case law cited hereabove (*Bayer*, §68).

Regarding, on the other hand, relabelling, the CJEU further ruled that EU law does not require a barcode with a unique identifier (which must be affixed to products) to be necessarily printed on the outer packaging of a relabelled product and that such a barcode can be affixed on the outer packaging by means of an adhesive label; provided however that:

- (i) such a label cannot be removed without being damaged; and
- (ii) the barcode remains perfectly readable throughout the supply chain until the latest between:
 - (a) one year after the expiry date of the product; and
 - (b) five years after the date on which the product was released (in accordance with the Delegated Regulation 2016/161, Article 6) (*Novartis*, §84 and §90).

The CJEU added in *MSD* (§§100 and 107) that national legislation requiring parallel importers to fully repackage products rather than having them relabelled would have no effect on trade mark owners.

Furthermore, the CJEU ruled in all three decisions that the visible traces of opening that would be left on the original outer packaging of the medical product (due to the replacement of the original anti-tampering device in accordance with EU law) are not sufficient to justify the repackaging in a new outer packaging instead of relabelling such products. The CJEU also ruled that the replacement anti-tampering device is not equivalent to repackaging, according to Article 47a(1)(b), §2 of Directive 2001/83/CE.

However, a trade mark owner may assert its rights against a full repackaging of the product provided that:

- (i) there is no doubt that the visible traces of opening, which would result from the replacement of the anti-tampering device, are attributable to the repackaging carried out by the parallel importer; and
- (ii) those traces would not cause strong consumer resistance to the relevant market by constituting an obstacle to effective market access, to be assessed on a case-by-case basis (*Bayer*, §86; *Novartis*, §74; *MSD*, §79).

In *MSD* (§§118 and 130), the CJEU added other situations where trade mark owners may oppose fully repackaged products, namely where:

- the trade mark, which appeared on the original outer packaging, has been replaced by a different product name;
- although having reattached the trade mark of the owner, other trade marks and/or other distinctive signs that appeared on the original outer packaging were not reattached on the new one, provided that such presentation is susceptible to damage the reputation of the trade mark or does not enable normally informed and reasonably attentive consumers (or only with difficulty) to ascertain whether that product originates from the owner of the trade mark or an undertaking economically linked to such owner or, on the contrary, originates from a third party.

The case law discussed above will give EU trade mark owners the possibility to oppose repackaging of parallel imports or parallel trade where pharmaceutical products are merely repackaged on the grounds of a safety feature having been opened.

1 This contribution reflects the personal views of the authors and should not be attributed to the authors' firm or to any of its present and future clients.

GERMANY

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German Federal Court of Justice changes its case law regarding the legal effect of a cease and desist declaration, impacting any kind of IP case

German Federal Court of Justice, decision dated 1 December 2022, I ZR 144/21

Introduction

In its decision dated 1 December 2022, the Federal Court of Justice (“FCJ”) laid down new principles for the elimination of the risk of further infringement by means of a declaration to cease and desist with an appropriate penalty clause. The FCJ thus changed its longstanding case law.

Background

Unlike in many other jurisdictions, German law distinguishes between the substantive claim and the procedural enforcement of such a claim. For example, if someone infringes another’s IP, the IP owner could file an action for injunctive relief. This grant of injunctive relief does not depend on whether the infringer was at fault. However, according to German civil law, there must be a risk of further infringement (so-called the “risk of repetition”) for this injunctive relief to be granted, s.1004 German Civil Code, s.139 German *Patent Act*. If the IP owner succeeds in the infringement action, a court orders the infringer to cease and desist from future infringements and regularly threatens administrative fines of up to EU€250,000 (circa AUD\$385,000) for each case of infringement.

However, German law also provides for extra-judicial dispute resolution mechanisms. On the one hand, an IP owner and an infringer could exclude the IP owner’s claim for injunctive relief by mutual agreement. On the other hand, German case law also recognises that the infringer can exclude the IP owner’s right to claim for injunctive relief by unilateral action. This can be achieved, for example, by the infringer offering a serious and irrevocable declaration to the IP owner to cease and desist, which provides for an appropriately high contractual penalty for each case of further infringement. In legal practice, cease and desist declarations in Germany are often made in accordance with the so-called “Hamburger Brauch” (Hamburg custom). This is understood to mean a cease-and-desist-declaration with a penalty clause which does not provide for a specific amount of the contractual penalty, but where the determination of the amount is left to the IP owner pursuant to s.315 of the German *Civil Code* and where the determination of the amount can be reviewed by a competent court as to its reasonableness in the event of a dispute.

