

# Intellectual Property Forum

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June 2023

Editor  
Fiona Rotstein



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# Intellectual Property Forum

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

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Contributions to *Intellectual Property Forum* are invited on intellectual property subjects and related issues dealing with commercial law, trade practices, licensing, innovation and technology transfer.

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March 2024	before 1 February 2024
June 2024	before 1 May 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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# EXPRESSIONS OF INTEREST

Expressions of interest are invited from intellectual property lawyers and writers to contribute to the Profile Section of *Intellectual Property Forum*.

Since 1997, *Intellectual Property Forum* has featured regular interviews with a range of eminent persons who have made significant contributions to the advancement of IP law in Australia and New Zealand. Expressions of interest are now invited from IP lawyers and writers who wish to suggest, facilitate or contribute profiles of local and international leaders and emerging leaders in the field of IP.

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

Some of those who have been profiled previously include:

- leading IP judges such as the late Rt. Hon. Sir Thomas Munro Gault KNZM QC, Former Chief Justice Robert French AC, Former Chief Justice James Allsop AC, Former Justice Dr Annabelle Bennett AC SC, Justice John Nicholas, Justice Nye Perram;
- leading IP lawyers such as the late Dr John McLaren Emmerson QC, the late Margaret Doucas, Angela Bowne SC, Katrina Howard SC, Dr Terri Janke, Katrina Rathie;
- leading IP academics such as the late Professor James Lahore, Dr Francis Gurry AO, Emeritus Professor Jill McKeough AO, Emeritus Professor Sam Ricketson AM, Professor Andrew Christie, Professor Natalie Stoianoff;
- leading IP players such as Emeritus Professor Sir Gustav Nossal AC CBE; Frank Moorhouse AM, Anna Funder, Kim Williams AM.

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

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

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

## Editorial – Fiona Rotstein

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Photo by Harvey Andrews

Fiona Rotstein, Editor

Time is flying by and it's hard to believe that we are already at the half way point of the year and the June 2023 issue of *Intellectual Property Forum*. After waiting a record 70 years and 214 days, King Charles III has finally ascended to the throne, India has overtaken China as the world's most populous country and the war in Ukraine sadly rages on. IP law has also captured the cultural zeitgeist with recent trade mark and copyright cases concerning pop music icons Katy Perry<sup>1</sup> and Ed Sheeran.<sup>2</sup> In addition, the High Court of Australia unanimously decided that “instant Botox® alternative” is not “use as a trade mark” and PROTOX is not deceptively similar to BOTOX.<sup>3</sup> Plus, a high-profile New Zealand Court of Appeal hearing recently took place on whether an artist should retain copyright in her paintings following the end of her 20-year marriage (the judgment is awaited).<sup>4</sup> Indeed, as this issue of the Journal demonstrates, it's an exciting time to be working in IP law. In this edition, a variety of topical issues in IP law and practice are explored: from pecuniary relief for patent infringement in Australia to copyright in fictional characters. We also spotlight a range of developments pertinent to the protection of Indigenous IP in New Zealand.

We begin with a profile of eminent IP academic, Distinguished Emeritus Professor Dianne Nicol from the Faculty of Law at the University of Tasmania. Her research focuses on finding a balanced approach to the complexity of biotechnology patents. In our conversation, Distinguished Emeritus Professor Nicol discusses the main pillars of her research and reflects on her contributions to IP law and policy reform. She provides a range of insights regarding the regulation and facilitation of innovation in new and emergent technologies. Distinguished Emeritus Professor Nicol also examines the relationship between academia and practice in IP law, stating:

*I would encourage my colleagues in the academic sphere to engage with practitioners and I also encourage practitioners to engage with academia as well. It's really important to have that interface and to be able to have those discussions. Academics should not just stay in our ivory tower thinking esoteric thoughts. I also hope that practitioners recognise that academics bring a useful voice and a useful perspective to their practice.*

This statement goes to the heart of what this Journal aims to achieve – a vehicle for practitioners and academics alike to disclose and discover more about the intricacies of IP law. Owing to the acumen of our authors, each issue attempts to spark synergies between the practice and research of IP law and strengthen the connections of the IPSANZ community.

We also pay tribute to another Australian luminary in IP, the late Professor Bill Cornish CMG QC (Hon) FBA, who was born and raised in Adelaide and played a central role in the advancement of IP law as an academic discipline. Professor Cornish was the inaugural holder of the Herschel Smith Chair of Intellectual Property at the University of Cambridge. Professor Cornish's successor to that role, Professor Lionel Bently KC (Hon), provides a poignant obituary. As Professor Bently KC (Hon) explains, Professor Cornish was integral in fostering the development of IP scholarship and teaching as well as supporting an academic community internationally. We celebrate Professor Cornish's contributions to the field of IP law and his influence on countless IP students, practitioners and academics.

Then we bring you the first of four articles featured in this issue. John Lee and Jennifer Sacleby examine in detail the recent 586 paragraph judgment by Justice Nicholas of the Federal Court of Australia in *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)*(2022) 170 IPR 42. As Lee and Sacleby discuss, Justice Nicholas granted Aristocrat both an account of profits *and* damages as remedies for patent infringement, a novel award in an Australian patent case. According to the authors, the extensive judgment is a significant authority on pecuniary relief for patent infringement and is likely to be closely followed as there have been relatively few applicable decisions since that

of the High Court of Australia in *Dart Industries Inc v The Decor Corporation Pty Ltd* (1993) 179 CLR 101.

Next, we move to a completely different area of IP. In light of the recent judgment by John Kimbell QC sitting as a Deputy High Court Judge in *Shazam Productions Ltd v Only Fools The Dining Experience Ltd* [2022] EWHC 1379 (IPEC) (“*Shazam*”), Alan Ford considers whether copyright should subsist in fictional characters. In *Shazam*, the United Kingdom High Court of Justice found for the first time that a fictional character, in this case the main character from a beloved television program, can be protected by copyright. Ford analyses the *Shazam* decision and its impact. He discusses whether fictional characters are likely to be provided with copyright protection in Australia and examines relevant United States judicial decisions. According to Ford, while there exists “some natural desire to afford protection to fictional characters”, to do so “would be contrary to the principles of Australian copyright law”.

Lynell Tuffery Huria then considers ongoing issues and future challenges for Māori, the Indigenous people of New Zealand, when protecting and enforcing their Indigenous knowledge. Huria updates us on a variety of Indigenous IP developments in New Zealand: the Wai 262 claim to the Waitangi Tribunal, the *Mataatua Declaration* 1993, the New Zealand Government’s reviews of the *Trade Marks Act* 1953 (NZ), the *Patents Act* 1953 (NZ), the *Plant Variety Rights Act* 1987 (NZ), the *Copyright Act* 1994 (NZ) and the *Geographical Indications (Wines and Spirits) Registration Act* 2006 (NZ). Huria also considers the fate of various New Zealand trade mark applications relating to traditional knowledge and a range of international developments that buoy systematic changes to address what she sees as the “ongoing clash” between Indigenous IP and the IP system in New Zealand.

Continuing on a similar theme, Doug Calhoun analyses plant variety rights in New Zealand and the recognition of Māori rights for plant varieties of taonga (Indigenous) species. On 24 January 2023, the *Plant Variety Rights Act* 2022 (NZ) took effect, except for subpart 3 of Part 5 which relates to the operation of the Māori Plant Varieties Committee (“MPV Committee”) and must come into force one year from 18 November 2023. Calhoun discusses the purposes of the Act and its more than 30-year gestation, following the Wai 262 claim and Zealand’s obligations under the Comprehensive Progressive Agreement on the Trans-Pacific Partnership (“CPTPP”) regarding the International Convention for the Protection of New Varieties of Plants (“UPOV 91”). Calhoun examines the Act’s key provisions, such as eligibility requirements, exclusive rights granted, infringement, compulsory licences and drafting inconsistencies with UPOV 91. The function of the MPV Committee and the issues it will need to address in its future guidelines are also considered.

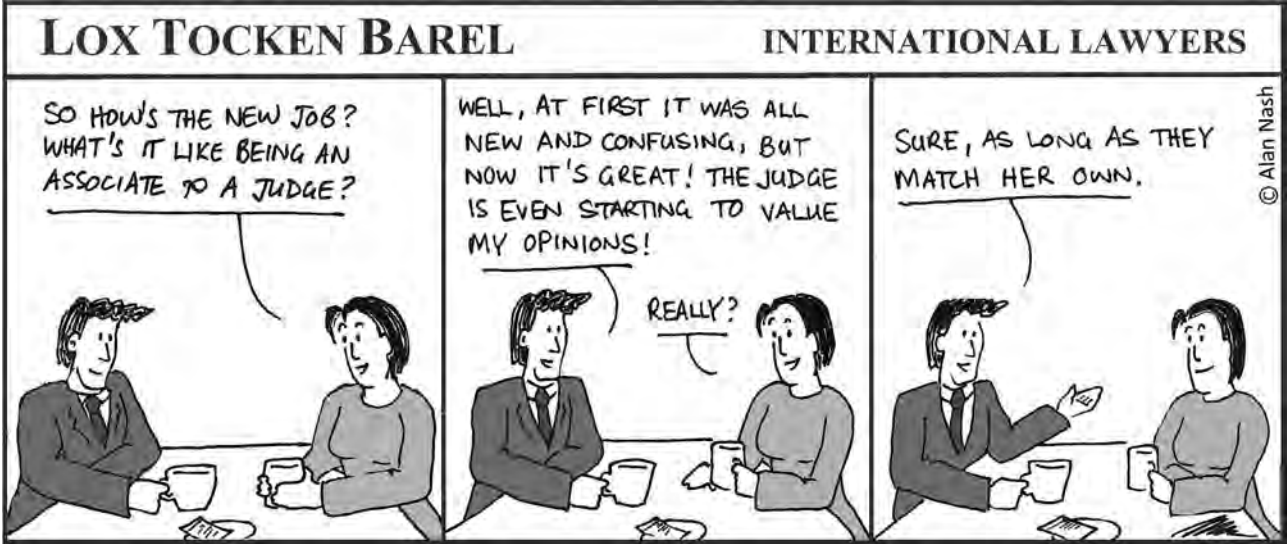
This issue also features reports on two contrasting topics of interest. Natasha Burns examines how and when web-scraping technology may be in breach of Australia’s copyright law. As Burns explains, web-scraping is a valuable technology but its development potential is hampered in Australia by the sparse relief provided by Australia’s fair-dealing provisions and s.43B of the *Copyright Act* 1968 (Cth). According to Burns, Australia should endorse the text and data mining exception provided by Singapore copyright law which permits transformative uses of website data, even when such uses are for commercial benefit. Next, Jack Oliver-Hood examines whether the *Evidence Act* 2006 (NZ) applies to proceedings at the Intellectual Property Office of New Zealand (“IPONZ”). Following a discussion of best practices when preparing evidence for IPONZ disputes and suggestions on advancing and resisting evidential challenges, Oliver-Hood concludes:

*While the current uncertainty prevails, counsel should be careful to follow the provisions of [the Evidence Act 2006] when placing evidence before IPONZ. That approach avoids the risk that evidence is excluded in accordance with the Act, even though that Act does not “strictly apply”.*

We then bring you reviews of two recently released IP texts. Arts Law Centre of Australia solicitors Aditya Vasudevan and Jack Howard analyse *The Subjects of Literary and Artistic Copyright*. The text considers how copyright regulates the creation and management of literary and artistic works. It examines the viewpoints of creators as well as publishers, libraries, universities, museums, galleries and auction houses. According to the reviewers, the “polyphony” created by the plethora of perspectives is a “strength” of the book. Then, Emma Berry reviews *Comic Art, Creativity and the Law: Second Edition*. It explores the effect of the law on the creative process as applied to the multi-billion dollar business of comics. As Berry aptly notes, while comic art “implies comedy and fun”, the impact of the law “has not been as enjoyable for creators and distributors”.

Finally, this edition features current developments in Australia and New Zealand as well as China and Hong Kong SAR, Japan, Singapore, the United Kingdom, the European Union, France and Germany. In regard to local updates, there are analyses of recent IP judgments from the Federal Court of Australia and the Full Federal Court of Australia plus the decision of the High Court of New Zealand in *Thaler v Commissioner of Patents* [2023] NZHC 554. With respect to updates from Asia and Europe, topics range from trade mark piracy in China to the protection of image rights in the United Kingdom, and the evaluation of evidence at the European Patent Office. The current developments section remains an important feature of the Journal and as always, I am grateful to our regular correspondents for their interesting and insightful updates. Enjoy the issue.

- 1 See *Taylor v Killer Queen, LLC (No 5)* [2023] FCA 364. On 10 May 2023, Justice Markovic of the Federal Court of Australia issued a permanent injunction restraining Kitty Purry Inc from infringement of Katie Taylor’s KATY PERRY trade mark in respect of clothing. See: Order of Markovic J in *Katie Jane Taylor v Killer Queen, LLC* (Federal Court of Australia, NSD1774/2019, 10 May 2023). At the time of writing, further submissions are to be made regarding damages or an account of profits, and costs.
- 2 In May 2023, two US lawsuits were dismissed which alleged Ed Sheeran’s song “Thinking Out Loud” infringed the copyright of Marvin Gaye’s song “Let’s Get It On”. See Ben Beaumont-Thomas, ‘Ed Sheeran beats second lawsuit over Thinking Out Loud and Let’s Get It On’, *The Guardian* (online, 17 May 2023) <<https://www.theguardian.com/music/2023/may/17/ed-sheeran-beats-second-lawsuit-over-thinking-out-loud-and-lets-get-it-on>>.
- 3 See *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd* [2023] HCA 8.
- 4 The New Zealand Court of Appeal proceedings concern an appeal from the judgment of Isac J of the New Zealand High Court in *Palmer v Alalaakkola* [2021] NZHC 2330. See also Laura Frykberg, ‘Artist battles ex-husband for copyright ownership of her works’, *1News* (Web Page, 9 March 2023) <<https://www.1news.co.nz/2023/03/09/artist-battles-ex-husband-for-copyright-ownership-of-her-works/>>.



# In Conversation with Distinguished Emeritus Professor Dianne Nicol

Fiona Rotstein

**D**istinguished Emeritus Professor Dianne Nicol is a renowned intellectual property scholar from the Faculty of Law at the University of Tasmania. Her research examines the legal issues associated with the commercialisation of genetic knowledge and patenting of genetic inventions. Distinguished Emeritus Professor Nicol met with Fiona Rotstein to discuss some of her career highlights, experiences in IP law and policy reform, the future challenges of IP law and much more.



Photo courtesy of the University of Tasmania

Distinguished Emeritus Professor  
Dianne Nicol

**Q:** You began your research career as a cell biologist and received a PhD from Dalhousie University in Canada. What led you to study law at the University of Tasmania?

**A:** That's a good question. Often life causes you to take interesting career paths. I started with science and then moved to Tasmania with my family because my husband is an Antarctic biologist. We moved here because of his role. Biology academics were more focused on ecology than on looking at the biology of cells at that time. I remember thinking it was going to be hard for me to find something to do in Tasmania, so it would be good to look at different career options. That's when I decided that law would be a good option because it would give me a profession as well as a vocation and I thought it might be useful in balancing my scientific knowledge and areas such as environmental law – to utilise my existing skills. I didn't realise at the time that I would actually end up focusing more on genetics and biotechnology but that's another part of the story.

**Q:** That leads to my next question. Your research focuses on finding a balanced approach to the complexity of biotechnology patents. What are the main pillars of your research?

**A:** I think obviously anything to do with IP has to have some doctrinal components – the case law, the legislation and how the judiciary approaches statutory interpretation. For me, the debate about the legitimacy of gene patenting was one of the really important and interesting aspects of my research, particularly *D'Arcy v Myriad Genetics Inc*, when it went to the High Court of Australia.<sup>1</sup>

But also I think this is a real need to understand the sort of practicalities of how the law applies in particular areas of technology. For example, developing an evidence base to inform how the law is affecting practice

is really important. One aspect is understanding the patent landscape – seeing what's been patented and what survives the examination process. But the other aspect that really interests me is talking to people who are involved in the practise of the law, such as patent attorneys but also technology transfer officers in universities as well as IP experts in biotechnology and pharmaceutical firms. My team's research involves quite a lot of interviews and surveys with these groups of people, finding out how in practice the law affects what they do.

**Q:** What excites you most about your research?

**A:** I love that holistic approach of bringing all these threads together, not just doctrine but how that comes into practice and how people actually apply the law to real world problems.

**Q:** What are you currently working on?

**A:** I have a number of projects on the go. I think most relevantly from the IP perspective, I have a grant from the Australian Research Council that focuses on how innovative health technologies make it into the clinic and the pharmaceutical shelf. This involves analysis of the governance and regulation of innovative health technologies right from the first steps in the laboratory, through all of the clinical trial phases and beyond. And in this project, we define regulation very broadly encompassing anything that affects how an innovative product is developed. We're interested not just in what the Therapeutic Goods Administration ("TGA") does, for example, in approving new products, but how IP also impacts on how products are developed. It may facilitate innovation but there's also a risk that some IP could actually block or interfere with innovation, particularly where there are patents that have broad claims over foundational technologies. We are looking

at innovative health technologies such as gene editing, bioprinting and biomarkers.

There's a few other projects I'm working on. For example, we're also looking at community perspectives – how members of the community view these new technologies, how they view commercialisation and what their attitudes are towards patenting.

**Q:** Your research is cross-disciplinary – it covers law, biomedicine, economics, innovation studies, social science and technology. What is it about exploring patents from a cross-disciplinary perspective that attracts you?

**A:** This is a real feature of my research that inspires me, although I wouldn't say that I'm an expert in all of these areas. Rather, I work with people who bring those particular levels of expertise. I suppose this is where my crossover between science and law comes in – being able to bring in my background training in both areas really helps me to understand how important it is to see things from all perspectives. My knowledge of the science discipline helps me understand how important it is to facilitate scientific development. But I really think that it has to be done in a very well-regulated legal environment.

A lot of people who are in the sciences might be quite intimidated by the law because they see it as a block on what they do. But to me good regulation is necessary to ensure that the promises of the science get translated into real benefits to the community, recognising all of the risks involved as well. I think it is really important to recognise the need to bring the community along with you – because ultimately in the end it's all about people. It's important to make sure people really embrace innovation but recognise its limitations and recognise the risks involved and the benefits involved. I think having a cross-disciplinary approach helps with that.

**Q:** Has the pandemic made society more receptive to the issues associated with commercialisation and patenting in biomedicine?

**A:** It's really interesting and I don't think anywhere near enough research has been done yet on how community attitudes have changed since the pandemic. I think people probably understand how the process of getting a new medicine or a new vaccine into the clinic actually works now. They probably understand a bit more about all of these approval processes and why it's necessary to go through them. They probably also understand a bit more about why we need companies like Pfizer and Moderna involved because it's such a complex and expensive process to develop a vaccine.

I think people are more aware that you can't just leave it to universities and university researchers (who do

amazing research) to actually do the developmental stages as well. I would like to think that there's more understanding of that but there's probably also more concerns about making sure these things are delivered equitably. People understand that there are communities that are really missing out, particularly when you look at it on a global level. It's really shocking, still, how low the uptake levels are for people in low and middle income countries in terms of even getting the first vaccine to people.

I'm speaking about this from my own perspective but I think there should be greater understanding of the importance of benefit sharing and the important role that governments in highly-developed countries have in making sure that there is equitable distribution globally. It's in everybody's interest to make sure that people are vaccinated across the globe, not just in high income countries. That might make them have reservations about commercialisation and patenting because of the increased costs that might arise as a consequence.

It's such an interesting area. There are still ongoing debates about the TRIPS patent waiver and whether we should be doing more to make sure that patents aren't impediments to equitable delivery. I think there needs to be more discussion of it within countries like Australia. We need to discuss what the Australian community thinks our responsibilities are in terms of sharing the benefits with our nearest neighbours and making sure that there are still the incentives to develop these vaccines, but there is also recognition of the importance of sharing more broadly.

**Q:** On that point of “sharing more broadly”, you participated in the introduction of an exemption in the *Patents Act* 1990 (Cth) allowing use of patented inventions for experimental purposes. What was that experience like?

**A:** Perhaps one of the most interesting opportunities in my early career arose at the time when I was starting to do empirical research on the patenting of genes. I was invited to be on the advisory group to the Australian Law Reform Commission (“ALRC”) inquiry into gene patenting<sup>2</sup> and I acted as a consultant as part of that process.

It was absolutely fascinating to see the professionalism of the ALRC and how they approached this task with such thoroughness and active consultation with members of the community and expert bodies, plus how they really gave attention to all of the submissions that came in. I felt that the inquiry was so professionally undertaken and really delved into the complexities of the issues. I greatly admired the report that came out as a result.

One of the things that the ALRC did was that they spent a lot of time reviewing the report that I and my colleague [now Associate Professor] Jane Nielsen had produced on our first empirical study of patenting and its impact on the medical biotechnology industry in Australia. We had done interviews and surveys and obviously looked at all of these issues with an eye to what the law currently was and what the law should be. One of the things that we heard about from researchers and from industry was how much they already respected what we called a “practice-based research exemption”. In practice, many industry players said they wouldn’t dream of pursuing researchers for patent infringement. But I think it was widely recognised that it would be useful to explicitly provide for this in the legislation. At the time, most countries had some case law or some statutory provision but Australia didn’t really have any case law or anything in our legislation that provided guidance on what an experimental use exception might look like. I think that was a really important development for the ALRC to recommend that there should be an express experimental use exception, and for Australia eventually to get that with the *Raising the Bar* amendments.

It was interesting though, because the ALRC Report was completed in 2004 but it still took such a long time until we finally got *Raising the Bar* in 2012, eight years later. And I guess that illustrates that law reform takes time.

**Q:** Yes, that goes to my next question. You have significant experience at the intersection of IP law and policy, having provided various recommendations to law reform agencies and government on how to regulate emerging biological technologies. Aside from the fact that it takes time, what are your key takeaways regarding IP law reform?

**A:** It also takes political enthusiasm. It’s really important for the government to see the need for these things. And that changes as governments change and as ministers with the relevant portfolios change. There’s so many complexities that governments have to deal with and actually capturing their attention is a real challenge.

In the end, we had the ALRC calling for these sorts of amendments, we had the Advisory Council on Intellectual Property (as it then was) and we had IP Australia undertaking law reform inquiries as well. Collectively there was such a strong groundswell of opinion that there was a need to amend our patent laws, particularly when it came to experimental use and the section 40 requirements of the Patents Act as well.

But there’s still quite a few outstanding issues. We’re still debating inventive step. There are calls for reforming inventive step particularly when you look at what’s going on in other jurisdictions. But this has not yet happened.

You think you’re almost there and then it doesn’t quite happen for whatever reason. You can’t rely on the whole process coming to fruition until it’s gone through all of these fairly long and convoluted processes. So when law reform does happen, I think people should be quite assured that it’s not done too expeditiously. It’s done with a lot of thought, a lot of care and attention and a lot of opportunities for relevant stakeholders to make submissions which are all taken into account.

**Q:** At the end of 2021, you retired from your positions as Distinguished Professor of Law and Director of the Centre for Law and Genetics, both at the University of Tasmania. How do you view the relationship between academia and practice in IP law?

**A:** It’s vitally important to make sure that there is a relationship between academia and practice. It’s important from the teaching perspective for students to understand the legal principles of IP law and to actually hear from people who practise as well. In my teaching I often try to get practitioners in to talk to the students in order to help them understand how what they’re learning actually has resonance when it comes to practice. For example, when [the late] Justice Peter Heerey AM QC was on the Federal Court of Australia, he was always really enthused about engaging with academia as well. He was a University of Tasmania alumnus and when he was on long-service leave from the Court, came to the University of Tasmania to give some lectures in my IP course and it was great for my students to hear such an eminent IP Judge talking about some of his cases. I’ve also had patent attorneys and IP lawyers come and talk to my students.

In the research context, it’s also important for academics to talk to people who are actually practising the law as a legal practitioner but also people involved in technology transfer or other areas who actually engage more in patent practice than patent law practice. I think we need to engage across all of those areas. I would encourage my colleagues in the academic sphere to engage with practitioners and I also encourage practitioners to engage with academia as well. It’s really important to have that interface and to be able to have those discussions. Academics should not just stay in our ivory tower thinking esoteric thoughts. I also hope that practitioners recognise that academics bring a useful voice and a useful perspective to their practice.

**Q:** On a personal level, what is it about IP law that continues to fascinate you?

**A:** What really fascinates me is that patent law is based on the *Statute of Monopolies* (1623) and copyright law is based on the *Statute of Anne* (1710). We’re looking back about 600 years but those systems that were established then have really stood the test of time. Think of how

IP laws have survived through the industrial revolution, the biotechnology revolution and the information technology revolution, how it's been possible to still stick with those principles that were established really early on but can be adapted to the modern environment. To me, that is absolutely fascinating. Obviously it takes a little while for the law to adapt but it's really capable of doing so.

The whole debate about gene patents went on for about 20 or 30 years and now it's much more settled – 20 or 30 years in the scheme of things is the blink of an eye when it comes to legal processes. When it comes to technology, then admittedly it's probably way too slow. But that's the real thing that interests me – how adaptive the law is and how it still has the capacity to adapt to all of the new challenges that come up.

I think the most fascinating challenge that lies ahead is how we deal with artificial intelligence (“AI”). Whether you are looking at copyright law or patent law or any area, AI is going to be a huge challenge. I'm really interested in seeing how that all pans out. It's probably not going to be me that's going to be doing this research but I know my academic colleagues and my colleagues in practice are going to have a really interesting time ahead. *Thaler v Commissioner of Patents* (“*Thaler*”)<sup>3</sup> is just the start in all of this and how the courts are going to deal with those challenges is super interesting.

**Q:** Moving to a big, meaty question. Your research has mainly focused on best practice regulation and governance of human genomics and stem cell technology. How do you think the law in this area is tracking? Do you believe the law needs to be changed?

**A:** That is a huge question. The way I see it at the moment, certainly in Australia, we have a really good system of regulation and governance for these technologies. We have the *Therapeutic Goods Act 1990* (Cth) which make sure that that anything that's approved is safe, effective and actually provides genuine clinical benefit, so the TGA does a really good job in regulating those sorts of things. Research ethics committees, I think do a really good job in making sure research is done in a way that's ethically sound and really take account of the risk benefits balance for participants. So I think that Australia is in a good place.

But technology is advancing really quickly. I think that we need to be cognisant of this and be ready to look at the laws and test their adequacy on a regular basis. It's really good that some of our legislation has mandatory review processes or sunset clauses so that we do continually look and say, “Is this doing what we want it to do?”. We need to make sure that these provisions are more routinely included in new and amended legislation.

**Q:** How do you view the current legislation and case law regarding the regulation and facilitation of innovation in emergent technologies? Do you think the balance is right?

**A:** As I say, I think we're in a good place but the difficulty with these innovative technologies is that the law in Australia and in many countries is in quite distinct silos. Take clinical practice and research. We need to understand that there isn't a bright line between research and practice and make sure that the law adequately acknowledges that in emerging technologies, it's not a sharp, steep step but it's more of a gradual flow.

All of these processes need to be governed properly. One of the things I have in mind here is that research ethics committees have a big job to do. They basically give ethics approval for research but they're also the main bodies that have oversight of clinical trials and the like. I wonder sometimes if they're adequately resourced and if there is enough harmonisation. For example, an ethics committee in one institution might approach questions quite differently to an ethics committee in another institution. So, opportunities for greater national and international harmonisation regarding practices of ethical review and even discussions about how they approach these questions would be enormously helpful.

I work with an international group called the Global Alliance for Genomics and Health (“GA4GH”). I co-lead the regulatory and ethics workstream. One of the things that GA4GH is trying to do is to get much more international harmonisation on ethical and regulatory issues to do with genomics and genetics. It's obvious why this is needed. Say you have a multi-institutional project with 20 different universities, some pharmaceutical companies and so on. If each one of those has to get their own ethics approval, I've heard of it taking two years just to get all the ethics processes approved. Streamlining is a really important aspect of the governance of innovation.

**Q:** You have spoken about *Thaler* and AI but, generally speaking, where do you think lie the future challenges of IP law?

**A:** Clearly, more needs to be said on *Thaler*. It's certainly not an endpoint. There's a lot more debate that's going to happen around AI and whether AI can actually be the generator of IP, be it a patent or copyright, and how to deal with AI infringements and so on. There are going to be big issues ahead there. But I think there are so many new technological developments that are going to occur and the law inevitably, to use Justice Windeyer's quote, “limps behind a little”. It takes a while for the law to adapt and we've seen it with some of the comments I've made about law reform – it's a slow process.

As all of these issues become much more global, the challenge is that IP laws are jurisdiction-based. Even

though we have the World Trade Organization's *Agreement on Trade-Related Aspects of Intellectual Property Rights* ("TRIPS"), there's still a lot of differences in approaches between nations. This is going to be increasingly challenging in a globalised research and innovation environment. How we work through these interjurisdictional differences is going to be kind of complicated.

**Q:** What were your career aspirations when you first arrived in Tasmania? What advice would you give to your younger self?

**A:** I came here having just finished my PhD in cell biology, thinking that my track was going to be working in science. It didn't quite pan out for whatever reason but I think what I've learned and what advice I would give is that you just have to make the most of opportunities when they arise. To me, it's all about embracing them. Rather than feeling downcast and let down by the system because you can't do what you want, just think of it as giving you the opportunity to try other avenues and be brave about going on other tracks.

Even though I didn't start my career in law until quite late, I really feel it's been rich and fulfilling. I was never very good at looking where I want to be in five or 10 years. It's important to be happy where you are now and not think too much about where you are going to end up. If you're planning too much for the future, you can actually miss out on opportunities that come up.

- 1 *D'Arcy v Myriad Genetics Inc* [2015] 258 CLR 334.
- 2 Australian Law Reform Commission, *Genes and Ingenuity: Gene Patenting and Human Health*, Report 99 (June 2004).
- 3 *Thaler v Commissioner of Patents* [2022] HCATrans 199.

# Obituary: Professor WR Cornish CMG QC (Hon) FBA (1937-2022)

Professor Lionel Bently KC (Hon)<sup>1</sup>

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Professor Bill Cornish, born and raised in Adelaide and a graduate of the University of Adelaide, who went on to become a pioneer of the teaching of IP in the UK as well as a leading figure in modern legal history, died on 8 January 2022, aged 84.



Professor WR Cornish CMG QC (Hon) FBA

Photo courtesy of The University of Cambridge

The son of an Adelaide solicitor, having graduated from the University of Adelaide in 1960, Bill was awarded a Commonwealth Scholarship to undertake a Bachelor of Civil Law at Oxford. Once that was complete, Bill was appointed assistant lecturer at the London School of Economics (“LSE”). At the suggestion of the great German comparative lawyer, the late Professor Sir Otto Kahn-Freund QC, Bill developed an interest in patent and copyright law, and having taken his bar exams, did a pupillage with the patent-barrister, Thomas Blanco White QC. Bill then established a course on Intellectual and Industrial Property at the LSE, with the assistance of Robin Jacob (later Professor Sir Robin Jacob KC, the leader of the England and Wales IP bar, Court of Appeal judge and the Hugh Laddie Chair at University College, London) and Richard Lloyd. After a year at Queen Mary College, Bill returned to the LSE as a Professor in 1970.

Bill’s textbook, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* which was first published in 1981 served as the standard text on the subject, instrumental for establishing “IP” as a major topic in the UK, the EU and globally. Now in its 9th edition, it was and remains a remarkable work. Before it, there were large practitioner texts devoted each to copyright, patents, trade marks and designs. They were expensive, unwieldy and surprisingly uninformative. They contained little which one might describe as insightful, and even less that was critical. Bill’s book, by contrast, brought together all the components of what was then starting to be called “IP law” a label which the first edition acknowledged “may sound rather grandiloquent.”

However, the difference between Bill’s work and what preceded it was not merely a matter of taxonomy. The book was transformational because of the range of perspectives that Bill brought to the field. These included: perhaps not surprisingly, the history of the different IP regimes; a real

appreciation of the international legal context; recognition of the increasing importance of (what was then) the European Economic Community and its growing influence on domestic law; widespread references to comparative law; discussion of “the political and economic debates which always surround the subject”; a critical approach to the law. Deploying – as anyone who knew him might expect – a gardening metaphor, Bill explained that the “root issue” ... “to which we will constantly return” is “whether the scope of IP rights are appropriately balanced”.

The influence of Bill’s textbook is not to be underestimated. Not only did it underpin the proliferation of courses on IP at British universities (including my own courses at Keele University, in 1987, and King’s College London, from 1991) but it informed IP thinking around the world. This was especially pronounced in common law countries, but also in Asia and Africa. It is not just the breadth of influence that is significant; but also the profound effect of Bill’s approach. Indeed, in the years since 1981, there have been recurrent and persistent attempts to extend IP rights, by making them stronger, deeper or longer. Bill’s insistence on care in responding to such claims set the framework for the healthy scepticism of generations of academics.

Bill played a key role in supporting others’ efforts to develop the subject. He was on the editorial board of the first UK journal devoted to IP, Hugh Brett’s *European Intellectual Property Review*, which was first published in 1979; and later, the Max Planck’s journal, *IIC – International Review of Intellectual Property and Competition Law* (1984–89), becoming an editor (1989–2019). Bill was recognised internationally as the UK’s leading expert on IP law. He was elected as Scientific Member to the (then) Max Planck Institute for Foreign and International Patent, Copyright and Competition Law (now MPI for Innovation and Competition) in Munich, President of the international Association for Teaching and Research in Intellectual Property

## Obituary: Professor WR Cornish CMG QC (Hon) FBA (1937-2022)

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(“ATRIP”) from 1985 to 1987 as well as Vice-President of Association Littéraire et Artistique Internationale (“ALAI”).

Bill moved to the University of Cambridge in 1990 and was the inaugural holder of the Herchel Smith Chair in Intellectual Property Law from 1995 to 2004. He established the “IP Unit” within the Law Faculty’s Centre for European Legal Studies (“CELS”), eventually leading to the founding of the Centre for Intellectual Property and Information Law (“CIPIL”) on Bill’s retirement in 2004.

Bill’s students include Professor Sir Robin Jacob KC; Emeritus Professor Sam Ricketson AM, who went on to become the pre-eminent scholar on international IP law; and Ansgar Ohly and Matthias Leistner, both brilliant Professors at LMU in Munich. Bill also supervised an impressive list of doctoral students, whose work has further enriched the field, including (with apologies to those unmentioned) Dr Amiram Benyamini, later an Israeli judge, who wrote a masterly thesis on patent infringement; the late Dr Catherine Seville, later Vice-President of Newnham College, who produced a ground-breaking history of the *Copyright Act 1842* (UK); Pascal Kamina (now Professor at the University of Lyon) who wrote an important study of film copyright in the EU; and Isabella Alexander (now Professor at the University of Technology Sydney) who analysed the changing and often contradictory place of the public interest in copyright history.

For his pioneering work, Bill was recognised by being made a member of the British Academy in 1984. Among the many other honours that Bill received, he was awarded a Cambridge Doctor of Laws (“LLD”) in 1997, was made a Bencher of Gray’s Inn in 1998, was awarded Honorary LLDs by the University of Edinburgh, the LSE, the University of Sofia and the University of Adelaide and became a Companion of the Order of St Michael and St George in 2013.

As well as being an outstanding legal academic, those of us who had the privilege of knowing Bill will remember him as an extremely kind, thoughtful and funny colleague. In the Foreword to a festschrift for Bill, Lord Hoffmann called Bill “one of the small band of brilliant academic intellectual property lawyers who have made the subject a fascinating and demanding branch of study.” Lord Hoffmann praised the breadth of his learning, as well the easy lucidity and the “wry irony” of his writing – “one can almost see the slight lift of the Australian eyebrows.”

I remember Bill also as a great friend and supporter. In 2004, I succeeded Bill as the Herchel Smith Professor of Intellectual Property Law at Cambridge. Bill continued as an Emeritus Professor, with an office two doors down from me. The situation might have been awkward – one might think of Sir Alex Ferguson in the stand at Old Trafford watching David Moyes struggle as Manchester United’s manager. However, Bill knew precisely what to do. He was always

ready to support our initiatives, attend events, and help out; but never gave off an inkling that he was judging, let alone of disapproval. Indeed, he and his wife Lovedy went out of their way to help me and my wife, Clair, who is also Australian, to settle in, with frequent invitations to their home and garden. We even shared a wonderful holiday together travelling round the Northern Territory, with IP expert Dieter Stauder and his wife Babsy and Professor Christoph Antons and his wife Rosy. We sat together at Ubirr, in the magical stillness, looking out over the vast flatness of Arnhem Land.

No one has had a more profound effect on the emergence of IP in academia over the last 60 years than Bill; and it is hard to imagine that anyone will ever again be so influential. But perhaps more remarkable than the level of impact on the IP community, is the level of affection for Bill. Bill was very much loved. In the many tributes that have been paid to Bill, people repeatedly refer to his sense of humour as well his generosity, friendship, support and encouragement.

A fund to support doctoral researchers in IP has been established in honour of Bill. If you would like to give, please visit: <[www.philanthropy.cam.ac.uk/give-to-cambridge/the-bill-cornish-memorial-fund](http://www.philanthropy.cam.ac.uk/give-to-cambridge/the-bill-cornish-memorial-fund)>. If you would like to discuss the possibility of a larger donation, please contact: annabel.edwards@admin.cam.ac.uk

**For more on Bill:** <<https://www.squire.law.cam.ac.uk/ eminent-scholars-archive/professor-william-rodolph-cornish>>

**For memorials to Bill:** <<https://www.cipil.law.cam.ac.uk/peoplemembers/memorial-bill-cornish>>

**Bill Cornish Memorial Fund:** <<https://www.cipil.law.cam.ac.uk/about/bill-cornish-memorial-fund>>

1 KC (honoris causa); Herchel Smith Professor of Intellectual Property Law, University of Cambridge; Professorial Fellow, Emmanuel College, Cambridge; Door Tenant, 11 South Square, Gray’s Inn.

# *Cakeism* – Damages *and* an Account of Profits for Patent Infringement

John Lee<sup>1</sup> and Jennifer Sacley<sup>2,3</sup>

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## Introduction

Decisions concerning pecuniary relief for patent infringement in Australia are relatively rare. Typically, once a patentee has succeeded at the final liability stage of proceedings, the parties reach a settlement in relation to any financial compensation.

If a case does proceed to a quantum hearing, in accordance with the legislation, a patentee is required to elect an account of the infringer's profits *or* damages as a remedy.

Therefore, it is significant that recently Justice Nicholas of the Federal Court of Australia awarded Aristocrat Technologies Australia Pty Limited (“Aristocrat”) both an account of profits and damages as remedies for patent infringement against competitor Konami Australia Pty Ltd (“Konami”).

Final orders were made on 15 December 2022. Aristocrat was awarded the sum of AU\$36 million (including interest).

In a case that illustrates that a patentee can both have their cake and eat it too, this decision is an important authority regarding the principles relating to pecuniary relief for patent infringement and the practical application of those principles to an assessment of both an account of profits and damages. This article provides an analysis of Justice Nicholas' reasons in *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42 (“*Aristocrat v Konami*”).

## Summary of the Liability Phase

Aristocrat commenced patent infringement proceedings against Konami in March 2011, in relation to Aristocrat's Australian patent number 754689 entitled “Slot machine game and system with improved jackpot feature” with a priority date of 8 July 1997 (the “689 Patent”). Having settled those proceedings, the parties entered a Deed of Settlement in June 2011. Despite the settlement and undertakings given by Konami not to infringe, Aristocrat became aware of further infringements by Konami and commenced fresh proceedings against Konami in August 2011 (the “Liability Proceeding”).

By their nature, patent cases generally involve a high level of complexity and require the input of specialist counsel, solicitors, patent attorneys and independent experts. This case had added complexity because of the nature of the technology, which involved consideration of several disciplines, including game design, statistics, probability, and mathematical algorithms.<sup>4</sup>

The proceeding was heard by Justice Nicholas over 10 days in December 2013 and March 2014. After extensive

deliberations, reflecting the intricacy of the issues, his Honour issued judgment in 2015.<sup>5</sup> Konami was found to have infringed the 689 Patent. Further, Justice Nicholas held that the patent was novel, involved an inventive step and was a manner of new manufacture. The claims were also found to be fairly based. Consequently, Konami's cross-claim for invalidity was dismissed. The Liability Proceeding also involved a breach of contract claim. Konami was found to have breached the terms of the Deed of Settlement mentioned above by reason of its further infringement of the 689 Patent.

Konami lodged an appeal challenging both the findings of infringement and validity of the 689 Patent. In August 2016, Justices Besanko, Perram and Jagot comprising a Full Court of the Federal Court of Australia unanimously dismissed both aspects of Konami's appeal.<sup>6</sup> While other patents were in issue at both first instance and on appeal, the central focus of the Liability Proceeding was the 689 Patent, and it was this patent which was in issue during the quantum phase discussed below.

## Aristocrat's Patent Family and the Technology

The Liability Proceeding concerned the selected claims of three standard patents. Each of the patents at issue in the proceedings related to electronic gaming machines (“EGMs”) or, as they are referred to in the patents, “slot machines”, “poker machines”, “gaming machines” and “gaming consoles”, terminology which is used interchangeably.

The primary patent in suit was the 689 Patent. Aristocrat alleged that Konami had infringed claims 1 to 4, 16, 17, 25, 27, 28, 37, 38 (product claims), 43, 55 and 56 (method claims). Of these, claims 1, 25 and 43 are independent claims.

Each of the patents in suit involved an invention relating to what is known as a “feature game”. A feature game is a game that can be played during a main or “base” game.

The invention the subject of the 689 Patent involved a feature game where the probability of the feature game being triggered was related to the desired average turnover between successive occurrences of feature games being triggered on the EGM.

## Cakeism – Damages and an Account of Profits for Patent Infringement

The Federal Court found that at the priority date of the 689 Patent, there were at least two well-known problems with progressive jackpot gaming machines:<sup>7</sup>

- (1) The probability of a player winning a feature outcome, such as a jackpot, was independent of the number of credits wagered; and
- (2) Machines were “swamped” when it was perceived that the predetermined turnover figure for a jackpot was being approached but not earlier when players necessarily had no, or very little, chance of winning the jackpot.

The Court held that each of the claimed embodiments of the invention solved those problems by providing a means by which every player who wagers a credit on a game has a chance of triggering the feature outcome and the probability of doing so is correlated to the amount wagered on the individual game.<sup>8</sup>

In the Liability Proceeding, Justice Nicholas held that Aristocrat was entitled to declarations and injunctive relief in relation to Konami’s infringement of the relevant claims of the 689 Patent.

On appeal, the majority of the argument before the Court related to the validity of the 689 Patent, although the infringement findings were also challenged. The primary issues ventilated in Konami’s appeal included the proper construction of the 689 Patent; whether it lacked an inventive step; whether it was fairly based; and whether Konami’s particular implementation of the EGMs in issue evaded infringement. As stated above, Konami’s appeal on the validity of the 689 Patent was dismissed.

### A Rare Finding on Quantum

In patent infringement cases (and in intellectual property cases generally) liability is ordinarily determined prior to and separately from all questions of pecuniary relief.<sup>9</sup> Invariably, orders are made early in proceedings for the separate determination of these issues. Further, appeals from findings on liability will usually be heard and determined before any enquiry into the quantum of pecuniary relief. There are good practical reasons for the separation of liability and quantum. In circumstances where the parties had expended time and expenses preparing evidence and making

submissions on quantum issues during the first phase of the case, but ultimately the patentee fails either on infringement or validity, there would be considerable waste of time and resources.<sup>10</sup> The present case is a good illustration of this, as the quantum phase ran for a longer period of time, involved more hearing days and evidence and resulted in a considerably longer judgment.

Fully fledged hearings and determinations in relation to quantum are infrequent. By the time liability, including any appeals, is finally determined, proceedings have typically been on foot for a significant period and substantial legal costs and internal resources have been committed by the parties. Further, often the primary motivation for the rights owner to bring the case is to obtain injunctive relief in relation to infringement. In the authors’ experience, once liability is finally determined, the parties are often motivated to reach a commercial settlement. Consequently, there are relatively few detailed authorities on quantum in intellectual property cases in Australia. By the authors’ count, there have only been a handful of patent infringement cases in the Federal Court since 2010 that have proceeded to a final hearing and determination on quantum.<sup>11</sup>

The position in other jurisdictions, such as the United States, is very different to Australia. Typically, US patent trials are determined by juries which can decide issues both of liability and quantum. In respect of quantum, juries may decide if profits are lost (and if so, how much) and may also consider if a royalty should be awarded (and if so, how much). It is not unusual for quantum awards in the US to be hundreds of millions of dollars.<sup>12</sup> While awards in Australia have traditionally been much lower, in the last decade, in addition to *Aristocrat v Konami*, there have been a number of significant awards in patent cases. This reflects the increasing commercial significance of the Australian market and reinforces the perception of Australia as a robust jurisdiction for patentees.

The rarity of judicial consideration of quantum issues in Australian intellectual property cases elevates *Aristocrat v Konami* in terms of its significance as an authority for the principles informing relief for infringement in the context of patents in Australia. This is especially so as the decision considers both types of financial compensation available to patentees, being an account of profits or damages.

*Table of selected compensation awards for patent infringement in Australia*

CASE	JUDGE(S)	TYPE(S) OF REMEDY	AMOUNT AWARDED <sup>13</sup>
<i>Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)</i> (2022) 170 IPR 42	Nicholas J	Account of profits and damages	AU\$36 million (including interest)
<i>Generic Health Pty Ltd v Bayer Pharma Aktiengesellschaft [No 2]</i> [2018] FCAFC 210	Allsop CJ, Yates and Beach JJ	Damages	AU\$31 million (including interest)
<i>H Lundbeck A/S v Sandoz Pty Ltd</i> (2018) 137 IPR 408	Jagot J	Damages	AU\$26 million (including interest)

### The Nature of Konami's Infringements and the Agreed Infringing Revenue

Following the unsuccessful appeal in the Liability Proceeding, the matter returned to the first instance judge for determination of quantum in respect of infringement of the 689 Patent.

To assist Aristocrat in making an election, Konami was required to inform Aristocrat of the number and titles of the infringing games and the details of the revenue generated in respect of the exploitation of those games. It was ultimately accepted by the parties that Konami had made some 19,000 infringing supplies and generated revenue of AU\$136.5 million.

The relevant infringements occurred in the period from August 2005 to August 2017. Konami exploited the infringing games in two ways: by supplying a “box” (an EGM including all hardware and software) to a venue and by supplying venues with “conversions” (replacing the game content on an existing EGM). As to the conversions, Konami either supplied a “charged conversion” (a supply paid for by the venue) or a “no charge conversion” (“NCC”) (a supply with no charge, for example to meet a warranty or performance guarantee).

In the account of profits case, Aristocrat sought Konami's profits in respect of the 6,931 EGM box sales and 4,647 conversions. In the damages case, Aristocrat sought damages in respect of 7,380 NCCs from which Konami derived no revenue.

### A Novel “Mixed” Election

Section 122 of the *Patents Act* 1990 (Cth) states that relief for infringement of a patent includes, at the option of the plaintiff, either damages *or* an account of profits.

In *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25 (“*Colbeam*”), Justice Windeyer said:<sup>14</sup>

*The distinction between an account of profits and damages is that by the former the infringer is required to give up his ill-gotten gains to the party whose rights he has infringed: by the latter he is required to compensate the party wronged for the loss he has suffered.*

The House of Lords made it clear in *De Vitre v Betts* (1873) LR 6 HL 319 that an account of profits and damages are mutually exclusive and the plaintiff must elect one or the other:<sup>15</sup>

*[M]ost undoubtedly decided the general principle that, upon a decree against a party for the infringement of a patent, the patentee is not entitled both to an account of profits and an enquiry into damages. That principle applies generally and without any distinction at all.*

The reasoning behind the either/or approach, as set out in the jurisprudence, is because there is a risk of “excessive

remedial cumulations” or over-compensating the plaintiff:<sup>16</sup>

*In the past, accounts of the limits of legitimate cumulations have tended to rely on notions of ‘inconsistency’ or ‘double recovery’. However, the principal objection to cumulations of concurrent remedies for civil wrongdoing, such as compensatory and gain-based damages, could arguably be expressed more illuminatingly. It is the mischief of ‘excessive remedial cumulations’ — a cumulation of remedies which exceeds the minimum necessary to realize the aims of each. A major reason why a cumulation may be excessive in that sense is that one remedy, immediately directed at one aim, may indirectly realize the aims of the other. It is unnecessary, and thus excessive, to award both remedies to that extent.*

Notwithstanding the above, on 1 September 2017, Aristocrat notified the Federal Court of its election in respect to pecuniary relief for patent infringement:<sup>17</sup>

- (1) *Where Konami generated revenue from the supply of the 689 Games Aristocrat elects to claim Konami's profits referable to those supplies; and*
- (2) *Where Konami asserts it supplied 689 Games on a “no charge” basis and did not generate revenue, Aristocrat elects to claim damages referable to those supplies.*

In other words, Aristocrat elected an account of profits for Konami's revenue generating infringements, and damages for those supplies for which it did not generate revenue. Aristocrat relied on the principle that every act of infringement is a separate cause of action and gives the plaintiff a separate right to recover.<sup>18</sup> Accordingly, Aristocrat did not pursue both remedies in respect of any single infringement. To the authors' knowledge, this is the first time a “mixed” election has been made in patent litigation in Australia.