The decision of the FCJ was made in the context of an

infringer’s attempt to exclude the IP owner’s claim for injunctive relief out of court. However, the IP owner rejected the infringer’s unilateral declaration and brought an action for injunctive relief in court. A special feature of the case was that the infringer had already offered a declaration to cease and desist in the past for similar infringements in accordance with the so-called “Hamburger Brauch” but had not complied with its own declaration as the IP owner learned about new infringing acts.

Facts

The plaintiff is the owner of two EU trade marks. In 2016, a trade mark dispute arose between the plaintiff and the defendants. As a result, the defendants offered a declaration to cease and desist with a penalty clause in accordance with the “Hamburger Brauch”. The plaintiff accepted this declaration. In 2019, the plaintiff became aware of another alleged trade mark infringement by the defendants. The plaintiff sent a warning letter to the defendants for allegedly infringing its EU trade marks. As a result, the defendants again issued a declaration to cease and desist with a penalty in respect of the alleged infringement, in accordance with the “Hamburger Brauch”. The plaintiff rejected this second cease and desist declaration and brought an action before the Regional Court of Braunschweig claiming for injunctive relief.

The Regional Court of Braunschweig dismissed the plaintiff’s motion for injunctive relief due to the absence of a risk of repetition. The Higher Regional Court of Braunschweig partially amended the judgment of the Higher Regional Court of Braunschweig and ordered the defendants to cease and desist from similar acts of infringement and dismissed the appeal in all other respects. Finally, the FCJ modified the judgment of the Higher Regional Court of Braunschweig and ordered the defendants to cease and desist from identical and similar acts of infringement.

Reasons for the decision of the FCJ

The FCJ first held that the question whether the plaintiff could claim for injunctive relief is governed by Art. 17 and 129 of the of the *European Union Trade Mark Regulation* (“EUTMR”) in conjunction with Art. 9 and Art. 130 of the EUTMR. According to Art. 130(1) of the EUTMR, a court shall issue an order prohibiting the defendant from further infringement or threatened infringement of the plaintiff’s EU trade mark. This requires that the Court finds that there is a (threatened) infringement and that there are no special reasons to the contrary. It thus was decisive what were “special reasons” within the meaning of Art. 130(1) of the EUTMR.

The German FCJ pointed out that, according to the case law of the European Court of Justice, “special reasons” must be interpreted narrowly and only refer to factual circumstances. In principle, a court has to prohibit the continuation of

the alleged infringement. According to national law, an injunction requires a risk of repetition or a risk of a first offence. An infringement of the defendant's rights gave rise to a presumption that there was a risk of repetition. The risk of repetition could only be excluded under strict conditions, with the infringer having the burden of proof.

It was recognised that the risk of repetition could be eliminated, inter alia, by a declaration to cease and desist with the acceptance of an appropriate contractual penalty, provided that the declaration was serious, unequivocal and irrevocable and fully covered the subject matter of the claim. Under these conditions, the national understanding of the elimination of the risk of repetition was consistent with the ECJ's understanding of "special reasons".

In its decision, the FCJ further reasoned that a declaration to cease and desist with a penalty clause is a circumstance of a factual nature and could constitute a "special reason" within the meaning of Art. 130(1) of the EUTMR. However, after a new act of infringement, the risk of repetition may arise again. This new risk of repetition could, in principle, only be eliminated by a further declaration to cease and desist with a significantly higher fine. The FCJ held that this further risk of repetition could also be eliminated by a declaration to cease and desist in accordance with the "Hamburger Brauch", thus following the decision of the Higher Regional Court of Braunschweig. On this point, the FCJ did not follow the prevailing view, which held that if there is a repeated infringement, a contractual penalty in accordance with the "Hamburger Brauch" had to be supplemented by a minimum amount in order to be interpreted as a serious declaration. The FCJ reasoned that a contractual penalty under "Hamburger Brauch" is inherent of the increased sanction. A contractual penalty agreement according to "Hamburger Brauch" is particularly flexible and thus suitable to exclude the risk of repetition.