Reliance was placed on Justice Lindgren's decision in *LED Builders v Eagle Homes* (1999) 44 IPR 24 (“*LED*”), a building plans copyright case, in support of the mixed election.<sup>19</sup> While the Court initially expressed some caution in relation to the novel mixed election, ultimately it was held to be valid and was not challenged by Konami.<sup>20</sup> It is highly probable claims for pecuniary relief will be made on this basis in the future.

### Agreed Statement of Issues in Lieu of Pleadings

In the quantum phase of *LED*, the parties put forward an agreed “list of issues” for determination.<sup>21</sup> A similar process was adopted in this proceeding. Prior to the quantum hearing, and once the evidence had closed, the parties agreed upon a “Statement of Issues” which outlined a list of agreed definitions (such as Revenue and Infringing Games) and set out the issues for determination on both the account of profits case and damages case. This procedure was adopted at the Court's instigation in lieu of the formal pleadings which govern a liability case and helped frame the issues for determination.

### Summary of the Evidence

The parties adduced a substantial volume of evidence from numerous witnesses on both the account of profits and damages cases. A brief summary of the nature of the evidence relied on is as follows:

#### Account of Profits

- **Accounting experts:** gave evidence on calculating Konami's net profit attributable to the infringing games and quantifying Konami's overhead costs. These experts participated in a joint expert conference and produced a joint expert report.
- **Apportionment experts:** gave evidence as to the industry prior to the introduction of the patented technology and also the introduction and performance of both Aristocrat and Konami games that used the patented technology.
- **Lay witnesses on apportionment issues:** marketing and salespersons gave evidence as to whether the 689 Patent represented a distinct and severable aspect of the infringing games.
- **Lay witnesses on game development:** game designers and salespersons gave evidence as to the success of the patented technology and how game development generally occurs in the industry.
- **Lay witnesses on profits issues:** internal personnel at Konami gave evidence on the account of Konami's sales and the structure of Konami's business and accounting systems.

#### Damages

- **Licensing/valuation experts:** gave evidence on the application of a reasonable royalty, the factors to be taken into account in setting that royalty and an analysis of various pre-existing license agreements submitted into evidence by the parties. These experts participated in a joint expert conference and produced a joint expert report.
- **Lay witnesses on licences:** internal personnel at Aristocrat and Konami gave evidence on the Deed of Settlement and various other licence agreements.
- **Lay witness on patent analytics:** gave evidence on an analytical assessment of the 689 Patent with a view to determining its commercial significance. See further discussion below under the heading "Determination of a Reasonable Royalty Rate".

As is typical in modern intellectual property litigation in the Federal Court, some of the parties' respective experts were cross-examined in joint conclaves or "hot tubs" during the trial.

### A Novel Defence to Account of Profits – "Knowing Transgression"

On the second day of the three-week quantum hearing, a novel issue arose. Konami made an interlocutory application to amend its defence to Aristocrat's account of profits claim to assert that:

*... it would not be unconscionable for the Respondent [Konami] to retain such profits as it made in respect of any infringements of the '689 Patent that took place prior to... the date on which the Applicant [Aristocrat] first notified the Respondent of its claim that the Respondent infringed the 689 Patent.*

In other words, Konami asserted that Aristocrat had to establish that Konami made profits knowing it was transgressing Aristocrat's rights at the time it engaged in the infringing conduct. The argument had not been referred to in the Agreed Statement of Issues and was first raised in Konami's written opening submissions.

In support of its application, Konami primarily relied on the decision of Justice Windeyer in *Colbeam*. In that case, the plaintiff was sued for trade mark infringement and in that context Justice Windeyer held:<sup>22</sup>

*The account is limited to the profits made by the defendant during the period when he knew of the plaintiff's rights ... I think that it follows that it lies upon a plaintiff who seeks an account of profits to establish that profits were made by the defendant knowing that he was transgressing the plaintiff's rights.*

It is important to note that Konami did not ever seek to rely on the innocent infringement defence under s.123 of the Patents Act as it admitted that it knew of the existence of the 689 Patent at all material times including throughout the period it accepted it infringed.<sup>23</sup> Aristocrat argued therefore that the principles in *Colbeam* could not apply in respect of a claim for an account of profits under the Patents Act, given the presence of s.123.<sup>24</sup>

After reviewing written submissions and hearing oral argument, Justice Nicholas issued written reasons on day three of the hearing, dismissing Konami's application.<sup>25</sup> In his reasons, Justice Nicholas noted one "curiosity" that arose in relation to how Konami pleaded its proposed amendment, which was that Konami accepted that it knew of the existence of the 689 Patent, but relied on the fact that Aristocrat did not make any allegation of infringement until 2011.<sup>26</sup> Konami asserted that any liability to account for profits in respect of proven infringements could only arise from knowledge of Aristocrat's assertion that the 689 Patent had been infringed, *rather* than knowledge of existence of the patent itself. However, Konami did not suggest that there was any delay on Aristocrat's part in making its allegations.

In dismissing the application, Justice Nicholas outlined the difficulties that Aristocrat could have faced if leave to amend was granted, including that:<sup>27</sup>

- Aristocrat would have been entitled to the opportunity to amend its own pleading in response.
- The affidavit evidence already filed by the parties did not contemplate the issue.
- The hearing would likely have had to be adjourned to permit Aristocrat to investigate Konami's state of knowledge.

Citing *Aon v ANU* (2009) 239 CLR 175, Justice Nicholas ultimately decided that permitting the amendment would have been contrary to the interests of justice and the paramount objective of resolving proceedings with minimum expense and delay.

### Account of Profits in Respect of Konami's Revenue Generating Supplies

As set out above, the revenue generated by Konami from its infringing conduct was agreed (AU\$136.5 million). In relation to the account of profits claim, essentially only two principal issues arose:

- (1) Allocation of costs: what were the costs that Konami could properly deduct from the agreed revenue to determine its net profit.
- (2) Apportionment: once the net profit was determined, what, if any, discount should be applied to reflect what Konami said was the "substance of the invention". In essence, Konami's position was that the patent claims which were held to be infringed did not in substance cover the whole EGM or "box", but only related to a confined aspect of the overall EGM, being the trigger between the base and feature game.

### Onus

In relation to onus, the authorities are clear that in relation to issue one above, Konami had the burden of establishing what costs were properly deductible from its revenue. Similarly in relation to issue two, Konami again bore the onus of establishing that some discount should be applied to the net profit, to apportion for what was properly within the scope of the patent.<sup>28</sup>

### Issue 1: Costs Properly Deductible from Infringing Revenue

At this stage of the profits enquiry, the Court is trying to realistically identify what profit was generated by the infringement. As stated above, in this case the revenue was agreed.

It is "common ground" that costs that are directly attributable to the manufacture and sale of the infringing products may be deducted from the revenue.<sup>29</sup> From the agreed revenue of AU\$136.5 million, Konami claimed

deductions of various categories of costs. The first was the actual direct costs relating to manufacturing the EGMs, for example the box itself including the hardware such as the cabinet and the screens (cost of goods sold ("COGS")). Aristocrat conceded that COGS were properly deductible. In addition, substantial overhead cost deductions were conceded including the overheads identified as "variable expenses" such as sales commissions, freight, packaging, installation costs, marketing, management and brand fees.

The categories of costs that were largely in dispute between the parties were Konami's "fixed costs", not directly attributable to generating Konami's profit. These comprised the following categories of overheads:<sup>30</sup>

1. **Product Development:** evaluation of software, machines and retrofit; prototypes; defect fees; artwork development; fees associated with regulatory approval. The amount in dispute was **AU\$9.4 million**.
2. **General Administration:** auditors; bank charges; cleaning; consultant fees; consumables and tools; couriers; deliveries; donations; electricity; entertainment; equipment and purchase; fees and charges; freight; insurance; legal fees; meeting expenses; motor vehicles; network fees; office maintenance and rent; postage; printing; security (alarm system); software; stationery; subscriptions; telephone; trade mark expenses; travel; uniform; waste management. The amount in dispute was **AU\$15.5 million**.
3. **Employment:** wages; superannuation; annual leave; payroll tax; worker's compensation; overtime; health and safety; fringe benefit tax; accommodation; temporary staff; long service leave; recruiting; training. The amount in dispute was **AU\$32.7 million**.
4. **Licensing:** to sell games, sales licence fee for sales representatives and a licence fee for service technicians. The amount in dispute was **AU\$0.4 million**.
5. **All other costs:** export costs; foreign exchange losses; bad debt expenses; settlement discounts; other indirect expenses. The amount in dispute was **AU\$0.7 million**.
6. **Depreciation:** depreciation of furniture and equipment, motor vehicles and building and leasehold improvements. The amount in dispute was **AU\$2.8 million**.

The total amount in dispute in relation to the above categories was in excess of AU\$61 million and consequently formed a significant aspect of the evidence and hearing.

### *Infringing Products as a "Side Line"*

The High Court of Australia in *Dart Industries Inc v The Decor Corporation Pty Ltd* (1993) 179 CLR 101 ("*Dart v Decor*") is authority for the principle that general overheads may not be deductible if the "infringing articles were a side line" of the infringer's business.<sup>31</sup> If, on the other hand, the infringing articles "were an integral part of one consistent

product range produced, marketed and sold according to a common system” then it might be inferred that, had the infringing articles not been manufactured and sold, the “capacity for those activities would have been taken up in the manufacture and marketing of alternative products”.<sup>32</sup>

The potential supply of alternative non-infringing products arises as a consideration in assessing the extent to which an overheads costs category should be taken into account. An infringer may not deduct the “profit forgone on the alternative products”.<sup>33</sup> In *Aristocrat v Konami*, Justice Nicholas concluded that it was not helpful in determining the enquiry in this case, to assess whether the infringing products were a “side line”. In reliance on *Dart v Decor*, his Honour noted that where an infringer has forgone the opportunity to manufacture and sell alternative products, “it will ordinarily be appropriate to attribute to the infringing product a proportion of those general overheads which would have sustained the opportunity”.<sup>34</sup> His Honour stated that in this case the real question was whether Konami incurred an opportunity cost by engaging in the manufacture and sale of the infringing products.<sup>35</sup>

Justice Nicholas also considered that the existence of “surplus capacity”, that is unused capacity in terms of production or supply, may be a highly relevant consideration in some cases.<sup>36</sup> In determining whether costs of the alternative product ought be taken into account, the Court may have regard to the relationship between the overhead and surplus capacity.

### *The “Counterfactual” and Opportunity Costs*

In this case, Justice Nicholas posed two questions:<sup>37</sup>

- (1) Whether, in a counterfactual analysis, it may be inferred that Konami would have sought to manufacture alternative products.
- (2) Whether Konami could have developed and manufactured alternative non-infringing products.

Justice Nicholas concluded that in the circumstances, Konami had deprived itself of the opportunity to manufacture and sell alternative products by manufacturing and supplying the infringing products. Therefore, it was appropriate to allocate a proportion of the overheads to the infringing products, on the basis that they “sustained that opportunity”.<sup>38</sup> Justice Nicholas found that a respondent is not required to identify specific alternative products in the counterfactual analysis, notwithstanding this occurred in *Apand v Kettle Chip Co (No 2)* (1999) 88 FCR 568 (“*Kettle Chip*”).<sup>39</sup>

However, the supply of alternative products does not automatically arise for consideration in each case – it must be a viable proposition. In determining the extent of the costs of the alternative product that ought be taken into account, the Court will have regard to the success of the alternative product in the counterfactual, relative to the infringing

product. In *Kettle Chip* the Full Court agreed with the trial judge’s approach of discounting the disputed costs categories to 30 per cent of the calculated amount, on the basis that the alternative product (Smith’s Classic) only achieved 23 per cent of the sales of the infringing product (Country Kettle).<sup>40</sup>

Konami’s hypothetical alternative non-infringing products would have lacked the proportional trigger which triggers the feature outcome (an essential feature of the 689 Patent and therefore Konami’s infringing games). There was a substantial volume of evidence from lay and expert witnesses in the gaming industry as to the significance of this patented feature including in relation to the extent to which it drove sales of the infringing products. Justice Nicholas concluded that, as they would have lacked the proportional trigger, Konami’s alternative non-infringing products would not have achieved the same level of sales as the actual infringements. Therefore, his Honour made a “meaningful” adjustment in *Aristocrat*’s favour in respect of Konami’s claimed overheads “with an aim of ensuring that Konami accounts for the full profit it derived by selling the infringing products”.<sup>41</sup> Justice Nicholas reduced the overhead attributable to the infringing products by 20 per cent.

### *Allocation Basis*

Separate from the question of attribution of categories of disputed overheads, Konami had the onus of establishing a reasonable costs allocation basis for each category. In essence, Konami relied on the fact that the infringing sales in the relevant time period (2005 to 2017) were approximately 25 per cent of all of its sales. Konami submitted that therefore it should be entitled to deduct 25 per cent of all of its applicable overheads.

Again, the onus was on Konami to “provide a reasonably acceptable basis for allocation” which “may be the basis of allocation typically used by a manufacturer in that industry”.<sup>42</sup> Justice Nicholas held that it was not necessary for a respondent to “prove its overheads or their relationship to the infringing product in minute detail”.<sup>43</sup> However, *Aristocrat* submitted, and Justice Nicholas agreed, that there was a discrepancy in the way Konami’s accounting expert had applied his formula in allocating overheads. Justice Nicholas made a further adjustment which resulted in a material reduction in the overheads Konami was entitled to claim.<sup>44</sup>

### *Issue 2: Availability of Apportionment*

*Aristocrat* submitted that, consistently with the principles in *Dart v Decor*, the whole of Konami’s profits (after deductions of allowable expenses) should be accounted for in order to disgorge Konami of the true benefits of its infringing conduct. *Aristocrat*’s position was that the patent claims held to be infringed were to a whole EGM, in other words, the “box”, including all the associated hardware as well as the integrated software which coded for the base game, the trigger and the feature game.

Aristocrat relied on a number of arguments to make good this proposition, including the scope of the infringed patent claims themselves,<sup>45</sup> and the fact that the declarations of infringement and injunctions made at the end of the Liability Proceeding encompassed entire EGMs.<sup>46</sup> In support of the latter point, Aristocrat relied on the authority in *Nokia Corporation v Liu* (2009) 179 FCR 422 that an assessment of pecuniary relief should be framed by the scope of the declarations of infringement.

On the other hand, Konami submitted that after calculation of the net profit generated from the infringing conduct, a further discount should be applied. This involved characterising the patented invention as a “trigger” and contending that the trigger represented only a small portion of Konami’s infringing EGM products as a whole. Konami took the view that its net profit should be apportioned by 5 per cent (in other words, discounted by a further 95 per cent).

Justice Nicholas noted the possibility of finding that some apportionment may be required arises at two stages:<sup>47</sup>

- (1) the issue of causation, on which the patentee carries the onus; and
- (2) the issue of whether the respondent’s obligation to account for profits should be reduced on the basis that some proportion of those profits had no reasonable connection with the relevant wrongdoing. On which, the respondent has the onus.

The relevant principles on apportionment are set out by Justice Windeyer in *Colbeam*,<sup>48</sup> and were subsequently approved by the plurality of the High Court in *Dart v Decor*.<sup>49</sup>

*If one man makes profits by the use or sale of some thing, and that whole thing came into existence by reason of his wrongful use of another man’s property in a patent, design or copyright, the difficulty disappears and the case is then, generally speaking, simple. In such a case the infringer must account for all the profits which he thus made.*

*Dart v Decor* was the culmination of a series of decisions relating to an account of profits for the infringement of a patent for press button seals to seal plastic kitchen containers.<sup>50</sup> One of the questions answered in the Full Court appeal, and approved by the High Court, was whether the infringers were liable to account for their profit in relation to the whole container which they had made or whether they were merely obliged to account for profits made in respect of making or supplying the infringing component – the press button seal – only.<sup>51</sup> In *Dart v Decor*, it was held apportionment was not available in that case.

Since *Dart v Decor*, there has been little application of this concept in Australian patent law.<sup>52</sup>

Konami relied on two English authorities in support of its argument for apportionment: *Celanese International v BP Chemicals* [1999] RPC 203 (“*Celanese*”) and *OOO Abbott v Design & Display Ltd* [2016] FSR 27 (“*Abbott*”). In *Celanese*, Justice Laddie recognised that a plaintiff cannot recover profits that are not properly attributable to the use of the plaintiff’s invention. Further, to refuse an apportionment when it is clear the significant part of the profits made by the plaintiff owe nothing to the infringement would be unjust to the defendant.<sup>53</sup> Justice Laddie used the analogy of a “tin whistle”:<sup>54</sup>

*The point can be illustrated by the tin whistle example much beloved of patent practitioners. Someone invents a new form of tin whistle. With the aid of his patent agent he obtains a patent. Regrettably, but as is now common, the patent ends with claims of ever greater particularity and narrowness ... Claim 1 is for the tin whistle. Claim 10 is for a funnel to which the new tin whistle is connected. Claim 15 is for a battleship with a funnel to which the tin whistle is connected. No doubt none of the subsidiary claims are independently valid over Claim 1 but they are probably not per se invalid. Nor is there any doubt that an injunction or an order for delivery up would be directed to the tin whistle alone rather than the whole battleship. Similarly on an account substance not form counts. What the defendant has to account for is the profit made by exploitation of the invention, i.e. the whistle, not profits made by exploitation of material or activities which are not attributable to the plaintiff’s ingenuity, i.e. the rest of the battleship.*

This analogy was approved by Lord Justice Lewison in *Abbott* who further noted that for the purpose of assessing damages or an account of profits, “the scope of the invention is not necessarily co-terminous with the scope of the claims”.<sup>55</sup>

Justice Nicholas found that both English authorities, and *Dart v Decor*, emphasised the need to consider matters of substance when determining apportionment.<sup>56</sup>

### *Substance of the Invention*

In support of its arguments, Konami relied on the recent line of authorities deriving from *D’Arcy v Myriad Genetics Inc* (2015) 258 CLR 334 that it is important to identify the “substance of the invention”.<sup>57</sup>

In determining what use the infringer has made of the patented invention, Justice Nicholas noted it is necessary to have regard to the substance of the invention, rather than the particular way it has been claimed.<sup>58</sup>

As set out above, the parties had submitted extensive evidence from both lay and expert witnesses regarding the nature of the patented invention. This included gaming industry experts familiar with the development, marketing and functionality of EGMs. After a lengthy consideration and assessment of the evidence, Justice Nicholas characterised the substance

of the invention as “compris[ing] a random prize awarding feature with the proportional trigger”.<sup>59</sup>

### *Finding on Apportionment*

Aristocrat’s evidence and submissions were to the effect that the patented trigger was an essential and integral aspect of every infringing EGM supplied by Konami. Aristocrat relied on evidence from sales and marketing personnel that said but for the incorporation of the patented trigger, Konami’s sales would have been significantly diminished. Whether a product would have been made or sold if it wasn’t for incorporation of the patented invention depends on an assessment of the importance of the patented invention to the purchaser of the product.<sup>60</sup> Justice Nicholas held that the evidence did not support the drawing of an inference that Konami would not have sold any of the relevant infringing products incorporating a feature game that did not use a proportional trigger. His Honour held therefore that the present case was “fundamentally different” from *Dart v Decor*.<sup>61</sup>

Ultimately, Justice Nicholas held that the concept of apportionment was applicable to the assessment of an account of profits for patent infringement in Australia. His Honour had regard to the detailed evidence filed by Konami, regarding the significance of the proportional trigger in generating infringing sales of Konami’s EGMs. While Justice Nicholas broadly accepted the methodology, his Honour made adjustments to the calculations relied on and concluded that Konami’s net profit must be apportioned by 35 per cent.<sup>62</sup>

### **Claim for Damages in Respect of Konami’s Non-Revenue Generating Supplies**

In general terms, a party seeking damages in respect of an infringement of intellectual property, as opposed to an account of the infringer’s profits, has two avenues to pursue:

- the intellectual property owner’s lost profits resulting from the infringer’s conduct; or
- a reasonable royalty in accordance with the “user principle”.

As mentioned above, Aristocrat claimed patent damages for Konami’s supply of infringing games in the form of no charge conversions (NCCs). These were supplies where Konami received no revenue and, by definition, made no profits.

### ***Application of the User Principle***

Aristocrat applied for damages under s.122(1) of the Patents Act pursuant to the user principle in reliance on *Winnebago Industries Inc v Knott Investments Pty Ltd (No 4)* (2015) 241 FCR 271 (“*Winnebago*”). Essentially, the user principle states that an infringer should be obliged to pay to the successful party a licence fee calculated on the basis of a hypothetical negotiation between the parties as to what would have

been a reasonable royalty for use of the relevant intellectual property.

Konami submitted that an award of damages would be “unfair” and “inequitable” in circumstances where Aristocrat had already been compensated by the account of profits for the relevant infringements. Konami further submitted that an award of damages based on the user principle was not available. Justice Nicholas rejected those submissions.<sup>63</sup>

In 2007, the Full Court held in *Aristocrat Technologies Australia Pty Ltd v DAP Services (Kempsey) Pty Ltd* (2007) 157 FCR 564, a copyright infringement case, that the user principle was unavailable because the parties in that case would not have offered or taken a licence. Since that decision, the applicability of the user principle in Australia has not been settled. In 2015, Justice Yates in *Winnebago* held that the user principle was available in an action for passing off. Recently, in 2021, Justice Katzmann delivered judgment in *Universal Music Publishing Pty Ltd v Palmer (No 2)* (2021) 158 IPR 421, a copyright infringement case, which appeared to dismiss any lingering uncertainty as to the application of the user principle.

The application of the principle in *Aristocrat v Konami* is significant. Konami had argued that the user principle was not applicable because Aristocrat would have been unwilling to grant Konami a licence. Justice Nicholas held that it is clear on the authorities that the user principle can apply, regardless of whether the plaintiff whose patent rights have been infringed would have granted the respondent a licence.<sup>64</sup>

### ***Determination of a Reasonable Royalty Rate***

Aristocrat submitted that damages should be assessed on the basis of a royalty rate of AU\$1,900 per NCC and relied on a pre-existing licence between the actual parties in support of that rate. Konami submitted that no damages should be awarded, but that if there were to be any award, it should be calculated at a rate of AU\$90 per NCC.

The licence relied on by Aristocrat and referred to in the judgment as the “Konami Licence”, was the Deed of Settlement entered into between the parties in 2011 in respect of the same patent family (referred to above). Justice Nicholas held the Konami Licence did not provide an appropriate basis from which to calculate the reasonable royalty rate, in circumstances where the licence was negotiated to resolve a proceeding, was for a lump sum, did not distinguish between EGMs and NCCs and concerned a small number of units of a single game.<sup>65</sup>

The Court considered evidence from two valuation experts who agreed that there were two main methods of determining a licence fee.<sup>66</sup> First was the income base method, which involved quantifying the expected incremental benefits and determining an appropriate split between the licensor and

licensee. The second was the market base method, which involved considering evidence of licence fees payable under licence agreements for the same patent or comparable patents.

The Court also considered evidence adduced by Aristocrat that provided an analytical assessment of the 689 Patent with a view to determining its commercial significance. Patent analytics is used in technology and patent evaluations as one of several reference points when considering the earnings potential and risk profile of a patent.

The patent analytics expert who gave evidence conducted patent searches and an analysis of the results with a view to assisting in the determination of the commercial significance of a patent. The factors relevant to this analysis included the number of forward citations, the number of patent family members for each patent, the number of granted US patents in each patent family, a weighted bibliographic score and a proprietary methodology known as “Amberscore”.<sup>67</sup> The metrics for the 689 Patent were compared to metrics for a random selection of 1,000 patents from any technical field, a random selection of 1,000 patents in the area of slot machine games and 96 closely related gaming patents.

Justice Nicholas ultimately found this analysis did not assist his assessment of a reasonable royalty but considered it may be useful in “the absence of more specific and detailed information with which to evaluate the commercial significance of a patent”.<sup>68</sup>

In calculating the reasonable royalty, Justice Nicholas considered aspects of various licence agreements between a range of parties in the gaming industry which had been put into evidence. Ultimately, his Honour concluded that a reasonable royalty in applying the user principle in the present case was AU\$1,000 per unit.

### Final Outcome

After issuing his reasons in November 2022, Justice Nicholas ordered the parties accounting experts to calculate:<sup>69</sup>

- (a) the amounts (exclusive of interest) that the respondent is required to pay in profits and damages in accordance with the reasons for judgment; and
- (b) interest pursuant to s.51A of the *Federal Court of Australia Act 1976* (Cth).

Following conferral between the accounting experts, the ultimate award was broken down as follows:<sup>70</sup>

- As to the account of profits, Konami pay to Aristocrat AU\$16,248,116, plus interest in the amount of AU\$11,642,730.
- As to damages, Konami pay to Aristocrat AU\$4,995,000, plus interest in the amount of AU\$3,014,008.

The total award was AU\$35,899,854.

### Conclusion

In conclusion, parties involved in proceedings regarding pecuniary relief for patent infringement should consider the following key principles:

- (1) It is possible to make an election of both an account of profits and damages if the factual circumstances support such an approach.
- (2) In relation to an account of profits:
  - (a) When considering what overhead costs are deductible from revenue derived from the sale or supply of infringing products, consideration should be given to counterfactuals relating to the infringer exploiting alternative non-infringing products. The infringer is not required to identify specific alternative products in any counterfactual analysis.
  - (b) In the context of apportionment, one must look at whether the whole or only part of the infringing article came into existence by reason of the infringer’s use of the patented technology. In making this assessment, one must consider the substance of the invention.
- (3) In relation to damages, the user principle can be applied to award the patentee a reasonable royalty in patent cases, even in circumstances where the patentee would not have granted such a licence.

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3 Gilbert + Tobin acted for Aristocrat Technologies Australia Pty Limited, the applicant, in the proceedings discussed in this article.

4 See *Konami Australia Pty Ltd v Aristocrat Technologies Australia Pty Ltd* (2016) 119 IPR 402, [31]–[37], [42]–[45], [49]–[51], [61]–[75] (Perram J).

5 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited* (2015) 114 IPR 28.

6 *Konami Australia Pty Ltd v Aristocrat Technologies Australia Pty Ltd* (2016) 119 IPR 402.

7 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited* (2015) 114 IPR 28, [36], [39], [94], [148], [210]–[212] (Nicholas J).

8 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited* (2015) 114 IPR 28, [75], [152], [210]–[212] (Nicholas J).

9 Applications of this kind are made pursuant to r.30.01 of the *Federal Court Rules 2011* (Cth). See also *Australian Mud Company Pty Ltd v Globaltech Corporation Pty Ltd (No 3)* (2022) 169 IPR 1, [8] (Rofe J).

10 See Allsop CJ, ‘Central Practice Note: National Court Framework and Case Management (CPN-1)’ *Federal Court of Australia* (Web Page) <<https://www.fedcourt.gov.au/law-and-practice/practice-documents/practice-notes/cpn-1>> [8.5(g)], [11.4].

## Cakeism – Damages and an Account of Profits for Patent Infringement

- 11 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42; *H. Lundbeck A/S v Sandoz Pty Ltd* (2019) 137 IPR 408; *Bayer Pharma Aktiengesellschaft v Generic Health Pty Ltd* (2017) 124 IPR 23; *Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd (No 2)* (2015) 322 ALR 557; *Pacific Enterprises (Aust) Pty Ltd v Bernen Pty Ltd* (2014) 321 ALR 715; *Bitech Engineering v Garth Living Pty Ltd* [2013] FCA 822.
- 12 In 2022 alone, the total damages awarded was US\$2.8 billion across 67 cases. See Lex Machina, ‘Patent Litigation Report 2023’, *Lex Machina* (Web Page) <<https://lexmachina.com/resources/infographic-patent-litigation-report/>>.
- 13 Amount rounded to the nearest million.
- 14 *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25, 32 (Windeyer J).
- 15 *De Vitre v Betts* (1873) LR 6 HL 319, 321.
- 16 Stephen Watterson, ‘An Account of Profits or Damages? The History of Orthodoxy’ (2004) 24(3) *Oxford Journal of Legal Studies* 471, 473.
- 17 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [10] (Nicholas J).
- 18 *Leplastrier & Co v Armstrong-Holland* (1926) 26 SR (NSW) 585, 591–592 (Harvey CJ); quoted in *Black & Decker v GMCA (No 5)* (2008) 79 IPR 450, [14] (Heerey J).
- 19 *LED Builders v Eagle Homes* (1999) 44 IPR 24, [18].
- 20 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [10] (Nicholas J).
- 21 *LED Builders v Eagle Homes* (1999) 44 IPR 24, [21] (Lindgren J).
- 22 *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25, 34–35 (Windeyer J).
- 23 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 2)* [2019] FCA 1701, [11] (Nicholas J).
- 24 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 2)* [2019] FCA 1701, [16] (Nicholas J).
- 25 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 2)* [2019] FCA 1701.
- 26 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 2)* [2019] FCA 1701, [17] (Nicholas J).
- 27 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 2)* [2019] FCA 1701, [19]–[24] (Nicholas J).
- 28 *Ancient Order of Foresters in Victoria Friendly Society v Lifeplan Australia Friendly Society* (2018) 265 CLR 1, [13]–[17] (Kiefel CJ, Keane and Edelman JJ); *Warman International Limited v Dwyer* (1995) 182 CLR 544, 561–62 (Mason CJ, Brennan, Deane, Dawson and Gaudron JJ); *Robert J Zupanovich v B&N Beale Nominees* (1995) 59 FCR 49, 68C–D (Carr J).
- 29 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [291] (Nicholas J).
- 30 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [391] (Nicholas J).
- 31 *Dart Industries Inc v The Decor Corporation Pty Ltd* (1993) 179 CLR 101, 113 (Mason CJ, Deane, Dawson and Toohey JJ).
- 32 *Dart Industries Inc v The Decor Corporation Pty Ltd* (1993) 179 CLR 101, 113–14 (Mason CJ, Deane, Dawson and Toohey JJ).
- 33 *Dart Industries Inc v The Decor Corporation Pty Ltd* (1993) 179 CLR 101, 114 (Mason CJ, Deane, Dawson and Toohey JJ).
- 34 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [292(d)] (Nicholas J) citing *Dart Industries Inc v The Decor Corporation Pty Ltd* (1993) 179 CLR 101, 114 (Mason CJ, Deane, Dawson and Toohey JJ).
- 35 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [328] (Nicholas J).
- 36 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [351] (Nicholas J).
- 37 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [352]–[353] (Nicholas J).
- 38 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [331] (Nicholas J).
- 39 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [355] (Nicholas J).
- 40 *Apand v Kettle Chip Co (No 2)* (1999) 88 FCR 568, [28]–[31] (Beaumont J), [74]–[76] (Heerey J).
- 41 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [373] (Nicholas J).
- 42 *Dart Industries Inc v The Decor Corporation Pty Ltd* (1993) 179 CLR 101, 118 (Mason CJ, Deane, Dawson and Toohey JJ); *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [300] (Nicholas J).
- 43 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [301] (Nicholas J).
- 44 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [449]–[461].
- 45 See claim 25 of the 689 Patent.
- 46 Ultimately, these arguments were not accepted by Justice Nicholas, see *Aristocrat Technologies Australia Pty Ltd v Konami Australia Pty Ltd (No 3)* (2022) 170 IPR 42, [86]–[93].
- 47 *Aristocrat Technologies Australia Pty Ltd v Konami Australia Pty Ltd (No 3)* (2022) 170 IPR 42, [176] (Nicholas J), citing *Ancient Foresters in Victoria Friendly Society v Lifeplan Australia Friendly Society* (2018) 265 CLR 1.
- 48 *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25, 43 (Windeyer J).
- 49 *Dart Industries Inc v The Decor Corporation Pty Ltd* (1993) 179 CLR 101, 121 (Mason CJ, Deane, Dawson and Toohey JJ).
- 50 *Dart Industries Inc v The Decor Corporation Pty Ltd* (1993) 179 CLR 101.
- 51 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [100] (Nicholas J).
- 52 See *Black & Decker Inc v GMCA Pty Ltd (No 5)* (2008) 79 IPR 450; *Unilin Beeher BV v Huili Building Materials Pty Ltd (No 2)* (2007) 74 IPR 345.
- 53 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [109] (Nicholas J).
- 54 *Celanese International v BP Chemicals* [1999] RPC 203, [51] (Laddie J).
- 55 *OOO Abbott v Design & Display Ltd* [2016] FSR 27, [8] (Lewison LJ).
- 56 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [124], [144] (Nicholas J).
- 57 See also *Aristocrat Technologies Australia Pty Ltd v Konami Australia Pty Ltd (No 3)* (2022) 170 IPR 42, [105] (Nicholas J).
- 58 *Aristocrat Technologies Australia Pty Ltd v Konami Australia Pty Ltd (No 3)* (2022) 170 IPR 42, [144]–[146] (Nicholas J).
- 59 *Aristocrat Technologies Australia Pty Ltd v Konami Australia Pty Ltd (No 3)* (2022) 170 IPR 42, [173] (Nicholas J).
- 60 *Aristocrat Technologies Australia Pty Ltd v Konami Australia Pty Ltd (No 3)* (2022) 170 IPR 42, [280] (Nicholas J).
- 61 *Aristocrat Technologies Australia Pty Ltd v Konami Australia Pty Ltd (No 3)* (2022) 170 IPR 42, [281] (Nicholas J) Cf. *Dart Industries Inc v The Decor Corporation Pty Ltd* (1993) 179 CLR 101.
- 62 *Aristocrat Technologies Australia Pty Ltd v Konami Australia Pty Ltd (No 3)* (2022) 170 IPR 42, [288]–[290] (Nicholas J).
- 63 *Aristocrat Technologies Australia Pty Ltd v Konami Australia Pty Ltd (No 3)* (2022) 170 IPR 42, [490] (Nicholas J).
- 64 *Winnebago Industries Inc v Knott Investments Pty Ltd (No 4)* (2015) 241 FCR 271, [30]–[40] (Yates J), citing *Watson, Laidlaw & Co v Pott, Cassels and Williamson* (1914) 31 RPC 104, 119 (Lord Shaw).
- 65 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [550]–[554] (Nicholas J).
- 66 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [527] (Nicholas J).
- 67 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [536] (Nicholas J).
- 68 *Aristocrat Technologies Australia Pty Limited v Konami Australia Pty Limited (No 3)* (2022) 170 IPR 42, [538]–[543] (Nicholas J).
- 69 See order 1 of the orders made by Justice Nicholas on 18 November 2022.
- 70 See orders 1 and 2 of the orders made by Justice Nicholas on 15 December 2022.

# Copyright in Fictional Characters: To Be or Not to Be?

Alan Ford<sup>1</sup>

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## Introduction

The United Kingdom High Court of Justice (“the Court”) found for the first time in the UK that copyright subsists in a fictional character, Del Boy from the popular television program “Only Fools and Horses” (“OFAH”), in *Shazam Productions Ltd v Only Fools The Dining Experience Ltd* [2022] EWHC 1379 (IPEC) (“*Shazam*”). In holding that copyright subsists in a fictional character as a literary work, the Judge, John Kimbell QC (sitting as a Deputy High Court Judge) identified several features and attributes that characterised Del Boy taken from the scripts of the program and held that the combination of those features and attributes amounts to a literary work capable of copyright protection. Although there is admittedly some natural desire to afford protection to fictional characters, this article submits that doing so would be contrary to the principles of Australian copyright law.

The article focuses on two issues identified with finding copyright in fictional characters: first, identifying the features and attributes of a character requires a process that is subjective and uncertain. How one person views and identifies with a character may be different from another person. Second, the material form or fixation requirement may not be satisfied in relation to characters. Authors often develop characters through the course of a work, or several works, and much is left to the imagination of the reader. Piecing together a character necessarily requires taking fragments from a text, which we may do cognitively, but that is insufficient to satisfy the material form requirement. Before discussing these issues, the article will discuss *Shazam*, its holdings, the copyright subsistence test in the UK, and the application of that test in *Shazam* followed by a discussion of what is a fictional character. Finally, the article will briefly discuss the jurisprudence from the United States of America in relation to copyright in fictional characters where there have been two distinct tests developed.

## Shazam

OFAH was a comedy television program that aired on the BBC in the UK from 1981 until 1991 with Christmas specials running until 2003. The late John Sullivan wrote the scripts and devised the central character, Derek Trotter, known as Del Boy. John Sullivan’s family own and control Shazam Productions Ltd (“Shazam”) which holds the copyright in OFAH.

In May 2018, the third and fourth defendants, Alison Gay Pollard-Mansergh and Peter Gordon Mansergh, developed an interactive dining show using characters from OFAH, called “Only Fools The (cushty) Dining Experience”. The actors used the appearance, mannerisms, voices, and catchphrases

of the characters from OFAH, and the experience also used the characters’ backstories. The characters, however, were placed in the new context of an interactive pub quiz, and performed a script written by the fifth defendant, Katharine Mary Gillham, as well as improvisations through interactions with diners. The show was developed through the second defendant, Imagination Workshop Pty Ltd, and the rights in it were later assigned to the first defendant. In December 2019, Shazam commenced proceedings in the Court alleging copyright infringement and passing off.

Shazam alleged that Del Boy’s character had been infringed because of the use of his sales patter with replicated phrases; his use of French to try to convey an air of sophistication; his eternal optimism; his involvement in dodgy schemes; and his sacrifices for his younger brother, Rodney. In determining whether infringement had occurred, the Court first had to decide whether copyright subsisted in Del Boy as a character because the actual program and scripts were not infringed.

The Court held that Del Boy is a protected work under European Union copyright law because the character was an original creation who is clearly and precisely identifiable to third parties.<sup>2</sup> Further, the Judge held that copyright subsists in the Del Boy character as a literary work under English law.<sup>3</sup>

## The Law Prior to Shazam

The *Copyright, Designs and Patents Act* 1988 (UK) (“CDPA”) sets out a list of types of works that may be protected, including “original literary, dramatic, musical or artistic works”.<sup>4</sup>

The s.3(1) definition of “literary work” prevents a literary work from also being a dramatic work in the UK. The

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*Copyright Act 1968* (Cth) does not have a similar provision.

No English case exists in which the issue of copyright subsisting in fictional characters has arisen for decision, still less a case in which copyright has been held to subsist in a fictional character. However, there has been some judicial and scholarly discussion related to the issue. Counsel for the defendants referred the Court to *Kelly v Cinema Houses Ltd* [1928–35] MacG Cop Cas 362 (“*Kelly*”) in which Maugham J at 368 stated:<sup>5</sup>

*If, for instance, we found a modern playwright creating a character as distinctive and remarkable as Falstaff ... or as Sherlock Holmes would it be an infringement if another writer, one of the servile flock of imitators, were to borrow the idea and to make use of an obvious copy of the original? I should hesitate a long time before I came to such a conclusion.*

However, the Court distinguished *Kelly* because it was obiter, it was expressed in the form of a query to which no firm answer was given, and the passage, when read in context, was directed with the broader point that copyright law does not protect ideas, and certainly not ideas lacking novelty.<sup>6</sup>

The Judge in *Shazam* was also referred to *Copinger and Skone James on Copyright* (18<sup>th</sup> ed. 2021), but the views expressed in it were directed to infringement, as opposed to subsistence.<sup>7</sup> His Honour was taken to paragraph 26-244 by the defendants’ counsel:

*Where characters from a film are copied borrowing the name and other identifying features but without details of plot or dialogue, a claim for infringement of copyright is unlikely to be successful.*

Although his Honour is respectfully correct in viewing that passage as relating to infringement, the reason that infringement is unlikely must be because, according to the editors of *Copinger and Skone James on Copyright*, copyright does not subsist in the characters independently of the work as a whole. However, it must be recalled that exclusive rights extend the copyright owner’s rights to works containing substantial parts of the work, so the question of subsistence is not the equivalent as the question of the rights allegedly infringed.<sup>8</sup> If that were the case, determining the boundaries of the work would be impossible because of the uncertainty of the substantial part test.<sup>9</sup>

In these circumstances, his Honour found it necessary to approach the matter from first principles.<sup>10</sup>

### Copyright Subsistence

The UK takes a two-stage approach to copyright subsistence. The alleged work must qualify as a work under EU law. If it does, then it must be accommodated within one of the CDPA’s closed categories of protected works.<sup>11</sup> The approach to interpreting the CDPA was set out in *Marleasing SA v La Comercial Internacional de Alimentación SA*<sup>12</sup> which was

explained and applied in the English Court of Appeal case of *Vodafone 2 v Revenue and Customs Commissioners* (“*Vodafone 2*”).<sup>13</sup> The principles in *Vodafone 2* set out the approach to the construction of domestic legislation consistently with European Community law obligations.

EU law requires two conditions or requirements for copyright to subsist in a work: the originality requirement, and the identifiability requirement.<sup>14</sup> The Court described the originality requirement as being “both necessary and sufficient that the subject matter reflects the personality of its author, as an expression of the author’s free and creative choices.”<sup>15</sup> This is reflective of continental copyright, which is justified on the basis of rights as a natural and just consequence of human expression.<sup>16</sup> In Anglo-Australian law, however, originality requires only that the work emanate from its author and not be a copy of another’s work.<sup>17</sup> The Australian test depends on the degree of skill, judgment, or labour the author has expended in making the work,<sup>18</sup> but the purpose of identifying the labour, skill, or judgment is to draw the connection between the work and its author, rather than a merit-based evaluation of the extent to which one may expend effort in creating the work.<sup>19</sup>

Anglo-Australian law recognises the correlative relationship between “authorship” and “originality” in the sense that the author is the person who originates or gives existence to the work; one cannot exist without the other.<sup>20</sup> Therefore, identifying the person or persons who contributed the originality to the work in question is a critical task.<sup>21</sup> This is because the core justification for copyright in Australian law is the promise of property rights in authorial works as an incentive for authorship.<sup>22</sup> However, as stated above, continental copyright law is focused more on rights flowing as a natural and just consequence of human expression.<sup>23</sup> The influence of continental law can be seen in the language used by his Honour when describing the originality requirement above.

In both systems, however, there is a need to identify an original work which reflects the fact that there is no general right to the fruits of labour, as reflected in the following passage of Dixon J in *Victoria Park Racing and Recreation Grounds v Taylor* albeit in relation to British courts of equity:<sup>24</sup>

*But the courts of equity have not in British jurisdictions thrown the protection of an injunction around all intangible elements of value, that is, value in exchange, which may flow from the exercise by an individual of his powers or resources whether in the organisation of a business ... or the use of ingenuity, knowledge skill or labour. This is sufficiently evidenced by the history of the law of copyright ...*<sup>25</sup>

Copyright in the UK, the EU, and Australia reflects the tension between extending protection and allowing others to build upon past works.<sup>26</sup> Arguably, the subsequent use of a fictional character is not building upon the past work, but

merely extracting the character and using it in a different scenario.

### The Application of the Subsistence Test

His Honour had “no hesitation in holding that Del Boy as a character is an original creation of John Sullivan which is the expression of his own free and creative choice.”<sup>27</sup> His Honour also considered that Del Boy as a character “is clearly and precisely identifiable to third parties in the OFAH Scripts.”<sup>28</sup> The Court accepted the summary of the key features of Del Boy annexed to the particulars of claim as an accurate description of the character as revealed in the scripts, and as representing a highly distinctive and original character.<sup>29</sup> The Court was of the view that even “if one or more ingredients of his character, if taken in isolation, might be said to be unoriginal, it is the particular combination of all the parts and aspects ... which makes Del Boy distinctive and, it seems, gives him enduring appeal.”<sup>30</sup>

The features<sup>31</sup> included Del Boy’s complex motivations and full backstory; Del Boy’s use of mangled French and its importance to Del Boy’s attempts to appear suave and sophisticated whilst providing comic effect; that he is both aspirational but struggles to get by in a gritty multicultural London context; that he is proud, vain, deluded, gaudy, ostentatious, loyal, aspires to sophistication (while never achieving it) and gets caught up in scams; and that he is protective, quasi parental, and proud of his brother while putting him in his place and manipulating his loyalty. The Court held that these features are precisely and objectively discernible in the scripts.<sup>32</sup>

Despite the dearth of UK case law, the Court was reassured by overseas decisions. For example, the Court considered the case of *Re Pippi Longstocking*<sup>33</sup> in which the German Court of Appeal found that copyright subsisted in Pippi Longstocking as a character. His Honour found that Del Boy’s identified features were at least as distinctive and fine grained as those described by the German Court of Appeal in relation to Pippi Longstocking.<sup>34</sup> His Honour referred a US case<sup>35</sup> in which Sherlock Holmes and Dr Watson were found capable of copyright protection as characters.<sup>36</sup>

The problem with finding copyright to subsist in fictional characters is that defining the limits of a character requires a subjective assessment of what traits make up the character. If we use as an example the classic literary work, a novel, the plot and the story is all there in the written word. But piecing together a character from what courts believe are the character’s important features introduces a level of subjectivity that should not have a place to play in delineating the boundaries of a proprietary right. Before discussing the subjective nature of the exercise, however, we need to identify what is a fictional character.

### What is a Fictional Character?

A fictional character is an intangible artistic creation which relies on the author’s words for its existence,<sup>37</sup> and becomes identified in the public with the work as a whole and with the author.<sup>38</sup> The fictional character usually has one or more of the following three elements.<sup>39</sup> First, the character embodies an idea or a general concept. Second, the character will be expressed to give existence to the character. For example, a character could be textually described, visually illustrated, or portrayed by an actor. Finally, the character may have a name.

The value of fictional characters to authors derives substantially from their potential capacity for perpetual reuse in new works.<sup>40</sup> To develop this value, the author reveals the content of the character’s attitudes and the dynamics of the character’s interpersonal relationships, giving readers the ability to predict how a character will react to future scenarios.<sup>41</sup> The potentially powerful rights that flow from a literary character that can live beyond the work that gave rise to it means that copyright should be careful when determining the proper scope of protection for characters.<sup>42</sup>

This danger is exacerbated because the written word does not complete the fictional character because the author’s delineation of the personality merely creates a sufficient basis from which the reader’s mental image of the character allows it to be recognisable in future situations.<sup>43</sup>

### Subjectivity and the Reader’s Imagination

To find the character in the thousands of words comprising a novel or script requires identifying specific features making up the character, which is problematic because each reader and indeed each court may assemble a different list of words to describe the character.<sup>44</sup> This character entanglement problem requires determining which parts of the character belong to the character, as opposed to the text of the work.<sup>45</sup>

A summary of a character, or a list of a character’s features and attributes, by a court is distinct from the actual words chosen by the author to craft the character.<sup>46</sup> For example, his Honour produced an extract from the script in which Del Boy uses French from which his Honour held that Del Boy’s mangled use of the language is a part of his character and his protectable features. But John Sullivan does not say mangled French is part of Del Boy’s character per se. What if Del Boy used mangled French every other episode, rather than each one? Would that form part of the protectable aspect of his character? Added to this is the use of literary techniques, such as soliloquy and first-person narration, which make it difficult to determine where the text ends and the character begins.<sup>47</sup>

Not only is the identification of the features of a character in a text subjective, but there is no one way to view a character with much work to be done by the reader.<sup>48</sup> Accordingly, a

character is as much a construction of the particular reader as a construction of the text.<sup>49</sup> This proposition reflects the reader response theory, which holds that readers create or actualise the meanings of the texts they read.<sup>50</sup> In making judgments about and interpreting a character, one person may find a character whole while another may find it fragmented; some may undertake a literal reading while others symbolic, and there is no reason to expect judges would do something different.<sup>51</sup>

In most art forms, there is a level of interpretation involved. In the literary context, one person's understanding or interpretation of a novel may be different to any other person's interpretation. However, all the disparate interpreters understand the dimension of the work because it is an identifiable work even if the meaning is disputed.<sup>52</sup> The same cannot be said about literary characters because of the dispersed nature of the expression forming the character and the aggregative<sup>53</sup> process of characterisation whereby the character is gradually revealed by almost imperceptible increments.<sup>54</sup>

Richard Posner puts the point as follows:

*A reader of unillustrated fiction completes the work in his mind: the reader of a comic book or the viewer of a movie is passive.*<sup>55</sup>

The particular role readers play in adopting and engaging with and changing characters should bar protection for characters independently of their originating texts.<sup>56</sup> Although a television character is physically embodied by an actor reducing the change that a viewer could make to the character by way of adoption and engagement, that was not what the Court protected in *Shazam*. The work was the character as embodied in the words in the script.

Further, in *Salinger v Colting*,<sup>57</sup> the US Court of Appeals for the Second Circuit noted the entanglement problem in passing: "It is difficult, in fact, to separate Holden Caulfield from the book."<sup>58</sup> Many of the details of Holden Caulfield in *The Catcher in the Rye* that make Holden who he is are hard to distinguish from authorial style.<sup>59</sup> Holden speaks to an unidentified second person, he uses 1940s slang, hyperbole, anaphora, and indirect thoughts as though taken from his mind. How does a court protect a character while avoiding protection for a literary style? How can a court say that the character is reduced to a material form as distinct from the style used to fashion the story?

### Material Form

Australian, English, and US copyright law all have a material form or fixation requirement.<sup>60</sup> The material form or fixation requirement limits the scope of protection afforded by copyright. In the context of literary works, the idea is required to be reduced to and expressed in writing. Only then can courts assess the nature of originality in the work

for the purposes of subsistence and evaluate the extent to which that originality has been misappropriated by an alleged infringer in the substantial part analysis.

However, the work is not the reduced material form because copyright is intellectual property, which is intangible.<sup>61</sup> The material form requirement is used to determine when the term of copyright starts, as a forensic measure of the originality in the work and whether it has been misappropriated.<sup>62</sup> However, the material form of the work is not *the work*. If, for example, the script that gave rise to Del Boy were to be destroyed, copyright is not extinguished: the subsistence of copyright in the script as a dramatic work under the CDPA and, indeed, Del Boy as a literary work under the CDPA would survive. Rather, the material form or fixation requirement was designed to avoid authors asserting property rights in ideas or abstractions. It provides the certainty that is fundamentally important in intellectual property law.<sup>63</sup> This recognises that we must look for the work in the material form, but that the material form of the work is not the work, but it is the only material reference point we have to ascertain the boundaries of any claimed work. Therefore, characters must be found in the material form of the work.<sup>64</sup>

The problem with fictional characters and the material form requirement is that we feel as though we know characters. We invest in them, and recall them with fondness or hatred, and may be able to recognise them when they appear in different situations.<sup>65</sup> So, for us, there is a visceral feeling that fictional characters should be protected. However, it is often difficult, if not impossible to recall the exact text from which we can conjure up the attributes of a character.<sup>66</sup> His Honour identified the attributes of Del Boy from the scripts but not as a separate, coherent unit in text because fictional characters are developed incrementally to reveal their traits and attributes through fragmented expression dispersed through the particular text, and the reader or viewer cognitively assembles the character from these fragments.<sup>67</sup> If one were to collate all the actual words of the scripts that, in his Honour's judgment, make up Del Boy, the result would be an incoherent jumble of words that would need to be reassembled to reconstitute the character in a way that would not align with the actual words of the author.<sup>68</sup> Courts would essentially be looking beyond the words, and constructing a character based on what courts view are the character's features and attributes even if they are not explicitly stated by the author's words. His Honour appeared to touch on this in holding that Del Boy is a literary work, and not a dramatic work:<sup>69</sup>

*It was not suggested that if Del Boy as a character was a work, he ought to be categorised as a dramatic work. It makes little sense to say that a character is designed to be performed in the way a screenplay or script is intended to be performed.* [Emphasis added]

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This passage appears to acknowledge the lack of material form because the script sets out how a particular program is to be performed in accordance with the words of the script. However, a character, with its attributes and traits, is not contained in the express words of the script, which demonstrates the difficulties with finding a character satisfies the material form requirement.

The problem is exacerbated where characters are developed over multiple works in, for example, a series of novels, such as Harry Potter or James Bond, or a dramatic television series in which character development is a key aspect of the program. The reader or viewer would then be required to identify the character's elements from information across multiple works, which may occur cognitively, conceptually, and culturally, but that process does not correlate to the copyright subsistence process.<sup>70</sup>

### Fictional Characters in the US

The US has had much more jurisprudence in relation to copyright subsisting in fictional characters than the UK and Australia. Copyright was first recognised as able to subsist in fictional characters by Judge Learned Hand in *Nichols v Universal Pictures Corp* (“*Nichols*”) in 1930.<sup>71</sup> Prior to that, characters were protected as part of the works in which they were embedded.<sup>72</sup> *Nichols* clarified that characters could merit protection independently of their works, but limited the scope of protection to exclude poorly developed characters with Judge Hand holding that characters must be “distinctively delineated”<sup>73</sup> to be protected.<sup>74</sup> This appears to align with the approach in *Shazam*.

An alternative approach was developed in *Warner Bros. Pictures v Columbia Broad. Sys., Inc.*, 216 F.2d 945 (9<sup>th</sup> Cir. 1954) (“the *Sam Spade* case”). The Ninth Circuit concluded that characters could not be independently copyrighted unless “the character really constitutes the story being told.”<sup>75</sup> The Court's view was that Sam Spade and other characters from *The Maltese Falcon* were merely vehicles through which the story was conveyed.<sup>76</sup> Courts and commentators have said that the *Sam Spade* case sets the bar for copyrightability so high that it effectively denies any characters independent protection,<sup>77</sup> with at least one court citing it for the proposition that characters ordinarily may not be copyrighted.<sup>78</sup>

Other than these two tests, courts in the US consider several other factors in the analysis of determining copyright subsistence and infringement, such as whether the alleged copy has taken the character's name, mannerisms, physical likeness, signature props, or disguises, patterns of speech, and so on.<sup>79</sup> The result is a large number of considerations that are taken into account when applying two very different tests because neither has been specifically overruled. Further, authors who create literary renderings of character that leave very little to the imagination would, under the US approach,

merit stronger protection because the characters would have more easily identifiable features that courts can extract from the text.<sup>80</sup>

### Conclusion

The Court in *Shazam* has recognised for the first time in the UK that copyright can subsist in a fictional character. The Court did so by identifying the features and attributes that were alleged to constitute the Del Boy character, listing them, and holding that the combination of those features, even if unoriginal in isolation, amounts to an original literary work capable of copyright protection. His Honour did this by watching the television program with the script in hand, and identifying the features in the script even if they were not explicitly said to exist. Although the desire to protect a well-known and loved character is strong, there are serious issues with finding that copyright subsists in a fictional character as a literary work.

This article has discussed two such issues: one is disentangling characters from the text itself. This is a necessary, but subjective exercise that may be prone to manipulation in the analysis. The other related issue is that characters may not satisfy the material form or fixation requirement. The beauty of literature is that much is left to the imagination of the reader. The problem for copyright is that it cannot protect what is not said, and what is left to be cognitively conjured from the gaps between the lines on the page, as opposed to what has in fact been reduced to a material form. Although protection for characters satisfies the visceral feeling that they should be protected, it is difficult to fit such protection into current Australian copyright principles and should be approached with caution.

- 1 Barrister at The Victorian Bar. I would like to thank my mentor, Susan Gatford, for her ever-insightful comments on this article.
- 2 *Shazam Productions Ltd v Only Fools The Dining Experience Ltd* [2022] EWHC 1379 (IPEC) (“*Shazam*”), [98]–[100], [104], [105], [113], applying *Cofemel v G-Star Raw* [2020] ECDR 9, and considering *Re Pippi Longstocking* [2014] ECC 27 and *Klinger v Conan Doyle Estate, Ltd* 755 F.3d 496 (7<sup>th</sup> Cir. 2014).
- 3 *Shazam*, [121], [122].
- 4 CDPA s.1(1)(a).
- 5 *Shazam*, [79].
- 6 *Shazam*, [80].
- 7 *Shazam*, [85]–[87]; *Copinger and Skone James on Copyright* (18<sup>th</sup> ed, 2021), [7–265] and [26–244].
- 8 Jani McCutcheon, ‘Works of Fiction: The Misconception of Literary Characters as Copyright Works’ (2018) 66(1) *Journal of the Copyright Society of the USA* 115, 131.
- 9 Jani McCutcheon, ‘Works of Fiction: The Misconception of Literary Characters as Copyright Works’ (2018) 66(1) *Journal of the Copyright Society of the USA* 115, 131.
- 10 *Shazam*, [91].
- 11 *Shazam*, [92].
- 12 (Case C-106/89) [1990] ECR I-413.
- 13 [2010] Ch 77; [2009] EWCA Civ 446, [37], [38].

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- 14 *Shazam*, [94]; see Case C-683/17 *Cofemel v G-Star Raw* [2020] ECDR 9, [29]; *Infopaq International A/S v Danske Dagblades Forening* C-5/08, EU:C:2009:465, 37, 39; *Levola Hengolo BV v Smilde Foods BV* C-310/17, EU:C:2018:899, 33, 35–7.
- 15 *Shazam*, [95] where the Court cited *Painer v Standard Verlags GmbH* C-145/10, EU:C:2011:798, 88, 89, 94 and *Land Nordrhein-Westfalen v Renckhoff* C-161/17, 14.
- 16 David Brennan, *Copyright Law* (The Federation Press, 2021) 1, 1.1; *Berne Convention for the Protection of Literary and Artistic Works* (original text of 9 September 1886, art 1: “The contracting countries constitute a Union for the protection of the rights of authors in their literary and artistic works.”)
- 17 *Copyright Act 1968* (Cth) s.32; *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465, 473; *Sands and McDougal v Robinson* (1917) 23 CLR 49, 55; *University of London Press Ltd v University Tutorial Press Ltd* [1916] 2 Ch 601; Gerard Dalton, ‘Copyright: Protecting Original Expression or the Efforts of Authors? A Review of the Approach to Originality by Australian Courts in Recent Cases’ (2000) 11 *Australian Intellectual Property Journal* 129, 131.
- 18 *Computer Edge Pty Ltd v Apple Computer Inc* (1983) 65 ALR 33, 39; *Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465, 473.
- 19 Gerard Dalton, ‘Copyright: Protecting Original Expression or the Efforts of Authors? A Review of the Approach to Originality by Australian Courts in Recent Cases’ (2000) 11 *Australian Intellectual Property Journal* 129, 132.
- 20 *Sands and McDougal v Robinson* (1917) 23 CLR 49, 55.
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- 34 *Shazam*, [117].
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- 45 Zahr K Said, ‘Fixing Copyright in Characters: Literary Perspectives on a Legal Problem’ (2013) 35(2) *Cardozo Law Review* 769, 787.
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- 50 Robert H Rotstein, ‘Beyond Metaphor: Copyright Infringement and the Fiction of the Work’ (1993) 68 *Chicago-Kent Law Review* 725, 736–7; Zahr K Said, ‘Fixing Copyright in Characters: Literary Perspectives on a Legal Problem’ (2013) 35(2) *Cardozo Law Review* 769, 808.
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- 53 Jani McCutcheon, ‘Works of Fiction: The Misconception of Literary Characters as Copyright Works’ (2018) 66(1) *Journal of the Copyright Society of the USA* 115, 142; the Court in *Warner Bros. v Am. Board. Cos.*, 720 F.2d 231, 243 (2<sup>nd</sup> Cir. 1983), for example, said, “A character is an aggregation of the particular talents and traits his creator selected for him.” See also *Parton v Prang*, 8 F. Cas. 1273, 1276 (C.C.D. Mass. 1872 (No. 10,784) where the Court explained how, in reading literary text describing an object, the reader must engage in “the labor of aggregating the same into a whole and presenting to his perceptions an ideal of the described object.”
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- 62 David Brennan, *Copyright Law* (2021, The Federation Press), 22.
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- 68 See also Jani McCutcheon, 'Works of Fiction: The Misconception of Literary Characters as Copyright Works' (2018) 66(1) *Journal of the Copyright Society of the USA* 115, 140.
- 69 *Shazam*, [121].
- 70 Jani McCutcheon, 'Works of Fiction: The Misconception of Literary Characters as Copyright Works' (2018) 66(1) *Journal of the Copyright Society of the USA* 115, 150.
- 71 45 F.2d 119 (2d Cir. 1930).
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- 74 Zahr K. Said, 'Fixing Copyright in Characters: Literary Perspectives on a Legal Problem' (2013) 35(2) *Cardozo Law Review* 769, 784.
- 75 *Warner Bros. Pictures v Columbia Broad. Sys., Inc.*, 216 F.2d 945, 950 (9<sup>th</sup> Cir. 1954).
- 76 *Warner Bros. Pictures v Columbia Broad. Sys., Inc.*, 216 F.2d 945, 950 (9<sup>th</sup> Cir. 1954); Zahr K Said, 'Fixing Copyright in Characters: Literary Perspectives on a Legal Problem' (2013) 35(2) *Cardozo Law Review* 769, 785.
- 77 Zahr K Said, 'Fixing Copyright in Characters: Literary Perspectives on a Legal Problem' (2013) 35(2) *Cardozo Law Review* 769, 785.
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- 79 *Anderson v Sylvester Stallone*, 1989 WL 206432, 12 (C.D. Cal.)
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# Future Issues and Challenges of Protecting and Enforcing Indigenous Knowledge in the Context of New Zealand's Current Legal Framework

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## Introduction

It is well accepted that the intellectual property system does not cater for or recognise Indigenous knowledge.

The origins of the intellectual property system are found in Europe and the United States, formed during the industrial revolution, based on concepts such as innovation and globalisation, where trade is crucial, and protection of intellectual property rights is paramount.

To be granted an intellectual property right, your brand, patent, or design must meet the requirements specified in legislation.

The intellectual property system is built on the idea that anything that is published falls into the public domain, and anything in the public domain is available for anyone to adapt, use, or commercialise without regard for the origins of the word, image, or work.

Indigenous intellectual property rights, genetic resources, traditional knowledge (including mātauranga Māori), traditional cultural expressions, and cultural heritage do not always meet the requirements specified in legislation for intellectual property rights protection.

For this reason, we will continue to see Indigenous intellectual property rights, genetic resources, traditional knowledge (including mātauranga Māori), traditional cultural expressions, and cultural heritage being misused, misappropriated, commercialised, and registered as intellectual property rights by others. The most recent examples include use of images of tupuna (Māori ancestors) as non-fungible tokens (“NFTs”).<sup>2</sup>

Indigenous peoples around the world have fought to protect and preserve Indigenous intellectual property rights, genetic resources<sup>3</sup>, traditional knowledge<sup>4</sup> (including mātauranga Māori), traditional cultural expressions<sup>5</sup>, and cultural heritage from misuse and misappropriation in a manner consistent with Indigenous values, customs, and protocols.

In this article, I consider the ongoing issues Māori, the Indigenous people of New Zealand face, when protecting and enforcing their Indigenous knowledge, including mātauranga Māori.

I review the recent changes in the intellectual property system in New Zealand and the challenges ahead.

## The ongoing clash between the intellectual property system and Indigenous knowledge

### *The intellectual property system*

The intellectual property system is the legislative framework that grants intellectual property rights to owners, where the owner has a monopoly right to use that right for a limited period. The current intellectual property system is underpinned by concepts of individual ownership and economic advancement.

While conditions for intellectual property protection are set in each territory, the World Trade Organisation (“WTO”) *Agreement on Trade-Related Aspects of Intellectual Property Rights* (“TRIPS”) sets the minimum conditions for intellectual property protection for members of the WTO to receive the benefits that membership brings. TRIPS is a comprehensive multilateral agreement on intellectual property, linking intellectual property and trade.

Trade agreements have continued to influence New Zealand's intellectual property system including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (“CPTPP”), the United Kingdom -New Zealand Free Trade Agreement (“UK-NZ FTA”), and the European Union-New Zealand Free Trade Agreement (“EU-NZ FTA”).

We have seen Māori have more and more influence on trade negotiations, and in particular, the UK-NZ FTA and EU-NZ FTA both feature Māori Trade and Economic Chapters and references to mātauranga Māori.

Despite these variations to the intellectual property system, and we can expect to see these variations increase as Māori continue to be involved in trade negotiations, the core aspects of the intellectual property system remain intact, and New Zealand's intellectual property system continues to provide for the registration of patents,<sup>6</sup> copyright,<sup>7</sup> trade marks,<sup>8</sup> industrial designs,<sup>9</sup> plant variety rights (“PVRs”),<sup>10</sup> and geographical indications.<sup>11</sup>

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## *Mātauranga Māori*

Mātauranga Māori literally translates as Māori knowledge, but also includes the Māori way of knowing.<sup>12</sup>

Mātauranga Māori is a dynamic and evolving system of customary and contemporary knowledge used by tangata whenua (people of this land by right of first discovery) to interpret and explain the world in which they live. Mātauranga Māori is framed by the whakapapa (genealogy) of all things and whanaungatanga (kinship connections) between them. Mātauranga Māori includes general knowledge as well as specific knowledge held by or relevant to whānau, hapū, or iwi. Mātauranga Māori is transmitted in a variety of forms, including oral histories, whakapapa, waiata, karakia, haka, whakataukī, pūrākau, kōrero tuku iho, raranga, whakairo, and ta moko. For example, mātauranga Māori includes, but is not limited to, kawa and tikanga, Māori traditions, Māori values, Māori concepts, Māori philosophies, Māori world views, Māori understandings, or Māori perspectives.

Mātauranga Māori is regulated by tikanga and informed by a set of values, including mana, utu, kawa, tikanga, tapu, noa, and others. This set of values also regulates people with the world around them, to maintain balance, and enabling us all to live in harmony with each other and the world around us.

Mātauranga Māori encompasses so many aspects of te ao Māori (or the Māori worldview) that are handed down from generation to generation. The intellectual property system, which grants rights for limited periods, cannot provide the necessary level of protection over generations.

As mentioned above, the concept of the public domain also assumes that mātauranga Māori that has existed for generations automatically falls into the public domain available for any person to utilise in any manner they see fit, ignoring the underlying set of values and tikanga. This unrestrained use raises concerns for Māori and Indigenous peoples around the world.

## **Addressing the conflict between Indigenous knowledge and the intellectual property system**

Indigenous peoples around the world, including Māori, have explored ways in which they can address the conflict between Indigenous knowledge and the intellectual property system.

### *Wai 262 claim*

The Wai 262 claim, filed in 1991, was the first attempt at addressing the conflict between Indigenous knowledge and the intellectual property system, in New Zealand.<sup>13</sup>

The claimants claimed the Crown had breached the Treaty of Waitangi/Te Tiriti o Waitangi by:

- failing to actively protect the exercise of tino rangatiratanga (“sovereignty”) and kaitiakitanga (“custodianship”) by the claimants over Indigenous

flora and fauna, and other taonga (“treasures”), and also over mātauranga Māori;

- failed to protect the taonga itself;
- usurped tino rangatiratanga and kaitiakitanga of Māori in respect of flora and fauna and other taonga through the development of policy and enactment of legislation;
- agreed to various international agreements and obligations that affect Indigenous flora and fauna and intellectual property rights and rights to other taonga.

One of the remedies sought was the establishment of a tikanga-based framework, which recognises the right of Māori to exercise tino rangatiratanga and kaitiakitanga over Indigenous flora and fauna, other taonga, and mātauranga Māori.

The hearings did not finish until 2007 and the report did not issue until 2011.

The report acknowledged “it is necessary to protect Māori culture and identity because that is how we protect New Zealand culture and identity” and “New Zealand’s law should make room for the relationships between kaitiaki and their taonga works, taonga species, and mātauranga Māori to flourish as a matter of national interest”.<sup>14</sup>

To achieve this aspiration, the report made a long list of recommendations, including making amendments to New Zealand’s intellectual property legislation framework and establishing a new commission with multi-disciplinary expertise (encompassing mātauranga Māori, intellectual property law, commerce, science, and stewardship of taonga and documents) at both commissioner and secretarial levels. The commission would have three main functions, adjudicative, facilitative, and administrative, with the aim of introducing policies and procedures that recognise the kaitiaki relationship that existed between Māori and mātauranga Māori.<sup>15</sup>

The report received a lukewarm response from Māori, and at the time of writing, we are still waiting for the Government’s formal response to the report.<sup>16</sup>

### *The Mataatua Declaration 1993*

The second attempt to address the conflict between Indigenous knowledge and the intellectual property system was the *Mataatua Declaration* 1993, written during the First International Conference on the Cultural and Intellectual Property Rights of Indigenous Peoples hosted by the nine tribes of Mataatua. More than 150 delegates from 14 countries attended with indigenous representatives from Ainu (Japan), Australia, Cook Islands, Fiji, India, Panama, Peru, Philippines, Surinam, USA, and New Zealand. The delegates drafted and signed the declaration, which

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made several recommendations to Indigenous peoples, states, national, and international agencies, including the United Nations, in relation to intellectual and cultural property, customary knowledge, biodiversity and customary environmental management, and cultural objects.

The Declaration asserts that Indigenous peoples are the guardians of their customary knowledge and have the right to protect and control dissemination of that knowledge.

Although the Declaration has no legal effect, it outlines in more detail the aspirations of Indigenous peoples, including the Indigenous response to the conflict between Indigenous knowledge and the intellectual property system.

### ***Review of the Trade Marks Act 1953 (NZ)***

The Government commenced a review of the *Trade Marks Act 1953 (NZ)* in 1991 and this review proposed some changes to the Act. However, the proposed changes did not address any concerns that were raised by Māori on the lack of protection for Māori culture and Indigenous knowledge.

In response to these concerns, the Government established a Māori Trade Marks Focus Group to investigate the concerns raised. This Focus Group wrote and published *Māori and Trade Marks: A Discussion Paper*, which made several recommendations on how the Government could amend the Trade Marks Act to recognise te reo Māori and mātauranga Māori in the Trade Marks Act.

Two recommendations were included in the new *Trade Marks Act 2002 (NZ)*, which came into force on 20 August 2003. The new Act introduced:

- an absolute ground for not registering any matter as a trade mark, or part of a trade mark, if the use or registration of the mark would, in the opinion of the Commissioner, be likely to offend a significant section of the community, including Māori;<sup>17</sup> and
- a Māori Trade Marks Advisory Committee who advises the Commissioner on whether a trade mark that is, or appears to be, derivative of a Māori sign, including text and imagery, is, or is likely to be, offensive to Māori.<sup>18</sup>

In addition to its key role, the Māori Trade Marks Advisory Committee can also regulate its own procedure, and the Committee has introduced guidelines to assist in determining when Māori trade marks may be considered offensive.

Although the Commissioner currently follows all the recommendations of the Advisory Committee, it is important these recommendations are not binding.

The Māori Trade Marks Advisory Committee is currently reviewing its previous guidelines, and we have seen marks that were once considered registrable now receiving offensiveness objections.

The Māori Trade Marks Advisory Committee also suggests that trade mark owners get advice or learn more about the cultural elements they intend to use before adoption, and where required, obtain consent from any relevant Māori communities and/or kaitiaki.

It is interesting to note the Government did not review the Trade Marks Act following the release of the Wai 262 report, nor has the Government revisited the other recommendations in the *Māori and Trade Marks: A Discussion Paper*.

### ***Review of the Patents Act 1953 (NZ)***

Amendments to the *Patents Act 1953 (NZ)* were drafted in 2008, but these amendments were held up to allow the Government to incorporate any recommendations from the Wai 262 report when it issued.

Following the release of the Wai 262 report, the Crown did not amend the Bill any further to include any additional recommendations from the report.

The *Patents Act 2013 (NZ)* established a Patents Advisory Committee, whose functions are to advise the Commissioner of Patents on whether a claimed invention is derived from Māori traditional knowledge or from Indigenous plants or animals, and if so, whether the commercial exploitation of that invention is likely to be contrary to Māori values.

Like the Trade Marks Advisory Committee, the recommendations of the Patents Advisory Committee are not binding on the Commissioner.

While the Patents Act amendments went some way to address the concerns raised in the Wai 262 report, the amendments only adopted one of the recommendations from that report, which constitutes a lost opportunity.

### ***Review of the Plant Variety Rights Act 1987 (NZ)***

The CPTPP required New Zealand to update the *Plant Variety Rights Act 1987 (NZ)* to be consistent with UPOV 1991,<sup>19</sup> and the Crown commenced a review of the Plant Variety Rights Act, in anticipation of amendments following the signing of CPTPP. This review was recently completed, and the new *Plant Variety Rights Act 2022 (NZ)* came into force on 24 January 2023.

The review of the Plant Variety Rights Act included broad consultation on the recommendations in the Wai 262 report, most of which have been incorporated into the Act.

These amendments include the introduction of a new purpose for the PVR regime to:

*protect kaitiaki relationships with taonga species and mātauranga Māori in the plant variety rights system.*<sup>20</sup>

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It is also worth noting that the Plant Variety Rights Act is the first piece of legislation within New Zealand's intellectual property system to incorporate a Treaty of Waitangi clause that reads:

*This Act recognises and respects the Crown's obligations under the principles of Te Tiriti o Waitangi / the Treaty of Waitangi in relation to the law on plant variety rights, through the provisions of Part 5 and related provisions that support the purpose of Part 5.*<sup>21</sup>

Part 5 of the Act attempts to achieve this by:<sup>22</sup>

- (a) introducing requirements for the recognition and protection of kaitiaki relationships<sup>23</sup>;
- (b) providing for a Māori Plant Varieties Committee to administer the procedures for recognition and protection of kaitiaki relationship, to make determinations about kaitiaki relationships, and to have advisory functions;
- (c) enabling the nullification or cancellation of PVRs that have adverse effects on kaitiaki relationships.

Part 5 of the Act only applies to Indigenous plant species and non-Indigenous plant species of significance, and where the materials from those plant species have been obtained from New Zealand. The non-Indigenous plant species of significance are listed in Schedule 2 of the *Plant Variety Rights Regulations 2022* (NZ).

The Māori Plant Varieties Committee role includes:<sup>24</sup>

- (a) issuing engagement guidelines and providing advice to applicants for a PVR and kaitiaki on the application of Part 5;
- (b) considering PVR applications referred to it by the Commissioner, including assessing and determining whether the granting of a PVR will or could have adverse effects on a kaitiaki relationship or relationships;
- (c) advising the Commissioner on whether the use or approval of a proposed denomination is likely to be offensive to Māori;
- (d) providing advice to the Commissioner on any information that may be relevant to determining if the PVR meets the registrability criteria (novel, distinct, uniform, and stable), and whether the denomination would be likely to offend a significant section of the community, including Māori;
- (e) regulating its own functions by publishing timeframes and processes for submissions to be made in response to any requests or assertions made by the Committee under the Act;
- (f) conducting investigations appropriate to carry out its functions;
- (g) advising the Commissioner on whether a PVR should be nullified or cancelled.<sup>25</sup>

The Act also imposes obligations on a breeder (or PVR applicant) if a hapū, iwi, individual of Māori descent, or a Māori entity asserts that they have a kaitiaki relationship with an Indigenous plant species or a non-Indigenous plant species of significance, and that plant species is the subject of a PVR application by the breeder, then the breeder must:

- (a) identify the kaitiaki;
- (b) provide:
  - (i) a summary of any engagement with the kaitiaki;
  - (ii) provide a copy of any assessment carried out by the kaitiaki of the effects on the kaitiaki relationship if the PVR is granted;
  - (iii) a summary of any consideration given to how those effects could be mitigated;
  - (iv) a summary of any agreements on how those effects could be mitigated.

The recommendations implement most of the recommendations in the Wai 262 report made in relation to the Plant Variety Rights Act, except most of the advice from the Māori Plant Varieties Committee is still not binding on the Commissioner. This is inconsistent with the recommendations in the Wai 262 report. The only advice from the Plant Variety Rights Advisory Committee that is binding on the Commissioner is the Committee's advice on nullification and cancellation.

The amendments to the Plant Variety Rights Act demonstrate the recognition of Indigenous rights and knowledge within New Zealand's intellectual property system is possible. However, the recommendations in Wai 262 also make it clear that tinkering of the intellectual property system are not sufficient and there is still a need to establish other regimes, such as the commission proposed in Wai 262, and these regimes can coexist alongside the intellectual property system as well.

## ***Review of the Copyright Act 1994 (NZ)***

In November 2018, the Government released an Issues Paper on the *Copyright Act 1994* (NZ) to ensure the Act is fit for purpose due to the significant technological advancement that has been made since the last review. In addition, the review asked questions on incorporating the recommendations in the Wai 262 report to provide protection for taonga works.

Submissions closed in 2019 and there has not been any update from the Government on this review since then.

## ***Review of the Geographical Indications (Wines and Spirits) Registration Act 2006 (NZ)***

The *Geographical Indications Act 1994* (NZ) was passed in 1994 to meet New Zealand's obligations under TRIPS but the Act did not come into force and was repealed in 2008 by the *Geographical Indications (Wine and Spirits) Registration Act 2006* (NZ).

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The *Geographical Indications (Wine and Spirits) Registration Act 2006* (NZ) was introduced to allow for registration of geographical indications for use in relation to wine and spirits. The repeal provisions came into force in 2008, but the ability to register geographical indications did not come into force on 27 July 2017.

Before these provisions came into force, the Act was amended<sup>26</sup> and introduced a requirement that the Registrar must not register a geographical indication if its use in relation to wine or spirits or its registration would be likely to offend a significant section of the community, including Māori.

In another provision, the Advisory Committee established under the *Trade Marks Act 2002* (NZ) is empowered to advise the Registrar on whether the use or registration of a geographical indication is likely to be offensive to Māori.

### **Case law developments**

#### *Trade mark applications for the Haka KA MATE lyrics*

Te Runanga o Toa Rangatira Incorporated filed applications to register the phrases KA MATE, KA ORA, WHITI TE RA, and UPANE KAUPANE as trade marks as a tool to stop the commercialisation of the haka Ka Mate without consent from the Runanga.

The applications were initially approved by the Intellectual Property Office of New Zealand, but these applications were opposed on several grounds by a New Zealand company, who marketed tea towels that included the lyrics from the haka Ka Mate. The opponent argued the marks should be freely available for all to use.

The opposition was successful because the Assistant Commissioner held:

*It is clear from the evidence before me that certain traders of New Zealand themed goods and services will, in the ordinary course of their business, wish to legitimately use the entire wording of the haka Ka Mate because the haka Ka Mate is an important part of New Zealand's heritage, a New Zealand icon, and is a powerful reference to New Zealand, which appears to be largely attributable to its performance by the All Blacks Rugby Team since 1905.<sup>27</sup>*

*And for this reason:*

*I consider that, if the opposed marks were registered, honest traders would effectively be hindered in using the haka Ka Mate in relation to New Zealand themed merchandise and commercial sporting events in New Zealand because they would be uncertain whether they were exposed to infringement proceedings:*

*... the privilege of a monopoly should not be conferred where it might require honest men to look for a defence.<sup>28</sup>*

This decision is clearly inconsistent with the recommendations in the Wai 262 report, as the Assistant Commissioner considered the rights of honest men were more important than the rights of kaitiaki or the recognition and protection of Indigenous intellectual property.

Given the developments in New Zealand on the recognition and protect of Indigenous intellectual property, it is likely this case would be decided differently now.

#### *Non-use provisions – the KOHA case*

We have also seen whānau, hapū, and iwi filing trade marks to stop misuse of kupu that are considered taonga. For example, Te Runanga o Ngāti Ruanui registered NGATI RUANUI as a trade mark in 35 classes, NGAPUHI has registered its name as well.

One of the issues with this approach is the registrations could become vulnerable to removal on the grounds of non-use if the marks are not used within three years.<sup>29</sup>

In the KOHA case,<sup>30</sup> the Assistant Commissioner confirmed New Zealand's trade mark laws require owners of trade mark registrations to use their trade marks, an idea which is inconsistent with the recognition of kaitiaki rights that are inter-generational and enduring.

#### *Te Ture mō te reo Māori 2016 / The Māori Language Act 2016 (NZ) and its impacts on interpretation*

In the KURA decision,<sup>31</sup> the Assistant Commissioner considered the registrability of the word KURA for food products.

A registrability objection was raised by the examiner that the mark was descriptive of food products, because the word KURA is also the name of a particular shade of the colour red.

The applicant argued the primary meaning of the word KURA is as a noun, meaning "school", and the objection should be withdrawn.

The Assistant Commissioner held that any Māori word mark must be interpreted in a manner consistent with Te Ture mō te Reo Māori. This approach required the Commissioner to give the word KURA a broad interpretation, including the lesser-known meaning for the word as a description for a shade of red, and the Assistant Commissioner upheld the objection, and the mark was refused.

The new approach adopted by the Assistant Commissioner could see interpretations and applications of the provisions of the Trade Marks Act that are consistent with the principles in Te Ture mō te Reo Māori, which are:

- the Māori language is the Indigenous language of New Zealand;

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- the Māori language has inherent mana and is enduring;
- Iwi and Māori are the kaitiaki of the Māori language;
- the Māori language is the foundation of Māori culture and identity;
- knowledge and use of the Māori language enhance the lives of iwi and Māori;
- knowledge and use of the Māori language are sustained through transmission of the language from generation to generation among whānau and by daily communication in the community;
- the Māori language is protected as a taonga by Article 2 of the Treaty of Waitangi;
- the Crown recognises the value of the Māori language for the people of New Zealand;
- knowledge and use of the Māori language are promoted by an active partnership of the Crown with iwi and Māori through Te Mātāwai;
- the Crown can advance the revitalisation of the Māori language by promoting strategic objectives in the wider New Zealand society;
- the Māori language is an official language of New Zealand; and
- the Māori language is important to the identity of New Zealand.<sup>32</sup>

This approach could result in new ways of interpreting provisions such as what signs are registrable as a trade mark and the comparison of marks including whether trade marks are similar.

## *MANUKA HONEY*

The Assistant Commissioner held the MANUKA HONEY trade mark is a trade mark associated with a type of honey from New Zealand, but the name MANUKA HONEY is sufficiently distinctive and capable of acting as a badge of geographical origin and was accepted as a certification trade mark in New Zealand.

The decision recognises the unique status of a Māori word, which has a large body of traditional knowledge associated with it.

Since the decision, this trade mark application has been opposed and the decision is due any day.<sup>33</sup>

[Editor's note: Just as this edition was going to press, IPONZ handed down its decision that the opposition to the MANUKA HONEY certification trade mark was successful. See *Manuka Honey Appellation Society Incorporated v Australian Manuka Honey Association Limited* [2023] NZIPOTM 19 (22 May 2023).]

## *International developments*

Internationally, there have been several different developments that support systematic changes in New Zealand's intellectual property system and broader legal system to address the clash between Indigenous intellectual property and the intellectual property system.

### *United Declaration on the Rights of Indigenous Peoples*

The passing of the *United Nations Declaration on the Rights of Indigenous Peoples*, which states in Article 31:

*Indigenous peoples have the right to maintain, control, protect and develop their cultural heritage, traditional knowledge, and traditional cultural expressions, as well as the manifestations of their sciences, technologies and cultures, including human and genetic resources, seeds, medicines, knowledge of the properties of fauna and flora, oral traditions, literatures, designs, sports and traditional games and visual and performing arts. They also have the right to maintain, control, protect, and develop their intellectual property over their cultural heritage, traditional knowledge, and traditional cultural expressions.*

### *Convention on Biological Diversity*

The *Convention on Biological Diversity* 1992 sets out a framework for the conservation of biological diversity, the sustainable use of its components, and the fair and equivalent sharing of benefits arising from the utilisation of genetic resources and the utilisation of traditional knowledge associated with genetic resources.

Under Article 8(j) of the Convention, each party shall:

*Subject to national legislation, respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles relevant for the conservation and sustainable use of biological diversity and promote their wider application with the approval and involvement of the holders of such knowledge, innovations and practices and encourage the equitable sharing of the benefits arising from the utilization of such knowledge innovations and practices*

### *Nagoya Protocol*

The *Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from the Utilization to the Convention on Biological Diversity* ("Nagoya Protocol") is a supplementary agreement to the Convention on Biological Diversity. The aim of the Nagoya Protocol is the implementation of the aims of the Convention.

*WIPO Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge, and Folklore* ("IGC")

The IGC is tasked with undertaking text-based negotiations with the objective of reaching agreement on a text or

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texts for an international legal instrument or instruments, which will ensure the effective protection of traditional knowledge, traditional cultural expressions, and genetic resources. The aim is to address the gaps in international intellectual property law for the recognition and protection of Indigenous intellectual property.

Negotiations began in 1992 and have been described as glacial at best. In addition, the support for Indigenous groups to attend these negotiations has waned.

## Negotiations with the Crown

Some Māori, who have a mandate to negotiate with the Crown have used these negotiations to obtain protection for cultural heritage, traditional knowledge, and traditional cultural expressions.

### *The Haka Ka Mate Attribution Act 2014 (NZ)*

Despite the decision on the trade mark applications for the lyrics of the Haka Ka Mate, Te Runanga o Toa Rangatira included in its settlement negotiations, bespoken recognition, and protection of the haka Ka Mate, which is reflected in the *Haka Ka Mate Attribution Act 2014 (NZ)*.

The Act provides the haka Ka Mate is a taonga, an integral part of the history of Te Runanga o Toa Rangatira, and Te Rauparaha is the author of the haka Ka Mate.

Most importantly, the Act also requires any commercial use of the haka Ka Mate to attribute Te Rauparaha, a chief of Ngāti Toa Rangatira, as the author of the haka Ka Mate.<sup>34</sup>

Te Runanga o Toa Rangatira may seek an order from the courts ordering the person who uses the haka Ka Mate commercially to comply with the Act. But the Act does not grant any other remedies or an ability to seek costs to Ngāti Toa Rangatira under the legal framework, and therefore, Ngāti Toa Rangatira must bear the costs of enforcing this legislation.

The Act included a review provision, which allows the Crown to review this Act five years after its implementation. This review is overdue, and we await any updates to this legislation.

### *Te Awa Tupua settlement*

In a world first, the *Te Awa Tupua (Whanganui River Claims Settlement) Act 2017 (NZ)* introduced an innovative approach and recognition of tikanga by granting the status of legal person to the Whanganui River and prescribing a unique framework for protecting the name TE AWA TUPUA.

The name TE AWA TUPUA is granted the following protection, which is an extension of the protection afforded to the haka Ka Mate above:<sup>35</sup>

- (1) *No person may, without making a written request to Te Pou Tupua and receiving a written authorization from Te Pou Tupua,—*
  - (a) *cause an incorporated or unincorporated body to be formed or registered under any name, title, style, or designation that includes the name Te Awa Tupua;*
  - (b) *carry on trade activities under any name, title, style, or designation that includes the name Te Awa Tupua;*
  - (c) *in relation to any commercial goods or services, display, exhibit, or otherwise use in any business, trade, or occupation, a name, title, style, or designation that includes the name Te Awa Tupua.*
- (2) *Subsection (1) applies to the use, in the manner described in paragraphs (a) to (c), of any other name, title, style or designation that so resembles the name Te Awa Tupua as to be likely to mislead, confuse, or deceive a person into believing that there is an association with Te Awa Tupua.*

### *Parihaka reconciliation settlement*

The Parihaka Papakainga Trust secured unique protection for the name PARIHAKA as part of its reconciliation settlement with the Crown under *Te Ture Haeata Ki Parihaka 2019 / Parihaka Reconciliation Act 2019 (NZ)*. The relevant sections extend again the unique protections provided for kupu Māori under this Act.<sup>36</sup>

The relevant section reads:

- (1) *No person may, unless they have made a written request to the trustees of the Parihaka Papakāinga Trust (the trustees) and received written authorisation from the trustees, —*
  - (a) *cause an incorporated or unincorporated body to be formed or registered under any name, title, style, or designation that includes the name Parihaka;*
  - (b) *carry on trade activities under any name, title, style, or designation that includes the name Parihaka;*
  - (c) *in relation to any commercial goods or services, display, exhibit, or otherwise use in any business, trade, or occupation, a name, title, style, or designation that includes the name Parihaka.*
- (2) *Subsection (1) does not apply to —*
  - (a) *any person using the name for genuine creative, educational, or historical purposes; or*
  - (b) *any of the following, if carried out in accordance with honest practices in commercial or industrial matters to indicate the geographic location of the*

# Future Issues and Challenges of Protecting and Enforcing Indigenous Knowledge in the Context of New Zealand's Current Legal Framework

*body, business, trade, occupation, product, or service;*

- (i) an incorporated or unincorporated body located at or near Parihaka;*
- (ii) a business, trade, or occupation located at or near Parihaka;*
- (iii) goods or services produced or provided at or near Parihaka.*

- (3) Subsection (1) applies to the use, in the manner described in subsection (1)(a) to (c), of any other name, title, style, or designation that so resembles the name Parihaka as to be likely to mislead, confuse, or deceive a person into believing that there is an association with Parihaka.*
- (4) Subsection (5) applies to any request under subsection (1) for written authorisation.*
- (5) The trustees may withhold the requested authorisation if the proposed use would demean the name Parihaka.*
- (6) If the trustees consider that the name Parihaka is being used in a manner contrary to subsection (1) or (3), they may—*
  - (a) use any relevant statutory process to object to the use of the name; and*
  - (b) give written notice to any person—*
    - (i) stating that the name Parihaka is being used in a manner contrary to subsection (1) or (3); and*
    - (ii) requesting that person to cease further use of the name in that manner; and*
  - (c) apply to a court for—*
    - (i) a declaration that the use of the name Parihaka by the person to whom notice was given under paragraph (b) is contrary to subsection (1) or (3);*
    - (ii) and an order that the person cease the relevant use of the name.*
- (7) In this section, Parihaka means the settlement in South Taranaki at 39°17'18.4 S 173°50'24.9 E, as it generally exists from time to time and is referred to in Te Kawenata ō Rongo.*

## Future issues and challenges

It is clear the issues raised by the clash between Indigenous intellectual property and the intellectual property system continue today. While the intellectual property system has adapted to incorporate aspects that protect Indigenous intellectual property, these adaptations do not go far enough.

The future issues and challenges include recognising the rights of Indigenous peoples in their own Indigenous intellectual property, including implementing the recommendations from the Wai 262 report to protect New Zealand culture and identity and exploring the possibility of sui generis legislation.

- 1 Ngāti Ruanui, Ngā Ruahine Rangī, Ngā Rauru Kītiahi, Tumu Whakahaere | Managing Partner at Kāhui Legal, BA, BCA, DipFinMaths, LLB, Barrister and Solicitor, Registered Trans-Tasman Patent Attorney, Registered Australian Trade Mark Attorney.
- 2 See Te Aniwa Hurihanganui, 'Concerns raised over NFTs 'degrading Māori culture'', *1 news* (Web Page, 18 March 2022) <<https://www.1news.co.nz/2022/03/18/concerns-raised-over-nfts-degrading-maori-culture/>>.
- 3 The World Intellectual Property Office ("WIPO") definition for genetic resources is "genetic and other biological resources constitute unique subject matter for IP protection ever since IP systems began to protect innovation in the modern life sciences, as early as the mid-1970s. They include, for example, microorganisms, plant varieties, animal breeds, genetic sequences, nucleotide and amino acid sequence information, traits, molecular events, plasmids, and vectors."
- 4 WIPO defines traditional knowledge as "knowledge, know-how, skills and practices that are developed, sustained and passed on from generation to generation within a community, often forming part of its cultural or spiritual identity".
- 5 WIPO defines traditional cultural expressions as "expressions of folklore" and "may include music, dance, art, designs, names, signs and symbols, performances, ceremonies, architectural forms, handicrafts, and narratives, or many other artistic or cultural expressions".
- 6 WIPO describes a patent as "an exclusive right granted for an invention, which is a product or process, that provides, in general, a new way of doing something, or offers a new technical solution to a problem. To get a patent, technical information about the invention must be disclosed to the public in a patent application."
- 7 WIPO describes copyright (or author's right) as "a legal term used to describe the rights that creators have over their literary and artistic works. Works covered by copyright range from books, music, paintings, sculpture, and films, to computer programs, databases, advertisements, maps, and technical drawings."
- 8 WIPO describes a trade mark as a "sign capable of distinguishing the goods or services of one enterprise from those of other enterprises."
- 9 WIPO describes an industrial design as "the ornamental or aesthetic aspect of an article". A design may consist of three-dimensional features, such as the shape or surface of an article, or of two-dimensional features, such as patterns, lines, or color".
- 10 The Intellectual Property Office of New Zealand ("IPONZ") website describes plant variety rights as "a grant of Plant Variety Rights for a new plant variety provides the exclusive right to exploit propagating material of the variety".
- 11 WIPO describes geographical indications as "a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. In order to function as a geographical indication, a sign must identify a product as originating in a given place".
- 12 Waitangi Tribunal, *Ko Aotearoa Tēnei: A Report into Claims Concerning New Zealand Law and Policy Affecting Māori Culture and Identity* (Wai 262, 2011), vol 1, Key Concepts, 22.

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- 13 The Wai 262 claim was filed by six claimants, Haana Murray (Ngāti Kuri), Hema Nui a Tawhaki Wītanga (Te Rarawa), Te Witi McMath (Ngāti Wai), Tama Poata (Ngāti Porou), Kataraina Rimene (Ngāti Kahungunu), and John Hippolite (Ngāti Koata), under *The Treaty of Waitangi Act 1975* (NZ). This Act establishes the Waitangi Tribunal, a permanent commission of inquiry that makes recommendations on claims brought by Māori relating to Crown actions, which breach promises made in the Treaty of Waitangi/Te Tiriti o Waitangi.
- 14 Waitangi Tribunal, *Ko Aotearoa Tēnei: A Report into Claims Concerning New Zealand Law and Policy Affecting Māori Culture and Identity* (Wai 262, 2011), vol 1, 98.
- 15 Waitangi Tribunal, *Ko Aotearoa Tēnei: A Report into Claims Concerning New Zealand Law and Policy Affecting Māori Culture and Identity* (Wai 262, 2011), vol 1, 99–100.
- 16 While there has not been a formal or coordinated response from the Government to the claimants or the claimant iwi on the report, Te Puni Kokiri under its Te Pae Tawhiti framework is working with Te Taumata Whakapūmāu, the original Wai 262 claimant's representative roopū, who is coordinating a national engagement strategy on Wai 262. In addition, many government departments have implemented policies consistent with the recommendations in the Wai 262 report.
- 17 *Trade Marks Act 2002* (NZ), s.17(1)(c).
- 18 *Trade Marks Act 2002* (NZ), s.177–80.
- 19 UPOV 1991 is an acronym for the International Convention for the Protection of New Varieties of Plants, which was passed by the International Union for the Protection of New Varieties of Plants (“UPOV”) in 1991. New Zealand had adopted the 1978 version of the Convention with the passing of the *Plant Variety Rights Act 1987*.
- 20 *Plant Variety Rights Act 2022* (NZ), s.3(a).
- 21 *Plant Variety Rights Act 2022* (NZ), s.4.
- 22 *Plant Variety Rights Act 2022* (NZ), s.54.
- 23 The kaitiaki relationship is defined in the *Plant Variety Rights Act 2022* (NZ) as: “kaitiaki relationship, in relation to a plant species, means, the relationship that any particular iwi, hapū, individual of Māori descent, or Māori entity has, or Māori in general have, as guardian, trustee, or caretaker of – (a) an indigenous plant species; or (b) a non-indigenous plant species of significance.”
- 24 *Plant Variety Rights Act 2022* (NZ), ss.58, 62, 63 and 64.
- 25 *Plant Variety Rights Act 2022* (NZ), s.69.
- 26 See the *Geographical Indications (Wine and Spirits) Registration Amendment Act 2016* (NZ).
- 27 Intellectual Property Office of New Zealand, *Te Runanga o Toa Rangatira Incorporated v Prokiwi International Limited* (2012) NZIPOTM 14 (1 June 2012), 48.
- 28 Intellectual Property Office of New Zealand, *Te Runanga o Toa Rangatira Incorporated v Prokiwi International Limited* (2012) NZIPOTM 14 (1 June 2012), 50.
- 29 *Trade Marks Act 2002* (NZ), s.66.
- 30 Intellectual Property Office of New Zealand, *Kono NZ LP vs Te Pa Family Vineyards Limited* [2017] NZIPOTM 29 (30 November 2017).
- 31 Intellectual Property Office of New Zealand, *White Cloud Innovation Limited* [2017] NZIPOTM 3 (3 January 2017).
- 32 Te Ture mō te reo Māori, s.8.
- 33 Intellectual Property Office of New Zealand, *Manuka Honey Appellation Society Incorporated* [2018] NZIPOTM 7 (20 March 2018).
- 34 *Haka Ka Mate Attribution Act 2017* (NZ), s.9.
- 35 *Te Awa Tupua (Whanganui River Claims Settlement) Act 2017* (NZ), s.60.
- 36 *Te Ture Haecata ki Parihaka 2019/Parihaka Reconciliation Act 2019* (NZ), s.6.