The German Federal Court of Justice ruled – and changed its longstanding case law – that the risk of repetition is renewed if the IP owner refuses to accept the declaration to cease and desist. The rejection of this declaration results in the failure to conclude a cease-and-desist agreement. Similarly, the necessary deterrent effect ceases to exist, as the defendant no longer has to expect a contractual penalty resulting from its declaration to cease and desist. Therefore, there are no longer any "special reasons" within the meaning of Art. 130(1) of the EUTMR. In this respect, the FCJ no longer adhered to its previous case law, which held that the risk of repetition had also ceased to exist if the IP owner had rejected an appropriate declaration to cease and desist.

Conclusion and implications for practice

The FCJ's ruling has far-reaching implications for IP practice. The special feature of the German law, by which the defendant can eliminate procedurally enforceable claims for injunctive relief by unilateral acts, is limited by this decision.

In so far as the FCJ ruled, that the risk of repetition can be revived by rejecting the declaration to cease and desist, its reasoning to change the case law is logically consistent and understandable. In practice, however, the reasoning is likely to reduce the importance of penalty-based declarations to cease and desist. In the past, it was essential for many IP infringers to quickly restore legal peace and certainty for themselves by means of an appropriately penalty-based declaration to cease and desist. As a result of the change in case law, these possibilities no longer exist to the same extent.

Nevertheless, an IP infringer who provides an appropriate declaration to cease and desist does not bear any additional cost risks. They can immediately accept the claims asserted by the IP owner in court. The IP owner then must bear the costs of the action. Thus, there are still incentives for the IP infringer to provide a declaration to cease and desist with an appropriate penalty clause.

For an infringer that has already made a declaration to cease and desist in the past, but which the IP owner has neither expressly accepted nor rejected, the change in case law may apply retrospectively. An action is only excluded if the right to sue or the claim has already expired or if the IP owner has accepted the declaration to cease and desist pursuant to s.151(1) of the German *Civil Code* because the circumstances as a whole show that the IP owner was prepared to accept the declaration. This must be decided on a case-by-case basis.

1 The authors wish to thank their colleague Dr Benedikt Walesch for his help in preparing this update.

Current Developments – North America

CANADA

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Canada: Injunctive Relief Denied in Review of Trade Mark Decision

A recent decision of the Divisional Court of the Ontario Superior Court of Justice has overturned a previous ruling granting an interlocutory injunction in a trade mark case in Canada. The order restrained the appellants from using the BOMBAY FRANKIES trade mark and trade name and from using the website <www.bombay-frankie.com> in association with restaurant or franchise services.

In *Bhagwani v 2788610 Ontario Inc.* 2022 ONSC 6098, the Divisional Court allowed the appeal of the Ontario Superior Court of Justice decision on the basis that the motion judge granting the interlocutory injunction erred in law by finding that the respondent had legal rights in the BOMBAY FRANKIES trade mark in the absence of a registered trade mark or goodwill. The case highlights the importance of having both a trade mark application or registration and use of a mark in Canada in order to be in a position to enforce rights in a mark.

In Canada, interlocutory injunctions in trade mark cases have historically been considered to be an extraordinary remedy and have not often been granted. The granting of the interlocutory injunction in February 2022 was surprising because the appellants had not yet secured a registration or used the trade mark in Canada.

The respondent was incorporated in October 2020 and at the same time it filed a trade mark application to register BOMBAY FRANKIES for use in association with restaurant and franchise services. When it commenced the Ontario Superior Court proceeding and when its motion seeking an interlocutory injunction was heard, it had not yet opened or advertised a restaurant with the name BOMBAY FRANKIES. At the Divisional Court hearing, counsel advised that the respondent had recently opened a restaurant under that name.

The appellants are also in the restaurant business. Bombay Frankie Inc. was incorporated on 12 March 2021. In March 2021, 1727799 Ontario Inc. filed a trade mark application to register the trade mark BOMBAY FRANKIES. The appellants registered the domain name <www.bombay-frankie.com> in February 2021 and had social media accounts using the Bombay Frankie name. The appellants

opened a restaurant called “Bombay Frankie – the Original Bombay Roll” in July 2021 and a second “Bombay Frankie” restaurant in October 2021.