# The Plant Variety Rights Act 2022 (NZ): UPOV 91 with a Deep Bow to the Treaty of Waitangi (1840)

Doug Calhoun<sup>1</sup>

## Introduction

This article is a sequel to ‘Wai 262 | The Long White Cloud Over New Zealand IP Law’ published in this Journal in 2018.<sup>2</sup> That article traced the history of plant variety rights (“PVR”) legislation<sup>3</sup> in New Zealand from the *Plant Varieties Act* 1973 (NZ),<sup>4</sup> through to the *Plant Variety Rights Act* 1987 (NZ) (the “1987 Act”). The current International Convention for the Protection of New Varieties of Plants came into force in 1991 (“UPOV 91”),<sup>5</sup> the same year that the Wai 262 claim<sup>6</sup> was filed with the Waitangi Tribunal.<sup>7</sup> The Wai 262 claim was “the first contemporary claim that focussed mainly on the Crown’s existing laws, policies and practises rather than the Crown’s historical actions.”<sup>8</sup> The claim, in part, asserted that in granting PVRs for Indigenous species of plants “the Crown was in breach of ‘tino rangatiratanga’ (Māori authority and self-determination) of the whānau, hapū and iwi of Aotearoa over ‘taonga’ (those things and values which we treasure, both intangible and tangible).”<sup>9</sup> PVR law review was halted until the Wai 262 claim was completed.

The Waitangi Tribunal published its comprehensive report (the “Wai 262 Report”)<sup>10</sup> on 2 July 2011. Its findings in respect of bioprospecting and IP treatment of genetic and biological resources of taonga species were discussed in the 2018 article.<sup>11</sup> The first substantive Government response to the IP aspects of the Wai 262 Report was the recommencement of the review of the 1987 Act. This was prompted by an obligation in the Comprehensive Progressive Agreement on the Trans-Pacific Partnership (“CPTPP”) for New Zealand to:

- *adopt a sui generis plant variety rights system that gives effect to UPOV 1991 within three years of the date of entry into force of this Agreement for New Zealand*<sup>12</sup> [along with]
- *measures it deems necessary to protect indigenous plant species in fulfilment of its obligations under the Treaty of Waitangi, provided that such measures are not used as a means of arbitrary or unjustified discrimination against a person of another Party.*<sup>13</sup>

The remainder of this article explains how the *Plant Variety Rights Act* 2022 (NZ) (the “2022 Act”) has addressed this dual mandate.

## Background and Purposes of the PVR Scheme

The 2022 Act has three purposes:

- *to provide an efficient and effective plant variety rights system that revises and consolidates the law on plant variety rights in the light of New Zealand’s obligations under the Comprehensive and Progressive Agreement*

*for Trans-Pacific Partnership (CPTPP) in relation to the UPOV Convention;*

- *to protect kaitiaki relationships with taonga species and mātauranga Māori in the plant variety rights system; and*
- *to promote innovation and economic growth in New Zealand by providing incentives for the development and use of new plant varieties while maintaining an appropriate balance between the interests of plant breeders, growers, and others so there is a net benefit to society as a whole.*<sup>14</sup>

The first purpose repeats New Zealand’s obligations under the CPTPP. The second purpose together with sections 4 and 54 of the 2022 Act spell out the obligations of the Crown under the Treaty of Waitangi to protect kaitiaki relationships with Indigenous plant species.

The third purpose is assisted by a funding top up by the Government to meet the expected shortfall in user fees.<sup>15</sup> The justification for this Government subsidy is that:

*An accessible PVR regime contributes to a level of wider public good. Although many of the public benefits of the PVR regime include supporting New Zealand’s international obligations and reputation, an accessible PVR regime also has wider societal benefits. For instance, protected varieties, or cultivars, are used in pastoral farming, arable farming, vegetable production, fruit growing, cut flower and gardening industries. Collectively these activities contribute to a significant element of the New Zealand economy.*<sup>16</sup>

## The Plant Variety Rights Act 2022 (NZ): UPOV 91 with a Deep Bow to the Treaty of Waitangi (1840)

The new fees<sup>17</sup> are mostly unchanged from what was proposed in the 2022 discussion document by the Intellectual Property Office of New Zealand (“IPONZ”).<sup>18</sup> All of the costs of the Māori Plant Varieties Committee (“MPV Committee”), including user fees, are to be covered by the Government as an obligation under the Treaty of Waitangi.<sup>19</sup>

The 2022 Act gives effect to all but Article 5 of UPOV 91. Article 5 provides that a right shall be granted if an applicant variety is new, distinct, uniform and stable and has an approved denomination but may not be subject to any other condition. Part 5 of the 2022 Act does provide another condition – an application for a variety of a taonga species may be refused or a grant revoked if a PVR grant would have an adverse effect on a kaitiaki relationship with that variety.<sup>20</sup> UPOV 91 does not allow any reservations.<sup>21</sup> If reservations were allowed, New Zealand might have been able to accede to UPOV 91 with a similar reservation to that provided under the CPTPP.

The relatively modest recent use of the PVR scheme is shown in the Table 1.

**Table 1**<sup>22</sup>

YEAR TO JUNE 30	PVR APPLI-CATIONS	PVRS GRANTED	PVRS IN FORCE
2016/17	131	100	1298
2017/18	121	79	1301
2018/19	111	78	1300
2019/20	87	98	1286
2020/21	116	88	1289
2021/22	93	79	1281

Table 2 sets out the number of PVR applications and grants for varieties of taonga species and the number still in force.<sup>23</sup> As of 2022, the PVR grants under the 1987 Act made up just over 6 per cent of PVR grants in force.<sup>24</sup>

**Table 2**

TYPE	APPLI-CATIONS	GRANTED	CURRENT
harakeke (flax)	28	28	14
ti kōuka (cabbage tree)	35	25	14
karamū (coprosma)	22	19	13
Kōkōmuka (hebe)	37	24	14
Mānuka (tea tree)	45	26	11
kōhūhū (pittosporum)	25	19	9
kumara (sweet potato)	6	4	4
kawaka	1	1	0
kahikatea	1	0	0
southern rātā	3	3	0
northern rātā	1	1	0
NZ pohutukawa	1	1	1
kanuka	2	2	1
crimson rātā	1	1	0
climbing white rātā	1	1	0
<b>Total</b>	209	155	81
<b>Average per year</b>	6	5	N/A

### Commencement

All but subpart 3 of Part 5 of the 2022 Act came into force on 24 January 2023.<sup>25</sup> Subpart 3 of Part 5 (governing the operation of the MPV Committee) must come into force no earlier than 18 November 2023 but no later than 18 November 2024.<sup>26</sup> PVR applications for varieties of Indigenous plant species or varieties of Indigenous plant species of significance<sup>27</sup> filed from 24 January 2023 must be referred to the MPV Committee once subpart 3 of Part 5 comes into force. New Zealand missed the CPTPP deadline of 30 December 2021 by just over a year.

### Measures Giving Effect to UPOV 91

In general, the 2022 Act gives effect to UPOV 91 with few optional extras. It covers fungi and algae<sup>28</sup> and extends to harvested material but not to products of harvested material.<sup>29</sup> Although the 2022 Act allows for limits to the

farm saved seeds exception, there are no limits prescribed in the Regulations.<sup>30</sup>

### **Eligibility**

The eligibility criteria for a PVR are substantially the same as they were in the 1987 Act, apart from the taonga species varieties exception. The candidate variety must be novel, distinct, uniform, stable and have a denomination meeting the criteria in section 37 of the Act.<sup>31</sup> A difference from the 1987 Act is that a proposed denomination can be refused if it is likely to offend a significant section of the community, including Māori.<sup>32</sup>

“Novel” means that propagating or harvested material of the variety must not have been distributed in New Zealand more than 12 months before the priority date. Outside New Zealand, for varieties of woody plants or potatoes the grace period is six years, and for all other types of plants the grace period is four years.<sup>33</sup> “Distributed” means exploiting the variety with the consent of the breeder.<sup>34</sup> There are several exceptions for dealing with varieties before the priority date.<sup>35</sup>

“Distinct” means clearly distinguishable from any other variety of common knowledge at the application date, not the priority date.<sup>36</sup> A non-limiting example of how the existence of a variety may become common knowledge is if it is the subject of a breeder’s right in another country or has been the subject of a PVR application in any country and that application has resulted in a grant of PVR. Similarly, a successful application to enter the variety in an official register will make it a variety of common knowledge.<sup>37</sup> Other ways in which a variety has become one of common knowledge can be established by evidence. It is possible that the MPV Committee may advise that a variety of a taonga species in which a kaitiaki relationship has been established is a variety of common knowledge.

“Uniform” means that a variety is sufficiently uniform in its relevant characteristics.<sup>38</sup>

“Stable” means that the relevant characteristics of a variety remain unchanged after repeated propagation or cycle of propagation.<sup>39</sup>

The criteria of distinctness, uniformity and stability are somewhat subjective and dependent upon examination of growing plants. To assist in uniformity of examination of PVR applications, the UPOV bureau provides detailed guidance about distinctness, uniformity and stability (“DUS”) criteria.<sup>40</sup>

Although a denomination must be provided for each variety, the denomination designates the variety, not the commercial source of the variety. This means that upon expiry of the PVR grant anyone can use the denomination. Indeed, anyone selling a PVR variety whose rights have

ceased *must* continue to use the denomination when selling propagating material.<sup>41</sup> That is why savvy breeders of new varieties devise nondescript denominations and associate the variety with a distinctive trade mark.

### **Exclusive Exploitation Rights**

The exclusive rights granted under the 2022 Act are far more extensive than under the 1987 Act, underlining why breeders were so anxious for so long for a law giving effect to UPOV 91 in New Zealand. The primary rights protected under the 1987 Act were:

- producing for sale and selling reproductive material of the variety;
- propagating the variety for commercial production of fruit, flowers, or other products of vegetatively propagated fruit-producing, ornamental or vegetable producing plants; and
- the unauthorised importation of reproductive material of the variety.<sup>42</sup>

In contrast, the exclusive exploitation rights under the 2022 Act are to undertake or authorise a restricted act with propagating material of:

- the PVR variety;
- a variety essentially derived from the PVR variety
  - but not an essentially derived variety that is itself essentially derived; and
- a variety that is dependent on the PVR variety.<sup>43</sup>

The restricted acts are:

- production or reproduction;
- conditioning for the purpose of propagation;
- selling or offering for sale or other marketing;
- importing or exporting; and
- stocking for the purpose of undertaking any other restricted activity.<sup>44</sup>

Most of these acts are self-explanatory. However, “conditioning” encompasses activities such as seed dressing (separating the wheat from the chaff) or placing cuttings in cool storage before grafting.

The exploitation rights also extend to harvested material obtained through the unauthorised use of propagating material unless the PVR holder has had a reasonable opportunity to exercise their right in respect of the propagating material.<sup>45</sup> What constitutes a reasonable opportunity to exercise a right is a matter of fact. The issue was considered at length in an Australian decision, *Cultivaust Pty Ltd v Grain Pool Pty Ltd* [2004] FCA 638.<sup>46</sup> The Federal Court of Australia found that the plaintiffs had failed to exercise their rights in second and third generations of seed crops grown from farm saved seed and therefore could not claim entitlement to royalties on harvested seeds from those

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crops.<sup>47</sup> (The case is complicated because seeds are both propagating and harvested material).

“Essentially derived” means a variety derived from a protected variety that is clearly distinguishable from the antecedent variety, but that otherwise conforms with the original variety in the expression of the antecedent’s essential characteristics.<sup>48</sup> (It is analogous to an improvement of a patented invention). Because an essentially derived variety is distinct, it would itself be eligible for a PVR, provided it meets the other eligibility criteria. It is up to the owner of the antecedent variety to enforce its rights against any infringement of the antecedent variety’s PVR by unauthorised exploitation of the essentially derived variety.

A variety is dependent on another variety if it is not clearly distinguishable from the other variety, or if it cannot be reproduced without repeated use of the other variety or another dependent variety of the other variety.<sup>49</sup>

The exclusive exploitation rights are subject to three exceptions or limitations: farm saved seed;<sup>50</sup> use for private, experimental and breeding purposes;<sup>51</sup> and an exhaustion of rights after first sale.<sup>52</sup>

### Term of PVR Grant

A PVR grant for a woody variety or a potato variety is 25 years. For all other types of varieties, it is 20 years. The term begins on the date of grant. It is subject to the timely payment of renewal fees.<sup>53</sup> Once an application has been filed, a variety has provisional protection against unauthorised exploitation from its priority date, not its application date.<sup>54</sup> However, no action for infringement can be begun until the date of grant.<sup>55</sup>

### Transitional Provisions

PVR rights granted under the 1987 Act do not enjoy any of the rights available under the 2022 Act.<sup>56</sup> Any PVR applications, proceedings, actions and other matters made before the commencement of the 2022 Act are to be dealt with under the 1987 Act with one exception.<sup>57</sup> An application made from 24 January 2023 for a compulsory licence under a 1987 Act PVR grant is to be dealt with under 2022 Act.<sup>58</sup> The provisions under Part 5 of the 2022 Act relating to varieties of taonga species apply only to PVRs resulting from applications made from 24 January 2023.<sup>59</sup>

### Infringement

Infringement is primarily the unauthorised exploitation of a protected variety, but also includes exploitation of another variety using the denomination of a protected variety.<sup>60</sup> “Exploitation” is exercising one or more of the bundle of rights granted to a PVR holder as set out above.

If a defendant can prove that they were unaware that they were infringing (innocent infringement) then a plaintiff is not entitled to damages, but is entitled to any other relief,

including an account of profits.<sup>61</sup> To counter such a defence, an owner who sells or markets a protected variety must give notice of its PVR protection.<sup>62</sup>

Proceedings for infringement must be taken in the New Zealand High Court.<sup>63</sup> Relief granted by the High Court may include an injunction and, at the option of the plaintiff, an account of profits.<sup>64</sup>

Defendants may counterclaim to either have the PVR cancelled or nullified (on the same grounds outlined below as in post grant revocation proceedings before the Commissioner) or in a standalone proceeding before the Court.

There have been two PVR infringement decisions under the 1987 Act that were each appealed to the New Zealand Court of Appeal.<sup>65</sup> Both were successful. In neither case was the validity of the PVR challenged.

In *Winchester International (NZ) Ltd and Anor v Cropmark Seeds Ltd* [2005] NZCA 301 (“*Cropmark*”) the defendants had contracted to export harvested barley of the PVR protected barley variety, “Optic”, to a brewer in China. The defendants procured the unauthorised growing of a crop of the barley to fill the contract. The plaintiff sued for infringement. The defendants’ defence was that they had not themselves propagated reproductive material of the variety and were therefore not liable. But the Court of Appeal noted that while subsection 17(1) of the 1987 Act listed proscribed acts of infringement, subsection 17(4) declares the rights of a grantee to be proprietary rights:

*The clear purpose of s 17(1) is to state the nature of the grantee’s right and the fact of its exclusivity. Necessarily implicit is that infringement referred to in subsection 4 entails any conduct having the effect of diminishing the grantee’s enjoyment of its exclusive right. The section does not attempt any description of what kind of conduct may have that effect: it is left to the courts to make that judgment as a matter of fact.*<sup>66</sup> [Emphasis added]

The Court of Appeal upheld the High Court’s finding of infringement and awarded exemplary damages, as there had been no finding of actual damages or loss of profits as a result of the defendants’ actions.

In *Gao v Zespri Group Ltd* [2021] NZCA 442 (“*Zespri*”), the defendant was a licensed grower of two PVR protected varieties of gold kiwifruit, G3 and G9.<sup>67</sup> The defendant personally carried cuttings of the varieties to China and entered into a “false licensing agreement” with the owner of orchards in China who then planted out several hundred hectares of vines. The plaintiff sued, alleging infringement as well as a breach of the New Zealand kiwifruit growing licence by the defendant. The defendant’s defence was (similarly to that in *Cropmark*) that exporting of propagating material was not a right protected under section 17(1) of the 1987 Act and

therefore its actions were not an infringement. In the High Court the judge, following the precedent in *Cropmark*, held that the defendant's actions had the effect of diminishing the plaintiff's enjoyment of its exclusive rights. The decision also held that the defendant had breached its grower's licence. The plaintiff was awarded substantial damages.

The defendant appealed on six issues.<sup>68</sup> It succeeded on the issue that the judge erred in applying the 1987 Act extra-territorially. The diminished rights did not extend beyond New Zealand to where the unauthorised growing had occurred. The appeal was also successful in that there had been a minor error in calculating the area of the orchards growing the variety in China, resulting in a small reduction in damages. However, the High Court decision that the grower's licence for its orchard had been breached still stood.

Under the 2022 Act, the export of propagating material would be an infringement. However, the 2022 Act does not expressly state that the rights under a grant are proprietary rights. Instead it states that a PVR is an exclusive right to exploit a variety, prescribing the types of exploitation,<sup>69</sup> and that a PVR is personal property.<sup>70</sup> Infringement by diminishing a grantee's enjoyment of its exclusive rights seems to have been consigned to the PVR history books for 2022 Act PVRs – unless a plaintiff can succeed in an argument that “personal property” has the same meaning as “proprietary rights”.

### **Applications**

Making a PVR application under the 2022 Act is not substantively different from doing so under the 1987 Act. However, applicants and the Commissioner are required to use the online case management facility for transmitting any information or documents.<sup>71</sup> Each application must include a completed technical questionnaire and, for certain varieties, propagating material and/or colour photographs.<sup>72</sup> Examination is done on growing trials of material of the variety.<sup>73</sup> Distinctness is determined by a growing comparison between the application variety and the nearest comparator varieties. The comparator varieties are chosen in consultation with PVR examiners. Uniformity and stability are determined by observation of representative plants of the candidate variety.

### **Pre-Grant Proceedings**

Any person may oppose the grant of a PVR on the ground that any one of the eligibility criteria is not met. If the opposition is to a proposed denomination it must be filed within three months of the date of filing. An opposition on any other ground may be filed up to, but before, the date of grant.<sup>74</sup> The procedures are modelled on the *Patents Regulations 2014 (NZ)*.<sup>75</sup> If an opposition requires the supply of additional material to determine if the candidate variety does not meet any eligibility criterion, the Commissioner has the power to order that it be supplied and if the material

is not supplied within a time limit set by the Commissioner the application lapses.<sup>76</sup>

### **Post Grant Revocation Proceedings Before the Commissioner**

A PVR may be cancelled or nullified by the Commissioner on her or his own initiative<sup>77</sup> or on application to do so by any person.<sup>78</sup> The effect of a cancellation is that the PVR ceases to be in force from the date of cancellation.<sup>79</sup> The effect of a nullification is that the PVR is taken never to have been granted.<sup>80</sup> (Presumably, that would mean that the variety of a nullified PVR would no longer be deemed to be a variety of common knowledge).

The grounds for cancellation are: if the variety is no longer stable or is no longer uniform; or if a PVR holder does not supply material or information requested by the Commissioner; or if the MPV Committee has held that a condition to mitigate a kaitiaki relationship has been breached by the PVR owner.<sup>81</sup>

The grounds for nullification are that: the grant was based on incorrect information; or the MPV Committee has held that the variety has an adverse effect on a kaitiaki relationship with that variety that cannot be mitigated; or the applicant was not the true owner. The true owner is entitled to make an application to replace the nullified application.<sup>82</sup>

The procedures for cancellation or nullification are substantially the same as for opposition proceedings. If an infringement, cancellation or nullification proceeding on the PVR is before the court, the proceeding before the Commissioner may only proceed with leave of the court.<sup>83</sup>

### **Compulsory Licences**

Under the 1987 Act a compulsory licence could be granted if the applicant proved that the PVR owner was not making reproductive material of reasonable quality available to the public at a reasonable price. In making her or his determination, the Commissioner had to disregard any reproductive material made available subject to the requirement that produce of that material was to be made available only to specified persons.<sup>84</sup> This limitation was of particular concern to PVR owners or their voluntary licensees that had been contracted to sell produce of the variety to single desk sellers for marketing such produce. The 2019 *Options Paper* identified several other problems with the 1987 compulsory licensing procedures.<sup>85</sup> This may explain why compulsory licensing applications for 1987 Act PVRs made from 24 January 2023 are now subject to the 2022 Act.

A compulsory licence pursuant to the 2022 Act:

- authorises the licensee to undertake one or more restricted acts in New Zealand in relation to propagating material of the variety;

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- requires the PVR owner to supply propagating material to the licensee;
- is not exclusive;
- is limited to New Zealand, and may be limited both geographically in New Zealand and temporarily;
- has the same effect as a voluntary licence; and
- may be amended, revoked, transferred to another licensee by agreement between the parties.<sup>86</sup>

The three criteria for granting a compulsory licence are:

- it cannot be granted until three years after the date of grant;
- the applicant has been unable to obtain a voluntary licence; and
- it is in the public interest to grant one.

In determining what is in the public interest, the Commissioner must have regard to:

- whether the variety and its harvested material are reasonably available to the public or any section of the public by considering:
  - the kinds of material available,
  - to whom the material is available,
  - whether the quantity and quality of available material is reasonable, and
  - whether the price is reasonable;
- whether the PVR holder has had a reasonable opportunity to make the variety available;
- the desirability of encouraging innovation in plant breeding;
- the need to protect the life and health of humans, animals and plants; and
- any other matters the Commissioner considers relevant.<sup>87</sup>

While the Act requires that the compulsory licensee must pay a royalty it does not specify how the quantum of that royalty is to be determined.<sup>88</sup> However, UPOV 91 requires “that the breeder receives adequate remuneration.”<sup>89</sup> One of the purposes of the 2022 Act is to give effect to UPOV 91, so the adequate remuneration requirement should apply in determining the royalty rate.

The balance for determining if a compulsory licence should be granted has been tipped in favour of the PVR holder as compared to the 1987 Act requirements. To the criterion that three years must have elapsed from grant, there have been added the criteria that the applicant must first have attempted to obtain a voluntary licence and that it is in the public interest to grant a compulsory licence. The three reasonableness tests have not disappeared completely, but are tempered by a long laundry list of matters the Commissioner must consider, including the open ended “other matters the

Commissioner must have regard to”. One of the matters which a PVR holder might want to ask the Commissioner to have regard to is whether the applicant has the ability and capacity to exploit the variety. There is no specific requirement for the applicant to be able to do so. It will be up to the Commissioner to decide what weight should be given to each criterion and wide scope for creative submissions both for and against granting a compulsory licence.

Although the need to mitigate the climate crisis does not get an express reference, the need to protect all life and health and to take into account other matters give the Commissioner plenty of scope to take climate change into account.

The 1987 Act provided minimal guidance on the procedure to be followed in determining if a compulsory licence should be granted.<sup>90</sup> In contrast to this, the 2022 Act and 2022 Regulations require: a detailed request, a counterstatement, the applicant’s evidence and any further information requested by the Commissioner.<sup>91</sup> Finally, the PVR holder and the applicant have the right to be heard.<sup>92</sup>

A compulsory licence may be revoked on application by anyone if it is no longer in the public interest for it to continue, or if the licensee has breached a condition of the licence.<sup>93</sup> The revocation application process is substantially the same as the process for granting the licence, except that separate procedures are prescribed for applications made by the PVR holder, the licensee, or a third party.<sup>94</sup>

As well as setting out procedures for cancellation or nullification, Part 6 of the 2022 Act deals with miscellaneous procedural matters such as recording of assignments, renewal fees, and restorations of lapsed or cancelled PVRs. Part 8 deals with administrative matters. It is based on similar provisions in the *Patents Act 2013* (NZ).

Instead of providing a general right of appeal of decisions by the Commissioner, individual rights of appeal are set out in a table in Schedule 3 to the 2022 Act. If a matter is not listed, it is not appealable to the High Court.

### ***Drafting Inconsistencies with UPOV 91***

As pointed out above, in section 34 of the 2022 Act, “distinctness” is defined as being distinct from any “other plant variety whose existence is a matter of common knowledge at the *application* date.” However, Article 11(4) of UPOV 91, governing the right of priority, provides that “events” occurring between the priority date and the application date “shall not constitute a ground for rejecting the subsequent application”. If another plant variety were to become one of common knowledge (from which a candidate variety is not distinct) between the priority date and the application date, that would be a ground for rejecting the application. It is submitted that a variety becoming one of common knowledge is an “event” for the purposes of Article 11(4) and should not be a ground for rejection the

application. For that reason, “application date” should read “priority date” in section 34.

Section 22(1)(c) provides that provisional protection against infringement begins from the *priority* date of the application. However, Article 13 of UPOV 91 provides that provisional protection against infringement begins at the date of filing or publication of the application, not the priority date. Breeders who file PVR applications in New Zealand, claiming the benefit of priority from an application made in another country, get the benefit of provisional protection of up to an extra one year over applicants who file first in New Zealand. It is submitted that the use of “priority date” instead of “application date” in section 22(1)(c) also does not give effect to Article 13 of UPOV 91.

### Conclusions

Apart from the above noted inconsistencies and part 5, the 2022 Act does give effect to UPOV 91. It does so in a manner that is much more prescriptive and detailed than how the 1987 Act gave effect to UPOV 78. A characteristic of the 1987 Act was that it catered to plant breeders who acted for themselves, with guidance from the PVR Office, because of its straightforward and simple procedures. The fact that there have only been three reported cases (the first and second were a first instance and an appeal of the same compulsory licence) before the PVR Office<sup>95</sup> in the entire history of PVRs in New Zealand illustrates this point. However, for breeders used to acting for themselves, the complexity of the 2022 Act may be daunting. Professional advisors with the skill sets of “qualified persons”<sup>96</sup> (who are required in filing plant breeders’ rights applications in Australia) may be in demand in New Zealand. The expanded rights under the 2022 Act will be welcomed by plant breeders. The checks and balances may be accepted, perhaps with reservations. Under the transitional provisions it could be 23 years (or more) before the last PVR issued under the 1987 Act will have expired, so it is not nearly time to relegate it to history.

### Measures to Protect Kaitiaki Relationships with Taonga Species and Mātauranga Māori

The Wai 262 Report recommended:

*In respect of PVRs, while Māori have no proprietary rights in taonga species, the cultural relationship between kaitiaki and taonga species is entitled to reasonable protection. We support the Crown’s proposed changes to the Plant Variety Rights Act, but recommend that any new PVR legislation also include a power to refuse a PVR if it would affect kaitiaki relationships with taonga species. In order to understand the nature of those relationships and the likely effects upon them, and then to balance the interests of kaitiaki against those of the PVR applicant and the wider public, the Commissioner of Plant Variety Rights should be supported by the same Māori advisory committee that we recommend becomes part of the patent regime.<sup>97</sup>*

The final stages of the review that led to the 2022 Act featured extensive consultation including several hui, many of which were conducted virtually during various COVID-19 lockdowns, and submissions in response to Ministry of Business, Innovation & Employment (“MBIE”) papers. At about the same time there was a further claim to the Waitangi Tribunal,<sup>98</sup> which eventually held that New Zealand’s accession to the CPTPP and the MBIE PVR proposals were not in breach of the Treaty.<sup>99</sup> The hui and many of the submissions made during the consultations are summarised in an article by David J Jefferson.<sup>100</sup>

The Government PVR policy went beyond the Wai 262 Report recommendations. While the power to refuse a PVR if it would adversely affect kaitiaki relationships with taonga species remained, the decision making power to do so was to be exercised solely by an MPV Committee. The only roles of the Commissioner were to refer applications for varieties of taonga species to the MPV Committee and then to give effect to the MPV Committee’s decisions; and to act on a recommendation that a denomination was offensive to Māori. While the original 2021 Bill<sup>101</sup> did not provide for any right of appeal of decisions of the MPV Committee, the 2021 Bill reported by the Commerce Committee included a right of appeal to the Māori Appellate Court.<sup>102</sup> In recommending this change, the Commerce Committee stated it was important “in keeping with good governance” to have a right of appeal.

### Outline of Part 5 of the 2022 Act

Part 5 of the 2022 Act establishes a MPV Committee to administer procedures, to determine kaitiaki relationships, to advise, and to make decisions about whether candidate varieties of taonga species would have adverse effects on kaitiaki relationships with those species.<sup>103</sup>

Part 5 does not use the term “taonga species.” Instead, it provides that Part 5 applies to Indigenous plant species – those that occur naturally or that have arrived without human assistance; and to non-Indigenous plant species of significance – those that were brought to New Zealand prior to 1769 on waka from other parts of the Pacific region and are listed in the Regulations.<sup>104</sup> There are 10 listed non-Indigenous species of significance.<sup>105</sup> Table 2 above was compiled from an IPONZ database search. There were six PVR applications for varieties of kumara filed under the 1987 Act but no applications for varieties any of the other non-Indigenous plant species of significance.

Part 5 applies to any PVR application or grant for a plant variety that is derived wholly or partly from an Indigenous plant species or a non-Indigenous plant species of significance. The derivation is limited to “circumstances where material from which the plant variety was derived was obtained from New Zealand.”<sup>106</sup> It will be left to future case law to determine: what “partly derived” means; and

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whether material originally obtained from New Zealand, but exported and then used for breeding in another country, fits into these exceptions. The “not obtained from New Zealand” exception may have been prompted by the CPTPP proviso that the measures are not to be “used as a means of arbitrary or unjustified discrimination against a person of another Party.”

The Commissioner must refer PVR applications for varieties of taonga species to the MPV Committee.<sup>107</sup> Therefore, a decision as to whether a variety is one to which part 5 of the 2022 Act applies is not a decision to be made by the MPV Committee, it is to be made by the Commissioner. Before such a Commissioner’s decision becomes final, a person adversely affected has the right to a hearing before the Commissioner,<sup>108</sup> but not a right of appeal to the High Court.<sup>109</sup> If it is “in keeping with good governance” for decisions of the MPV Committee to be appealable, equally it should be “in keeping with good governance” for decisions as to whether an application referred to the MPV Committee in the first place can also be appealed. This is especially important when the terms “partly derived” and “obtained from New Zealand” are open to different interpretations. If and when the 2022 Act comes up for review, introducing a right of appeal for decisions made under section 61 should be considered, as well as correcting the inconsistencies in sections 22(1)(c) and 34 with UPOV 91 pointed out above.

Although “kaitiaki” are not expressly defined, a “kaitiaki relationship” is defined as:

*... the relationship that any particular iwi, hapū, individual of Māori descent, or Māori entity has, or Māori in general have, as guardian, trustee, or caretaker of—*

- (a) an indigenous plant species; or*
- (b) a non-indigenous plant species of significance.*<sup>110</sup>

### **MPV Committee**

The Commissioner has the power to appoint and to remove members of the MPV Committee, but must consult with the chief executive of Te Puni Kokiri (Ministry of Māori Development) before making appointments. The Commissioner may not delegate the power of appointment.<sup>111</sup> The length of any appointment and the number of members of the MPV Committee are not specified.<sup>112</sup>

A member of the MPV Committee must be “qualified for appointment, having regard to that person’s knowledge of mātauranga Māori (Māori traditional knowledge), tikanga Māori (Māori protocol and culture), te ao Māori (the Māori world view), and taonga species.” The Commissioner must also consider “whether the proposed member has the mana, standing in the community, skills, knowledge, or experience to participate effectively in the committee and to contribute to carrying out the functions of the committee.” As well, the Commissioner must take into account “the MPV Committee’s overall knowledge and experience as a whole.”<sup>113</sup>

These requirements attempt to ensure that the members of the have a balance of skills, the most important of which is an understanding of mātauranga Māori, with perhaps a genuflect in the direction of an understanding of PVRs. As pointed out by Jefferson, some submissions suggested that the Commissioner is not qualified to make the appointments and instead only Māori should be able to do so.<sup>114</sup> The requirement that the Commissioner must consult with the chief executive of Te Puni Kokiri is intended to meet that criticism. The submission also begs the question, “Who gets to choose which Māori would make the appointments?” While the Commissioner’s qualifications may fall short of the submitters’ hopes, the Commissioner can be regarded as being a neutral decision maker.

### **Functions and Procedures of the MPV Committee**

The functions of the MPV Committee are to:

- issue engagement guidelines and provide advice to applicants for a PVR and kaitiaki;
- consider any PVR application referred to it by the Commissioner and decide if it would have an adverse effect on a kaitiaki relationship that cannot be mitigated;
- advise the Commissioner whether the use or approval of a proposed denomination is likely to be offensive to Māori; and
- advise the Commissioner if a variety is one of common knowledge.<sup>115</sup>

For both breeders and kaitiaki, early engagement is important. For breeders, it is far less costly to engage with kaitiaki before incurring the costs of preparing and filing a PVR application. For kaitiaki, it is an opportunity to receive early notice of a possibly relevant PVR application and to engage informally with a breeder. Section 58 is the only one to provide (indirectly) for early engagement. However, the MPV Committee must consult widely in carrying out its functions and has the power to regulate its own procedure.<sup>116</sup> While the 2022 Act provides general guidance on procedures, the details will be determined by the guidelines and rules to be released by the MPV Committee.<sup>117</sup> It would be useful if the guidelines encouraged early engagement by offering to connect breeders with kaitiaki before a PVR application is made, as well as its mandate to set out its procedures once an application has been referred to it by the Commissioner.

Once a PVR application has been referred to the MPV Committee it must:

*... if an iwi, hapū, individual of Māori descent, or Māori entity asserts that they have a kaitiaki relationship with the plant variety that is the subject of the PVR application, assess that relationship (if any) and the effect of granting a PVR on that relationship,*

or, if none of the above applies,

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*... consider the nature of any kaitiaki relationships that Māori in general have with the plant variety that is the subject of the application, and the effect on those relationships of granting a PVR for the plant variety in question.*<sup>118</sup>

The MPV Committee may also take into account:

- (a) *the effects of any PVR already granted in relation to the plant species that is the subject of the application,*
- (b) *the purposes of this Act ... ,*
- (c) *whether any adverse effects on a kaitiaki relationship with the plant species that is the subject of the application can be mitigated by an agreement or undertaking.*<sup>119</sup>

In both the introduction to and in paragraphs (a) and (c) of section 63 references to “the plant species that is the subject of an application” are incorrect. Only varieties can be the subject of a PVR application, not species. Perhaps what was intended was that in determining whether an application has an adverse effect on the kaitiaki relationship with that variety the MPV Committee may take into account any kaitiaki relationship with other varieties of the same species. This is consistent with the definition of “kaitiaki relationship” – a kaitiaki’s relationship with a species.<sup>120</sup>

The MPV Committee must also consider:

- (a) *whether that person, iwi, hapū, or other entity has demonstrated their kaitiaki relationship with the relevant plant variety and associated mātauranga Māori:*
- (b) *if a kaitiaki relationship has been demonstrated,—*
  - (i) *the kaitiaki’s assessment of the effect of a grant of the PVR on their relationship; and*
  - (ii) *any agreement to mitigate adverse effects reached between the breeder and the kaitiaki; and*
  - (iii) *whether there is any evidence that the parties have not acted in good faith during their engagement (if any).*<sup>121</sup>

In determining whether to impose a condition to mitigate adverse effects on a kaitiaki relationship as a formal condition of grant, the MPV Committee must consider whether such a condition can be adequately mitigated by:

- (a) *in the case of a kaitiaki relationship between a plant variety and Māori in general, a proposed condition of grant set out in an undertaking by the breeder following discussion between the breeder and the committee; or*
- (b) *a proposed condition of grant agreed by the applicant and the relevant iwi, hapū, individual of Māori descent, or Māori entity, or proposed by a breeder or another party.*<sup>122</sup>

At the end of making these exhaustive (and exhausting) considerations, the MPV Committee must make one of four possible decisions:

1. that there is no kaitiaki relationship between the variety and any kaitiaki; or

2. that there is a kaitiaki relationship but it is unlikely to be affected by a grant; or
3. that an adverse effect on a kaitiaki relationship will be adequately mitigated by a condition of the grant; or
4. that a kaitiaki relationship exists that cannot be mitigated and therefore the application must be declined.<sup>123</sup>

In addition to the right to appeal a decision of the MPV Committee to the Māori Appellate Court,<sup>124</sup> either the PVR applicant or any iwi, hapū, individual of Māori descent, or Māori entity may ask the MPV Committee, through the Commissioner, to reconsider its decision. However, any reconsideration must only be on the basis of further information not available to the MPV Committee at the time it made its decision. Any such request must be made within 10 working days from when the Commissioner and the parties have been notified of the decision.<sup>125</sup>

Any person at any time may apply to the Commissioner for the cancellation or nullification of a PVR on the either of the following grounds:

- for nullification, on the ground that there was an adverse effect on a kaitiaki relationship with a plant species at the time of grant; or
- for cancellation, that a PVR holder has breached a condition of the grant.

Unless the Commissioner considers the application to be frivolous, the Commissioner must refer it to the MPV Committee.<sup>126</sup>

There are a number of matters that the MPV Committee will have to address in its guidelines. UPOV 91 and all PVR laws make a distinction between a species and a variety. In lay terms, a species is a set while a variety (as defined in the 2022 Act)<sup>127</sup> is a subset of a species. The MPV Committee has to determine if a kaitiaki relationship with a variety of a PVR application would be adversely affected by a grant. But a PVR application variety has to be distinct to be eligible for a grant. If it is distinct, that would mean it was unknown to any kaitiaki and thus no kaitiaki could have had a relationship with it before learning about it from either the breeder or the MPV Committee. Taking a purposive construction of its functions,<sup>128</sup> the MPV Committee can consider what a future kaitiaki relationship with the new variety might be, having regard to the kaitiaki’s relationships with other varieties of the same species.<sup>129</sup>

More generally, is a kaitiaki relationship a purely cultural relationship (kaitiakitanga) or does it include an exploitation relationship? Is an adverse effect something not in keeping with mātauranga Māori, tikanga Māori, or te ao Māori, or is it misappropriation of a variety of a taonga species for which a benefit sharing agreement might be mitigation? Or is it both? This will be key to determining what is an adverse effect and how it might be mitigated.

## Conclusions

The 2022 Act is the first New Zealand IP law to acknowledge, in compliance with the Treaty of Waitangi, that kaitiaki relationships with kaitiaki species can trump IP rights. Jefferson concludes that at superficial level the Crown has found a way to have its cake and eat it too. But it falls short of being a true partnership between Māori and the Crown.<sup>130</sup> The 2022 Act can also be seen as a shotgun wedding by which the Government was able to meet its UPOV 91 obligations under the CPTPP, while also meeting its Wai 262 obligations (almost) within the three year time limit set by the CPTPP. Given the limited number of PVR applications that were filed for varieties of taonga species under the 1987 Act, the cynical view might be that it was also a bit of a storm in a teacup.

In spite of the ground breaking nature of the 2022 Act, the powers of kaitiaki are limited compared to the rights of breeders. The veto power over varieties of taonga species does not extend to varieties derived from material not obtained in New Zealand or varieties of taonga species protected under the 1987 Act. But most telling is that kaitiaki have no positive rights under the 2022 Act. Kaitiaki have only the power to prevent the granting of a PVR – the right to exclude unauthorised exploitation of a variety in New Zealand. A breeder is free to seek PVRs for the variety in any other country. A breeder whose PVR application has been refused because it adversely affects a kaitiaki relationship with that variety can still exploit the variety without accounting to the kaitiaki whose relationship is adversely affected. The only disadvantage to a breeder is that, in the absence of a PVR, anyone else may also exploit the variety, including kaitiaki. But it is doubtful that a power to compete commercially comes close to the statutory definition of a kaitiaki relationship, that “as guardian, trustee, or caretaker of” taonga species.

The Wai 262 Report concluded, “it is clear to us that, in many aspects, the IP system, as it affects the genetic and biological resources of taonga species, fails to meet the needs of the claimants, because it was never designed to do so.”<sup>131</sup> The Wai 262 Report did recommend that, “while Māori have no proprietary rights in taonga species, the cultural relationship between kaitiaki and taonga species is entitled to reasonable protection.”<sup>132</sup> Reasonable protection for any taonga species beyond that in the 2022 Act would have to be governed by other legislation. Jefferson mentions the possibility of introducing an access and benefit sharing scheme along the lines of the Nagoya Protocol, but cautions that such a scheme could be difficult to implement for several reasons.<sup>133</sup>

Protection for genetic resources internationally, either supplementary to or complementary to the IP system, has long been under discussion. The World Intellectual Property Organization (“WIPO”) will be convening a diplomatic conference in 2024 “to conclude an International Legal

Instrument Relating to Intellectual Property, Genetic Resources and Traditional Knowledge Associated with Genetic Resources.”<sup>134</sup> Such an agreement could potentially make part 5 of the 2022 Act redundant. But the WIPO committee studying the topic since 2001 has not yet come close to reaching any agreement because of “difficulties [that] stem from differing degrees of political willingness among countries, diverse views on objectives and core policy questions, and uneven levels of understanding of the technical issues.”<sup>135</sup> Whether those difficulties can be overcome and what effect, if any, a treaty might have on any of New Zealand’s IP and other laws remains to be seen.

Te Puni Kokiri, the Ministry of Māori Development, began developing a whole of Government policy response to the Wai 262 Report in 2019.<sup>136</sup> The 2022 Act consultation was well under way by then. Because of the tight CPTPP deadline, the 2022 Act was passed before any other part of the planned programme had begun. The cabinet paper released at the time proposed further work on bioprospecting and on how this might tie in with the Convention on Biological Diversity and the Nagoya Protocol and which department should be responsible.<sup>137</sup> At the time of writing there have been no further developments.

In spite of its limitations from a Māori perspective, the law puts New Zealand well ahead of other developed nations such as Canada, Australia, and the United States in addressing the exploitation of Indigenous genetic resources. This, of course, is largely because of the existence of the Waitangi Tribunal and its powers to recommend responses to breaches of the Treaty of Waitangi, the (mostly bipartisan) political endorsements of the Tribunal’s recommendations, and the role of the courts in setting out principles to be followed in the interpretation of the Treaty.

- 1 Doug Calhoun is an IP Mentor from Wellington, New Zealand.
- 2 Doug Calhoun, ‘Wai 262 | The Long White Cloud Over New Zealand IP Law (December 2018) 114 *Intellectual Property Forum* 8.
- 3 Doug Calhoun, ‘Wai 262 | The Long White Cloud Over New Zealand IP Law’ (December 2018) 114 *Intellectual Property Forum* 8, 11, 12.
- 4 *Plant Varieties Act 1973 (NZ)* (1973 No 37) <[http://www.nzlii.org/nz/legis/hist\\_act/pva19731973n37205/](http://www.nzlii.org/nz/legis/hist_act/pva19731973n37205/)>.
- 5 International Convention for the Protection of New Varieties of Plants of December 2, 1961, as Revised at Geneva on November 10, 1972, on October 23, 1978, and on March 19, 1991 (“UPOV 91”) <[https://www.upov.int/edocs/pubdocs/en/upov\\_pub\\_221.pdf](https://www.upov.int/edocs/pubdocs/en/upov_pub_221.pdf)>.
- 6 Ka Mua – WAI 262 <<https://www.wai262.nz/>>.
- 7 Waitangi Tribunal <<https://waitangitribunal.govt.nz/>>.
- 8 Ka Mua – WAI 262, 1 <<https://www.wai262.nz/>>.
- 9 Ka Mua – WAI 262, 1 <<https://www.wai262.nz/>>.
- 10 *Ko Aotearoa tēnei*, Vol. 1 <[https://forms.justice.govt.nz/search/Documents/WT/wt\\_DOC\\_68356416/KoAotearoaTeneiTT2Vol1W.pdf](https://forms.justice.govt.nz/search/Documents/WT/wt_DOC_68356416/KoAotearoaTeneiTT2Vol1W.pdf)>; *Ko Aotearoa tēnei*, Vol. 2 <[https://forms.justice.govt.nz/search/Documents/WT/wt\\_DOC\\_68356606/KoAotearoaTeneiTT2Vol2W.pdf](https://forms.justice.govt.nz/search/Documents/WT/wt_DOC_68356606/KoAotearoaTeneiTT2Vol2W.pdf)>.

# The Plant Variety Rights Act 2022 (NZ): UPOV 91 with a Deep Bow to the Treaty of Waitangi (1840)

- 11 Doug Calhoun, 'Wai 262 | The Long White Cloud Over New Zealand IP Law (December 2018) 114 *Intellectual Property Forum* 8, 12–15.
- 12 The CPTPP entered into force for New Zealand on 30 December 2018.
- 13 CPTPP, Annex 18-A Annex to Article 18.7.2: <<https://www.mfat.govt.nz/assets/Trade-agreements/TTP/Text-ENGLISH/18.-Intellectual-Property-Chapter.pdf>>.
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- 15 IPONZ, *Review of Plant Variety Rights Fees | Discussion document* (March 2022), 15–18 <<https://www.mbie.govt.nz/dmsdocument/19875-review-of-plant-variety-rights-fees-discussion-document>>.
- 16 IPONZ, *Review of Plant Variety Rights Fees | Discussion document* (March 2022), 18 <<https://www.mbie.govt.nz/dmsdocument/19875-review-of-plant-variety-rights-fees-discussion-document>>.
- 17 *Plant Variety Rights Regulations 2022* (NZ), Schedule 3.
- 18 IPONZ, *Review of Plant Variety Rights Fees | Discussion document* (March 2022), Tables 8, 9, 13, 14 and 16 <<https://www.mbie.govt.nz/dmsdocument/19875-review-of-plant-variety-rights-fees-discussion-document>>.
- 19 IPONZ, *Review of Plant Variety Rights Fees | Discussion document* (March 2022), 18 <<https://www.mbie.govt.nz/dmsdocument/19875-review-of-plant-variety-rights-fees-discussion-document>>.
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- 21 UPOV 91, Art 35(1).
- 22 Compiled from: Plant Variety Rights Office, *Technical Focus Group Meeting Report* (10 August 2022) 8, 9 <<https://www.iponz.govt.nz/assets/pdf/PVR/Technical-guidance/pvro-tfg-meeting-report-2022.pdf>>.
- 23 The numbers were compiled from the IPONZ PVR database <[https://app.iponz.govt.nz/app/Extra/IP/PVR/Qbe.aspx?sid=638146608914028006&op=EXTRA\\_pvr\\_qbe&fcoOp=EXTRA\\_Default&directAccess=true](https://app.iponz.govt.nz/app/Extra/IP/PVR/Qbe.aspx?sid=638146608914028006&op=EXTRA_pvr_qbe&fcoOp=EXTRA_Default&directAccess=true)>.
- 24 Ministry of Business, Innovation and Employment, *Issues Paper | Review of the Plant Variety Rights Act 1987* (September 2018) 16, 17 <<https://www.mbie.govt.nz/assets/ab84a96c75/review-of-plant-variety-rights-act-1987-issues-paper.pdf>>.
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- 26 *Plant Variety Rights Act 2022* (NZ), s.2(3), 2(b).
- 27 As defined in the *Plant Variety Rights Act 2022* (NZ), s.56.
- 28 *Plant Variety Rights Act 2022* (NZ), s.7(1).
- 29 *Plant Variety Rights Act 2022* (NZ), s.15(2)(b).
- 30 *Plant Variety Rights Act 2022* (NZ), s.16(2).
- 31 *Plant Variety Rights Act 2022* (NZ), s.32.
- 32 *Plant Variety Rights Act 2022* (NZ), s.37(3).
- 33 *Plant Variety Rights Act 2022* (NZ), s.33(1).
- 34 *Plant Variety Rights Act 2022* (NZ), s.33(6).
- 35 *Plant Variety Rights Act 2022* (NZ), s.33(20)–(5).
- 36 *Plant Variety Rights Act 2022* (NZ), s.34(1).
- 37 *Plant Variety Rights Act 2022* (NZ), s.34(2).
- 38 *Plant Variety Rights Act 2022* (NZ), s.35.
- 39 *Plant Variety Rights Act 2022* (NZ), s.36.
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- 41 *Plant Variety Rights Act 2022* (NZ), s.27.
- 42 *Plant Variety Rights Act 1987* (NZ), s.17.
- 43 *Plant Variety Rights Act 2022* (NZ), s.15(1),(2)(a).
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- 45 *Plant Variety Rights Act 2022* (NZ), s.15(2)(b).
- 46 *Cultiwaust Pty Ltd v Grain Pool Pty Ltd* [2004] FCA 638 [194]–[203].
- 47 *Cultiwaust Pty Ltd v Grain Pool Pty Ltd* [2004] FCA 638 [197].
- 48 *Plant Variety Rights Act 2022* (NZ), s.8.
- 49 *Plant Variety Rights Act 2022* (NZ), s.9.
- 50 *Plant Variety Rights Act 2022* (NZ), s.16.
- 51 *Plant Variety Rights Act 2022* (NZ), s.17.
- 52 *Plant Variety Rights Act 2022* (NZ), s.18.
- 53 *Plant Variety Rights Act 2022* (NZ), s.19.
- 54 *Plant Variety Rights Act 2022* (NZ), s.22(1)(c).
- 55 *Plant Variety Rights Act 2022* (NZ), s.28(2).
- 56 *Plant Variety Rights Act 2022* (NZ), s.21; Schedule 1, s.1.
- 57 *Plant Variety Rights Act 2022* (NZ), Schedule 1, s.2.
- 58 *Plant Variety Rights Act 2022* (NZ), Schedule 1, s.7(3). This exception to the general rule is because of the lack of clarity in the 1987 Act identified in Ministry of Business, Innovation & Employment, *Issues Paper: Review of the Plant Variety Rights Act 1987* (September 2018), 42–44, particularly [206] <<https://www.mbie.govt.nz/assets/ab84a96c75/review-of-plant-variety-rights-act-1987-issues-paper.pdf>>.
- 59 *Plant Variety Rights Act 2022* (NZ), Schedule 1, s.9.
- 60 *Plant Variety Rights Act 2022* (NZ), s.22(1),(2).
- 61 *Plant Variety Rights Act 2022* (NZ), s.24.
- 62 *Plant Variety Rights Act 2022* (NZ), s.26.
- 63 *Plant Variety Rights Act 2022* (NZ), ss.6, 28.
- 64 *Plant Variety Rights Act 2022* (NZ), s.29.
- 65 *Winchester International (NZ) Ltd and Anor v Cropmark Seeds Ltd* [2005] NZCA 301 (“Cropmark”); and *Gao v Zespri Group Ltd* [2021] NZCA 442 (“Zespri”).
- 66 *Cropmark*, [40].
- 67 Zespri has used the innocuous denominations “G3” and “G9” but sells the fruit under the trade mark “Zespri Sungold”, illustrating their understanding that denominations are generic, not proprietary.
- 68 *Zespri*, [41].
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- 70 *Plant Variety Rights Act 2022* (NZ), s.20.
- 71 *Plant Variety Rights Act 2022* (NZ), s.38(2)(a); *Plant Variety Rights Regulations 2022* (NZ), rr 13–18.
- 72 *Plant Variety Rights Act 2022* (NZ), s.38(2)(b); *Plant Variety Rights Regulations 2022* (NZ), Schedule 4, r 36.
- 73 *Plant Variety Rights Act 2022* (NZ), s.49(1),(5); *Plant Variety Rights Regulations 2022* (NZ), rr 41–44.
- 74 *Plant Variety Rights Act 2022* (NZ), s.51.
- 75 *Plant Variety Rights Regulations 2022* (NZ), rr 45–47, 52, 53.
- 76 *Plant Variety Rights Act 2022* (NZ), s.75(2)–(5).
- 77 *Plant Variety Rights Act 2022* (NZ), s.85.
- 78 *Plant Variety Rights Act 2022* (NZ), ss.86, 87.
- 79 *Plant Variety Rights Act 2022* (NZ), s.83.
- 80 *Plant Variety Rights Act 2022* (NZ), s.84.
- 81 *Plant Variety Rights Act 2022* (NZ), s.82(1).
- 82 *Plant Variety Rights Act 2022* (NZ), s.82(1).
- 83 *Plant Variety Rights Act 2022* (NZ), s.87.
- 84 *Plant Variety Rights Act 1987* (NZ), s.21(1)(3).
- 85 Ministry of Business, Innovation & Employment, *Options Paper | Review of the Plant Variety Rights Act 1987*, (July 2019), 86 [348] <<https://www.mbie.govt.nz/assets/b79142e0a7/options-paper-review-of-the-plant-variety-rights-act-1987.pdf>>.
- 86 *Plant Variety Rights Act 2022* (NZ), s.107.
- 87 *Plant Variety Rights Act 2022* (NZ), s.109.
- 88 *Plant Variety Rights Act 2022* (NZ), s.110.
- 89 UPOV 91, Art 17(2).
- 90 *Plant Variety Rights Act 1987* (NZ), s.21(2); *Plant Variety Rights Regulations 1988* (NZ), r 17.
- 91 *Plant Variety Rights Act 2022* (NZ), ss 111, 113; *Plant Variety Rights Regulations 2022* (NZ), rr. 71–74.
- 92 *Plant Variety Rights Act 2022* (NZ), s.109 (2)(a).
- 93 *Plant Variety Rights Act 2022* (NZ), s.115.
- 94 *Plant Variety Rights Act 2022* (NZ), ss.115–19; *Plant Variety Rights Regulations 2022* (NZ), rr. 75–81.

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- 95 NZLII Database, Intellectual Property Office of New Zealand – Plant Variety Rights <<http://www.nzlii.org/nz/cases/NZIPOVPR/>>.
- 96 *Role of a Qualified Person* <<https://www.ipaustralia.gov.au/plant-breeders-rights/role-of-a-qualified-person>>.
- 97 *Ko Aotearoa tēnei*, Vol. 1, <[https://forms.justice.govt.nz/search/Documents/WT/wt\\_DOC\\_68356416/KoAotearoaTeneiTT2Vol1W.pdf](https://forms.justice.govt.nz/search/Documents/WT/wt_DOC_68356416/KoAotearoaTeneiTT2Vol1W.pdf)>, 212.
- 98 Waitangi Tribunal, *The Report on the Crown's Review of the Plant Variety Rights Regime* (2020) (Wai 2522) <[https://forms.justice.govt.nz/search/Documents/WT/wt\\_DOC\\_167062478/Plant%20Variety%20Rights%20Regime%20W.pdf](https://forms.justice.govt.nz/search/Documents/WT/wt_DOC_167062478/Plant%20Variety%20Rights%20Regime%20W.pdf)>.
- 99 Waitangi Tribunal, *The Report on the Crown's Review of the Plant Variety Rights Regime* (2020) (Wai 2522) <[https://forms.justice.govt.nz/search/Documents/WT/wt\\_DOC\\_167062478/Plant%20Variety%20Rights%20Regime%20W.pdf](https://forms.justice.govt.nz/search/Documents/WT/wt_DOC_167062478/Plant%20Variety%20Rights%20Regime%20W.pdf)>, Chapter 4.
- 100 David J Jefferson ‘Treasured relations: Towards partnership and the protection of Māori relationships with *taonga* plants in Aotearoa New Zealand’ (July 2022) 25(2) *The Journal of World Intellectual Property* 1–28 <<https://doi.org/10.1111/jwip.12226>>.
- 101 Plant Variety Rights Bill 2021 (35-1).
- 102 Plant Variety Rights Bill 2021 (35-2), cls 68A–68D. The Māori Appellate Court is the appeal division of the Māori Land Court.
- 103 *Plant Variety Rights Act 2022* (NZ), s.54.
- 104 *Plant Variety Rights Act 2022*(NZ), s.56; 1769 was the year that Captain Cook arrived in New Zealand, marking the beginning of non-Māori settlement.
- 105 *Plant Variety Rights Regulations 2022* (NZ), Schedule 2.
- 106 *Plant Variety Rights Act 2022* (NZ), s.55.
- 107 *Plant Variety Rights Act 2022* (NZ), s.61.
- 108 *Plant Variety Rights Act 2022* (NZ), s.124.
- 109 *Plant Variety Rights Act 2022* (NZ), s.131(1), Schedule 3.
- 110 *Plant Variety Rights Act 2022* (NZ), s.6.
- 111 *Plant Variety Rights Act 2022* (NZ), s.57(1), (2), (8).
- 112 During one hui it was suggested that there should be five members, but an MBIE official pointed out that there were only five people in total employed in the PVR Office.
- 113 *Plant Variety Rights Act* (2022), s.57(4)(5).
- 114 David J Jefferson, ‘Treasured relations: Towards partnership and the protection of Māori relationships with *taonga* plants in Aotearoa New Zealand’ (July 2022) 25(2) *The Journal of World Intellectual Property*, 1–28, 14 <<https://doi.org/10.1111/jwip.12226>>.
- 115 *Plant Variety Rights Act 2022* (NZ), s.58.
- 116 *Plant Variety Rights Act 2022* (NZ), s.64.
- 117 *Plant Variety Rights Act 2022* (NZ), s.64.
- 118 *Plant Variety Rights Act 2022* (NZ), s.62(2).
- 119 *Plant Variety Rights Act 2022* (NZ), s.62(3).
- 120 *Plant Variety Rights Act 2022* (NZ), s.6.
- 121 *Plant Variety Rights Act 2022* (NZ), s.63.
- 122 *Plant Variety Rights Act 2022* (NZ), s.66.
- 123 *Plant Variety Rights Act 2022* (NZ), s.67(1), (3).
- 124 *Plant Variety Rights Act 2022* (NZ), s.71.
- 125 *Plant Variety Rights Act 2022* (NZ), s.68.
- 126 *Plant Variety Rights Act 2022* (NZ), s.69(1)–(3).
- 127 *Plant Variety Rights Act 2022* (NZ), s.7(2).
- 128 As required by the *Legislation Act 2019* (NZ), s.10.
- 129 This would be also consistent with the drafting anomaly in s.62(3) (a),(c) and s.63 noted above.
- 130 David J Jefferson, ‘Treasured relations: Towards partnership and the protection of Māori relationships with *taonga* plants in Aotearoa New Zealand’ (July 2022) 25(2) *The Journal of World Intellectual Property*, 1–28, 17, 18 <<https://doi.org/10.1111/jwip.12226>>.
- 131 *Ko Aotearoa tēnei*, Vol. 1, 188 <[https://forms.justice.govt.nz/search/Documents/WT/wt\\_DOC\\_68356416/KoAotearoaTeneiTT2Vol1W.pdf](https://forms.justice.govt.nz/search/Documents/WT/wt_DOC_68356416/KoAotearoaTeneiTT2Vol1W.pdf)>.
- 132 *Ko Aotearoa tēnei*, Vol. 1, 212 <[https://forms.justice.govt.nz/search/Documents/WT/wt\\_DOC\\_68356416/KoAotearoaTeneiTT2Vol1W.pdf](https://forms.justice.govt.nz/search/Documents/WT/wt_DOC_68356416/KoAotearoaTeneiTT2Vol1W.pdf)>.
- 133 David J Jefferson, ‘Treasured relations: Towards partnership and the protection of Māori relationships with *taonga* plants in Aotearoa New Zealand’ (July 2022) 25(2) *The Journal of World Intellectual Property*, 1–28, 19 <<https://doi.org/10.1111/jwip.12226>>.
- 134 WIPO, *Diplomatic Conference on Intellectual Property and Genetic Resources* <<https://www.wipo.int/diplomatic-conferences/en/genetic-resources/index.html>>.
- 135 Wend Wendland, ‘International Negotiations on Indigenous Knowledge to Resume at WIPO: A View of the Journey So Far and the Way Ahead’ (June 2022) 128 *Intellectual Property Forum* 48.
- 136 *Developing a Whole-of-Government Strategy for WAI 262* <<https://www.tpk.govt.nz/en/mo-te-puni-kokiri/corporate-documents/cabinet-papers/all-cabinet-papers/developing-a-wholeofgovernment-strategy-for-wai-262>>.
- 137 *Developing a Whole-of-Government Strategy for WAI 262*, Cabinet Paper <<https://www.tpk.govt.nz/en/mo-te-puni-kokiri/corporate-documents/cabinet-papers/all-cabinet-papers/developing-a-wholeofgovernment-strategy-for-wai-262>>, Appendix 4 (“Creative inertia” – Sir Humphrey Appleby).

# A Call for Copyright Refuge for Web-Scraping

Natasha Burns<sup>1</sup>

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**F**orbes estimates that there are 1.13 billion websites in the world and a new website is being built every three seconds.<sup>2</sup> Websites contain valuable information that can be used through web-scraping technology combined with data analytics, artificial intelligence (“AI”) and machine-learning tools to provide consumers with trend analysis and prediction, price comparisons, curated news reports and helpful internet search engines. However, the development of AI, Big Data<sup>3</sup> and commercial applications that rely on web-scraping technology is hampered in Australia by the limited relief afforded by the current copyright exceptions and uncertainty in the scope of protection of copyright in facts or data (“informational works”).

## Web-scraping

Web-scraping refers to the automated process of searching, extracting and copying data from websites. This process, also referred to as web crawling, data scraping and text and data mining (“TDM”), is achieved by using a software application commonly referred to as a “bot” to crawl websites and gather information (collectively referred to as web-scraping technology). The information is gathered by copying the HyperText Markup Language (“HTML”) code which forms the pages we see when we access a website. The HTML code can then be re-purposed into another website, application programming interface (“API”) or spreadsheet.

Web-scraping is commonly used by search engines, research organisations and AI technologies that rely on large data sets. Web-scraping also has a number of commercial applications including the provision of price comparison websites, airline aggregators, real estate listing services, collated news content and job searching websites. All these applications rely on efficiencies harnessed by software that can scrape millions of websites simultaneously, allowing the searching, extracting and *copying* of a significant data set.

This report will review the circumstances where web-scraping technology may be in breach of Australian copyright law and examine the limited relief available under Australia’s fair dealing provisions and s.43B copyright exception for web-scraping technology (Web-scraping Apps). This report will also critique the checks and balances of the criteria for subsistence of copyright and authorship as uncertain and insufficient to offer protection for most Web-scraping Apps. As a way forward, it is proposed that the Australian copyright regime should follow Singapore’s approach in adopting a sui generis exception for TDM in order to facilitate the development of valuable web-scraping technologies in Australia.

## Australian Copyright Law

The copying of information such as text, tables or images from a website, may amount to copyright infringement. Section 36(1) of the *Copyright Act* 1968 (Cth) provides:

*Subject to this Act, the copyright in a literary, dramatic, musical or artistic work is infringed by a person who, not being the owner of the copyright, and without the licence of the owner of the copyright, does in Australia, or authorizes the doing in Australia of, any act comprised in the copyright.*<sup>4</sup>

An artistic work will include photographs and a literary work includes business documents, catalogues, lists and newspaper reports – the kind of information that may be sought after by web-scraping technology. A literary work also includes tables, or a table compilation and a computer program or a compilation of computer programs.<sup>5</sup>

Because web-scraping involves the unauthorised copying of HTML code, and the possible reproduction of information from a website, the practice of web-scraping and the reproduction of the information gathered by web-scraping, may amount to copyright infringement.<sup>6</sup> Numerous United States cases involving web-scraping technology have included claims of copyright infringement.<sup>7</sup> In these cases, the court has considered three possible steps of the scraping process that may amount to copyright infringement: first, the resting of the HTML code in the web-scrapers computer; second, the copying of the URLs; and third, the public display of the relevant pages.<sup>8</sup>

## Fair dealing exception

While web-scraping involves the copying of HTML code and the possible reproduction of the copied information, not all copying will amount to copyright infringement. In the United States, several web-scraping cases that have involved copyright infringement claims have been successfully defended on the basis that the use of the scraped material fell

within the “fair use” exception to copyright infringement.<sup>9</sup> Provided the owner of the web-scraping technology can show that their use of the scraped data is “transformational”, owners of web-scraping technology have a powerful defence to copyright infringement in the United States. For example, in *Ticketmaster Corp. v Tickets.com, Inc.*,<sup>10</sup> (“*Tickets.com*”) the United States District Court of the Central District of California held that Tickets.com’s copying of the Ticketmaster website was not copyright infringement because it was fair use. Even though the Court found that the copied information was protected by copyright, the Court held that the temporary copying of the material was fair use for the purposes of extracting and republishing the facts and data from such material.

However, Australian copyright law does not have a broad “fair use” defence. Instead, the Copyright Act provides purpose-specific fair-dealing exceptions which permit copying for the purposes of research or study, criticism or review, parody or satire or for reporting the news.<sup>11</sup> Under Australian copyright law, whether the use is “fair” not only depends on the specific purpose, but also whether the amount that was copied was reasonable. As such, Australia’s narrow fair-dealing exception is unlikely to apply to most commercial Web-scraping Apps, especially where whole datasets are copied.

Although Australia does not have a broad United States-style “fair use” exception, it is possible that cases like *Tickets.com* could be defended in Australia by relying on s.43B of the Copyright Act which allows for the temporary reproduction of a work if the reproduction is incidentally made as a necessary part of a technical process.<sup>12</sup> While s.43B will provide an exception for some Web-scraping Apps, its application is limited. Section 43B won’t apply if the copyright material is stored in a cache for a long period of time or if multiple reproductions are necessary. It also will not protect any information that is communicated to the end user.<sup>13</sup>

### Protection of Informational Works

Although Web-scraping Apps are unlikely to fall within the fair-dealing exceptions to copyright infringement under Australian law and will only find limited solace under s.43B, it may nevertheless be unnecessary if the work that is being copied consists of facts or information. It is a well-established principle that copyright does not subsist in informational works.

While informational works are not protected by copyright, a collection of data may be protected by copyright if it has been produced with independent intellectual effort involving the exercise of skill, judgement or creativity in the selection, presentation or arrangement of the data.<sup>14</sup> This limits the scope of copyright protection in respect of data to only the arrangement or presentation of the data, and

not the raw data itself. Accordingly, if the Web-scraping App is only temporarily holding the HTML code in order to extract and re-purpose the raw data itself, then such use should not amount to copyright infringement. However, deconstructing the raw data from the selection, presentation and arrangement of the data is difficult. This has led to an uncertain position regarding the scope of copyright protection in informational works in Australia.

### Scope

The decisions in *Telstra Corporation Ltd v Desktop Marking Systems Pty Ltd* and *Desktop Marketing v Telstra*,<sup>15</sup> gave a high level of protection to informational works under Australian copyright law. Provided the work was an “industrious compilation”, it would be protected by copyright. As a result, the Federal Court of Australia found that Telstra’s White Pages and Yellow Pages telephone directories and the headings in the telephone directories would be protected by copyright. The Court reasoned that copyright existed due to the substantial labour and expense in collecting, recording, verifying and assembling the telephone directories (the “industrious collection” approach).<sup>16</sup>

Following the *Desktop Marketing v Telstra* cases, the Australian High Court re-visited the level of protection given to informational works in its decision in *IceTV v Nine Network* (“*IceTV*”).<sup>17</sup> While *IceTV* was considered a (welcomed) restraint on the broad protection afforded to informational works under Australian copyright law,<sup>18</sup> as Lindsay argues, the Australian courts have not decisively rejected the industrious collection approach.<sup>19</sup> Australian courts continue to afford informational works protection finding that customer databases and lists,<sup>20</sup> safety data sheets,<sup>21</sup> toner ink compatibility charts<sup>22</sup> and product information for medicines<sup>23</sup> will be protected by copyright as literary works. These decisions confirm that factual compilations will be protected in Australia provided the compilation is produced by human authors and involves an industrious collection.<sup>24</sup>

This is problematic for Web-scraping Apps because the industrious collection approach sets a low threshold of originality for informational works. This means that many of the informational works that are copied by Web-scraping Apps will be protected by copyright in Australia and, therefore, the reproduction of these informational works may amount to copyright infringement. This can be contrasted to the United States which has an arguably higher threshold of copyright subsistence requiring at least a “creative spark”.<sup>25</sup> However, even with a higher threshold of originality, the United States web-scraping cases involving copyright claims still have found copyright subsistence in works that are predominantly factual information. In the United States case of *Craigslist, Inc v 3Taps, Inc*, Craigslist alleged that the reproduction of its classified ads from the

Craigslist website amounted to copyright infringement. The Court found that the arrangement of the information in the Craigslist classified ads was protected by copyright, even though the raw factual information in the ad would not be protected.<sup>26</sup> Similarly, in *Tickets.com* the Court found that the compilation of the event information was protected by copyright.

### Authorship

Many web-scraping technologies copy data from websites where that data that is uploaded by the users or members of a website. The original owner of the data is the user or the member that uploaded the content to the website. Unless the member or user has assigned ownership to the website owner or the website's terms of use include an exclusive license, the website owner may not have standing to take action against a web-scrafer for copyright infringement. Further, copyright will not subsist where the content of the website is made up of separate contributions from different authors without any collaboration.<sup>27</sup> This is helpful for Web-scraping Apps as it is the less likely that an individual copyright owner will undertake the time and expense of bringing a copyright infringement law suit. In most cases, it is the website owner that has collated the member or user data that has a financial interest in trying to prohibit the use of web-scraping technology.

Even if the website owner has ownership or an exclusive license to use the content of its users or members, website owners still have an evidentiary burden of being able to identify the author. In *IceTV* it was agreed that in order to establish subsistence of copyright you must be able to identify the author. While this is also beneficial for Web-scraping Apps, the inconsistent reasoning in the judgments in *IceTV* has left the treatment of identifying an author in Australia uncertain.<sup>28</sup> In *Telstra Corporation Ltd v Phone Directories Company Pty Ltd*<sup>29</sup> (“*Phone Directories*”), Gordon J found that the telephone directories were not an original literary work because it was not possible to identify an individual author. Many unidentified people had contributed to collating the information. The information was then entered into computer systems that automated the collation of the data.<sup>30</sup> On appeal to the Full Federal Court of Australia, both Keane CJ and Perram J concluded that it was not necessary to identify by name each and every author, but only that the work originated from human authors.<sup>31</sup>

Although the authorship requirement creates a hurdle for website owners in pursuing action against web-scraping technology, the relief is limited as the issue will only arise where the data being scraped belongs to multiple users or members. Even in such cases it is possible that the authorship requirement will be satisfied if the website owner can prove ownership or an exclusive license and can identify human authors, without having to name each author specifically.

### Singapore TDM exception

Several countries have recognised the chilling effect on technology development created by the potential of website owners to use copyright law against web-scraping technology. As a result, many countries have introduced specific TDM copyright exceptions into their copyright laws. A good example is Singapore's copyright law, where Web-scrafer Apps that use the scraped information for computational data analysis will be permitted as a copyright exception.<sup>32</sup> “Computational data analysis” is defined as (1) using a computer program to identify, extract and analyse information or data from a work or recording and (2) using the work or recording as an example of a type of information or data to improve the functioning of a computer program in relation to that type of information or data.<sup>33</sup> Under section 244(2) of the *Copyright Act 2021* (Singapore), a person is permitted to make a copy of a work if:

- (a) *the copy is made for the purpose of—*
  - (i) *computational data analysis; or*
  - (ii) *preparing the work or recording for computational data analysis;*
- (b) *[person] X does not use the copy for any other purpose;*
- (c) *[person] X does not supply (whether by communication or otherwise) the copy to any person other than for the purpose of—*
  - (i) *verifying the results of the computational data analysis carried out by [person] X; or*
  - (ii) *collaborative research or study relating to the purpose of the computational data analysis carried out by [person] X;*
- (d) *[person] X has lawful access to the material (called in this section the first copy) from which the copy is made; and*  
*Illustrations*
  - (A) *[Person] X does not have lawful access to the first copy if [person] X accessed the first copy by circumventing paywalls.*
  - (B) *[Person] X does not have lawful access to the first copy if [person] X accessed the first copy in breach of the terms of use of a database (ignoring any terms that are void by virtue of section 187).*
- (e) *one of the following conditions is met:*
  - (i) *the first copy is not an infringing copy;*
  - (ii) *the first copy is an infringing copy but —*
    - (A) *[person] X does not know this; and*
    - (B) *if the first copy is obtained from a flagrantly infringing online location (whether or not the location is subject to an access disabling order under section*

325) – [person] X does not know and could not reasonably have known that;

(iii) the first copy is an infringing copy but –

(A) the use of infringing copies is necessary for a prescribed purpose; and

(B) [person] X does not use the copy to carry out computational data analysis for any other purpose.

Importantly, the Singapore copyright exception for web-scraping technology allows for commercial use and s.187 of the Singapore Copyright Act makes void any contract term that tries to exclude this exception.<sup>34</sup> This can be contrasted to the European Directive on Copyright in the Digital Single Market (“CDSM”) which limits the exception for TDM when used for computational analysis to only certain beneficiaries, namely research organisations and cultural heritage institutions.<sup>35</sup> While the CDSM does allow for TDM for any other type of organisation, this can be contracted out.<sup>36</sup>

Because Singapore requires some computational data analysis in order to invoke the TDM exception, the exception would still allow a website owner to take action against a Web-scraping App that simply reproduced the website content without any analysis.<sup>37</sup> However, transformative commercial and non-commercial uses of the data extracted by web-scraping could be developed without the deterrent of a copyright infringement claim.

### Conclusion

Despite the negative reputation of web-scraping from incidents such as Clearview AI<sup>38</sup> and the Facebook-Cambridge Analytica data scandal,<sup>39</sup> web-scraping is a valuable technology – both in its own right and in supporting the development of AI and machine-learning. In the race to become a key player in developing new technologies, Australia needs to adopt clear copyright exception for web scraping technologies that permits both commercial and non-commercial uses of whole data sets. The current relief provided under Australia’s fair-dealing provisions and s.43B is limited and won’t protect most commercial Web-scraping Apps from copyright infringement claims. While the checks and balances of the criteria for subsistence and authorship should act as a bridle against superfluous copyright claims directed against web-scraping technology, the current position in Australia is uncertain. This state of limited relief and uncertainty will have a chilling effect on the development of AI and Big Data that use web-scraping technology.

A way forward is to follow the approach of Singapore’s copyright laws and provide an exception to only those web-scraping technologies that involve computational data analysis. This approach achieves the broader policy of objective of protecting a copyright owner’s interests but provides the public with the benefit of transformative uses of website data. Simply copying and reproducing whole slabs of work without any analysis will still infringe copyright. However, web scrapers that create valuable transformative uses of copyright material may have assurance that such uses will not infringe copyright.

- 1 Natasha Burns (LLB, BEc, LLM (Intellectual Property)) is the managing director at Burns IP Law Pty Ltd and lives and works in Melbourne, Australia.
- 2 Kathy Haan, ‘Top Website Statistics For 2023’, *Forbes Advisor* (Web Page, 14 February 2023) <<https://www.forbes.com/advisor/business/software/website-statistics/>>.
- 3 The term ‘Big Data’ has been used since the mid-1990s and generally refers to data of that is of a significant volume, created in real-time and may be structured, semi-structured or unstructured. See Rob Kitchin and Gavin McArdle, *What Makes Big Data, Big Data? Exploring the ontological characteristics of 26 datasets*, (Jan-June 2016) 3(1) *Big Data & Society*, 1.
- 4 *Copyright Act 1968* (Cth) s.36.
- 5 *Copyright Act 1968* (Cth) s.10.
- 6 The practice of web-scraping may also be in breach of other laws including: contract law (such as a breach of the terms of service of a website), the tort of misappropriation, trespass to chattel, trade mark infringement and, in the United States, breach of the Computer Fraud and Abuse Act (“CFAA”) (and see Amber Zamora, ‘Making Room for Big Data: Web Scraping and an Affirmative Right to Access Publicly Available Information Online’ (2019) 12(1) *The Journal of Business, Entrepreneurship & the Law* 203, 205).
- 7 *Ticketmaster Corp. v Tickets.Com. Inc.*, (2003) WL 21407289; *Facebook Inc. v Power Ventures, Inc.* 91 USPQ2d 1430; *Associated Press v Meltwater U.S. Holdings, Inc.* (S.D.N.Y 2013) 931 F. Supp. 2d 537; *Snap-on Business Solutions Inc. v O’Neil & Associates, Inc.* 708 F. Supp 2d 669 (ND Ohio 2010); *DHI Group, Inc v Kent* 123 USPQ2d 1635 (S.D. Tex Oct 26, 2017); *Compulife Software, Inc v Newman* (2020) 11<sup>th</sup> Cir, No. 18-12004; *HiQ Labs, Inc. v LinkedIn Corp.* (2019) 938 F.3d 985 (9<sup>th</sup> Cir); *Craigslist, Inc. v 3 Taps, Inc.*, 942 F. Supp. 2d 962 (2013) (N.D. Cal Apr. 30)
- 8 Maggie King, ‘Scraping Photographs’ (2021) 2(1) *Notre Dame Journal on Emerging Technologies* 187 citing *Ticketmaster Corp. v Tickets.Com. Inc.*, (2003) WL 21407289, 6.
- 9 *Ticketmaster Corp. v Tickets.Com. Inc.*, (2003) WL 21407289; *Authors Guild v Google, Inc.*, 804 F.3d 202 (2d Cir. 2015); *Perfect 10 v Amazon.com, Inc.* 508 (F.3d 1146, 1165 (9<sup>th</sup> Cir. 2007) and *Kelly v Arriba Soft Corp.*, 336 F.3d 811, 181 (9<sup>th</sup> Cir, 2003).
- 10 *Ticketmaster Corp. v Tickets.Com. Inc.*, (2003) WL 21407289.
- 11 *Copyright Act 1968* (Cth) ss.40, 41, 41A and 42.
- 12 *Copyright Act 1968* (Cth) s.43B.
- 13 Australian Law Reform Commission, *Copyright and the Digital Economy* (ALRC Report 122) (2013) <<https://www.alrc.gov.au/publication/copyright-and-the-digital-economy-alrc-report-122/11-incident-or-technical-use-and-data-and-text-mining/incidental-or-technical-use/>>.
- 14 Anne Fitzgerald and Natasha Dwyer, *Copyright in databases in Australia* <<https://eprints.qut.edu.au/50425/4/50425.pdf>>.
- 15 *Telstra Corporation Ltd v Desktop Marking Systems Pty Ltd* (2001) 181 ALR 134 and *Desktop Marketing Systems Pty Ltd v Telstra Corporation Ltd* (2002) 119 FCR 491.
- 16 Anne Fitzgerald and Natasha Dwyer, *Copyright in databases in Australia* <<https://eprints.qut.edu.au/50425/4/50425.pdf>>.
- 17 *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458.

## A Call for Copyright Refuge for Web-Scraping

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- 18 Glenn McGowan, 'Ice TV v Nine Network and the Copyright in Factual Compilations in Australia' (2009) 83(12) *Australian Law Journal* 840; Anne Fitzgerald and Natasha Dwyer, *Copyright in databases in Australia*, <<https://eprints.qut.edu.au/50425/4/50425.pdf>>.
- 19 David Lindsay, 'Protection of Compilations and Databases After IceTV: Authorship, Originality and the Transformation of Australian Copyright Law' (2012) 38(1) *Monash University Law Review* 17, p 50.
- 20 *Vivid Entertainment LLC & Ors v Digital Sinema Australia Pty Ltd & Ors* (No. 3) [2007] FMCA 748.
- 21 *Acohs Pty Ltd v Ucorp Pty Ltd* (2010) FCA 577 and *Acohs Pty Ltd v Ucorp Pty Ltd* [2012] FCAFC.
- 22 *Dynamic Supplies Pty Ltd v Tonnex International Pty Ltd* (2011) FCA 362.
- 23 *Sanofi-Aventis Australia Pty Ltd and Others v Apotex Pty Ltd* (No 3) (2011) FCA 846.
- 24 Anne Fitzgerald and Natasha Dwyer, *Copyright in databases in Australia* <<https://eprints.qut.edu.au/50425/4/50425.pdf>>.
- 25 *Feist Publications, Inc. v Rural Telephone Service Co, Inc* (1991) 499 US 340.
- 26 *Craigslist, Inc. v 3 Taps, Inc.*, 942 F. Supp. 2d 962 (2013) (N.D. Cal Apr. 30).
- 27 *Primary Health Care Ltd v Commissioner of Taxation* (2010) 186 FCR 301 and *Acohs Pty Ltd v Ucorp Pty Ltd* (2010) 86 IPR 492.
- 28 David Lindsay, 'Protection of Compilations and Databases After IceTV: Authorship, Originality and the Transformation of Australian Copyright Law' (2012) 38(1) *Monash University Law Review* 17 18.
- 29 *Telstra Corporation Ltd v Phone Directories Company Pty Ltd* (2010) 264 ALR 617.
- 30 Alexandra George, 'Reforming Australia's Copyright Law: An Opportunity to Address the Issues of Authorship and Originality' (2014) 37(3) *UNSW Law Journal Volume* 939, 951.
- 31 *Telstra Corporation Ltd v Phone Directories Company Pty Ltd* (2010) 194 FCR 142.
- 32 *Copyright Act 2021* (Singapore) division 8, ss.243–4.
- 33 *Copyright Act 2021* (Singapore) s.243.
- 34 *Copyright Act 2021* (Singapore) s.187.
- 35 Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC, art 3.
- 36 Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC, art 4.
- 37 Darren Ang, 'Why Singapore's Copyright Act is Amazing for Web Scraping', LinkedIn (Forum Post, 3 March 2022) <<https://www.linkedin.com/pulse/why-singapores-copyright-act-amazing-web-scraping-darren-ang/>>.
- 38 Clearview AI, the United States-based facial recognition company, gained notoriety for using web-scraping technology to scrape pictures from public sites such as Facebook and YouTube to create an image database which it then sold to third parties. Clearview AI has been found in breach of data protection and privacy laws in the European Union, United Kingdom, Italy, Canada, France, Germany and Australia. However, in the United States, Clearview AI was able to reach a settlement with the American Civil Liberties Union ("ACLU").
- 39 Cambridge Analytica, a British consulting firm, worked with Donald Trump's 2016 election team by scraping the profiles from 87 million Facebook users and using that information to send personalised political advertisements. It was reported by Reuters on 23 December 2022 that Facebook has agreed to pay US\$725 million to settle a class action lawsuit for sharing its user's personal information to Cambridge Analytica. See Nate Raymond, 'Facebook parent Meta to settle Cambridge Analytica scandal case for \$725 million', *Reuters* (Web Page, 23 December 2022) <<https://www.reuters.com/legal/facebook-parent-meta-pay-725-mln-settle-lawsuit-relating-cambridge-analytica-2022-12-23/>>.

# Admissibility of Evidence in IPONZ Proceedings

Jack Oliver-Hood<sup>1</sup>

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An essential part of adjudicating disputes is deciding what inferences should be drawn from the evidence. The law that determines the admissibility of evidence exists in order to ensure the probativeness and reliability of the evidential material placed before an adjudicator. Its essential rules include the requirements that evidence be probative and reliable, the bar on opinion and hearsay evidence, and even the law of privilege and confidentiality.

In New Zealand, those rules are found within the *Evidence Act 2006* (NZ) (“the Act”). At present, there is substantial uncertainty as to whether (and to what extent) the Act applies to proceedings before the Intellectual Property Office of New Zealand (“IPONZ”). That uncertainty has been caused by a reluctance for the rules of evidence to apply to “tribunals” as distinct from “courts”. This report takes the view that the Act does apply to intellectual property disputes before IPONZ as a matter of statutory interpretation, and should apply as a matter of principle.

The “tribunal” approach to evidence can be traced to two prominent decisions of the House of Lords and the English Court of Appeal. In 1965, Lord Justice Diplock (as his Lordship then was) held in *R v Deputy Industrial Injuries Commissioner, Ex parte Moore* [1965] 1 All ER 81 (CA) that a person exercising “quasi-judicial functions” must not “spin a coin or consult an astrologer” for the basis of their decisions. But short of trusting fate to determine the issues before them, such a decision-maker “may take into account any material which, as a matter of reason, has some probative value”.<sup>2</sup> And in *T A Miller Ltd v Minister of Housing and Local Government & Anor* [1969] RPC 91 (HL), Lord Denning held that “[a] tribunal of this kind is master of its own procedure”, and that “tribunals are entitled to act on any material that is logically probative, even though it is not evidence in a court of law”.

These two statements are frequently cited in cases as setting up a kind of spectrum. At one end of the spectrum are dispute resolution forums where the rules of evidence apply. A murder trial in the High Court before a jury would be the apex scenario for the circumstances in which the rules of evidence apply. Other concepts like the forum being part of the judicial system, and presided over by a judge, are also relevant. At the other end of the spectrum are forums that nebulously fall into the category of “tribunals”. These forums will usually be created by statute, administered by non-judicial officials, and concern specialised subject-matter. In the middle is an array of dispute resolution forums that do not neatly fall into either category. The most difficult issue is determining the difference. Regrettably, decision-makers have fallen into the trap of simply categorising the forum in

question as a “court” or a “tribunal”, without answering the real question.

The real question is what the statute that creates the forum intended for that forum’s practice and procedure. This takes into account the particular wording of the specific provisions that regulate the forum’s procedure, and whether those provisions are closer to the functions and powers of a formal and adversarial court, or whether it is clear that Parliament intended that the forum function in a more informal and inquisitorial way. The above-cited cases have proven influential to whether the rules of evidence apply to disputes before IPONZ. Both decisions were cited by Ronald Young J in *Royal New Zealand Yacht Squadron v Daks Simpson Group PLC* HC Wellington AP76/01 [2001] NZHC 891. His Honour held that the decisions supported the view that “[g]eneral principle favours the inapplicability of the ordinary rules of evidence in such circumstances given the desire of administrative tribunals to function informally”.

However, importantly, Ronald Young J noted the concurrent jurisdiction of IPONZ with the High Court for specific kinds of disputes under the *Trade Marks Act 2002* (NZ). Those disputes include applications for revocation under s.65, or for invalidity under s.73. Where there is concurrent jurisdiction, Ronald Young J held, the rules of evidence apply; but where IPONZ has exclusive jurisdiction, such as oppositions, the tribunal approach should be followed. With respect, that distinction is difficult to support as a matter of principle, nor was it mandated by the *Trade Marks Act 1953* (NZ).

Hammond J differed from Ronald Young J’s approach in *Rainbow Technologies Inc v Logical Networks Ltd* HC Wellington CP136/02 [2003] 3 NZLR 553. His Honour recorded that Ronald Young J’s holding had “caused some degree of perturbation at the intellectual property bar”, citing two articles published by the *New Zealand Law Journal*.<sup>3</sup> Hammond J recorded the importance of intellectual property rights, and noted that “it may be thought unfortunate that this issue was not dealt with specifically under the new *Trade Marks Act 2002*”. In the result however, the Court held that whatever approach was taken, the evidence at issue should be excluded. As a result, no formal split in precedent occurred.

Neither decision actually considered the most important issue: what did the forum-creating statute suggest about whether the rules of evidence should apply? Further complicating the relevant background, the Act was passed in 2006, and created even more uncertainty. This was because the Act only applies to “proceedings” before a “court” (see s.4 definition of “proceedings” and s.5(3)). The definition of “court” only “includes the Supreme Court, the Court of Appeal, the High Court and the District Court”. The definition is non-exclusive, suggesting that the courts listed are not the only forums to which the Act applies. But the statutory interpretation principle of *ejusdem generis* weighs in the opposite direction, and indicates that only “court-like” adjudicatory bodies are covered by the Act. An essential feature of such bodies is that they are judicial, and presided over by a judge – unlike IPONZ proceedings.

So how does the Act define “judge”? Well, under s.4, “[j]udge includes a Justice of the Peace, a community magistrate, and *any tribunal*” (emphasis added). The “judge” is the person with responsibility to apply the Act under many of the Act’s central provisions, including s.8 (general exclusion of evidence), s.9 (admission by agreement), s.18 (admissibility of hearsay), and many more. All that can be said is that uncertainty rules.

Unsurprisingly, this uncertainty is reflected in the decisions of the Assistant Commissioners. One Assistant Commissioner took the view that at a level of general principle, the Act does not “expressly apply” because it is not listed in the definition of “court”: see *Avanti Bicycle Company Ltd v Arabella Pte. Ltd* [2014] NZIPOTM 14. However, the same decision held that “this does not mean [the Act] does not, or cannot, apply to evidential issues before this tribunal”. So, the Act provides “guidance” but does not strictly “apply”.

Further, another Assistant Commissioner recently held that the “tribunal approach” applies, and that the Act is inconsistent with the purpose of the Trade Marks Act 2002. In *Brandt’s Fruit Trees I, Inc v Apple and Pear Australia Ltd* [2021] NZIPOTM 4, the Assistant Commissioner held that “the Assistant Commissioners take the tribunal approach but are guided by and rely on [the Act]”, and that “[a] high standard of evidence is expected”.

The IPONZ website itself takes a different view. The “Evidence” webpage relating to trade mark hearings of that website<sup>4</sup> states that “[i]t is now generally accepted that the current position is that all evidence filed in IPONZ trade mark proceedings should comply with the civil rules of evidence, including the Evidence Act 2006”. The same website straightforwardly asserts that where there is concurrent jurisdiction between IPONZ and the Court, “the Assistant Commissioner is bound by the civil rules of evidence, including [the Act]”.

Despite this uncertainty, the Act has been cited in dozens of decisions as providing the framework for determining admissibility disputes.<sup>5</sup> The Assistant Commissioners have cited the Act’s rules as to relevance and prejudice (ss.7 and 8), expert opinion (s.25), the Code of Conduct for Experts (s.26 and Schedule 4 of the *High Court Rules* 2016 (NZ)), layperson opinion (s.24), the rule against hearsay (s.17) and the exceptions to that rule (ss.18 and 19). The applicability of the law of privilege has gone unquestioned, despite that law being found in the Act: see ss.51 to 70.

So the position reached is that the Act does not strictly apply, but “a high standard of evidence is expected”. How is that high standard determined? Coincidentally, by reference to the rules of evidence created by the Act. Counsel are left to divine what provisions of the Act are properly “guidance”, and what are overly technical and complex. The simpler and better position is to interpret IPONZ as being within the non-exclusive definition of a “court” for the purpose of the Act, and for the Act to apply as the starting point for admissibility of evidence.

This interpretation is consistent with the mode of giving evidence before IPONZ under its empowering statutes, and related powers of procedure. For trade mark disputes, evidence must be given by formal affidavit or statutory declaration in the absence of a direction to the contrary (s.160(1)). Those directions can include that oral evidence be given, and that deponents be cross-examined (s.160(2)). The Assistant Commissioner can also order discovery and production of documents (s.160(4)). These statutory indicators suggest IPONZ lies closer to a “court” than an informal tribunal, for the purpose of the Act.

The central objection to the rules of evidence applying to IPONZ proceedings is that these rules are overly technical and increase cost and inefficiency. They pose a threat to access to justice, it is said, and particularly so for litigants in person. This argument points to one of the purposes of the Trade Marks Act 2002, namely to “simplify procedures for registering a trade mark in order to reduce costs to applicants and to reduce business compliance costs generally”.

This objection is overblown. The law of evidence is intended to create standardised and predictable rules for determining whether evidence is suitable to be relied on in a dispute. It is the absence of those rules that creates inefficiency and cost. Take the familiar but highly undesirable practice of relying on a statutory declaration by a deponent that attaches as an exhibit another statutory declaration or affidavit by another deponent. Under the Act, the rule against hearsay requires the attached statement to be excluded. The exception to that rule is where the party relying on the hearsay declaration can satisfy the decision-maker it is sufficiently reliable, and the person who made the declaration is unavailable, under s.18 of the Act.

## Admissibility of Evidence in IPONZ Proceedings

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At present, a party on whom such a declaration is served faces a difficult choice. Does the party object to the hearsay declaration on the basis that the Act “provides guidance”, and not serve evidence in response, on the expectation that it will be excluded from evidence? The degree of uncertainty in the case law means that counsel cannot expect that the rules of evidence will actually be followed in this way. A prudent lawyer would make the objection, but still serve evidence in response, in case the Assistant Commissioner prefers “the tribunal approach”. The status quo accordingly promotes substantial time and cost inefficiency in disputes.

Plainly, there can be injustice where the unfamiliar rules of evidence are unknown to a litigant in person, resulting in the exclusion of evidence that could have been put before IPONZ in admissible form. But judges of the Senior Courts and the District Court are familiar with easing the rigour of admissibility rules in order to promote the interests of justice where self-represented litigants are involved. A similar approach can readily be adopted in IPONZ proceedings.

While the current uncertainty prevails, counsel should be careful to follow the provisions of the Act when placing evidence before IPONZ. That approach avoids the risk that evidence is excluded in accordance with the Act, even though that Act does not “strictly apply”. Whatever the strict legal position, counsel’s role as an advocate is always best supported by the highest quality evidence.

- 1 Barrister, Auckland and lecturer, Auckland University of Technology.
- 2 *R v Deputy Industrial Injuries Commissioner, Ex parte Moore* [1965] 1 All ER 81 (CA), 85.
- 3 R Warburton, ‘Intellectual Property Practitioners Beware’ (2002) *New Zealand Law Journal* 47 and I Finch, ‘Discretion is the Better Part of . . .?’ (2003) *New Zealand Law Journal* 217.
- 4 See Intellectual Property Office of New Zealand, ‘Trade Mark Hearings: Evidence’, *Intellectual Property Office of New Zealand* (Web Page) <<https://www.iponz.govt.nz/about-ip/trade-marks/hearings/current-hearings/evidence/>>.
- 5 In just the last 12 months, see e.g.: *Maple Mountain Group, Inc v Hain-Celestial Canada, ULC* [2022] NZIPOTM 2; *Brandso v Guardians (NZ) Ltd* [2022] NZIPOTM 14; *Re A2 Milk Company Ltd* [2022] NZIPOPAT 8; *Re British American Tobacco (Investments) Ltd* [2022] NZIPOPAT 9; *Ezychem Marketing (Aust) Pty Ltd v Zychem Technologies, Inc* [2022] NZIPOTM 16; and *Oatly AB v Bidfood Ltd* [2022] NZIPOTM 20.

# Book Review: *The Subjects of Literary and Artistic Copyright*

Aditya Vasudevan and Jack Howard<sup>1</sup>

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Edited by Enrico Bonadio and Christiana Sappa

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As Professor Paul L C Torremans identifies in the Foreword to this punchy, enlightening book, we live in a time where the interests of “users” are being foregrounded and the interests of copyright owners scapegoated.<sup>2</sup> Copyright is increasingly portrayed as an obstruction to free expression and access to content, a barrier to free-flowing cultural exchange.

It is timely, then, that this book is about the *subjects* of copyright, to return some balance to the equation. Part I centres on creators, with Section A addressing literature and Section B addressing art. Part II centres on managers and intermediaries – publishers, libraries, museums and other market operators. There is a symmetry to this structure and the editors accommodate a broad church of views, allowing authors to advocate strongly for their chapter’s stakeholder. Dr Enrico Bonadio and Associate Professor Christiana Sappa note that these perspectives are “not only different based on the diverse range of subjects, they are also often *opposite*.”<sup>3</sup> This polyphony is a strength.

At its best, *The Subjects of Literary and Artistic Copyright* relies on historical and empirical analysis to take an activist approach to the stakeholder being examined. The authors stride across jurisdictions to tell the practical human story of creators and intermediaries – and they do so in a way that is valuable and informative for intellectual property academics, policy makers and practitioners. The chapters on poets and novelists,<sup>4</sup> freelance journalists,<sup>5</sup> digital photographers,<sup>6</sup> and university lecturers<sup>7</sup> are particularly good examples. They provide a persuasive reframing and a springboard for further analysis.

It is the chapters that take a more conventional approach that fail to live up to the promise of the book. Take, for example, Rudy Capildeo, Chris Haywood and James Yow’s chapter on painters, sculptors and cartoonists.<sup>8</sup> It is a straightforward summary of English copyright law as it relates to visual artists, nothing more. While the chapter is well-analysed and informative, in the context of other more innovative chapters that draw on an impressive depth and breadth of empirical research, it feels routine and perfunctory – a missed opportunity. (There are other, better-suited textbooks for this sort of scholarship.)

Contrast Assistant Professor Xiyang Tang’s chapter on architecture, which sends up the “thin” protection for architecture (and fashion) in United States copyright law.<sup>9</sup> It criticises outmoded assumptions about “functionally

determined” (and therefore unprotectable) designs by analysing the development of “ugly” fashion and “dysfunctional” architecture. In a stirring digression on Balenciaga’s “Frankenstein’s shoulders” designs and other recent trends that intentionally make wearers look *unattractive*, Tang attacks the myopic way that scholars and courts have argued “attractive” or “desirable” design elements are unoriginal because they are responsive to consumer expectations (and functional because they, for example, create an attractive silhouette).<sup>10</sup> Visionary designers and architects have always redefined what is desirable by subverting consumer expectations. Tang’s modest claim is that these art forms should be analysed case-by-case like any painting or musical composition, which themselves are responsive to a plethora of genre norms and consumer expectations. Unlike Capildeo, Haywood and Yow’s straight summary of the relevant law, Tang’s chapter is alive and kicking – noting spaces where the law lags behind the fashion of the times.

## Part I – Creators

Part I is itself divided in two parts: four chapters on literature (poets and novelists; playwrights; freelancing and journalism; and academic authors) and four on art (visual artists; digital photographers; designers; and architects).