The Court noted that it is undisputed that a “frankie” is a type of Indian street food snack developed in the 1930s and refers to a type of wrap filled with various fillings. The appellants had established other Indian food restaurants and had used the term “frankie” on menu items at those restaurants.

The respondent’s action was commenced in September 2021 on the basis of trade mark infringement and passing off. The motion for an interlocutory injunction sought to prohibit the appellants from using the BOMBAY FRANKIES trade mark and trade name on the basis that it had priority to register the trade mark over a subsequent applicant. The respondent submitted that the appellants would have had notice of its trade mark application prior to opening their restaurants because it would have appeared on the Trademarks Register.

An application for an interlocutory injunction is assessed based on a three-part test established in *RJR MacDonald v Canada (Attorney General)* [1994] 1 SCR 311, namely:

- (1) Is there a serious issue to be tried?
- (2) Will the plaintiff suffer irreparable harm if the injunction is not granted?
- (3) Does the balance of convenience favor granting the injunction?

Applying this test, the motion judge granted the interlocutory injunction. First, the motion judge detailed the parties’ respective submissions as to who had prior use of the trade mark and found that there was a serious issue to be tried. The motion judge made reference to a “novel issue” raised by the respondent as to whether its claim crystallises on the application date or on the registration date.

Second, the motion judge found that the respondent would suffer irreparable harm if the injunction was not granted because, until the “priority issues” were resolved, the appellants would have “a significant advantage in terms of name recognition, goodwill and first mover advantage” if they were permitted to continue to use the trade mark despite having opened the restaurants after the respondent filed its trade mark application. The motion judge found that the respondent would suffer undue disadvantage that could not be compensated monetarily.

Finally, the motion judge found that the balance of convenience favoured the respondent. She recognised that there would be some inconvenience to the appellants but

that one party should not have an advantage over the other in developing a reputation and goodwill under a confusing trade mark.

Although the issue of which party started using the trade mark first was hotly contested at the motion hearing, for the purposes of the appeal, the appellants did not claim to have used the mark before the respondent filed its application, but rather took the position that their appeal must succeed irrespective of whether the appellants used the name before the respondent applied for registration of the trade mark for two reasons. First, because when the action was commenced by the respondent, the respondent did not have a registered trade mark in its name and, secondly, the respondent had not used the name in the public marketplace and, as a result, had not established any goodwill in the name.

On appeal, the Divisional Court found that the first element of the test for injunctive relief was not met because in order to find that there was a serious issue to be tried, the motions judge had to have found that the respondent had a right to the trade mark merely by virtue of its application or had to have presumed that the trade mark would be registered. In order to allege a cause of action for trade mark infringement, the claimant must have a registered trade mark that is alleged to have been infringed.

In this case, the respondent had no registered trade mark for BOMBAY FRANKIES. The Court stated:

A mere application to register a trademark is insufficient to support a cause of action for trademark infringement. ... Further, it is an error to presume that a trademark for which an application has been filed will be registered. Registration is not a foregone conclusion. The Registrar may refuse to register the trademark on the basis that it is, for example, not distinct within the meaning of the Act ... In addition, another party may oppose the registration of the trademark ...

Without a trade mark registration, the low threshold of a serious issue to be tried was not met. The Court held that, in the absence of significant trade mark use resulting in goodwill, the respondent's claim based on passing off also failed to meet the threshold.

The Court held:

The case law demonstrates that goodwill attaches to a name or mark as it relates to the reputation or association with the goods or services provided by the owner of the mark. The Respondent's evidence was that it had retained franchise lawyers and a marketing firm to develop the franchise. The Respondent also had discussions with landlords about renting locations for franchises and with suppliers of food products. In all of the interactions detailed by the Respondent, it was obtaining goods or services in connection with starting up a franchise business. The Respondent's start-up activities do

not constitute goodwill as that concept has been recognized in the case law.

In concluding that "having failed to meet the first part of the *RJR-MacDonald* test for an interlocutory injunction, ... the Respondent's motion ought not to have been granted", the interlocutory injunction order was vacated.

This decision is significant as it shows the importance of: i) having a trade mark registration in order to be in position to establish a cause of action based on trade mark infringement; and ii) use of a trade mark in Canada in order to be in a position to establish a cause of action based on passing off.



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