### *Literature*

The literature section opens with an ambitious and impressively detailed piece of research by Associate Professor Michela Giorcelli.<sup>11</sup> An economist rather than a lawyer, Giorcelli undertook an analysis of copyright’s effects on writers’ economic returns. A parallel to prior research Giorcelli has undertaken with respect to copyright and Italian opera,<sup>12</sup> the chapter examines extant contract data from writer-publisher agreements in the Italian states between 1750–1900. From 2,610 published titles, Giorcelli was able to source 1,598 contracts for novels, short stories and poems, and from there concluded that writers’ incomes and production outputs increased at the same time as copyright protections expanded.<sup>13</sup> But this analysis is incomplete (likely due to space constraints rather than lack of consideration). It elevates correlation to causation without acknowledging other historical factors that might have influenced writers’ outputs and income. For example, audience sizes may have grown due to increasing literacy, population growth and urbanisation – not to mention the development of technology to distribute written material.<sup>14</sup>

Notwithstanding this, the analysis of contracts for literary works provides a fascinating blueprint for legal-economic analysis in other jurisdictions seeking to correlate copyright with economic returns.

Assistant Professor Luke McDonagh's chapter on playwrights is a historical delight.<sup>15</sup> Equal parts a journey through theatrical history and through the copyright law applicable to playwrights and theatre managers, McDonagh's chapter is particularly strong in its summary of leading 18<sup>th</sup> and 19<sup>th</sup> century cases.<sup>16</sup> This and Giorcelli's chapters are the "oldest" in the book in terms of their scope. They provide an effective and important chance to reflect on the depth of copyright's origins before later chapters delve into newer and more readily identifiable territory for current intellectual property practitioners and policymakers.

In living memory, the Fourth Estate was revered with the sanctity of the Second Estate. (One 1970 academic work went so far as to describe British television news anchors as "The New Priesthood").<sup>17</sup> But no longer. The current media market has an exponentially increasing number of stories written by a diminishing number of professional journalists. Mary Catherine Amerine's chapter leads with a pointed and disturbing analysis of these trends. With salaried positions in newsrooms declining, the number of freelance writers has increased. Amerine then examines the "rights grab" contracts that are becoming commonplace for freelancers at the expense of their intellectual property rights – unbalancing the conventional view of contractors as wielding the ability to negotiate favourable terms for their engagement. With notes on the role of industry bodies, legal action and the 2017 European Commission's Directive on Copyright in the Digital Single Market, Amerine paints the picture of a profession in decline and unsure of its ability to recover. Journalists scraping by as members of the gig economy is a sorry state of affairs, one which Amerine handles in a deft and deliberately open-ended manner.

Marco Bellia and Valentina Moscon's chapter on academic authors leads the reader with a steady hand through general principles of copyright first ownership in Italy, Germany and the United States, the imbalances in bargaining power with publishers, and public and private ordering models for academic publishing. It is not a deeply historical chapter, nor an especially adventurous one. But the strength of this book is that a chapter like this is to be read not in isolation but in conversation and debate with other chapters that advocate for opposing points of view.

### **Art**

The Art section begins with the chapter on visual artists by Capildeo, Haywood and Yow, and concludes with the chapter on architecture and dysfunctional design by Tang, both mentioned above. Between these sit two chapters – one on digital photographers by Professor Jessica Silbey; and one on designers by Ana Ramalho.

Silbey's chapter – an adjunct to further work she has written in this space<sup>18</sup> – is based on years of field research interviewing photographers as their industry has undergone rapid technological change and professional instability.<sup>19</sup> Earning a living as a photographer is, as Sibley puts it, "a story of low-end competition and changing digital age norms". Her chapter is insightful on the proliferation of digital photography with smartphones, and advocates for the rights of professional photographers as essential to media of all forms. Uniquely in this book, Sibley includes lengthy quotes from her interviews with photographers, which greatly enhance her arguments around respecting skill and labour, quality control of image-making, and the role of photographers in improving visual literacy. The chapter is also a fine complement to Amerine's chapter on freelance journalists, raising similar issues regarding the role of creative professionals in fostering truth in the digital age.

Ramalho's chapter is a very practical survey of the unique position that designers find themselves in with respect to copyright protection.<sup>20</sup> Beginning with a review of how designs are treated from a copyright perspective under the Berne Convention, the European Union and the United States, the chapter then moves from "How Copyright Views Designs" to "How Designers View Copyright". This section provides a review of studies and public consultations on the awareness of design protection in Europe and the United States, painting the picture of a profession that is not well-served by copyright protection in light of stronger or better protection under design law. The chapter that follows by Xiyin Tang (discussed above) goes further in developing that into a position of advocacy in favour of designers' interests. That aside, Ramalho does well to cover the field for anyone wanting to be brought up to speed on the copyright implications for designers in the European Union and United States.

### **Part II – Managers and Intermediaries**

With the commencement of Part II on "Managers and Intermediaries", the battle lines are drawn. With chapters on publishers, libraries, universities, museums, and galleries and auction houses, the book splits the "us and them" of creators and those who profit from or make use of their creative output. It is of note that two of the five chapters in this section are authored by the editors, which is relevant insofar as those who devised the structure of the book follow through with chapters that contrast thoughtfully with the earlier contributions.

Dr Bonadio (one of the editors) and Anele Simon open Part II with a chapter on publishers and copyright.<sup>21</sup> It begins with a historical survey of publishers from Gutenberg to France's first copyright statute in 1793. From there, the chapter explores the tension between publishers, authors and users, including an interesting reflection on users' exceptions during the COVID-19 pandemic and the need

to provide educational materials rapidly in digital formats. The chapter concludes with a survey of “(quasi-)copyright regimes”<sup>22</sup> – on the right over typographical arrangement of published editions (relevant to Australia under section 92 of the *Copyright Act 1968* (Cth)), and the European Union’s press publishers’ right, with further detail on the specific application of this right in Germany, Spain and France.

After invoking the great Argentine writer Jorge Luis Borges in an epigraph,<sup>23</sup> Maximiliano Marzetti’s chapter on libraries and copyright applies, broadly speaking, a rights-based approach to argue for a “human right to a library”.<sup>24</sup> Characterising the relationship between libraries as “gateways” and copyright law as a “gatekeeper”,<sup>25</sup> Marzetti examines the frictions between creators and users, with libraries a key intermediary. Marzetti proceeds with Borgesian reverence for the work of libraries in performing a public service, but to do so, Marzetti leans heavily on exceptions and limitations to the economic rights of copyright owners. He surveys the exceptions and limitations that exist globally – especially in Argentina, the United States and the European Union. In doing so, he suggests there is no room in the public purse to pay for (compulsory) licences. But why should creators be taxed selectively for a public good? Is that not the purpose of progressive taxation systems (which, in this case, fund public libraries)? The libraries of Borges’s magic realist stories are filled with centuries-old texts salvaged from the ruins of mythic empires – copyright has no concern with such works. By contrast, living creators need to make ends meet, and the solutions posited by the author come at the expense of creators’ income.

Associate Professor Guido Noto La Diega, Assistant Professor Giulia Priora, Assistant Professor Bernd Justin Jütte and Léo Pascault’s chapter is on universities and their unique position “both as users of protected works and as copyright managers” when it comes to audio-visual lecture capture.<sup>26</sup> The opening anecdote wherein a student learned he was listening to the lecture recordings of a deceased Professor suffices to illustrate the issues in this space.<sup>27</sup> From the United Kingdom, Italy, Ireland and France – the jurisdictions of each of the four authors – the chapter analyses the policies at the largest universities in each jurisdiction to extract themes, common features, shared challenges, and the applicable rights and exceptions peculiar to each jurisdiction. This is a fascinating chapter for lawyers and educators alike.

The penultimate chapter is by Associate Professor Sappa (also editor) on museums as cultural heritage institutes (“CHIs”) and their relationship to copyright through their educational functions.<sup>28</sup> The central argument is that, as Sappa puts it, “museums should be considered not as copyright managers, but as cultural heritage managers”.<sup>29</sup> Focusing on education and information-spreading on cultural heritage rather than the control of copyright-protected materials, Sappa has a focus on the European Union, analysing the InfoSoc Directive and

the Digital Single Market Directive and its various exceptions and limitations to copyright. It then discusses Public Sector Information (“PSI”), and the development history of the European Union’s PSI Directives. One overall theme of the chapter is towards a “valorization” objective for CHIs, that is, adding “value” to cultural objects and collections by (for example) digitising data, including them in augmented reality exhibits, or economic purposes via fundraising, all part of a broader educational mission.<sup>30</sup> This is a well-composed chapter on the topic which advocates strongly for the position of museums without sacrificing the copyright interests of creators. One note for an Australian context (and globally) are other limits in the field of Indigenous Cultural and Intellectual Property (“ICIP”) which many (including the authors of this review) have advocated for, and which may provide limitations on the fullness with which certain objects could be “valorized” by museums.<sup>31</sup>

The book concludes with a chapter on galleries and auction houses by Simon Stokes.<sup>32</sup> Stokes has written widely on the subject of visual arts and copyright, with his book *Art and Copyright* now in its third edition (2021).<sup>33</sup> The most interesting aspect of this chapter is the framing of many rights and issues from the perspective of dealers, gallerists and auctioneers where they are usually discussed from the perspective of artists. But the breadth of matters raised leads to a dearth of depth. This chapter would be most useful to art professionals – or lawyers seeking a quick introduction to the art market and the copyright, licensing, resale royalty and other issues as needed. It is not the chapter’s intention to be anything more than a survey, and it raises no further questions or challenges to the reader beyond this introduction.

As a final word on the book as a whole, there is a noticeable focus on economics across the essays. This is not an issue – artists need to make a living, and copyright is one of the most important rights of an artist to monetise their creative output. It does, however, mean that many chapters take what is, as Charles Dickens parodied in *Hard Times*, a Gradgrind approach to the subjects of copyright – “eminently practical”,<sup>34</sup> profit-motivated, objective, scientific, empirical and analytical. There is excellent scholarship in this book in the economic or empirical mould, yet it is the chapters that dare to think like an artist – creatively, morally, philosophically, aesthetically – that not only fulfil the promise of the work as being from the perspective of the *subjects* of copyright, but also explore the frontiers of understanding in the evolving legal, technological and creative spaces in which artists work in the contemporary age.

## Book Review: *The Subjects of Literary and Artistic Copyright*

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- 1 Aditya Vasudevan and Jack Howard are Solicitors at the Arts Law Centre of Australia, the only national community legal centre in Australia dedicated to the arts.
- 2 Paul L C Torremans, 'Foreword' in Enrico Bonadio and Christiana Sappa (eds), *The Subjects of Literary and Artistic Copyright* (Edward Elgar Publishing, 2022) ix, x ("*The Subjects of Literary and Artistic Copyright*").
- 3 Enrico Bonadio and Christiana Sappa, 'Introduction' in *The Subjects of Literary and Artistic Copyright*, 2.
- 4 Michela Giorcelli 'The effects of copyrights on poets' and novelists' economic returns' in *The Subjects of Literary and Artistic Copyright*, 9.
- 5 Mary Catherine Amerine, 'The fragility of freelancing: The impact of copyright law on modern journalism' in *The Subjects of Literary and Artistic Copyright*, 37.
- 6 Jessica Sibley, 'Digital photographers: Trust, truth, and copyright in the digital age' in *The Subjects of Literary and Artistic Copyright*, 98.
- 7 Guido Noto La Diega, Giulia Priora, Bernd Justin Jütte and Léo Pascault, 'Capturing the uncapturable: The relationship between universities and copyright through the lens of the audio-visual lecture capture policies' in *The Subjects of Literary and Artistic Copyright*, 206.
- 8 Rudy Capildeo, Chris Haywood and James Yow, 'Copyright protection for painters, sculptors and cartoonists' in *The Subjects of Literary and Artistic Copyright*, 78.
- 9 Xiyin Tang, 'Architecture and dysfunction' in *The Subjects of Literary and Artistic Copyright*, 137.
- 10 Xiyin Tang, 'Architecture and dysfunction' in *The Subjects of Literary and Artistic Copyright*, 137, 149–50.
- 11 Michela Giorcelli, 'The effects of copyrights on poets' and novelists' economic returns' in *The Subjects of Literary and Artistic Copyright*, 9.
- 12 See Michela Giorcelli and Petra Moser, 'Copyrights and Creativity: Evidence from Italian Opera in the Napoleonic Age' (2020) 128(11) *Journal of Political Economy* 4163.
- 13 Michela Giorcelli, 'The effects of copyrights on poets' and novelists' economic returns' in *The Subjects of Literary and Artistic Copyright*, 12–13.
- 14 Giorcelli is no doubt aware of this limitation, as can be seen in her work on Italian Opera, but fails to note that limitation in this chapter: see Michela Giorcelli and Petra Moser, 'Copyrights and Creativity: Evidence from Italian Opera in the Napoleonic Age' (2020) 128(11) *Journal of Political Economy* 4163.
- 15 Luke McDonagh 'Playwrights' in *The Subjects of Literary and Artistic Copyright*, 22.
- 16 Luke McDonagh 'Playwrights' in *The Subjects of Literary and Artistic Copyright*, 25–33.
- 17 Joan Bakewell and Nicholas Garnham, *The New Priesthood: British Television Today* (Allen Lane, 1970).
- 18 See Jessica Sibley and Subotnik DiCola, 'Existential Copyright and Professional Photography' (2019) 95(1) *Notre Dame Law Review* 263.
- 19 Jessica Silbey, 'Digital photographers: Trust, truth, and copyright in the digital age, in *The Subjects of Literary and Artistic Copyright*, 98.
- 20 Ana Ramalho, 'It's not you, it's me': Are designers and copyright a good match?' in *The Subjects of Literary and Artistic Copyright*, 113.
- 21 Enrico Bonadio and Anele Simon, 'Publishers and copyright' in *The Subjects of Literary and Artistic Copyright*, 157.
- 22 Enrico Bonadio and Anele Simon, 'Publishers and copyright' in *The Subjects of Literary and Artistic Copyright*, 173.
- 23 Maximiliano Marzetti, 'Libraries and copyright law in the 21<sup>st</sup> century' in *The Subjects of Literary and Artistic Copyright*, 182. Marzetti selects Borges's famous quote, "I have always imagined that Paradise will be a kind of library." At the time of this quote, Borges was appointed the National Library of Argentina's Director in 1955. Aged 56, he was beginning to go blind and felt afflicted by what he described as the terrible irony of being amidst so many books whose titles pages and spines he could scarcely make out.
- 24 Maximiliano Marzetti, 'Libraries and copyright law in the 21<sup>st</sup> century' in *The Subjects of Literary and Artistic Copyright*, 200–04.
- 25 Maximiliano Marzetti, 'Libraries and copyright law in the 21<sup>st</sup> century' in *The Subjects of Literary and Artistic Copyright*, 182–3.
- 26 Guido Noto La Diega, Giulia Priora, Bernd Justin Jütte and Léo Pascault, 'Capturing the uncapturable: The relationship between universities and copyright through the lens of audio-visual lecture capture policies' in *The Subjects of Literary and Artistic Copyright*, 206.
- 27 Guido Noto La Diega, Giulia Priora, Bernd Justin Jütte and Léo Pascault, 'Capturing the uncapturable: The relationship between universities and copyright through the lens of audio-visual lecture capture policies' in *The Subjects of Literary and Artistic Copyright*, 207.
- 28 Christiana Sappa, 'Museums as education facilitators' in *The Subjects of Literary and Artistic Copyright*, 233.
- 29 Christiana Sappa, 'Museums as education facilitators' in *The Subjects of Literary and Artistic Copyright*, 239.
- 30 Christiana Sappa, 'Museums as education facilitators' in *The Subjects of Literary and Artistic Copyright*, 235–6.
- 31 ICIP is not currently protected under Australian law, through the 2023 National Cultural Policy has promised to introduce sui generis legislation to enshrine ICIP in statute. See Revive: a place for every story, a story for every place – Australia's cultural policy for the next five years (Commonwealth of Australia, 2023), 30–31.
- 32 Simon Stokes, 'Galleries and auction houses: The invisible managers of artistic copyright?' in *The Subjects of Literary and Artistic Copyright*, 257.
- 33 Simon Stokes, *Art and Copyright* (Bloomsbury, 3<sup>rd</sup> ed, 2021).
- 34 Charles Dickens, *Hard Times* (Alma Classics, 2010), 10–11.

# Book Review: *Comic Art, Creativity and the Law: Second Edition*

Emma Berry<sup>1</sup>

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By Marc H Greenberg

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Comics are a distinctive component of the artistic world and are presented in assorted ways, from the comic strips in newspapers to the cinematic universes created from comic books. Comics targeting a legal audience are even included in the Editorials of *Intellectual Property Forum*. While their very name implies comedy and fun, the interaction of comic art and the law has not been as enjoyable for creators and distributors.

In the introduction to the second edition of *Comic Art, Creativity and the Law* in Part I, the author Professor Marc H Greenberg aptly notes that throughout their lengthy history, comics and cartoons have “been a subject of controversy, censorship, legislation and litigation”.<sup>2</sup> This remark is evidenced later in this text with four chapters dedicated to such constraints.

The first two chapters in Part II begin with a brief discussion about the neuroscience of creativity followed by an exploration of how the law in the United States interacts with the results of the creative process. In doing so, the author draws from a body of scholarship which points out the limitations of copyright law, including fair compensation for authors and other creators, and that the way intellectual property is taught lags behind the realities of copyright today. While the author does not add to the extensive body of scholarship on creative process and the law, instead only referencing the key insights of those works (which include symposiums, articles and books), these chapters set the scene on what the reader can expect to learn throughout the text.

The text then dives into the history, structure and modes of comic art in Chapters 3 and 4 in Part III. The history that Professor Greenberg illustrates in Chapter 3 provides greater context for the criticism that comic art attracted. The author pays particular attention in Chapter 4 to the structure and modes of comic art and the role that these play in the relationship between comic art and the law. The author comments that a comic “is comprised of a series of images, usually, although not always, accompanied by words”.<sup>3</sup> Chapter 4 explores how this definition is reflected in at least 12 very different formats of comic art. In doing so, the author aids the reader in understanding how each format has been influenced and impacted by different legal doctrines and laws. These foundational chapters serve as a springboard for the author to then examine more complex topics in subsequent chapters.

Part IV of the text provides much of its substance, focusing on studying the impact of law on the creation and structure of comic art. Chapter 5 begins with an examination of how comic art publishing contracts shaped comic creation. Some contract terms remained consistent over the decades, such as format control for comic strips in newspapers. However, the author highlights that other contract terms have dramatically changed over time, for example control over ancillary rights, such as merchandising and film rights. Contractual control over ancillary rights are a lucrative form of revenue for publishers of comic art as the author points out, referencing Marvel’s *Avengers* movie which grossed over US\$1 billion.<sup>4</sup>

There is a fascinating section within Chapter 5 about the constraints contracts had on comic creators, notably on *Peanuts* creator Charles Schulz whose work as we know it would likely be different without the rigid limitations imposed on the space and format of Schulz’s work. While those constraints shaped how Schulz simplified his characters, he did remark that extra space may not have helped his comic strips which previously had only limited success.<sup>5</sup> The author provides another example of the constraint that contract terms has on creative process before closing this chapter, which presents an alternative reaction to these contractual limitations.

Chapter 6 considers the impact of copyright law on the creative process including character creation, limits on likeness of well-known people, and parody elements. The author draws insight from two cases when considering the protection afforded by copyright law to characters. The principal two issues that the author analyses in these cases are: 1) what copyright law defines as a protectable character; and 2) to what extent the “work for hire” doctrine can be applied to characters created for and used by publishers. After a thorough examination of each case, the author concludes that the protections offered under copyright law remain murky.

In the same chapter, the author observes that the law around parody in comic art is even more unclear than that around character creation due to changes in the fair use defence in US copyright law. The author provides two examples to demonstrate how the change in US copyright law has led to two different results in the US cases of *Walt Disney Productions v The Air Pirates*<sup>6</sup> and *Winter v DC Comics*.<sup>7</sup> Fans of Marvel and DC Comics will also find the subchapter in Chapter

6 on who owns *The Avengers* and *Superman* particularly fascinating. Within this subchapter the author considers two prominent cases relating to copyright transfers and recapture rights. These cases featuring Marvel and DC Comics illustrate how the right to terminate a copyright transfer and recapture the transferred rights (which the author notes was intended to “give creators an opportunity ... to negotiate for better licensing terms”)<sup>8</sup> affects the creative process for comic book characters. The inclusion of those cases and their recent developments are an update from the first edition of the text.

A new Chapter 7 is included in the text which discusses fan-based creations including fan fiction, fan art, fan films and cosplay. The author emphasises in this chapter that each form of fan-created work has unique elements that distinctively intersect with the law. While the entire chapter is thought-provoking, it is the author’s analysis on whether fan fiction writers can invoke the transformative defence on a copyright infringement claim (and the associated difficulty with doing so) that is especially insightful. Notably, this chapter provides a glimpse at another text published by the author which focuses on fandom and the law.<sup>9</sup>

The legal constraints on creativity are scrutinised in Part V of the text. Chapter 8 of this part first considers the effect of tax law on the creative process, and explores underground comix artist Paul Mavrides’ multi-year battle with the Californian taxing authorities who looked to impose an absurd interpretation of California’s tax law. While the case that the author profiles in this chapter damaged the artist’s professional career, the author notes that Mavrides’ ultimate successful outcome positively impacted the comics industry.<sup>10</sup>

From the outset of this text, the author outlines and then continues to remind readers what he considers to be the greatest challenge to the creative process of developing and distributing comic art: prosecution of comic art due to obscenity and violation of local community standards of decency, and undermining the moral values of youth. Chapters 9 through to 11 are dedicated to examining this challenge. Chapter 9 details the history of creativity censoring, self-regulation by the comics industry through the Comics Code Authority, and the Comic Book Legal Defence Fund. The history of comics is an intriguing read, particularly the underground comix movement which the author notes was a counter-culture following the suppressive nature of the Comics Code. This movement resulted in comics featuring explicit sexual activity, anti-war protests and drug use amongst other controversial issues.

In Chapter 10, the author turns his attention to examine five cases that triggered obscenity prosecutions and their impact on the creators prosecuted. A notable takeaway from these cases is that obscenity charges are not limited to comic creators and distributors, but also readers of obscene comic

art. A common theme in these cases is even though comics are largely targeted towards and oftentimes only sold to adults, there is a fear within the community of the influence that comics can have on the moral education of youth.

The bigger picture of obscenity prosecutions is the focus of Chapter 11, which critiques the aim of these prosecutions to protect the moral education of young people. The author provides a balanced consideration of scholars and the evidence available before positing a reason why comics have generated so much scrutiny over the years. At the conclusion of this chapter, the author proposes separating obscenity from the First Amendment of the US Constitution and suggests a first step to do so.

Having examined comic art and the law with a US focus, the author uses Part VI to consider comic art and the law beyond the borders of the US. In Chapter 12, the author considers the international market of comic art including manga in Japan and the Franco-Belgian model called *bande dessinée* and their relationship with the law, before touching on how the law and legal doctrines impact digital creation and distribution of comic art online. The author then introduces a new Chapter 13 where he uses his personal experience representing comics creators to share with readers eight tips for licensing comics for film and television. The most useful tip that the author shares relates to how the definition of “net profits” in contracts leaves creators with little to no royalties payable after relevant deductions. He encourages lawyers and agents to negotiate for royalty payments to be calculated from gross profits rather than net profits.

Finally, Chapter 14 details how comic art, the law, and the digital revolution interlock. The author considers four different scenarios presented by media and communications consultant Rob Salkowitz on the future of the comic industry and discusses how the law would affect each scenario. This analysis draws the text to a satisfying conclusion by presenting an ideal future forecast on the comic industry and the law and legal doctrine that supports it. In this ideal world, comics are a common art form including in literature and business, and there is a digital universe that is lightly regulated, giving creators freedom to mash-up content and enhance creativity. While this future might be ideal to some, a lightly regulated environment might provide too much freedom to creators and conflict with laws. The future of the comic industry is more likely to be a blend of all the scenarios that Salkowitz presents, which will best ensure that the value and integrity in original works is maintained.

Professor Greenberg presents a thought-provoking text on a niche topic that is not only relevant for lawyers in the US, but also for lawyers in other jurisdictions. The text is well-researched and provides considered insight into the history of comic art and the law, and the future of that at times tumultuous relationship. Readers will particularly enjoy the

## Book Review: *Comic Art, Creativity and the Law: Second Edition*

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comic art facts the author scatters throughout the text – the kind of titbits that us legal folk love to learn and share with unsuspecting family and friends. This text is entertaining and will be a delightful addition to any intellectual property lawyer’s bookshelf.

- 1 Legal Counsel at Kinrise; LLB, BCom (Marketing) (Australian Catholic University).
- 2 Marc H Greenberg, *Comic Art, Creativity and the Law: Second Edition*, (Edward Elgar Publishing, 2022), 5 (“*Comic Art, Creativity and the Law*”).
- 3 *Comic Art, Creativity and the Law*, 19.
- 4 *Comic Art, Creativity and the Law*, 37.
- 5 David Michaelis, *Schulz and Peanuts: A Biography* (HarperCollins, 2007), 210–11.
- 6 581 F 2d 721 (9<sup>th</sup> Cir, 1978).
- 7 30 Cal 4th 881 (Cal, 2003).
- 8 *Comic Art, Creativity and the Law*, 73.
- 9 Marc H Greenberg, *Fandom and the Law: Fan Fiction, Art, Film and Cosplay* (American Bar Association, 2021).
- 10 *Comic Art, Creativity and the Law*, 117.



# 36th IPSANZ Annual Conference

22-24 September 2023

The 36th Annual Conference of the Intellectual Property Society of Australia and New Zealand Inc. will be held at Peppers Salt Resort & Spa and Mantra on Salt Beach Kingscliff, New South Wales from 22 – 24 September 2023.

The resort is 15 minutes south of the Gold Coast Airport and 30 minutes from Byron Bay.

Please note: sessions will commence at 2:00 pm on Friday, and there are no sessions scheduled on Sunday.



## Friday

Registration from 1:30 pm

- 2:00 pm Table Topics Session
- 3:30 pm Afternoon Tea
- 4:00 pm Patent Session: The interplay between Patent Law and Competition Law
- 5:00 pm Trade Mark Session: Use of Third-party trade marks on e-commerce platforms, metaverses, social media and domains
- 6:30 pm President's Welcome Drinks

## Saturday

Registration from 8:30 am

- 9:00 am International Session: Professor Jane Ginsburg on Copyright and AI Image Generation
- 10:00 am Morning tea
- 10:30 am Trade Mark Session: Clear as mud or clear as day: Clearing a trade mark for use and registration
- 12:00 pm Lunch
- 1:00 pm Copyright / Design session: *Campaigntrack Pty Ltd, Hardingham*, and implied licences and authorisation
- 2:00 pm Afternoon Tea
- 2:30 pm Judges' Session: The Honourable Justice Downes and the Honourable Former Justice Greenwood
- 4:00 pm Annual General Meeting
- 6:30 pm President's Dinner

## Sunday

Free day



### For further information contact:

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# Current Developments — Australia

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## IP AUSTRALIA

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

FB Rice

### Upgraded online services for national phase entry of international applications

IP Australia's online services have been enhanced to integrate the World Intellectual Property Organization ("WIPO") ePCT system. The integrated platform enhances user experience by enabling real-time availability of application data and documents from the Australian platform at the time of filing, streamlining data entry to conform to WIPO formats, and faster issuing of filing receipts.

### International Women's Day: Women in IP and technology

International Women's Day ("IWD") was celebrated globally on 8 March 2023. The joint statement of global IP offices, including IP Australia, the United States Patent and Trademark Office ("USPTO") and WIPO, can be found on the IP Australia website.

To celebrate IWD, IP Australia has highlighted the achievements of three Australian women in the STEM innovation space: Professor Fiona Wood, Professor Elizabeth Blackburn and Sally Dominguez.

- Professor Wood's patented spray-on skin saved the lives of dozens of the 2002 Bali bombings victims and countless more burns victims since then.
- Professor Blackburn became the first female Australian Nobel Laureate for her work, together with American Carol Greider, in discovering the enzymatic telomerase cap at the end of chromosomes, which protects chromosomes from degradation.
- Sally Dominguez has won numerous international awards for her innovative and sustainable products, including a modular rainwater tank suitable for home use in either a horizontal or vertical orientation.

More information on each of these women and some of their achievements can be found on the IP Australia website.

IP Australia's 2022 *IP Report* described a rise of female inventors filing patent applications in biotechnology and organic fine chemistry fields from 20 per cent to more than 50 per cent. However, patents originating in Australia still lag behind the world average for female patent inventorship. Data from the Australian Bureau of Statistics ("ABS") shows that companies with registered IP have a greater proportion of women in STEM in their workforces than those without registered IP. The 2022 *IP Report*, international filing data

and ABS data can be accessed through the IP Australia website.

### *Australian Intellectual Property Report 2023*

This year's *Australian Intellectual Property Report* has now been released. The Report analyses technology, commercialisation and trade trends in Australia and highlights the importance of IP in supporting the economy. The Report shows that businesses that register IP rights are more productive, pay higher premiums to their employees and have higher levels of staff retention. IP-holding businesses account for 35 per cent of Australia's GDP, employ 2.6 million workers and invest more than AU\$6.4 billion in R&D each year.

The Report also emphasises the importance of workforce diversity in innovation performance, with mixed-gender research teams generating more novel and radical innovations, and businesses with more women in leadership roles having greater efficiency in converting R&D investment into patents. The Report was developed using data from the ABS, the Intellectual Property Government Open Dataset, and the Reserve Bank of Australia. The full Report is available via IP Australia's website.

### Security update to eServices

IP Australia has updated its password protection rules relating to its online services platform. eServices users will now be required to change passwords every six months, and the new password must not be the same as the last five passwords used. The changes do not apply to B2B customers.

### Update to eServices trade mark opposition requests

IP Australia has updated its eServices platform in an effort to streamline the process for filing forms in connection with oppositions to registration and non-use removal of a trade mark.

On 17 February 2023, a digital, and structured, Statement of Grounds and Particulars ("SGP") eServices request form was released, followed shortly by the launch of the digital Notice of Intention to Defend ("NID") eServices request form on 10 March 2023.

It is no longer possible to upload and file a separate SGP or NID form to the eServices platform. The new SGP eServices request form provides text boxes for brief responses of no more than 2000 characters for certain grounds of opposition. Some grounds will allow JPG, JPEG, or PNG files to be uploaded showing trade mark representations.

This recent release completes the streamlining of the trade mark opposition forms up to the evidentiary stage of the opposition process.

CASES

**Tom Cordiner KC, Melissa Marcus, Clare Cunliffe and Marcus Fleming<sup>1</sup>**

Barristers

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

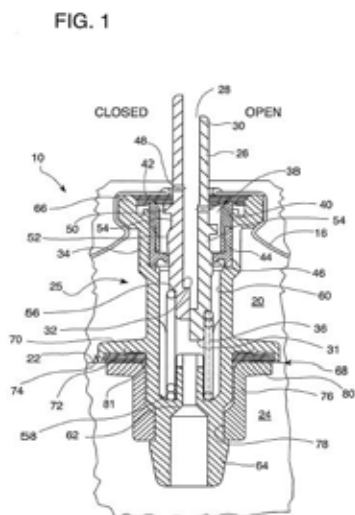
This quarter we have seen only a few decisions in our geographical areas of responsibility, so in this edition we have borrowed a couple from our friends up north. First, we look at *Airco*, where, after putting itself in close proximity to the primary judge’s reasons, the Full Court was not disposed to the opposite construction urged by the appellant. We then give you a taste of the decision in *Brick Lane Brewing v Torquay Beverage Co* – yet another proceeding in which the Federal Court downed a case of beer. Finally, *Maicap* was “Natur[ally] Delight[ed]” to ward off Natural Raw C’s claim, which reportedly went to [coconut] water.

***Airco Fasteners Pty Ltd v Illinois Tool Works Inc* [2023] FCAFC 7**

13 February 2023 – Rares, Moshinsky and Burley JJ

*Patents – construction – role of expert evidence*

These proceedings were brought as an application for leave to appeal and an appeal against a declaration and consequential orders made on 23 May 2022 to the effect that *Airco Fasteners Pty Ltd* infringed claims 1, 2, 3, 17 and 20 of *Illinois Tool Works Inc’s* patent number 2005232970. The patent, titled “in-can fuel cell metering valve”, describes a fuel cell for use with a combustion tool (such as a nail gun) which includes an internally mounted metering valve arranged so that a metered dose of fuel is dispensed each time the stem is pressed into the “open” position. The invention was said to reduce the risk of leakage found in prior art systems which used two valves, the second metering valve sitting outside the fuel cell. Figure 1 of the patent is set out below.



The primary judge provided the following description of the invention:

*... the Patent explains that the function of the fuel metering chamber (38) is to facilitate the storage and subsequent dispensation of a measured amount of fuel through the outlet [(28)] of the fuel cell. In the preferred embodiment depicted in Fig 1, the fuel metering chamber [(38)] engages an outlet seal [(42)], which is adjacent to the closure (16) of the fuel cell [(10)]. However, the Patent explains that the fuel metering chamber [(38)] may be located within the housing and is preferably located within the valve body (34) and in close proximity to the closure [(16)]. Locations [of the fuel metering chamber] external of the valve body (34) are also expressly contemplated.*

The appeal raised two issues of construction, concerning the primary judge’s determination that *Airco’s* combustion tool fuel cell has “a fuel metering chamber disposed in close proximity to said closure” (the “close proximity integer”) and “a valve body having a second end opposite said fuel metering chamber located within said container” (the “second end opposite integer”), as required by each of the relevant claims.

The Full Court rejected *Airco’s* criticisms of the primary judge’s findings on construction.

*Airco* submitted that the primary judge erred in construing the close proximity integer as requiring an assessment of the relative nearness of the fuel metering chamber and the closure within the context of the fuel cell *as a whole*, arguing that the construction of the primary judge failed to give effect to the natural meaning of “close proximity” as emphasising the requirement of “closeness” rather than simply proximity. It submitted that the primary judge ought to have construed the close proximity integer as requiring an assessment of the relative nearness of the fuel metering chamber and the closure “within the context of the location of the fuel metering chamber *in the fuel metering valve*” (emphasis added).

*Airco* argued that the assessment of “close proximity” must be undertaken in circumstances where it is “already a given” that the fuel metering chamber is contained within the valve body. It referred to the evidence of *Illinois’* expert witnesses, Dr Wallace, who agreed in cross-examination that the fuel metering chamber “could not be much further away from the closure”, which *Airco* argued supported its contention that the fuel metering chamber was not in “close proximity” to the closure.

However, the Full Court agreed with the primary judge that the phrase “close proximity” is used to describe the disposition of the fuel metering chamber relative to the closure in the context of the fuel cell as a whole. In reaching this conclusion, the Full Court observed that the “closure” is not a part of the fuel metering valve, but forms part of the housing which includes within it a separate fuel container

and the fuel metering valve. Thus, the Court rejected Airco's submission that the primary judge ought to have considered the question of proximity in the context of the fuel metering chamber being *in* the fuel metering valve. The Full Court agreed with the primary judge's finding that the fuel metering chamber does not need to be positioned adjacent to, or as close as possible to, the closure for the internal valve fuel cell of the invention to operate more efficiently and effectively than those described in the prior art. Rather, the requirement of "close proximity" ensures that the fuel metering chamber is sufficiently proximate for the fuel metering valve and fuel cell to function effectively.

In relation to the second end opposite integer, Airco submitted that the primary judge erred in construing "opposite" as meaning "facing" or "across from", with two components "having a co-axial relationship with each other". It argued that the primary judge ought to have construed this integer as requiring the fuel metering chamber be located at the other end of the valve body to the "second end" of the valve body, outside the fuel container. Airco argued that the term "opposite" is used consistently throughout the specification to identify two ends of various objects, and that there was no reason why the term "opposite" in the claim should have a different meaning. Again, Airco placed some reliance upon the oral evidence of Dr Wallace, which it said supported its construction of "opposite".

The Full Court upheld the primary judge's construction. It observed that the word "opposite" as used in claim 1 is broader than the language used in the passages of the specification identified by Airco in its submissions, and that the word "opposite" is sensitive to context. The Full Court rejected Airco's argument that the primary judge's construction rendered the word "opposite" redundant, because it served to distinguish the arrangement of the invention from that of the prior art.

The authors note the following interesting features of the Full Court's decision.

First, the Full Court observed that the construction of the close proximity integer adopted by the primary judge was supported by dependent claims 3 and 7 of the Patent, confirming that dependent claims can be used to assist in construing independent claims.

Secondly, the Full Court rejected the criticisms advanced by Airco that the primary judge erred insofar as her construction was contrary to the evidence of both experts. In doing so, the Court noted that expert opinion does not supplant the judicial role, reiterating that it is for the Court to determine the meaning of the language of the claims, aided by the evidence of experts to assist in understanding unfamiliar terms and the technical context, and that the judge is under no obligation to adopt a particular construction of the claim based on the evidence of one or other of the expert witnesses.

The authors consider that this supports the proposition that the Court may arrive at a construction not adopted by *any* of the experts and that a party is not bound by its own expert's view or acceptance as to a particular construction.

### ***Brick Lane Brewing Co Pty Ltd v Torquay Beverage Co Pty Ltd***

[2023] FCA 66

8 February 2023 – Stewart J

*Trade Practices – misleading and deceptive conduct – get-up and reputation*

Brick Lane alleged that the respondents (Torquay, Better Beer Co Pty Ltd and Mighty Craft Ltd) had engaged in misleading or deceptive conduct under s.18 of the Australian Consumer Law ("ACL") and misleading or false representations under sections 29(1)(g) and (h) of the ACL, based on the respondents' promotion and sale of "Better Beer" branded beer and ginger beer in similar get-up to that used by Brick Lane for the promotion and sale of its "Sidewinder" beer. There was no passing-off claim, and there was no allegation of copying. Justice Stewart held that the contraventions were not made out, despite finding distinct similarities in get-up, for the reasons set out below.

### ***Background***

From around September 2020, Brick Lane started to develop a new range of no- and low-alcohol beer to be known as the Sidewinder range. The Sidewinder range was launched by a media release on 21 July 2021, and is depicted on the left below. Five days later, on 26 July 2021, Mighty Craft announced to the ASX that it had partnered with Torquay and two comedians, known as the Inspired Unemployed, to form Better Beer Co and launch Better Beer. Better Beer was a full-alcohol, low-carbohydrate product. The announcement included an image of a can of Better Beer, depicted on the right below. The content of the ASX announcement was republished in a number of industry publications, each of which displayed the Better Beer can. The reach of those articles was significant in the industry.



Up to and including 26 July 2021, there was very limited exposure of Brick Lane's Sidewinder range get-up to consumers. There was a media release to 77 journalists, one article in *Drinks Digest*, a newly formed and barely followed Instagram account, and very few, if any, sales of the product. The product was essentially unavailable until 2 August 2021. Beer consumers' knowledge of the get-up and its features was minimal.

On 3 August 2021, Brick Lane started selling Sidewinder Hazy Pale.

In October 2021, Better Beer Co started selling the Better Beer lager in 355 ml cans. 330 ml bottles followed in mid-December 2021. There was a major Better Beer campaign in the middle of November 2021 and Better Beer quickly established itself in the market.

In December 2021, Brick Lane started promoting and selling a Sidewinder branded XPA Deluxe. The XPA Deluxe had the same packaging as the Sidewinder Hazy Pale, except for the name of the product and the colour of the stripes (which were orange and yellow).

By April 2022, the XPA Deluxe get-up had established something of a reputation amongst consumers of beer, although it was a very small player in the market and most consumers of beer were not likely to have encountered the XPA Deluxe get-up.

In April 2022, Better Beer Co started selling Better Beer ginger beer, which had the same get-up as the Better Beer lager, except that the blue stripe and lettering was replaced with a stripe and lettering in burnt orange or maroon.

### ***The role of reputation***

Justice Stewart reiterated that, for the purposes of determining whether a new product's get-up is misleading or deceptive within the meaning of section 18 of the ACL, although it is not necessary to establish a particular reputation in an existing product, it is nevertheless necessary to establish some association in the mind of the relevant sector of the public between the applicant's product and its get-up such that confusion might arise from the use of the same or a similar get-up in relation to the respondent's product.

Without a pre-existing association, the use by the respondent of the same or a similar get-up will not suggest a misleading or deceptive association. Indeed, the inquiry does not *assume* that the hypothetical consumer member of the relevant class is familiar with the applicant's product: that familiarity must be established. Stewart J reaffirmed that the claim must identify the features of the get-up that are known to the public.

This analysis of the law is consistent with Full Court authority, but it is very close to saying that an applicant cannot win without establishing a reputation in its product.

Unless the relevant consumers are aware of the applicant's get-up and associate it with the applicant or its product, the applicant will have no case.

### ***The relevant date for assessing the allegedly wrongful conduct***

Justice Stewart was required to determine the relevant date at which the assessment should be undertaken as to the impugned conduct being misleading or deceptive, or likely to mislead or deceive.

Brick Lane submitted that the relevant date is the date on which the impugned products become available to consumers. The respondents submitted that the relevant date is the date on which the respondents' impugned conduct commenced, being the promotion of their product. The difference was significant because the respondents launched the impugned Better Beer to the public just five days after the applicants did, but their Better Beer lager did not reach the market until two months after the applicant's Sidewinder product. In that intervening period, Brick Lane's reputation in its get-up increased considerably.

Justice Stewart held that Brick Lane's submission was not supported by authority or logic. When a promotion precedes the availability of the promoted product for sale, the promotion can still be misleading or deceptive. Stewart J rejected the argument that conduct necessarily involves the sale, or availability for sale, of the competing product because there is no relevant harm to protect consumers against, observing that if the case were made out, Brick Lane would have been entitled to an injunction in relation to the promotion of any beers which were not yet available for sale. With respect, the authors agree.

Accordingly, Brick Lane needed to establish its reputation as at the date the Respondents first promoted their products, not the date of first sale. The relevant date for the Better Beer lager product was 26 July 2021 (the date of Mighty Craft's ASX announcement) and for the Better Beer ginger beer product the relevant date was April 2022.

### ***Identification of the relevant class of persons***

Justice Stewart held that although the Sidewinder product (which were low- or no-alcohol) and the Better Beer product (which were low-carbohydrate) might be separate segments of the beer market, together they were part of a "health-conscious" segment. His Honour held that it would be wrong to consider the case by identifying a hypothetical consumer in only one segment of the market, and that the relevant class of persons was purchasers of beer. The fact of the products being in different segments of the beer market was relevant to whether such consumers might be confused, but it did not affect the identification of the relevant class. Stewart J did not accept that the differences between alcoholic ginger beer and beer were material, given they were sold together.

### ***The reasons Brick Lane failed***

Brick Lane's claim arising from the Sidewinder Hazy Pale Ale get-up failed because when Better Beer was first promoted there was no appreciable knowledge of the applicant's Sidewinder get-up.

In relation to the Sidewinder XPA Deluxe get-up which was said to be relevant to the Better Beer ginger beer, Justice Stewart found that by the time Better Beer ginger beer was launched, the common features of the Sidewinder get-up and the particular features of the Sidewinder XPA Deluxe get-up had developed a reputation such that the hypothetical consumer might be considered to have a familiarity with them. However, Stewart J also found that the hypothetical consumer would also have familiarity with the common features of the Better Beer lager get-up at that time. The hypothetical consumer's familiarity with both get-ups had to be taken into account in considering any likelihood of confusion.

Justice Stewart found that each product had a distinctive brand name, rendered in very different typeface, which had no visual or phonetic similarities, and that the difference in the name of the product was significant. Although there were distinct similarities in get-ups, his Honour considered that the hypothetical reasonable consumer was likely to have to pay close attention when purchasing "precisely because of the huge variety in beers and the way in which they are presented" and so the "bewildering array" of options confirmed the "significance of a product's name in identifying the product" notwithstanding the product was a fast moving consumer good ("FMCG") at a relatively low price. Justice Stewart considered that, given the different names and the clarity of the statements on the packaging as to the nature of the products (low alcohol versus low carbohydrate), the possibility of a consumer choosing the wrong product was low.

This might be considered a divergence from earlier cases where the fact that the products were FMCGs meant consumers would pay less attention to branding and focus more on get-up. For example, in *Sydneywide Distributors Pty Ltd v Red Bull Australia Pty Ltd* (2002) 234 FCR 549 the applicant succeeded in a case based on similarities between the striking get-up of energy soft drinks, even though the respondent's product bore its own distinct brand name "LiveWire", in circumstances where, as the Full Court observed, the potential purchaser would "make his or her decision in a relatively short period of time". Clearly, each market must be considered separately, and simply describing something as an FMCG does not determine how much attention a consumer will pay to the get-up.

### ***Evidence of actual confusion***

There was evidence of momentary confusion on the part of two individuals, which Stewart J attributed to the similarity

of the products' get-ups. However, as the cases make clear, evidence of actual confusion is rarely determinative and can only be used to support a finding that the relevant conduct is objectively misleading or deceptive, not to reach such a finding. In this case, His Honour held that the instances of confusion arose from "fleeting observation" and led, at most, to momentary confusion.

### ***Natural Raw C Pty Ltd v Maicap Pty Ltd***

[2023] FCA 51

3 February 2023 – Nicholas J

*Trade Practices – misleading and deceptive conduct – get-up and reputation*

The applicant, Natural Raw C, claimed that the respondent, Maicap, had engaged in misleading or deceptive conduct under section 18 of the ACL, or conduct likely to mislead or deceive, by falsely representing that Maicap's coconut water sold under the "Nature's Delight" brand was made or sold by Natural Raw C or with its permission. Natural Raw C's case was based on two different types of packaging adopted by Maicap, referred to as the "2021 packaging" and the "2022 packaging".

Justice Nicholas held that there was no contravention of the ACL.

### ***The applicant***

Natural Raw C manufactures and sells various coconut beverages and related products under the trade mark RAW C (the "Raw C device mark"). Since 2014, Natural Raw C has manufactured and sold Raw C Coconut Water using the same, or substantially the same, get-up, in one litre Tetra Paks<sup>®</sup> under and by reference to the Raw C device mark. By the relevant date (being the date in 2021 when Maicap launched its product with new packaging) the Raw C Coconut Water was one of the three top-selling coconut waters in Australia, selling nationally in large quantities through Woolworths, Coles and other retail outlets.

### ***Reputation in packaging***

Justice Nicholas found that by 2021, Natural Raw C had a substantial reputation in the get-up of its one litre coconut water product. That get-up consisted of a number of elements used by the applicant in combination with the Raw C device mark. His Honour found that the Raw C device mark was highly distinctive, and it had been prominently displayed on the front of each of the Raw C Coconut Water products sold since 2014. The Raw C device mark was found to be the most significant element in the get-up of the product and was the visual feature on which consumers were likely to focus when purchasing the product, due to the prominent position it occupied on the front near the top of the pack. His Honour found that another significant element in the get-up was the black on white capitalised block font in which the words "Pure Natural Coconut Water" appeared. His

Honour also found that the aqua colour of the Raw C device mark was distinctive, but only in combination with the phrase “Raw C”, the oval shaped device, and its appendages (which the authors understand to mean the black on white printed matter in capitalised block font that were found to be present in all versions of the packaging, albeit in a slightly different arrangement).

### ***The respondent and intention***

Maicap has manufactured and sold its own coconut water product in one litre Tetra Paks® since early 2015. Until 2021, Maicap’s coconut water product was sold under the brand name “Nature’s Delight” in a get-up that was predominantly two-tone green and white in colour and labelled “Nature’s Delight 100% Pure Coconut Water”.

In 2021, Maicap re-designed the packaging for its coconut water product. The re-design was done by Ms D’Arcy, Maicap’s Head of Marketing Communications and Brand. Ms D’Arcy’s evidence was that she was at Coles doing some shopping and she decided to visit the section where the coconut water products were on sale. According to Ms D’Arcy, she visited the section to ascertain where products stood on the shelf, price points, and how much space they took up.

Justice Nicholas did not accept that this provided a complete account of Ms D’Arcy’s reasons for visiting the section. His Honour thought it was more likely than not that Ms D’Arcy was also seeking ideas which she might use in her re-design of the Nature’s Delight packaging. His Honour concluded that in visiting Coles, Ms D’Arcy intended to and did seek to acquaint herself, at least in a general way, with the packaging design utilised by other producers of coconut water.

However, his Honour was not persuaded that Ms D’Arcy deliberately copied any features of the Raw C packaging for the purpose of misleading any consumer in order to take advantage of the Natural Raw C’s reputation in the Raw C product or the get-up of that product.

### ***Evidence of confusion***

Justice Nicholas noted that there was no evidence of any consumer having been deceived or confused when purchasing or looking to purchase either Natural Raw C’s or Maicap’s products.

One of the directors of the Natural Raw C, Mr Mendelson, gave an account of walking past an IGA in September 2022, seeing what turned out to be Maicap’s product, and thinking it was his own company’s product. The incident occurred some months after the proceedings had commenced, when Mr Mendelson was well aware of the existence of Maicap’s product with the 2021 packaging. His Honour noted Mr Mendelson had made a fleeting observation and his evidence did not explain why, given that he knew of the existence of Maicap’s product, he assumed that the product he saw was

his own product. In any event, it was clear when he did a double take and looked at the product a second time, he recognised his error.

Similarly, the evidence of Natural Raw C’s financial assistant, Ms Ilievska, did not take the case any further. She had seen the Nature’s Delight product with the 2021 packaging at the Natural Raw C’s office and assumed it her company’s product. Justice Nicholson found it difficult to accept that Ms Ilievska could have been confused into thinking that this was a product made by Natural Raw C given the presence of the Nature’s Delight brand on the front of the pack, the absence of the Raw C device mark, or any other mention of Natural Raw C on the packaging. The mental processes that led Ms Ilievska to think that the Nature’s Delight product was the applicant’s product were not explored and her evidence did not explain what significance, if any, she attributed to the absence of the Raw C device mark.

His Honour found that Ms Ilievska’s response was not consistent with the mental processes in which a reasonable consumer who has some basic understanding of the function of a trade mark or brand name would engage when purchasing or looking to purchase the coconut water products. A similar conclusion was reached about the evidence of a third witness, asked by Natural Raw C to look at the Nature’s Delight product.

### ***Similarities in products common to the trade***

While Nicholas J concluded that there were some important similarities in the relevant products, those similarities were attributable to the nature of the product and the shape and style in which products like them were commonly packaged. This included the size and shape of the pack (one litre Tetra Paks®), the type and colour of the cap (white), and the use of different background colours for the front, sides and top of the pack. Further, it was clear that different shades of blue, white and green were frequently used by various players in the market. In this regard, his Honour noted the comments by Bennett J in *Natural Waters of Viti Ltd v Dayals (Fiji) Artesian Waters Ltd* (2007) 71 IPR 571 at [46], namely:

*The fact that Natural Waters may establish reputation in the Fiji Water get-up does not mean that it has a monopoly over each aspect of that get-up. The goods are ordinary articles of consumption. By their nature, goods of different manufacturers will bear some resemblance to each other. Water is sold in bottles, frequently in transparent bottles and commonly with blue caps. The marks, brands and labels play an important part in distinguishing the goods of one manufacturer from those of another ...*

His Honour distinguished *Homart Pharmaceuticals Pty Ltd v Careline Australia Pty Ltd* (2017) 349 ALR 598 at [125]–[126] where the applicant established a reputation in not only its brand name but also (and separately) in the get-up of the product. Similarly, *Sydneywide Distributors Pty Ltd v*

*Red Bull Australia Pty Ltd* (2002) 234 FCR 549 involved a highly distinctive get-up and was distinguishable from the present case.

His Honour concluded that it was unlikely that the ordinary reasonable consumer reaching for the product would not notice the brand name displayed on the front of the pack (as shown below). Rather, an ordinary reasonable consumer would understand the products to be different branded products, most likely produced by different manufacturers. The 2022 packaging was even more different. The authors note that, given how busy the packaging of coconut water appears to be and the common use of white, blue and green on that packaging, it is not surprising that his Honour concluded that brand names were the dominant feature of each product.



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

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### *Boost Tel Pty Ltd v Singtel Optus Pty Ltd*

[2023] FCA 213

14 March 2023 – Thawley J

#### **Background**

This case concerned an application brought by Boost Tel Pty Ltd (“Boost”) for an interlocutory injunction to restrain Singtel Optus Pty Ltd (“Optus”) from promoting, advertising, supplying and/or selling internet or mobile telephone services under or by reference to the product names “Boost”, “Internet Boost”, “Mobile Boost”, “Optus Boost”, “Optus Internet Boost” or “Optus Mobile Boost” (“Impugned Terms”).

Boost has provided telecommunications services in Australia since 2000. It owns a range of Australian trade mark registrations, including Australian registered trade mark no. 2099306 for “BOOST” in classes 9, 25, 28, and 38, which covers, amongst other things, telecommunications and communication services (“Boost Word Mark”). It also owns logo trade marks containing the words “BOOST MOBILE” (collectively, the “Boost Trade Marks”).

Optus is a direct competitor of Boost. It launched its new “Optus Internet Boost” and “Optus Mobile Boost” features in early 2023 as part of its “the Living Network” product available through the “My Optus” app. On 24 February 2023, Boost’s lawyers sent Optus a letter of demand requesting that it provide undertakings to cease using certain Impugned Terms. No such undertakings were given and on 27 February 2023, Boost commenced proceedings against Optus for trade mark infringement, misleading or deceptive conduct, and passing off. It relied only on its trade mark infringement case under the *Trade Marks Act* 1995 (Cth) s.120(1) in seeking the interlocutory injunction.

#### **Issues in dispute**

In deciding whether to grant an interlocutory injunction to restrain Optus’ conduct, there were two key inquiries for Thawley J of the Federal Court of Australia:

1. Whether Boost had “a prima facie case in the sense of a sufficient likelihood of success to justify the granting of the interlocutory relief which is sought”.<sup>1</sup> This involved questions regarding:
  - (a) whether the Impugned Terms were being used “as a trade mark”; and
  - (b) whether the Impugned Terms (other than the word “Boost”) were substantially identical or deceptively similar to the Boost Trade Marks.<sup>2</sup>
2. Whether the “inconvenience or injury the applicant would be likely to suffer if an injunction were refused outweighs the injury the respondent would suffer if the injunction were granted”<sup>3</sup> (the “balance of convenience” test).

### ***Prima facie case***

#### *Use of the Impugned Terms “as a trade mark”*

On this issue, the Court considered the use of the Impugned Terms in an Optus press release and on Optus’ website. Thawley J assessed the use of the whole marks in context. His Honour considered that whilst the word “Boost” may have a descriptive element (in the sense of an improved service), this did not prevent it from also possibly serving as a badge of origin.<sup>4</sup> His Honour also accepted that, whilst not determinative, the appearance of “Boost” in capitalised form and distinctive yellow font on Optus’ website were “part of the way that the new features – Optus Mobile Boost and Optus Internet Boost – have been presented and forms part of the context which must be considered in determining, objectively from the perspective of a consumer, whether the Impugned Marks were being used as trade marks”.<sup>5</sup>

Taking into account the evidence “objectively from the perspective of a consumer, taking into account the context and applying common-sense”,<sup>6</sup> the Court found that it was “arguable that each of the Impugned Terms were being used as a sign or mark to indicate a connection in the course of trade between the services offered and Optus, and to distinguish those services from services provided by others”.<sup>7</sup> The argument was “particularly strong” in relation to Optus’ use of the word “Boost” on its own.<sup>8</sup> Furthermore, the Court found that the mere fact that Optus incorporated the word “Optus” in front of some of the Impugned Terms did not prevent an argument that the “mark as a whole” was being used as a trade mark.<sup>9</sup>

#### *Deceptive similarity*

Thawley J found that there was a prima facie case that the Impugned Terms, other than “Boost” used on its own, were deceptively similar to one or other of the Boost Trade Marks, and especially the Boost Word Mark.<sup>10</sup> His Honour said, by way of example, that it was arguable that “the use of the word ‘Boost’ (often with a capital letter, sometimes in yellow) [would] cause consumers to wonder if that which Optus [was] offering [was] associated with Boost”,<sup>11</sup> and similarly, that the phrase “Mobile Boost” was deceptively similar to the figurative trade mark “BOOST MOBILE”, in circumstances where the “imperfect recollection of a number of typical consumers” would make them unable to remember or distinguish between the order of the words.<sup>12</sup>

Furthermore, Thawley J held that “[the] word “Boost” is descriptive, and is used in parts of the material on this application descriptively, but it is also a distinctive word”.<sup>13</sup> His Honour found it was arguable that any confusion likely caused by the use of the word “Boost” was not dissolved merely by the addition of the words “Optus”, “Internet”, and/or “Mobile” in the Impugned Terms.<sup>14</sup> This was regardless of whether Optus’ reputation was taken into account.<sup>15</sup>

Optus also submitted that it did not infringe Boost’s registered trade marks by reason of s.122(1)(b)(i) of the Trade

Marks Act, arguing that it had used the Impugned Terms “in good faith” to indicate the “intended purpose” or “some other characteristic” of the goods in question. The Court was ultimately “unpersuaded that s.122(1)(b)(i) provides a strong answer to the prima facie case of infringement under s.120(1).”<sup>16</sup> Thawley J suggested it was unlikely that it would not have occurred to a commercial entity like Optus that using the word “Boost” might have attracted Boost’s attention and caused a dispute,<sup>17</sup> Boost being a significant industry participant and former commercial partner. Furthermore, his Honour concluded there was a “reasonable argument that the word ‘Boost’ was not being used ‘purely’ descriptively.”<sup>18</sup>

### ***Balance of convenience***

Thawley J was satisfied that the balance of convenience weighed in favour of Boost and the granting of interlocutory relief. His Honour found that there was a risk that consumers would wrongly assume an association between Optus and Boost, and consequently, if an interlocutory injunction was not ordered, there was a risk of damage to the Boost brand as well as the risk of lost prospective or existing customers. Furthermore, the Court considered that the Boost Word Mark was a valuable “umbrella brand” or “house mark”, in which Boost had invested significantly, and for which there was “a considerable business interest at stake”.<sup>19</sup>

By comparison, the Court noted that Optus was introducing a new product to market in circumstances where it “has incurred setting up and preparation costs well aware of the risk they may be wasted”.<sup>20</sup> The Court was also persuaded that Optus’ use of the word “Boost” would have a negative impact on the distinctiveness, and therefore, the value of the Boost brand.<sup>21</sup> The fact that Optus apparently proposed to significantly “ramp up” the use of the Impugned Terms before the final hearing also weighed in favour of an interlocutory injunction.<sup>22</sup>

Although Optus had criticised Boost’s lack of evidence quantifying tangible losses that it has or would suffer, this was not given much weight by the Court on the basis that early relief had been sought at a time before future losses could manifest themselves, and because prediction of any future losses stemming from brand erosion and consumer confusion would in any case be difficult.<sup>23</sup> Furthermore, whilst the Court accepted that an interlocutory injunction would likely cause Optus reputational damage and compromise its promotional campaign, it considered that Optus must have been aware of those risks when it chose to use Boost’s central trade mark. For example, part of the evidence included an internal Optus marketing brief that flagged the possibility of a conflict with Boost.<sup>24</sup>

### ***Conclusion on the interlocutory injunction***

Ultimately, the Court characterised Boost’s prima facie case as “relatively strong” and “cogent”.<sup>25</sup> Considered together with the balance of convenience, Boost’s case was “sufficiently

strong to warrant the grant of interlocutory relief”,<sup>26</sup> even though such relief would likely effectively resolve the parties’ dispute by making it impractical for Optus to reinstate the Impugned Terms.

### Key points

This decision highlights a number of key points:

1. The benefit of expeditiously applying for an interlocutory injunction upon becoming aware that one’s trade mark is potentially being infringed.
2. Although a trade mark may have a descriptive element, this does not necessarily prevent it from being distinctive in context.
3. When considering the balance of convenience for ordering an interlocutory injunction, the Court will be unsympathetic to parties who choose to use a potentially infringing mark when it “must have been aware of the risk” in doing so.<sup>27</sup>
4. Given a strong enough prima facie case, the Court will not be deterred from granting an interlocutory injunction even where it would likely effectively resolve the dispute between the parties.
5. This case is helpful as a yardstick for what constitutes a “relatively strong” prima facie trade mark infringement case.

- 1 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [10], citing *Australian Broadcasting Corporation v O’Neill* (2006) 227 CLR 57.
- 2 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [24].
- 3 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [10], citing *Australian Broadcasting Corporation v O’Neill* (2006) 227 CLR 57.
- 4 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [43].
- 5 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [45].
- 6 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [46].
- 7 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [46].
- 8 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [46].
- 9 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [48].
- 10 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [61].
- 11 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [61].
- 12 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [62].
- 13 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [64].
- 14 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [63]–[65].
- 15 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [66].
- 16 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [78].
- 17 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [76].
- 18 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [77].
- 19 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [84]–[86].
- 20 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [86].
- 21 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [87].
- 22 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [88].
- 23 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [89].
- 24 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [91]–[98].
- 25 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [107]–[108].
- 26 *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [107]–[108].
- 27 See, e.g., *Boost Tël Pty Ltd v Singtel Optus Pty Ltd* [2023] FCA 213, [93].

### Dr Dimitrios Eliades

Barrister<sup>1</sup>

In this edition, I report on two decisions of Justice Downes. The first concerns an application for an extension of time to pay a renewal fee. In respect of a valuable patent, this can be a cause of great concern, particularly if the extension of time application occurs during infringement proceedings. The circumstances can lead to a series of contested hearings, as happened with this first case reviewed.

The second decision by Justice Downes relates to a referral to a Judicial Registrar to provide a report on the question of damages, including additional damages, interest and costs. The report relates to a patent infringement action wherein declaratory and injunctive relief had been granted resultant upon a finding of infringement. The parties made submissions to the referee and subsequently to her Honour in relation to the adoption, rejection, or variation of the referee’s report.

### *Nufarm Australia Limited v Advanta Seeds Pty Ltd*

[2023] FCA 109

20 February 2023

Justice Downes’ reasons concern an appeal pursuant to s.44(1) of the *Administrative Appeals Tribunal Act* 1975 (Cth) (“AAT Act”) from a decision of a member of the Administrative Appeals Tribunal (“AAT”). The AAT member granted the patentee an extension of time to pay a renewal fee in respect of Australian Patent 2009304572 (“Patent”).

The respondent (“Advanta”) was a broadacre seed company which, under its brand Pacific Seeds, supplied seeds for crops including sorghum, corn, forage, canola and wheat. With its related companies, Advanta held more than 2,300 patents relating to agricultural chemicals, seeds and seed technologies: [1].

On 24 November 2020, a delegate of the Commissioner of Patents refused an application by Advanta for an extension of time to pay the 2017 renewal fee in relation to the Patent, pursuant to s.223(2) of the *Patents Act* 1990 (Cth). That application was opposed by Nufarm Australia limited (“Nufarm”), a commercial competitor of Advanta. Nufarm opposed the appeal to the AAT, as it had done previously regarding the decision of the Commissioner’s delegate.

The history of the Patent was that it was granted on 7 January 2016, following an application by Advanta which was filed on 6 October 2009. Her Honour identified that a standard patent ceases if the patentee does not pay a renewal fee for the patent within the prescribed period: s.143(a) of the *Patents Act*. The period for payment is taken to be extended if the renewal fee is paid within the “grace period”, being six months after the relevant renewal fee is due: reg. 13.6(2) of the *Patents Regulations* 1991 (Cth).

A renewal fee for the Patent, due on 6 October 2017 (the “2017 renewal fee”), was not paid, either by the due date or within the grace period: [4]. As stated, Nufarm appealed the decision of the AAT member, pursuant to s.44(1) of the AAT Act, which provides:

*A party to a proceeding before the Tribunal may appeal to the Federal Court of Australia, on a question of law, from any decision of the Tribunal in that proceeding.*

The AAT reversed the decision of the Commissioner’s delegate to not grant the extension and granted Advanta an extension of time to pay the 2017 renewal fee in respect of the Patent. The period of the extension to pay the renewal fee was 28 days from the date of the AAT’s decision.

Her Honour was critical of Nufarm’s divergence from the grounds in the Notice of Appeal, recasting the grounds in its written submissions. Whilst this had the appearance of simplifying matters, it actually complicated matters and strayed outside the grounds of the Notice of Appeal: [56]–[57].

Her Honour affirmed the decision of the AAT for reasons including:

- Ground 1: This appeal ground failed because Nufarm mischaracterised the reasons of the AAT and error was not demonstrated: [60].
- Ground 2: Nufarm submitted that the AAT acted on a wrong principle and erred in law in finding that the broadly protective and remedial operation of s.223 of the Patents Act was relevant as to whether the discretion conferred by s.223(2) (a) was enlivened, rather than being exercised once enlivened. Contrary to this submission, her Honour determined that the statutory requirement for an error or omission to enliven s.223(2) should not be read down, nor should the “broadly protective and remedial operation” of s.223 of the Patents Act. It followed that appeal ground 2 failed: [75].
- Ground 3: CPA Global Limited (“CPA”) was appointed by Advanta’s (then) patent attorneys, Griffith Hack, to handle the payment of renewal fees during the application process and after the grant: [16]. Nufarm contended that the AAT “acted on a wrong principle and/or allowed irrelevant material to guide it and therefore erred in law” by identifying the failure by Advanta to authorise CPA to pay the renewal fee “as constituting the error or omission which led to the failure to do the relevant act”: [86].

Nufarm submitted that the error in law was that the AAT considered the failure to authorise CPA to pay the renewal fee *was itself* the failure and could not constitute the error or omission leading to the failure. Justice Downes considered that Nufarm conflated the failure to authorise CPA to pay the 2017 renewal fee

with the failure to pay the renewal fee by the due date. There was no error shown by the AAT, whose member determined that failure to pay the renewal fee by the due date, or by the end of the grace period, was caused by identifiable errors or omissions, and ultimately the failure to authorise CPA to pay the renewal fee: [77]. This had the consequence that no error had been shown in the approach taken by the AAT.

- Ground 4: Nufarm submitted that the AAT had mistaken the facts and erred in finding that at the relevant time, Advanta had in place a system for the payment of renewal fees: [100]. This ground also failed. Her Honour considered that even if it might be said that the alleged error asserted by Nufarm raised a question of law as to the proper construction of s.223(2) of the Patents Act, “no such question of law had been included in the Notice of Appeal, contrary to r. 33.12(2)(b) *Federal Court Rules* 2011 (Cth) (“FCR”), and it [was] not otherwise apparent from the grounds of appeal”: [102]. Justice Downes anticipated that, depending on the wording of such a question, it would have been deficient if all it did was to invite the Court to embark on a broad and hypothetical enquiry as to the construction and operation of the legislation. In this regard, her Honour referred to *Haritos v Federal Commissioner of Taxation* (2015) 233 FCR 315; [2015] FCAFC 92, [93] citing *Screen Australia v EME Productions No 1 Pty Ltd* (2012) 200 FCR 282; [2012] FCAFC 19, [24] (Keane CJ, Finn and Gilmour JJ).

### ***Group One Limited v GTE Gesellschaft Für Technische Entwicklungen GmbH (No 2)***

**[2023] FCA 366**

**24 April 2023**

The applicant is the patentee of Australian Certified Innovation Patent No. 2019101056, “Tennis Let Detection System with Net Tension Monitoring and Shot Clock Control” (“Patent”): [1]. The respondents are a German corporation and a director of that company respectively: [2]. In tennis, the term “let” is used to indicate when the ball is being served and it hits the net cord, but still lands in the service court.

In the proceedings, the applicant sought relief against the respondents for infringement of the Patent. The applicant claimed that the respondents offered to supply and did supply to Australian customers a system that combined a let detection system in respect of a tennis net with an integrated shot clock control marketed and supplied under the name “Trinity” (the “Trinity System”). The respondents admitted supplying the Trinity System to Tennis Australia for use in the 2019 and 2020 Australian Open Tournament, but denied that it infringed the Patent: [4].

After the filing of their respective defences, the respondents terminated the retainer of their Australian lawyers on 13 July 2020. On 29 June 2022, Justice Greenwood of the Federal Court of Australia made orders requiring the respondents to file a notice of address for service within the jurisdiction and that if the respondents, or either of them, failed to comply with the order, judgment would be entered for the applicant with damages, interest and costs to be assessed: [6]. The respondents failed to comply with the order.

In August 2022, declaratory and injunctive relief was granted to the applicant. In relation to damages, an order was made that the respondents pay damages to the applicant, including additional damages and interest to be assessed, pursuant to s.122(1A) of the Patents Act.

In November 2022, orders were made pursuant to s.54A(1) of the *Federal Court of Australia Act 1976* (Cth) (“FCA Act”) appointing a Judicial Registrar of the Federal Court of Australia (the “referee”). The referee was asked to inquire into and prepare a report on the following matters:

- the quantum of damages (including an additional amount under s.22(1A) of the Patents Act;
- the interest to be paid by the respondents; and
- whether indemnity costs should be ordered against the respondents.

Written submissions and evidence were filed by the applicant and the respondents to the referee. On 23 December 2022, the referee provided his report and reasons to support the determinations. Justice Downes set out those determinations as follows in [11] of her Honour’s reasons for judgment:

- the applicant should be awarded the sum of AU\$253,338.00 by way of compensatory damages pursuant to s.122(1) of the Patents Act.
- the applicant should be awarded the additional sum of AU\$100,000 pursuant to s.122(1A) of the Patents Act, for the first respondent’s infringements of the Patent, and the second respondent’s authorisation of those infringements;
- the applicant was entitled to pre-judgment interest under s.51A of the FCA Act in the amount of AU\$26,725.96 calculated up to 22 December 2022, with the daily rate thereafter until judgment is entered of AU\$58.70 per day;
- the respondents should be ordered to pay the applicant’s costs on a lump sum basis in the amount of AU\$191,356.33 (excluding GST).

In January 2023, her Honour’s chambers made the parties aware of s.54A of the FCA Act and relevantly, r. 28.67 of the FCR, which gives the Court a discretion, upon application by a party, to take certain actions as a result of the report. These include, to accept, vary or reject the report, to require clarification from the referee, to remit any matter to the

referee for further consideration, give judgment or make an order.

Rule 28.67(2) of the FCR states that a party must not adduce in the Court evidence given in an inquiry.

The applicant applied to the Court for the referee’s report to be adopted in whole and give judgment in its favour. Orders were made for the filing and service of submissions in relation to the applicant’s application, which was to be determined on the papers and for the service of the orders upon the respondents in Germany.

The applicant filed submissions in support of that application and the respondents delivered a bundle to her Honour’s chambers which were made up of a covering letter, an affidavit by the second respondent and the respondents’ submissions: [17]. The applicant filed submissions in reply.

Justice Downes considered the referee’s report at [19] to [26]. The referee considered that the respondents’ submissions were “largely irrelevant” as they sought to agitate issues which had been determined by the declaration that the patent had been infringed.

In relation to damages, the referee accepted the applicant’s submission that it was entitled to damages under s.122(1) of the Patents Act, and that those losses should be measured by the fees paid by Tennis Australia to the respondents for the Trinity System, less the expenses which otherwise would have been incurred by the applicant: [21]. Further, the referee accepted the applicant’s submission that this would represent the profit that the applicant would otherwise have made in supplying its patented system to Tennis Australia for the Australian Open Tournaments in 2019, 2020, 2021 and 2022. In relation to the expenses that the applicant would have incurred, the referee considered that other than certain travel expenses, the applicant would not have incurred any expenses of significance: [21].

The referee applied a discount of 2 per cent to be applied to the damages award to make allowance for the possibility that Tennis Australia might not have contracted with the applicant as it claimed, referring in the report to *Generic Health Pty Ltd v Bayer Pharma Aktiengesellschaft* (2018) 267 FCR 428; [2018] FCAFC 183, [182]–[183] and [186] (Allsop CJ, Yates and Beach JJ).

In relation to additional damages, the applicant sought AU\$400,000. The referee considered that an award of AU\$400,000 would be “at the high end of awards made in other cases”, and concluded that, while an award of additional damages was payable, the nature of the infringement and conduct of the respondents did not justify an award of this magnitude: [24]. The referee’s opinion was that additional damages should be payable in the amount of AU\$100,000.

As to costs, the referee was satisfied that the applicant was entitled to indemnity costs on a lump sum basis but rejected the applicant's claim for a 10 per cent uplift on its professional fees for "skill, care and responsibility": [26].

Justice Downes gave consideration to the report, observing that many of the applicant's contentions, which were accepted in part and rejected in part, were repeated in the applicant's submissions on the application: [30]. Accordingly, her Honour invited the applicant to address the inconsistencies as the applicant had sought the referee's report to be adopted in whole, which her Honour understood to mean that the applicant did not seek a variation or rejection of the report. Her Honour considered that to entertain the rejected submissions amounted to a hearing de novo: [33].

As to the respondents' submissions, her Honour considered that these, like the submissions to the referee, sought to re-agitate matters going to infringement and were silenced by the declaratory relief granted: [35]. In addition, there was no challenge by the respondents to the report's conclusions on interest and costs.

Her Honour adopted the referee's report in whole, noting that "the referee understood the scope of the inquiry and the nature of the task, and accorded procedural fairness to the parties". Further, "the referee did not address any questions beyond those posed by the Court's referral and addressed each of the matters for determination in detail and by reference to relevant law, which was applied to the facts as found by him": [36].

1 Barrister, Queensland.

# Current Developments – New Zealand

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## *Thaler v Commissioner of Patents*

**High Court of New Zealand**

**Palmer J**

**Hearing: 8 November 2022**

**Judgment: 17 March 2023**

**[2023] NZHC 554**

**Comment:** This decision is another chapter in the litigation brought by Dr Thaler in the United Kingdom, the United States, Australia and New Zealand to determine whether artificial intelligence (“AI”) can be an inventor for the purpose of a patent application. The result in the High Court of New Zealand was consistent with that of the Full Federal Court in Australia. The legislative history of the New Zealand statute, together with principles of statutory interpretation, were determinative for the Court in refusing to allow the application to proceed.

### **Facts:**

The appellant, Dr Thaler, applied for a New Zealand patent for an improved food container for liquids. The application stated that the inventor was “DABUS, [t]he invention was autonomously generated by an artificial intelligence” but provided Dr Thaler’s own address as the inventor’s address. Dr Thaler developed and owned DABUS which comprised interconnected and interacting artificial neural networks. He provided a Notice of Entitlement to the invention on the basis that he derived title to the invention “under the principle of accession, first possession and/or possessory title”.

Before the Intellectual Property Office of New Zealand (“IPONZ”), a Principal Patent Examiner raised objection to the naming of the inventor and entitlement to grant of the application. On 31 January 2022 in a written decision, the Assistant Commissioner of Patents held inter alia:

- (a) *DABUS was not a natural person or an individual.*
- (b) *The term ‘inventor’ in the Patents Act 2013 refers only to a natural person, and individual.*
- (c) *The artificial intelligence DABUS was not a person and could not be ‘an actual deviser of the invention’ or inventor under the Act.*
- (d) *It was not possible for Dr Thaler to establish his entitlement to grant of a patent on the application because entitlement must ultimately be derived from the inventor. No inventor had been identified.*

(e) *Dr Thaler was not a person mentioned in s 22 of the Patents Act.*

(f) *Unless amended to comply with the Act and regulations, the application should be marked off as void.*

Dr Thaler then appealed.

The Court noted that Dr Thaler had made parallel applications in other jurisdictions.

In the UK, the Comptroller-General had declined the application and Marcus Smith J had upheld the decision on the basis that the “actual deviser” and the concept of an inventive step connoted a natural person. In September 2021 the Court of Appeal refused the appeal by a majority.

In Australia, the Full Federal Court held that the natural reading of s.15 of the *Patents Act* 1990 (Cth), supported by the legislative history and development of patent law, was that persons eligible for a grant of a patent became entitled through a legal relationship with the actual inventor who must be a natural person.

In the US, the District Court in Eastern Virginia held that a machine could not be an “inventor” under the *Patents Act* 35 USC. On US Supreme Court and Federal Court authority, the Court held that the term “individual” referred to a natural person and an AI could not be considered an individual.

**Held**, dismissing the appeal:

- (i) The issue of whether the *Patents Act* 2013 (NZ) allowed an AI to be named as an inventor was simply a matter of statutory interpretation [24]. This meaning was to be ascertained from its text and in light of its purpose and context as required by s.10 of the *Legislation Act* 2019 (NZ) [25]. In addition, s.11 provided that “[l]egislation applies to circumstances as they arise”. *Commerce Commission v Fonterra Cooperative Group Ltd* [2007] NZSC 36; [2007] 3 NZLR 767 at [22]; *Ortmann v the United States* [2020] NZSC 120, [2020] 1 NZLR 475 at [314] referred to.
- (ii) The text of the definition of “inventor” in ss.5 and 9 of the Act referred to the “actual deviser” without explicitly saying that an inventor has to be a person (which the definition of “application” does say). Section 22 stated that a patent may only be granted to a person who satisfies one

- of three conditions including that they are “the inventor” or derive title from the inventor [27].
- (iii) Dr Thaler was not applying for DABUS to be granted for the patent, only for DABUS to be named as the inventor. While s.22 did not provide explicitly that an inventor must be a person, it was fair to say that the natural reading of the section suggested that the inventor was a person [27].
- Commissioner of Patents v Thaler* [2022] FCAFC 62, (2022) 40 ALR 551 referred to.
- (iv) The legislative content of the Patents Act 2013 leans in favour of an inventor being a person [28]:
- (a) section 9 refers to “the inventor” and to “any other person” for the purposes of disregarding disclosure of matter consisting of an invention.
  - (b) so does s.177, for the purpose of exercising the powers of the Court on certain applications.
  - (c) sections 189–193 relate to inventors who are persons, where a request or claim is made to be mentioned as an inventor.
- (v) The most persuasive point confirming the interpretation of the provision was the legislative history. New Zealand patent legislation from 1860 to 2013 was predicated on an inventor being a person (ss.7 and 23 Patents Act 1953 (NZ)). There was nothing in the legislative history to indicate that Parliament intended to open up the possibility of an AI being an inventor under the 2013 Act. The Explanatory Note to the Bill on introduction indicated that the purpose behind the amendment was to prevent mere importers, who were not actual devisers of the invention, from qualifying as inventors. Given the purpose of Parliament it was not appropriate for the Courts to effectively expand the definition of inventor through statutory interpretation. Such a step was more appropriately reserved for Parliament [31][33].

### ***Resale Right for Visual Artists Bill 2023***

This Bill now before Parliament is designed to establish an Artist’s Resale Royalty (“ARR”) scheme in New Zealand. The introduction of the Bill meets obligations on New Zealand to implement such a scheme contained in both the NZ-UK Free Trade Agreement (Article 17.46) and the NZ-EU Free Trade Agreement (Article 18.4).

The ARR has been incorporated as a discretionary provision in the Berne Convention and more than 80 countries have now legislated for such rights. A similar scheme is already in place in Australia in the *Resale Royalty Right for Visual Artists Act 2009* (Cth).

In 2008 an earlier Bill was introduced into the New Zealand Parliament to incorporate an ARR as part of the *Copyright Act 1994* (NZ). Although this Bill reached the point of Select Committee consideration, it was discharged following the 2008 general election.

The 2023 Bill is introduced as a stand-alone piece of legislation but nonetheless is strongly linked with copyright.

The policy provisions in the Bill note its aim as being to provide an ARR for eligible artists and successive rights holders [clause 3(1)(a)]. A further purpose is to enable royalties to be administered in a way that acknowledges and respects the right of Māori and provides appropriate cultural support to Māori artists. The Bill is also inclusive of and recognises the different needs of all peoples in New Zealand.

As the New Zealand art market is relatively small, the New Zealand ARR scheme contemplates a single collection agency. The intention is to appoint Copyright Licensing Limited (“CLL”), an existing collection agency for authors’ and publishers’ copyright that has been well established for decades. CLL operates licensing schemes for such copyright works – particularly in the education field. The Government proposes a flat royalty rate of 5 per cent before any additions or deductions such as buying premium, commission or GST. The royalty rate will be established via Regulations.

The Bill is presently under Select Committee consideration.

# Current Developments – Asia

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## CHINA & HONG KONG SAR

**Dan Plane, Grace Chen and Yixin Chai**

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### **Your Trade Mark has been Stolen in China – What Next?**

Rampant trade mark piracy in China often puts companies manufacturing, exporting from and/or selling their products there at serious risk of actually infringing their own trade marks by encroaching on the pirates’ “exclusive use rights”.

This is not an uncommon occurrence in China. Beyond preemptively registering the trade mark, pirates regularly and ruthlessly go so far as to organise administrative raids and customs actions or file civil suits against their victims and their People’s Republic of China (“PRC”) business partners. Failure to give in to the pirate’s demands could lead to the seizure of branded products, administrative fines, or, in the most extreme cases, arrest and potentially a criminal conviction for counterfeiting the pirate’s registered trade mark.

Positively, recent developments in PRC law and judicial precedents are making it easier for brand owners to defend themselves in these infringement cases and to even turn the tables on trade mark pirates.

This update discusses strategies that brand owners might adopt in light of such recent developments. It also suggests best practices that brand owners can employ to prepare for, and insulate themselves from, potential trade mark infringement actions.

### **Identifying Pirated Marks**

Naturally, to anticipate and avoid the risks of potential infringement claims, brand owners should always strive to secure a locally registered trade mark before diving into the PRC market, or in any event, at least have an active application on file.

Beyond that, however, diligent searches of the PRC trade mark registry prior to wading into the market are also vital. Even after a brand owner manages to secure registrations for its own key trade marks, it is still possible for pirates to target the brand owner by identifying and exploiting any potential gaps that may exist in their portfolio. Budgets are not limitless, and even major brands cannot afford to cover every sub-brand or every given class, to say nothing of SMEs trying to establish their businesses.

Hence, regular monitoring of not only marketplaces (both physical and online) for fakes, but also intellectual property registries for pirated marks, are strongly recommended. This could be done by the brand owner itself (particularly if they have a team member with Chinese-language skills) or IP consultants. Searches on the PRC Customs database are also strongly suggested where a mark is found to have been pirated – where a recordal of that stolen right with Customs is an early warning that the pirate may be actively seeking to seize goods being exported from China.

### **Attacking Pirated Marks**

Once a pirated trade mark has been identified, the PRC Trademark Law system provides a range of tools that the true owners can use in an effort to remove any pirated marks. The most common tools include the following:

- submitting an interference letter (before preliminarily approval);
- filing an opposition (within three months of preliminarily approval);
- lodging an invalidation (within five years of registration); or
- initiating a non-use cancellation (after three years of registration).

### **Actions on the Ground of Bad Faith**

For the first three actions, which all rely on evidence of “bad faith”, it is almost never enough to simply argue that the pirate has copied the brand owner’s mark. Such copying is ubiquitous in China, making proof of an additional level of malice a necessity. In that regard, thorough online research and onsite pretext investigations into the pirate to obtain additional evidence, including proof of manufacturing of fakes, a lack of intent to use, oral admission of bad faith, other IP infringements, history of piracy of other brands, etc, are normally required. Such evidence can also be useful in subsequent enforcement actions against the pirate.

To help shape pretext investigations and arguments surrounding bad faith, China’s National Intellectual Property Administration (“CNIPA”) has published *Trademark Examination and Review Guidelines* (the “Guidelines”) that provide clues on how bad faith applications are likely to be assessed. Proving the existence of one or more of these factors will help tip the scales in the brand owner’s favour:

- a large volume of applications in a short period of time that clearly exceeds normal business needs;
- multiple applications for marks which are used by others and have a certain influence;
- repeated filings;

- applications where the applicant knows or should have known of the existence of another's prior rights (e.g., via prior dealings with the brand owner);
- applications without genuine intent to use or actual need to obtain exclusive rights (via admissions of warehousing from investigations, for example);
- multiple assignment applications to different assignees;
- helping others or trade mark agencies to file any of the above abnormal applications; and
- any other acts which violate the principles of honesty and good faith or disrupt the market order.

### *Non-Use Actions*

Filing non-use cancellations is a simple and cost-effective approach to pirated marks, and can be quite effective against warehousers holding dozens of pirated registrations. Unlike the other three options above, the sole condition here is that the mark under attack has already been registered three years. As well, and positively, the burden to produce use evidence or prove an excusable cause for non-use falls on the registrant. In practice, the Beijing Higher People's Court (the second-instance court for trade mark prosecution cases) requires that there must be actual use of the mark and true intent to use. Scarce, nominal, or occasional use of a mark is not sufficient to maintain the registration.

### *Hostage Negotiations*

Victimised brand owners may also consider confronting the pirate to try to negotiate a voluntary withdrawal (unlikely ...) or assignment (for a price ...) of the pirated mark. Whilst distasteful, a purchased assignment is nearly always the fastest solution and, if low enough, the price could end up significantly cheaper than the longer-term legal costs from a fight.

Last but not least, given the likelihood that the pirate may simply refile in the name of another applicant with cleaner records, brand owners are **strongly** advised to file their own trade mark applications in China as soon as possible in conjunction with any attacks on the pirated mark. Even in cases where settlement is reached, there is always the risk that the pirate may not assign or withdraw the registration quickly, or even that the PRC Trademark Office ("TMO") might reject an application for assignment of the mark due to the pirate's bad faith (making the mark invalid *ab initio*).

## **Defending Pirates' Attacks on Supply and/or Distribution Networks**

### *1. Analysis of Risk Factors*

#### *(a) Threats of Infringement*

Any manufacture or sale of products bearing a pirated brand in China puts the brand owner and its commercial partners at risk. For example, the pirate could readily file

an administrative complaint against the brand owner's manufacturers or distributors with the local Market Supervision Bureaux ("MSB") or criminal complaints with the local Public Security Bureaux ("police"). Raids resulting in the detention and destruction of "infringing" goods and tools, imposition of fines up to five times the amount of illegal sale, and in the worst-case scenario, imprisonment – where the value of seized/sold goods exceed relevant criminal thresholds – could all ensue.

Civil proceedings could also be filed by the pirate, with courts ordering permanent injunctions against further manufacture and/or sale, as well as the payment of compensation. The impact on brand owners varies depending on the nature of their products' use.

#### *(b) Distribution of Products in China*

Anyone who has fought a trade mark recovery action in China will know that such actions are almost never fast or cheap. Indeed, it is not at all uncommon for trade mark fights in China against committed pirates to stretch on for years. For example, the fight for the MANOLO BLAHNIK trade mark dragged on for nearly 20 years.<sup>1</sup>

During the fight, the disruption to the brand owner's supply chain and distribution network could be significant. If the pirate decides to organise a raid against the brand owner's partners, and even if the MSB is empathetic, significant work will still be required to defend the case, and could require disclosure to authorities of information to prove the true history of use of the brand: information that the brand owner may wish to keep confidential, such as the identity and location of factories, warehouses, and distributors, historical sales records, etc.

Meanwhile, it is possible that the MSB may halt sales of branded products pending a resolution of the dispute regarding a pirated mark. For example, in 2012, Apple's iPads were pulled off the shelves in cities throughout China due to an administrative complaint filed by the registrant of the "IPAD" trade mark. In the end, iPads were effectively unable to be sold in China until Apple settled with the registrant for a stunning US\$60 million. This case is clearly an outlier, but when these situations occur, brand owners always need to balance a settlement payment against possible loss of revenue, as well as goodwill, due to delays in delivery of the ordered goods to customers, loss of sales, and of course, the potential loss of reputation and goodwill.

#### *(c) Manufacture of Products for Export*

Even if the goods are only being manufactured in China for export, recordal of a pirated mark with PRC Customs could always result in a seizure of branded goods when they hit the docks. If PRC Customs identifies and seizes a shipment of branded goods due to a pirated mark, the outcome to the brand owner could be severe – including disruption to the brand owner's fulfilment of orders to their customers,

significant costs to deal with the seizure of the shipment, forfeiture of the goods and fines on involved parties of up to 30 per cent of value of the shipment, and potential loss of business opportunities. As well, and once that initial shipment has been identified and seized, any future shipments from them are also at risk. This could shut down the brand owner's entire PRC supply chain.

### **2. Registry Actions Against Pirated Marks Essential**

If the victimised brand owner has any commercial ties to China whatsoever, then preparing for and filing actions against the pirated mark is vital. Having appropriate registry actions in place against the pirated mark (and perhaps the pirate itself) will give enforcement authorities the discretion to suspend the investigation of any forthcoming infringement claims against the brand owner/its partners, ideally not resuming until any actions to determine the validity of the pirated registration are concluded. Such discretion is explicitly provided for in the law. As well, and in practice, enforcement authorities are generally inclined to suspend review of these cases and defer to the determination of the registry actions, particularly where the facts surrounding the pirate's maliciousness is clear.

### **3. Civil Suit for Declaration of Non-Infringement / Applicability of Article 59 Defence**

Chinese law also allows the prior user to pre-emptively file a lawsuit seeking a declaration of trade mark non-infringement where they can show the following:

- (1) the pirate has threatened the prior user with an action for infringement (which the prior user affirmatively denied);
- (2) the pirate delayed bringing the threatened action without good reason; and
- (3) the prior user or its licensee has suffered harm as a result of the pirate's threat.

Once filed, a request for a declaration for non-infringement should preclude other courts (and administrative agencies) from reviewing the same claim raised by the pirate or imposing preliminary injunctions on the brand owner/its partners.

Brand owners could also seek judgment under Article 59(3) of the *PRC Trademark Law* in this suit (as well as in defence of a pirate's own infringement suit). Article 59(3) permits a brand owner to continue to use an unregistered mark within its original scope of use if it can prove that:

- (a) it commenced use of the concerned mark and/or sales of its branded goods in China prior to the filing date of the registered mark, and before the registered owner started to use the mark;
- (b) the unregistered mark acquired a certain level of influence before the registered mark was filed; and

- (c) the prior use was made in good faith.

If the victimised brand owner meets these conditions, then its past use/sell was not infringement.

However, even if the victimised brand owner succeeds in its Article 59(3) claim, some restrictions still apply.

- The continued use cannot exceed the original scope of use. In practice, this may include imposition of a prohibition/restriction on enlarging the scale of sales, licensing the mark, expanding product lines or geographic coverage, etc.
- The pirate may demand adding a distinctive note on the unregistered mark to distinguish the two marks. Subject to the registered owner's demand, the prior user may not alter the design, word, colour, structure of mark in any way in the future.

### **4. OEM Exception**

In the event of Customs detention or seizure, victimised brand owners may be able to rely on the "original equipment manufacturer ("OEM") Exception" to defend themselves and their shipments. The OEM Exception is not codified in the law, but was instead developed by Chinese courts addressing seizures involving pirated trade mark registrations.

Further, the OEM Exception is a still-developing judicial construct, and it is constantly subject to changes and differing interpretations by different courts. Previously, courts have generally recognised that placement of a trade mark on goods intended solely for export purposes does not constitute "use" of the mark in China, where they will not enter the PRC stream of commerce and therefore cause confusion amongst Chinese consumers. However, after the Supreme People's Court issued the HONDAKIT decision, the situation appears to have shifted.<sup>2</sup>

For instance, recent judgments have refused application of the OEM Exception where the exported goods have been found to flow back into China, or where Chinese consumers travelling could come into contact with the goods during their travels. This doesn't mean that the brand owner can no longer rely on the OEM Exception principle as a defence, but the shift in judicial practice indicates that courts will apply stricter criteria when considering whether to apply the OEM Exception in a particular case.

Practically speaking, and where an OEM Exception request might need to be made, early preparation of required paperwork is vital. This includes sending a letter to the Chinese manufacturer/exporter explaining the situation vis-à-vis the pirated mark, and the registered status of the brand owner's mark in the destination country. The letter also needs to clarify that the manufacturer is expressly prohibited from selling the branded products in China. The letter should be bilingual as well as notarised and legalised, putting it in a

format that will be immediately understandable to Chinese Customs, and immediately admissible in Chinese courts.

### **Attacking the Pirate – Lawsuits for Unfair Competition**

Given the relatively low cost to pirates of (a) filing and refiling applications for a pirated trade mark; and (b) defending attacks against those marks, pirates regularly rely on endless registry actions to wear down the victimised brand owner's appetite to continue fighting. Forced to file costly additional applications, appeals of rejections, oppositions, invalidations, non-use actions, etc. (and with the Trademark Review and Adjudication Department ("TRAD") and courts obstinately refusing to suspend rejection appeals pending outcomes in related cases against the pirated marks), brand owners regularly grow entirely disillusioned with the process and throw in the towel. This outcome is all the more likely where there is no provision in PRC Trademark Law that provides for recovery of trade mark prosecution-related costs.

That said, the PRC Anti-Unfair Competition Law ("AUCL") provides a potential basis for civil claims against pirates by victimised brand owners, including both injunctive relief – preventing further filings by the pirate – and damages to compensate (albeit likely only partially) for the legal fees incurred in these actions. Nevertheless, a small number of decisions from courts in Beijing, Shanghai, Hangzhou, Xiamen and Guangzhou released in the last five to 10 years have confirmed a right to compensation for legal fees incurred in combatting trade mark piracy. Until recently, however, it generally required actual use of the mark by the pirate, particularly use of the mark as a weapon to harm the brand owner or its licensees. Most (if not all) courts have refused to grant compensation in the absence of such aggressive action by the pirate. This is because mere filing of trade mark registry actions has always been viewed to constitute only "administrative" acts, not "civil" acts that can be redressed under the AUCL and other PRC tort laws.

Two recent civil cases present a significant shift of the PRC courts' position on whether trade mark squatting behaviour alone, with or without substantial use, can be characterised as an act of unfair competition.

### ***Beijing Gubei Water Town Travel Case***

A recent civil case decided by the Beijing IP Court illustrates how the Court not only awarded compensation based on enforcement actions sought by the bad faith pirate against the victimised brand owner, but also made clear that the victim can claim compensation of legal costs incurred in registry actions necessitated by the bad faith behaviour, including the cost of pursuing an invalidation, appeal of the refusal of the victim's own trade mark applications, and even subsequent court appeals in those actions.

The plaintiff in this case was Beijing Gubei Water Town Travel Co., Ltd. ("GWT"), a village-sized tourist resort near

the Great Wall of China established in 2010. Since that time, GWT had been making continuous use of "Gubei Water Town" as its trade name and trade mark, generating annual revenues in excess of AU\$2.2 million. In spite of its success, however, it failed to register its trade mark for two key products: clothing and alcoholic beverages.

The defendant Beijing Xiaohao Technology Co., Ltd ("BXT") was established in 2014, with a scope of business focused on "trade mark assignment and agency services". A mere two weeks after its incorporation, it applied for "Gubei Water Town" as a trade mark in the two classes neglected by GWT, Classes 25 and 33. After the marks were registered in 2016, BXT delivered a cease and desist notice to GWT and filed an administrative infringement complaint with the local MSB.

In response, GWT filed invalidations against BXT's trade mark registrations with the TRAD, asking the MSB to suspend enforcement pending the TRAD decisions. The TRAD eventually rejected GWT's invalidations, sustaining the trade mark registrations. GWT appealed the decisions to the Beijing IP Court, which concluded that BXT filed for the marks in bad faith, thus invalidating them. BXT further appealed the case to the Beijing Higher People's Court, which sustained the Beijing IP Court's decisions.

The MSB conducted its own investigation, confirmed that GWT was indeed using the trade mark on clothing and alcoholic beverages, but fortunately agreed to suspend review of the complaint pending the final outcome of the invalidations mentioned above. After the marks were finally invalidated, the MSB formally decided there was **no** infringement and closed its file on the complaint.

In the meantime, GWT had filed its own applications for the same mark. In Class 25, the application was refused due to BXT's pirate registrations. GWT appealed, first to the Beijing IP Court, then the Beijing Higher People's Court, and finally, to the Supreme People's Court with a request for a retrial.

At the end of all this insanity, GWT sued BXT for unfair competition, seeking damages consisting of: (a) the legal expenses incurred in dealing with the MSB complaint, the invalidations and court appeals; and (b) damages to GWT's goodwill and normal business operation. The Court of First Instance decided in favour of GWT and BXT (naturally ...) appealed.

Eventually, BXT was ordered to compensate GWT for economic losses in the amount of RMB280,000 (-AU\$61,000) plus reasonable expenses of RMB35,000 (-AU\$7,600), and to issue a public apology in the *China IP News*.

Importantly, and when calculating damages, both Courts explicitly supported not only GWT's claims for court appeals, but also for the underlying trade mark registry actions as well (including actions against the pirate's marks and appeals for the rejections of GWT's trade mark applications). Both Courts' reasoning relied on the pirate's bad faith in registering the underlying pirate marks to justify the damages award.

### ***The In-Sink-Erator Case***

In another case, the Fujian Higher People's Court found the pirate to have violated Article 2 of the AUCL in the absence of evidence of substantial use of the pirated marks. This means the act of filing trade mark applications in bad faith itself was sufficient to constitute an act of unfair competition.

In that case, the distinctive trade mark in dispute was "IN-SINK-ERATOR", a famous global brand used in conjunction with its instant hot water dispensers and food waste disposal systems. The plaintiff, Emerson Electric Co. ("Emerson"), had registered the mark in China in Classes 7 and 11 as early as 2009, subsequently acquiring a certain degree of fame in China since 2010. In spite of this, the defendant had filed 48 trade marks which were identical or similar to the plaintiff's trade marks in 14 classes. As a result, Emerson had to file numerous trade mark oppositions, opposition appeals, and even court appeals to prevent the pirated applications from becoming registered.

Unlike past AUCL cases, where defendants have made extensive use of the pirated registrations and initiated enforcement actions against genuine brand owners, in this case the defendant had made only random use of the pirated registration. Still, the Court awarded damages of RMB640,000 (- AU\$140,000) to compensate the plaintiff for the reasonable expenses incurred in relation to battling the defendant's trade mark piracy.

Notably, the Court also held the trade mark agent to be contributorily liable for the damages, and issued an order enjoining all four defendants from filing any further trade marks identical or similar to the plaintiff's trade marks.

### **Upcoming developments**

While the *GWT* and *In-Sink-Erator* cases appear hopeful, it must be remembered that China is a civil code country where rules from individual courts – even superior courts – do not represent binding precedent in future cases. As well, AUCL cases are notoriously fact specific, and the great weight of jurisprudence on these claims leans in favour of rejecting claims for attorney's fees as "damages" therein.

That said, in August 2022, the CNIPA recently noted that it is actively exploring statutorily mandated liability for civil damages arising from bad faith trade mark applications,

along with an increase in fines for bad faith conduct and provision for counterclaims against malicious litigation involving attempted enforcement of pirated trade marks. Hopefully in the meantime, the CNIPA's public support for the premise of civil liability for registry piracy helps persuade courts hearing such cases to follow CNIPA's lead, extending victim's rights to force pirates to bear the natural consequences of their bad faith conduct.

- 1 See Reuters, 'Manolo Blahnik wins decades-long trademark battle in China', *The Guardian* (online, 20 July 2022) <<https://www.theguardian.com/fashion/2022/jul/20/manolo-blahnik-wins-decades-long-trademark-battle-in-china>>.
- 2 See Dan Plane and Grace Chen, 'Reducing Infringement Risks in China following the HONDAKIT OEM Exception Decision', *SIPS* (Web Page, 1 August 2020) <<https://sips.asia/knowledge/legislation-and-policy/reducing-infringement-risks-in-china-following-the-hondakit-oem-exception-decision/>>.

## JAPAN

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#### Japan Allows Suspension of Examination for Divisional Patent Applications Pending Appeal Proceedings

On 13 February 2023, the Japan Patent Office (“JPO”) announced<sup>2</sup> that it will introduce measures that allow patent applicants to request the suspension of examination of divisional applications filed from parent patent applications that are pending appeal proceedings.

Under Japan’s patent law, divisional applications can only be filed during the periods for responding to Office Actions, the period for filing a Notice of Appeal, and the period after the issuance of a Decision to Grant a Patent and before paying the issue fee (except when the Decision to Grant a Patent is issued after the filing of a Notice of Appeal in the same application).

As a result, once a Notice of Appeal is filed, there may not be an opportunity to file a divisional application and, therefore, applicants may wish to continue prosecution via the appeal route. Applicants can hedge their chances of success with the claims being pursued on appeal by having the divisional application function as a placeholder or standby.

In the event that the appeal is subsequently unsuccessful, the applicant may pursue different claims in the pending divisional application. Alternatively, a divisional application is filed pending an appeal of the parent application so the applicant can maintain subject matter pendency to reconsider later patent prosecution options, notwithstanding the outcome of the appeal.

In order to avoid unnecessary efforts of both applicants and JPO examiners, the JPO has implemented measures to allow applicants, who have filed both a Request for Appeal and a divisional application in response to a Decision of Refusal, to request suspension of examination of the divisional application until the result of the appeal is made known.

The procedures for requesting suspension of examination in such circumstances are as follows:

- (1) filing a written statement within five working days explaining the reasons for the request for suspension of examination; and
- (2) sending the requisite form to the JPO within five working days stating that said reasons have been provided.

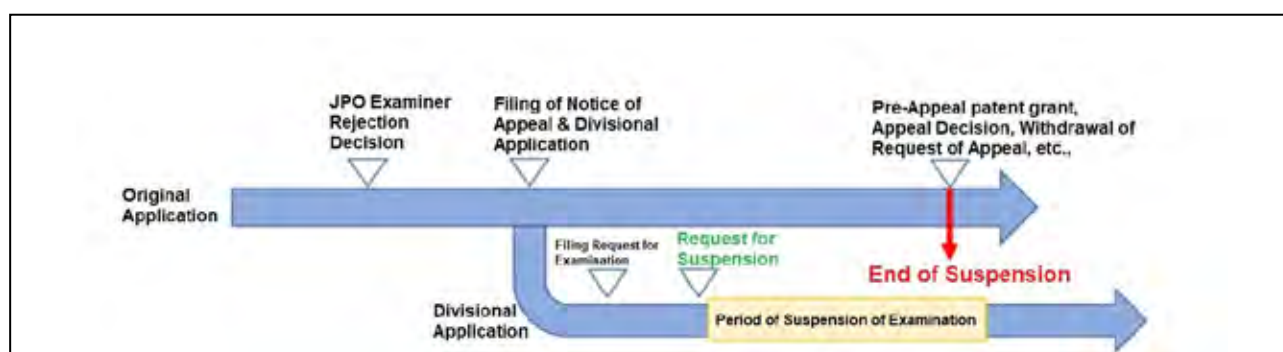
Once the request for suspension of examination is accepted by the JPO, the examination will be suspended until three months after any of the following events:

- (1) the issuance of a decision to grant a patent as a result of re-examination by the examiner (when an amendment is filed together with a Notice of Appeal); or
- (2) the issuance of a first trial decision; or
- (3) the withdrawal or dismissal of the Notice of Appeal

The following diagram provided by the JPO<sup>3</sup> illustrates the new divisional application examination suspension procedure:

This new suspension procedure also applies to divisional applications for which a Request for Examination is filed on or after 1 April 2023.

#### *Suspension of Divisional Application Examination*



Source: JPO

### ***Practice Pointers***

As indicated above, typically such divisional applications filed in conjunction with appeal proceedings are just serving a precautionary purpose while awaiting the appeal outcome. However, a request for examination must be filed within three years from the filing date of the parent (an international filing date for a national phase entry of a PCT application), or 30 days from the filing date of the divisional application. It is likely that many applicants will already be in an advanced stage of prosecution, so the examination fee must be paid before the outcome of the appeal of the parent is issued. Therefore, in order to minimise the examination fee, most applicants will only pursue one claim in such appeal-related divisional applications.

However, according to the JPO, divisional applications utilising this suspension procedure must have a claim that possess a technical feature, hence applications using this procedure can no longer pursue a simple omnibus claim. Therefore, care should be taken to ensure that the claim in the divisional is sufficient to be eligible for this suspension procedure.

Additionally, once the outcome of the appeal is issued, and if the applicant needs to pursue different claims in the divisional, it can do so and file an amendment to increase the number of claims. This can be done so long as the amendment is submitted before the first Office Action is issued, while paying additional fees for requesting examination corresponding to the newly added claims.

It is important to note that although requesting a stay of examination may result in cost, time and effort efficiencies, what every applicant actually wants is more control over the examination timeline and maximum procedural maneuverability.

At the commencement of the appeal proceedings, suspending the examination of the divisional application may be a good idea, but market conditions change with time, e.g., competitors appear with new products and services that need to be covered by new claims. In such circumstances, the applicant would file fresh claims to pursue in a pending divisional and prosecute them promptly in accordance with the market conditions.

One drawback with the measures to suspend examination of divisional applications is that the process cannot be unilaterally withdrawn or revoked by the applicant. Therefore, prosecution of the divisional application under suspension cannot be restarted by the applicant until the appeal outcome of the parent patent application. This can limit the applicant's maneuverability and prosecution options. Therefore, applicants should carefully consider whether to use the procedure and be mindful of any timing and cost considerations.

- 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](mailto: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 (Japanese Web Page) <[https://www.jpo.go.jp/system/patent/shinsa/general/bunkatu-shutugan\\_chushi.html](https://www.jpo.go.jp/system/patent/shinsa/general/bunkatu-shutugan_chushi.html)>.
- 3 Japan Patent Office (Japanese Web Page) <[https://www.jpo.go.jp/system/patent/shinsa/general/bunkatu-shutugan\\_chushi.html](https://www.jpo.go.jp/system/patent/shinsa/general/bunkatu-shutugan_chushi.html)>.

### SINGAPORE

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**Battle of the birds: Twitter stops Singapore tech firm from registering as a trade mark a similar bird logo**

***V V Technology Pte Ltd v Twitter, Inc* [2022] SGHC 293**

After a five-year battle, the trade mark dispute between Twitter and the Singapore technology company V V Technology Pte Ltd (“VVT”) regarding their competing bird logos has drawn to a close. The Singapore High Court agreed with the tribunal below and held that VVT’s bird logo



conflicted with Twitter’s earlier rights in its own bird logo



and that VVT’s bird logo should, therefore, be refused registration as a trade mark.

#### **The marks were visually and conceptually similar**

In particular, the High Court found that the marks were visually similar. From a visual standpoint, the marks shared similarities in terms of their general shape and composition, especially when one adopted a higher level of abstraction recommended by English and European case law. In addition, their features were found to be similar.

The High Court also found that the marks were conceptually similar as they both depicted birds in flight.

#### **There was a likelihood of indirect confusion**

On the back of those two similarities, the High Court found that a significant proportion of the relevant public would likely be confused, at least indirectly, as to whether there was a connection between the two marks. Indirect confusion refers to the incorrect perception of an economic link between two marks. For example, in this case, consumers would perceive VVT’s logo as a new iteration of Twitter’s bird logo and/or as a modified mark that Twitter was using for closely related digital services which were extensions of its current range of services.

These were the key reasons why the High Court found that VVT’s bird logo was confusingly similar to Twitter’s and should not be registered as a trade mark.

This case also raised three issues that would be of interest to IP practitioners:

#### ***1. Acquired Distinctiveness should not be considered at the marks-similarity stage***

Prior to this case, it was an open question in Singapore whether acquired technical distinctiveness, which would require the consideration of external matters, should be considered in the marks-similarity stage or whether it should only be considered when inquiring the likelihood of confusion.

This issue arose because technical distinctiveness had to be considered within the marks-similarity inquiry and it included both inherent technical distinctiveness (i.e., the meaning of the sign from the perspective of average consumers having regard to the goods or services in question) as well as *acquired* technical distinctiveness (proved through evidence of actual use and advertising).

However, a core prohibition under Singapore trade mark law is that mark comparison is undertaken mark-for-mark without consideration of external matters, per the Court of Appeal in the seminal case of *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide, Inc* [2014] 1 SLR 911 (“*Staywell*”).

The High Court held that acquired technical distinctiveness should *not* be considered at the marks-similarity inquiry. It gave three reasons for this:

##### *(i) Precedent*

Given the inconclusiveness of other apex court decisions on this subject, the High Court was bound by *Staywell* to hold that acquired technical distinctiveness is not relevant to the marks-similarity inquiry. The statement in *Staywell* – “that the assessment of marks similarity is mark-for-mark without consideration of any external matter” – was clear and binding.

##### *(ii) Principle*

The High Court also held that not considering acquired technical distinctiveness at the marks-similarity inquiry is consistent with principle. Doing so aligned with the broader rationale behind the position taken in *Staywell*: to distinguish clearly between the resemblance of the competing marks and the question of the effect of such resemblance.

Further, by considering acquired technical distinctiveness only at the likelihood of confusion stage (as opposed to the marks-similarity stage), there is also the benefit of avoiding evaluating twice the same kind of evidence at different stages.

##### *(iii) Policy*

The High Court held that not considering acquired technical distinctiveness at the marks-similarity stage would stop much irrelevant evidence being adduced with the attendant cost consequences on all parties.

### ***2. Guidelines for the assessment of animal device marks***

The parties also disagreed on how best to carry out the comparison between the competing bird device marks. Based on a review of a series of animal device mark cases from around the world, Twitter suggested a set of guidelines to aid the Court in the comparison process. It suggested that bird device marks, or animal device marks in general, could be compared with regard to four aspects: their general shape, movement, features, and composition. These guidelines were adopted by the tribunal below as “useful guidelines”.

VVT, however, argued that the application of these guidelines found little basis in law and there should not be a special carve-out for animal device marks or to subject them to a special set of considerations.

The High Court rejected VVT’s arguments. It found that Twitter’s guidelines provided helpful and objective basis to assess the competing marks. Further, the guidelines were by themselves result neutral and did not favour any particular type of mark. The adoption of these guidelines would also not lead to a slippery slope whereby carve-outs are had for different types of marks.

### ***3. The correct weight attributable to conceptual similarity versus visual similarity***

VVT argued that where the competing marks were device marks, as they were in this case, visual similarity should be the most important factor. Consequently, it argued that the conceptual similarity in this case – that both marks represented a bird in flight – should have no or at best marginal relevance, and the assessment of conceptual similarity should lead to a neutral conclusion.

Twitter, on the other hand, argued that conceptual similarity is equally as important and is not subsidiary to visual similarity. And, where the marks in question represent highly recognisable and distinctive concepts, such as a bird in flight as opposed to an abstract geometric shape, consumers are likely to remember such a concept more as the shared concept would dominate their overall impression of the marks.

The High Court agreed with Twitter that there is no immutable rule that conceptual similarity should be considered as more or less important in relation to visual and aural similarities. All similarities have to be assessed separately and a holistic judgment made in the round at the end. To argue, as VVT did, that visual similarity is the most important factor when it comes to device marks and conceptual similarity should be relegated to marginal relevance, is not helpful.

1 Twitter, Inc. was represented by Amica Law’s Aaron Thng.

# Current Developments – Europe

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## UNITED KINGDOM

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#### “Who gave you permission to use my name and face?”

#### Licensing of image rights and commercial considerations for companies and individuals

The winner of the recently held Masters 2023 golf major doesn't just receive a name in the history books, the famous “green jacket” or handsome prize money (the total prize money was US\$18 million, with the winner, John Rahm, receiving US\$3.4 million). They will also become a commercial magnet for global companies who will be lining up to pay extravagant endorsement deals for the athlete to endorse their products, much like Tiger Woods is the face of Nike or Lionel Messi is the face of Pepsi.

Sportspersons can make eye-watering amounts of money from endorsements. Tiger Woods is undoubtedly a household name, and his success on the golf course has meant that his brand or image is always in demand. Since turning professional in 1996, he has received a reported US\$1.7 billion from endorsements alone and in 2022, Woods' earnings were over US\$68 million (with only US\$40,000 coming from tournament winnings). The same applies in other sports too.

Despite having barely played a competitive tennis match in 2022, Roger Federer remains at number seven on the *Forbes* Rich List for 2022's highest paid athletes, raking in a staggering US\$90 million from endorsing brands such as Rolex and Uniqlo. Although these are extreme examples, “image rights” for sportspersons at all levels is an important monetising tool. As the potential commercial benefits for both companies and individuals are extremely lucrative, it is vital that each party's interests are properly protected in the form of a carefully considered and negotiated commercial agreement.

This update describes what image rights are, how they can be protected in the UK and highlights some of the issues regarding the licensing of image rights, particularly for high-profile sportspersons.

#### ***What are image rights and how do you protect them in the UK?***

The term “image rights” typically means an element of an individual's personality and can include personal traits such as their name, likeness, signatures, nicknames, slogans and other similar unique characteristics. Under UK law, however,

there is no legislation that protects an individual's image rights. Instead, individuals must explore other avenues to prevent third parties exploiting these, with the two of the most common methods for high-profile sportspersons being the registration of trade marks and the tort of passing off.

#### *Trade mark registration*

Individuals can protect elements of their image rights such as their name, a slogan or sometimes their likeness by registering them as trade marks. For example, Usain Bolt registered as a trade mark his lightning bolt pose as a logo and both Tiger Woods and David Beckham have their names registered in a variety of different trade mark classes.

Registering a trade mark means the owner can prevent a third party using an identical mark in the same goods or services for which the mark is registered, without the requirement of having to prove that consumers would be confused between the marks. This method of protection does come with its limitations, since all marks must pass certain criteria under the *Trade Marks Act 1994* (UK) in order to be registered. In particular, difficulties can arise in registering marks which depict an individual's image for certain classes of goods. When the individual's image is used on merchandise such as a printed t-shirts, the person may be so well known that the mark is no longer an indicator of the origin of the goods (i.e. the t-shirt). The public may simply think the product is about the individual in question, meaning that the mark is not acting as a badge of origin. Any rights in a mark may also be lost if it is no longer used, meaning it is important for any marks registered to be put to good use in order to enjoy the exclusive rights attached to registration.

#### *Passing off*

The case of *Edmund Irvine & Tidswell Ltd v Talksport Ltd* [2002] 2 All ER 414 established a useful tool to protect image rights in the UK by allowing individuals to prevent a company using their image to endorse a product without consent. Formula One driver Eddie Irvine successfully prevented Talksport Radio from using his image on an advertising brochure without his consent. Irvine was awarded UK£25,000 in royalties (on appeal) which was considered to be the fee that Talksport would have agreed to pay Irvine for his endorsement. Three elements are required to satisfy the tort of passing off, namely: goodwill (i.e. reputation), misrepresentation, and damage.

While misrepresentation can be straightforward to demonstrate, it could be difficult for an individual to prove that they have a significant goodwill at the time of the false endorsement. Further, Irvine's case was unique as he had previously endorsed Talksport Radio, making the matter of

deciding the amount of the royalties that would or should have been paid much easier for the Court. The uniqueness of each case combined with the fact that there is no clear precedent for benchmarking royalties in such cases means that it is unclear how courts may determine royalties in future cases. Passing off will therefore only be applicable where all three elements described above are satisfied, and even then, it is unclear whether a court would determine royalties which would be satisfactory to a successful claimant. Hence, passing off only applies in limited circumstances and therefore cannot be seen as a blanket approach to protecting an individual's image rights.

### *Other methods of protection*

In addition to registration of trade marks and passing off, there are various other legal avenues which can be explored by an individual seeking to protect image rights, including privacy laws, data protection, raising complaints with regulatory bodies such as the Advertising Standards Authority and copyright infringement. A discussion of these areas is, however, beyond the scope of this update.

### *Licensing of image rights in football*

Image rights, like any other intellectual property rights, can be licensed for a fee and can be a valuable tool for monetising an individual's personal brand. It is therefore important that both parties (usually an individual and a company) fully understand the scope of the licence before entering into it.

As discussed above, the legal framework for protecting image rights in the UK is unclear. Consequently, the exploitation of image rights for professional sportspersons has long been a contentious issue, with many players seeking to protect their likenesses from being used without their permission. This is particularly relevant in the world of video games, where players' likenesses are often used to create realistic in-game avatars. One of the major players in this space has been EA Sports, the creators of the popular FIFA series of football video games.

When it comes to the licensing of image rights by third parties such as EA Sports, there is not always a straightforward exchange of image rights for compensation in an agreement between the individual and the third party. Sportspersons will often sign contracts that grant certain rights to use their likenesses for marketing purposes. However, these contracts are often vague and do not specify the exact scope of how such rights can be used. This can lead to players feeling that their rights are being violated when their likenesses are used in ways to which they did not explicitly consent.

Players may also feel that they are not being fairly compensated for use of their image rights. For example, the English Premier League ("EPL") controls the image rights of all its players through a "Standard Player's Contract" entered into between each club and all of its players. This agreement

contains a clause where a player grants their club the broad rights to use their image rights, including in relation to products or services which are endorsed or produced under licence from the club or the EPL. Such a clause allows the EPL to license all of its players' image rights collectively to third parties such as EA Sports for a hefty fee. Whilst many top football leagues operate on this collective licensing strategy, some (notably the Italian Serie A) operate on a club-by-club licensing basis, meaning that players' image rights would then be licensed to third parties on a club-by-club basis, rather than by the league on behalf of all clubs.

Both licensing approaches mean that the licensing of a player's image rights is often (to some extent) out of their control. Consequently, this may mean players cannot fully exploit their image rights independently, since they may be restricted from endorsing certain products or from setting their own fee for licensing their image rights to third parties. Given that the Standard Player's Contract is non-negotiable, the alternative would be to refuse to play in these top football leagues, something that is not particularly attractive given they represent the pinnacle of the sport.

### *When things go wrong*

The lack of clarity in licensing of image rights in football has led to calls by players and agents for more fair compensation for the value of players' image rights whose likenesses are commercially exploited by third parties such as EA Sports.



One high-profile dispute involving licensing of image rights arose in 2020 when Swedish footballer Zlatan Ibrahimović tweeted (see below) that EA Sports were using his image rights without his permission. Gareth Bale and the late "super-agent" Mino Raiola, who acted for hundreds of footballers, also indicated on social media that they were unhappy with EA Sports and would be seeking legal advice over the issue.

As seen above Ibrahimović also called out FIFPro, the global union that represents the interests of over 65,000 professional footballers around the world. It is the vehicle which acquires players' image rights (e.g. from the EPL) and licenses them to third parties such as EA Sports.

At the time as an AC Milan player, it is likely that Ibrahimović's contract with the club would have permitted the use of his image rights by EA Sports. It is also likely that FIFPro validly acquired the footballer's image rights from AC Milan and then licensed those to EA Sports for use in the FIFA game. Ibrahimović, however, claimed not to have been aware of this arrangement and it is unclear whether many players are: highlighting the importance that sportspersons review the scope of their licensing arrangements on a regular basis, including where any intellectual property rights are transferred or assigned collectively as part of wider unions or memberships.

In response, both EA Sports and FIFPro released statements. EA Sports commented:

*To be very clear, we have contractual rights to include the likeness of all players currently in our game. As already stated, we acquire these licenses directly from leagues, teams, and individual players. In addition, we work with FIFPro to ensure we can include as many players as we can to create the most authentic game. In these instances, our rights to player likenesses are granted through our club agreement with AC Milan and our long-standing exclusive partnership with the Premier League, which includes all players for Tottenham Hotspur.*

Although the dispute appears to have fizzled out, it did attract significant media attention. Ibrahimović's conduct also demonstrate the willingness of players to take action to protect their valuable image rights, and the potential for such disputes to become high-profile public affairs through the use of social media. In this case, EA Sports appeared to have the contractual right to use players' image rights; however, it does serve as a useful reminder for licensees to ensure that they have the legal right to use players' image rights for their intended purposes.

Interestingly, FIFA announced in 2021 that it was discontinuing its licensing agreement with EA Sports, meaning the EA Sports FIFA franchise will come to an end with the FIFA 23 instalment. This raised questions about the future of image rights in football video games. However, EA Sports has confirmed that it will be retaining its unique licensing portfolio of more than 19,000 players, 700 teams, 100 stadiums and 30 leagues, presumably through its licensing agreements with FIFPro. It is therefore likely that the legal issues surrounding the use of players' likenesses, particularly relating to their use in video games, will continue to be a hot topic.

### ***Ownership issues***

As with any agreement for the assignment or license of rights, it is vital that the parties check that the purported assignor or licensor of any image rights actually owns the rights they are seeking to assign or license.

Notable disputes have arisen in respect of the actual ownership of image rights, including those involving football manager José Mourinho and tennis player Roger Federer. Mourinho left Chelsea Football Club in 2016. However, the club still owns the UK trade marks for "José Mourinho" and "Mourinho", meaning that the football manager cannot commercialise his own name without consent from his previous employer.

Similarly, Roger Federer's famous "RF" branding was created and registered by Nike, his sponsor at the time. Federer moved from Nike to Uniqlo and, without a licence or Nike's consent, he was initially unable to exploit or benefit from the brand associated with his image rights after the move. Despite Federer's allegiance to Nike for more than 20 years, the company initially refused to assign Federer the RF logo. Nike developed, registered and marketed the RF brand so it is likely that the clothing giant was unwilling to part with ownership of the trade mark unless it received a substantial payment as compensation for loss of future earnings. Legally, Nike could keep profiting from selling RF merchandise for as long as it wanted (subject to paying renewal fees for the mark). However, the mark was eventually assigned to one of Federer's companies in November 2020.

Although the commercial terms of Federer's agreements with Nike are unknown (both the original sponsorship agreements and the subsequent assignment agreement), it is possible that there was a mechanism built into the original arrangement for Federer to acquire ownership of the RF brand post-termination. Otherwise, it is likely that Federer may have had to pay a substantial fee to Nike for the company to assign the trade mark. This dispute highlights the need for individuals to be clear on what image rights they own, especially if an agreement comes to an end. It also demonstrates the need to try to futureproof commercial interests when agreeing licensing deals, although this may prove to be a difficult task as it may involve, for example, attempting to value a brand at a specific point in the future.

Both of the above examples also demonstrate the need to consider the inclusion of assignment provisions from the proprietor to the individual in specific circumstances, such as a change in employment in José Mourinho's case, or termination of the sponsorship agreement with Federer. Where a company is looking to acquire or license image rights, it is therefore sensible to carry out proper due diligence to ensure that any registered trade marks being acquired or licensed are owned by the contracting entity. From a contractual perspective, it is also prudent to ask the purported assignor or licensor to provide warranties as to the ownership of each trade mark in question.

Additionally, if a company is contracting with a sportsperson's personal service company (as is often the case), it is imperative that any image rights (or other intellectual property rights)

that are being licensed by the personal service company have been validly assigned by the individual as the legal owner of such rights. In such circumstances and to avoid any disputes, a company may want to consider asking for appropriate warranties covering the assignment of the intellectual property rights in question from the individual to the contracting personal service company.

### **Key considerations for companies and individuals**

The exploitation of image rights for sportspersons is a complex and controversial issue. In the UK, there are several legal mechanisms for the protection of image rights, but these come with their limitations and none are specific to protecting image rights. Given the lack of legal framework for protecting image rights and in order to avoid disputes over image rights, it is therefore important for both parties to review any commercial agreements which assign or license image rights to ensure they provide certainty and clarity over key issues such as:

- (1) **Ownership** – does the purported assignor (being a company or an individual) own the image rights they are seeking to assign or license?
- (2) **Scope** – is the term “image rights” properly defined?
- (3) **Use** – how are the assigned or licensed “image rights” to be used and are there any explicit restrictions or obligations on use?
- (4) **Control** – are the image rights being assigned indefinitely or licensed and does the assignor/licensor have any claw-back mechanisms to retain control of the image rights?
- (5) **Change in circumstances** – which party owns the image rights if there is a change in circumstances and are there any mechanisms for transfer of the image rights in such events, e.g. the agreement comes to an end (as in the Federer example discussed above)?

### **What next?**

Without a clear legal framework for individuals, particularly high-profile sportspersons, it is likely that issues surrounding image rights will continue to be debated in the coming years. Perhaps, as there has not been a tremendous amount of legal progress in this space since the Irvine case more than 20 years ago, there is potential in the future for high-profile sportspersons, celebrities and social media influencers to drive legislation to specifically protect image rights and prevent unauthorised use by third parties. Such progress remains to be seen, and the UK legal landscape relating to the protection of individual’s image rights remains unchanged, for now.

## EUROPEAN UNION

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**It’s all very plausible: the free evaluation of evidence at the European Patent Office**

**G 2/21 *Plausibility*,**

**ECLI:EP:BA:2023:G000221.20230323**

### **Introduction**

The Enlarged Board of Appeal of the European Patent Office (“EPO”) in its decision G 2/21 *Plausibility*<sup>1</sup> explored the issue of plausibility but also set out the rules on the admissibility of evidence in proceedings before the Office. The basic facts of the case are quite simple. The patent in question included a claim for an insecticide which was a mixture of thiamethoxam and one (or more) compounds from a particular chemical family. Significantly, this combination had greater (synergistic) effect as an insecticide than would be expected from thiamethoxam or the compound acting alongside each other in combination. The evidence supporting this synergistic effect was not available to the public before the filing date but became available later, commonly called “post-published evidence”. The questions referred from the Technical Board of Appeal<sup>2</sup> were considered in two parts by the Enlarged Board. The first dealt with the rules on post-published evidence and the second dealt with how this is material to any assessment of “plausibility” in relation to inventive step and sufficiency.

### **Post-published evidence**

The Enlarged Board explained that the general rule before the EPO<sup>3</sup> was that there should be a “free evaluation of evidence”,<sup>4</sup> which:

*... can be defined in abstract and general terms as allowing and, by the same token, requiring a judicial body, like the boards of appeal, to decide according to its own discretion and its own conviction, by taking account of the entire content of the parties’ submissions and, where appropriate, any evidence admissibly submitted or taken, without observing formal rules, whether a contested factual assertion is to be regarded as true or false.*<sup>5</sup>

This free evaluation means that there are “no firm rules according to which certain types of evidence are, or are not, convincing”.<sup>6</sup> While this is a very broad statement, it should be fitted into the wider context of the rules of evidence at the EPO where there are different standards of proof depending on the type of evidence. So, for instance, oral disclosures and prior use have a higher standard of proof than proving a patent document.<sup>7</sup> Nevertheless, the Enlarged Board went on to say that this “free evaluation” means that judges need to assess comprehensively and dutifully all the evidence

properly submitted, with the decisive factor being whether the judge is personally convinced of the matter.<sup>8</sup> Put another way, it is not permissible to disregard admissible and submitted evidence where it is relevant to the final decision before the tribunal,<sup>9</sup> as all such evidence must be considered by the decision maker.<sup>10</sup>

These broad statements of principle make the question regarding post-published evidence relatively straightforward. Post-published evidence should be considered unless it is not relevant or is not required for determining the matter in issue.<sup>11</sup> In short, post-published evidence should be treated in the same way as other evidence.<sup>12</sup> The rules as to whether post-published evidence should be admissible were a precursor to what was thought to be the “main” question before the Enlarged Board, namely what are the requirements of “plausibility”?

### *Plausibility*

Plausibility largely arises in the context of post-published evidence. The issue, whether in terms of sufficiency or inventive step, is whether the patent application has disclosed enough to show that a particular technical effect is likely to occur. While not confined to second medical use claims, it is often relevant in that context. The difficulty with such claims is that a patent is filed when it is predicted that a pharmaceutical agent will have a particular effect but in the absence of any clinical trials (often even, absence of proof-of-concept trials) it is not possible to demonstrate it *does* have that effect. Once the trials are completed the effect can be proved<sup>13</sup> but these trials invariably take place after the priority date. The question has been, therefore, if the effect cannot be proved until later what is required to be shown in the patent application as filed?

The referring Board of Appeal<sup>14</sup> identified three approaches by the Boards over the years. The first type,<sup>15</sup> *ab initio* plausibility, allows post published evidence to be taken into account only if, given the application as filed and the common general knowledge at the filing date, the skilled person would have had reason to assume the purported technical effect to be achieved.<sup>16</sup> The second type,<sup>17</sup> *ab initio* implausibility, means that post-published evidence must always be taken into account if the purported technical effect is not implausible.<sup>18</sup> The third type<sup>19</sup> is where the concept of plausibility is rejected all together.<sup>20</sup>

### *Plausibility and inventive step*

Notwithstanding this neat classification of cases, the Enlarged Board took the view that “plausibility” was used as a “generic catchword” referring to the purported technical effect which goes to the problem the invention solved<sup>21</sup> whether in assessing inventive step or sufficiency.<sup>22</sup> It reminded itself that there is no general requirement for experimental proof to substantiate patentability,<sup>23</sup> but evidence may be needed:

*... when examining inventive step if the case in hand allows the substantiation of doubts about the suitability of the claimed invention to solve the technical problem addressed<sup>24</sup>*

The Enlarged Board then went on to suggest that the three classification of cases are all based on some common ground, namely that the question is what the skilled person, with the common general knowledge in mind, understands at the filing date of the application as the *technical teaching* of the claimed invention.<sup>25</sup> Accordingly, what is loosely described as “plausibility” is really about whether or not the technical effect relied upon by the patent applicant (or proprietor) was derivable by the skilled person from the technical teaching and whether it was embodied by the originally disclosed application documents.<sup>26</sup> Even where the technical effect is proved by post-published evidence, the technical teaching must still be that in the application as filed because the demonstration that such an effect does indeed exist cannot change the nature of the claimed invention.<sup>27</sup>

Thus, if the post-published evidence demonstrates a technical effect which was not derivable from the application as filed then the evidence is inadmissible. This is because the evidence is not relevant to any fact in issue, rather than because it happened to be published after the priority date. The Enlarged Board also discussed plausibility in relation to sufficiency even though eventually this aspect was not part of any answers it gave to the referred questions.

### *Plausibility for sufficiency*

The issue of plausibility of the technical effect in relation to the sufficiency of disclosure was explained in the following terms by the Enlarged Board:

*... a technical effect, which in the case of for example a second medical use claim is usually a therapeutic effect, is a feature of the claim, so that the issue of whether it has been shown that this effect is achieved is a question of sufficiency of disclosure under Article 83 EPC ...<sup>28</sup>*

This means, according to existing Boards of Appeal decisions, that where a claim is for a second medical use of a known therapeutic agent, it is necessary for the disclosure in the application to show that the known agent’s use is “credible” for the new medical use.<sup>29</sup> Thus, the Enlarged Board concluded that the Boards of Appeal had accepted post-published evidence on a much narrower basis for sufficiency than they had for inventive step.<sup>30</sup> It stated the approach of the Boards of Appeal to be as follows:

*In order to meet the requirement that the disclosure of the invention be sufficiently clear and complete for it to be carried out by the person skilled in the art, the proof of a claimed therapeutic effect has to be provided in the application as filed, in particular if, in the absence of experimental data in the application as filed, it would not be credible to the skilled person that the therapeutic effect is achieved. A lack in this respect cannot be remedied by post-published evidence.<sup>31</sup>*

This is a summary of the decisions of the Boards of Appeal, rather than the Enlarged Board's own conclusions. It is also a little confusing. However, what the Enlarged Board appears to be saying is that for an application to be sufficient it either needs:

- (a) experimental proof in the application itself that there is a therapeutic effect; or
- (b) in the absence of experimental proof being available at that time, that the proposed therapeutic effect is a “credible” one.

If it is “credible” from the documents as filed then post-published evidence can be admitted to support this effect. But if it is not “credible” it cannot be remedied by post-published evidence proving it actually does have the claimed effect. This appears to be comparable to the approach to plausibility before the English courts with its “reasonable prediction” principle.<sup>32</sup>

### Concluding thoughts

The Enlarged Board has confirmed the wide and full application of the “free evaluation of evidence” at the EPO and that it applies without temporal limitation. Its discussion of plausibility is much less developed, however. The Enlarged Board has identified the kernel of what plausibility is about – the technical effect behind the claimed invention – but as it itself admitted, much of the guidance it gave was very abstract.<sup>33</sup> Even though it may be general in nature, the Enlarged Board did still provide guidance in relation to inventive step but in relation to sufficiency it simply summarised the case law. It is a shame the Enlarged Board did not express its own view more clearly. At best it left us able to make a reasonable predication as to the correct approach.

- 1 ECLI:EP:BA:2023:G000221.20230323.
- 2 T 116/18 *Syngenta Limited* [2022] OJ EPO A76.
- 3 This applies to administrative divisions (G 2/22 *Plausibility*, [r 33]) and to the Boards of Appeal, [r 55].
- 4 The Enlarged Board highlighted that this principle should be applied by all administrative and judicial departments of the EPO: G 2/21 *Plausibility*, [r 34]. It also suggested that it applied in all Contracting States: G 2/21 *Plausibility*, [r 47]–[r 54] (including England and Wales where such a term is not used and there are clear rules of admissibility).
- 5 G 2/21 *Plausibility*, [r 30].
- 6 G 2/21 *Plausibility*, [r 34]; also see T 482/89 *Appealable decision/ DISCOVISION* [1992] OJ EPO 646, [r 2.1]. Accordingly, the examples of evidence in European Patent Convention, art 117 are exemplary: T 543/95 *Dampferzeuger für Gargeräte mit Entkalkungseinrichtung/LECHMETALL LANDSBERG GMBH EDELSTÄHLERZEÜGNISSE* (unpublished), 10 November 1997, [r 2] and T 142/97 *Apparatus for separating disc-shaped objects/ STÖCKLI* [2000] OJ EPO 358, [r 2.2].
- 7 See *Johnson, Roughton and Cook, The Law of Patents* (5<sup>th</sup> Ed, Butterworths 2022), [2.38]–[2.48].
- 8 G 2/21 *Plausibility*, [r 31].
- 9 G 2/21 *Plausibility*, [r 32] and [r 90]; also see T 1363/14 *Befestigungs- und Einstellvorrichtung für ein Schienenfahrzeug/ ALSTOM TRANSPORT TECHNOLOGIES* (unpublished), 30 May 2016, [r 2.2.4]; T 2238/15 *Planenaufbau eines Nutzfahrzeugs/ SCHMITZ CARGOBULL AG* (unpublished), 11 April 2018, [r 2.2.6].
- 10 G 2/21 *Plausibility*, [r 42].
- 11 G 2/21 *Plausibility*, [r 43].
- 12 G 2/21 *Plausibility*, [r 56] and [r 91].
- 13 And if it cannot be proved the patent might is probably not worth defending.
- 14 T 116/18 *Syngenta Limited* [2022] OJ EPO A76.
- 15 T 116/18 *Syngenta Limited* [2022] OJ EPO A76, [r 13.4]–[r 13.4.4].
- 16 G 2/21 *Plausibility*, [VI(6)].
- 17 T 116/18 *Syngenta Limited* [2022] OJ EPO A76, [r 13.5]–[r 13.5.5].
- 18 G 2/21 *Plausibility*, [VI(7)].
- 19 T 116/18 *Syngenta Limited* [2022] OJ EPO A76, [r 13.5]–[r 13.5.5].
- 20 G 2/21 *Plausibility*, [VI(8)].
- 21 G 2/21 *Plausibility*, [r 58].
- 22 G 2/21 *Plausibility*, [r 92].
- 23 G 2/21 *Plausibility*, [r 60] citing T 578/06 *Pancreatic cells/IPSEN* (unpublished), 29 June 2011.
- 24 T 578/06 *Pancreatic cells/IPSEN* (unpublished), 29 June 2011, [r 15]; cited G 2/21 *Plausibility*, [r 60].
- 25 G 2/21 *Plausibility*, [r 71], [r 93] and [r 94].
- 26 G 2/21 *Plausibility*, [r 72].
- 27 G 2/21 *Plausibility*, [r 93].
- 28 G 2/21 *Plausibility*, [r 74].
- 29 G 2/21 *Plausibility*, [r 74].
- 30 G 2/21 *Plausibility*, [r 77].
- 31 G 2/21 *Plausibility*, [r 77].
- 32 *Fibro-Gen Inc v Akebia Therapeutics* [2021] EWCA Civ 1279, [52] (appeal to the United Kingdom Supreme Court pending). It may of course be that “credible” is a higher or lower degree of certainty than “reasonable prediction” or “plausible” in the sense under the *Patents Act 1977* (UK). But the basic approach is the same.
- 33 G 2/21 *Plausibility*, [r 95].

### FRANCE

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#### **French trade mark infringement actions and domain name registrations: recent cases**

A key provision of the European trade mark Regulation<sup>2</sup> and Directive<sup>3</sup> that apply in France provides that infringement of a trade mark shall occur “in the course of trade”.<sup>4</sup>

This provision has already led various courts to consider that the mere filing of a trade mark does not amount to trade mark infringement. The French Cassation Court ruled the same in an important decision handed down on 13 October 2021 (Decision n°19-20.504). It has also led various courts to hold that some descriptive uses of a trade mark also do not amount to infringement.

In case after case, the precise scope of what trade mark infringement covers is progressively defined by the courts. The same is true for national courts as the Directive provides at Recital 18 that:

*Use of the sign for purposes other than for distinguishing goods or services should be subject to the provisions of national law.*

A recent development on this point concerns a case decided by the Paris Court of Appeal on 17 March 2023.<sup>5</sup> It relates to an infringement action filed by the company “Fruit of the Loom”, which owns various eponymous trade marks. The dispute involves the registration of several domain names by a company based in France which commercialises items of clothing acquired through wholesalers.

Amongst the domain names filed by the defendant was the domain name <fruit-of-the-loom.fr> that directed to a website commercialising Fruit of the Loom products. Other domain names were also filed, some of which were directed to the same website while others were inactive.

In the context of the appeal, the defendant raised a new argument claiming that the mere filing of a sign as a domain name could not constitute a use *for products or services* and that it therefore cannot be trade mark infringement.

The Court endorsed this position and held that it was for Fruit of the Loom to demonstrate that the defendant used the domain names in connection with its products or services. The Court therefore quashed the decision at first instance which held that the filing of domain names was an infringement of the trade marks.

The Court ruled that only the domain names serving to redirect to another domain name or to direct to a website offering clothes for sale were infringing.

Another interesting issue in this case is that the defendant claimed to have been authorised to file the domain name in its capacity as a seller of genuine merchandise bearing the Fruit of the Loom trade mark. The Court held that while it was lawful to use the trade mark within the context of the website to indicate the origin of the goods, it was not lawful to register a domain name as it would weaken the exclusivity of the trade mark. The evidence provided by the defendant to attempt to characterise a consent from the trade mark owner in registering and using the domain names were further held as clearly insufficient.

The Court added that such domain name filing and use could lead the public to believe that the website is officially linked to the trade mark owner. Also, the mere addition of the defendant’s name on the header of the website was held by the Court as being insufficient to avoid any likelihood of confusion.

In addition to trade mark infringement, the Court also ruled that the defendant’s behaviour was unfair competition regarding the domain name <www.fruitoftheloom.com> owned by the claimant. This ruling is consistent with the French approach to unfair competition, which requires that the same act cannot be characterised as both an act of unfair competition and trade mark infringement. In that scenario, the unfair competition results from the confusion created by the domain name and not by the trade mark.

Last but not least, the Court also held that the defendant demonstrated parasitic behaviour by filing 14 domain names comprising the trade mark. Under French law, parasitic behaviour is a specific civil liability tort that can be raised in addition to unfair competition. While unfair competition can be defined broadly as any unfair act generating confusion in the market, parasitism is often defined as taking undue advantage of a company’s assets, efforts or reputation without incurring significant costs.

In this case, it was held that the defendant attempted to gain a domain name portfolio by freeriding on the reputation of the Fruit of the Loom name.

This ruling is welcome as it permits the mere filing of *several* unused domain names. Absent such a position from the Court, the possibility for a trade mark owner to sanction the mere filing of a domain name would be an issue for the trade mark owner to overcome.

However, this ruling does not provide guidance as to how to sanction the filing by a third party of *one or two* unused domain names comprising a trade mark. Likely, the general theory of fraud, defined as an act aimed at depriving someone of an asset necessary for its activity, could be useful in such circumstances.

- 1 This contribution reflects the personal views of the authors and should not be attributed to the authors' firm or to any of its present and future clients.
- 2 Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark.
- 3 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 (the "Directive").
- 4 See inter alia Article 10 of the Directive, and recital 18: "It is appropriate to provide that an infringement of a trade mark can only be established if there is a finding that the infringing mark or sign is used in the course of trade for the purposes of distinguishing goods or services".
- 5 5<sup>th</sup> Pôle 2nd Chamber Docket number 20/11289.

## GERMANY

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**German Federal Court of Justice clarifies its previous case law regarding a deception of origin in unfair competition cases**

**German Federal Court of Justice, decision dated 26 January 2023, I ZR 15/22**

### *Introduction*

In its decision dated 26 January 2023, the Federal Court of Justice ("FCJ") refined its established case law regarding acts of unfair competition by a deception of origin in cases of differing products or manufacturer designations.

### *Background*

In Germany, manufacturers are protected against acts of unfair competition by imitations under the *Act Against Unfair Competition* ("UWG"). The UWG came into force in 1909 and has been amended several times. The current version came into force on 1 August 2022. Pursuant to section 4(3) of the UWG, the distribution of imitations is prohibited if certain requirements are fulfilled:

### **Section 4 of the UWG**

*It is an act of unfair competition if someone*

(...)

*3. offers goods or services which are an imitation of the goods or services of a competitor, if it*

*(a) causes avoidable deception of the purchasers as to the commercial origin,*

*(b) unreasonably exploits or impairs the reputation of the counterfeit goods or services; or*

*(c) has dishonestly obtained the knowledge or documents required for the imitation; ... [emphasis added]*

The established case law in Germany differentiates between direct and indirect deceptions of origin. Direct deception of origin means that the public is tricked into thinking that the imitation is in fact the original product – either by an identical product, manufacturer designation, or by an identical design of the product. Indirect deception of origin means that the public assumes that the counterfeit product is a secondary brand of the original manufacturer or that there is at least a business relationship with the original manufacturer, e.g. a licensing agreement.

### *The established case law of the FCJ*

The decision of the FCJ dated 26 January 2023 refers to an older decision of the FJC dated 19 October 2000, the *Viennetta* decision.

*Vienetta* held that where opposing products have different product or manufacturer designations (and therefore only an indirect deception of origin can be taken into consideration), it is an act of unfair competition if the counterfeit product adopts all the major design characteristics of the original product. The FCJ had to deal with the question whether customers are more likely to be attracted by the product or manufacturer designation or by the design of the goods or the packaging.

The FCJ decided that it is more likely for customers to be attracted by the product or manufacturer designation. It would be highly unlikely that a consumer would consider only the external design of a product irrespective of the product or manufacturer designation on it. The contested product was a specially shaped ice cream dessert, which is an everyday product with many different competitors. In such a market, consumers will give greater importance to the product or manufacturer designation on the product.

### Facts of the case

In its decision dated 26 January 2023, the FCJ dealt with two different sets of products – butter and blended coating greases.

The plaintiff's product:



The defendant's product:



Both the first and the second instance courts decided in the plaintiff's favour and stated that the defendant's products would lead to an indirect deception of origin. The case was not comparable to *Vienetta* and it would not be necessary for the defendant to adopt all the major design characteristics of the original product. It would therefore be sufficient that the defendant's products adopted a similar design and a similar product designation. This would lead consumers to an indirect deception of commercial origin for the products.

### The decision of the FCJ

The FCJ referred the case back to the second instance court as the decision lacked factual findings regarding the assumption of an indirect deception of origin.

Regarding s.4(3) of the UWG, the FCJ first observed the established view on the testing standard for unfairness. The greater the competitive distinctiveness and the higher the degree of similarity, the lower the requirements to be met by the special circumstances justifying the unfairness of the imitation (e.g., a deception of commercial origin) and vice versa.

The FCJ stated that the defendant's product packaging is very similar to the original product packaging and therefore imitates the plaintiff's product. However, the product or manufacturer designations on the products are different. The plaintiff's designation on its product is "KERRYGOLD" and the defendant's designation is "DAIRYGOLD" with the additional designation "FROM COUNTY KERRY".

The FCJ further differentiated between direct and indirect deceptions of origin and concluded that in the present case only an indirect deception of origin could be considered. In this case where there are many different market competitors with very similar products it is highly likely that consumers would direct a higher attention to the different products or manufacturer designations on the products. The question of whether the counterfeit product adopts all of the major design characteristics of the original product was, however, not decisive on the facts. On this point the FCJ diverged from its *Vienetta* decision. In *Vienetta* the FCJ held that when considering differing products or manufacturer designations on the product, an infringement is only possible if the counterfeit product adopts all of the major design characteristics of the original product. But this could not be determined in the present case.

In the present case, the FCJ held that the designations on the counterfeit products are very similar (unlike in *Vienetta*). This is because the designation "DAIRYGOLD" and the claim "FROM COUNTY KERRY" are placed exactly where the plaintiff places the designation "KERRYGOLD". Further, both "KERRY" and "GOLD" are being used by the defendant. It is therefore possible to have an infringement without the requirement of adopting all the major design characteristics of the original product.

However, the FCJ decided that the reasoning of the second instance court would not be sufficient for the question of indirect deception of origin. The similarities in the adopted design characteristics and the similarities of the product designations were not enough. The Court must make factual findings as to why consumers think that the counterfeit products might be a secondary brand or a new product of the original manufacturer. Such an expectation of consumers could be reasoned by the fact that the counterfeit products were sold over different distribution channels or at a different (lower) sales price.

### **Conclusion**

The decision is very helpful for practice, as it clarifies case law regarding indirect deceptions of origin. The FCJ points out that *Viennetta* is not to be understood that an indirect deception of origin is generally excluded if there is no identical adoption of all essential design features. All circumstances of the case need to be taken into consideration. Thus, it is now possible for courts to find an infringement also in cases where the product designation on the counterfeit product differs from the original product and not all major design characteristics are adopted. However, it is necessary to argue in detail why consumers might think that the counterfeit product is a secondary brand or a new product of the original manufacturer.

In summary, the decision is to be welcomed, as it provides clarity when dealing with individual cases regarding indirect deceptions of origin.

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