

Intellectual Property Forum

Issue 134

Journal of The
Intellectual Property
Society of Australia
and New Zealand Inc.

December 2023

Editor
Fiona Rotstein

Contents

Editorial • In Conversation with Richard Cobden SC • Articles • Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions • Registering Trade Marks with Little or No Inherent Adaptation to Distinguish • Generative AI and Copyright: Exception, Compensation or Both? • A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US • Reports • Review of *A New Framework for Intermediary Liability: Copyright, Causation and Control on the Internet* • Review of *Research Handbook on Intellectual Property and Artificial Intelligence* • Review of *Improving Intellectual Property: A Global Project* • Current Developments • Australia • New Zealand • Asia • Europe • North America

Intellectual Property Forum

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

Editor

Fiona Rotstein
Intellectual Property Consultant, Vault Legal, Melbourne

Editorial Board

The Honourable Judge Julia Baird,
Federal Circuit and Family Court of Australia
The Honourable Dr Annabelle Bennett AC SC,
Former Justice of the Federal Court of Australia
Ms Angela Bowne SC,
Barrister, Sydney
Professor Kathy Bowrey,
Faculty of Law, University of New South Wales
Mr Andrew Brown KC,
Barrister, Auckland, New Zealand
The Honourable Justice Brendan Brown,
Court of Appeal of New Zealand
The Honourable Justice Stephen Burley,
Federal Court of Australia
Mr Julian Burnside AO KC,
Barrister, Melbourne
The Honourable Susan Crennan AC KC,
Former Justice of the High Court of Australia
Ms Clare Cunliffe,
Barrister, IPSANZ President, Melbourne
Ms Shelley Einfeld,
Principal, Shelley Einfeld IP, Sydney
Mr Clive Elliott KC,
Barrister, Auckland, New Zealand
Mr Anthony Franklin SC,
Barrister, Sydney
The Honourable Robert French AC,
Former Chief Justice of the High Court of Australia
Mr Andrew Goatcher,
Principal, Wrays, Melbourne
Mr Mark Goldblatt,
Barrister, Melbourne
The Honourable William Gummow AC KC,
Former Justice of the High Court of Australia
Dr Francis Gurry AO,
Former Director General, WIPO, Geneva
Professor Michael Handler,
Faculty of Law, University of New South Wales
Ms Katrina Howard SC,
Barrister, Sydney
The Honourable Judge Christopher Kendall,
Federal Circuit Court of Australia
The Honourable Justice Susan Kenny,
Former Justice of the Federal Court of Australia
The Honourable Michael Kirby AC CMG,
Former Justice of the High Court of Australia
The Honourable Dr Kevin Lindgren AM KC,
Former Justice of the Federal Court of Australia
Emeritus Professor Jill McKeough AO,
Faculty of Law, University of Technology Sydney
Mr Luke Merrick SC,
Barrister, Melbourne
The Honourable John E Middleton AM KC,
Former Justice of the Federal Court of Australia
Emeritus Professor Sam Ricketson AM,
Faculty of Law, University of Melbourne
The Honourable Justice Helen Rofe,
Federal Court of Australia
Ms Rosemary Wallis,
Former Barrister, Auckland, New Zealand
The Honourable Justice David Yates,
Federal Court of Australia

Subscriptions to the Journal

Four issues of the Journal are published annually.
Membership of the Society entitles you to receive the Journal.

Subscriptions to the Journal can be purchased from the Society. Contact the Society for subscription and membership information:

c/- National Secretariat
The Intellectual Property Society of Australia and New Zealand Inc
GPO Box 2491
Melbourne Victoria 3001 Australia
Telephone: (+61 3) 9761 2833
Email: ipsanz@ipsanz.com.au
Website: www.ipsanz.com.au

Contributions to the Journal

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.

Prospective contributors should write to:

Editor

Fiona Rotstein
c/- National Secretariat
The Intellectual Property Society of Australia and New Zealand Inc
GPO Box 2491
Melbourne Victoria 3001 Australia
Telephone: (+61 3) 9761 2833

Email: editors@ipsanz.com.au

Contributor's Guidelines

By submitting material for publication in Intellectual Property Forum ("the Journal"), you agree to the following terms and conditions:

- Material submitted for publication in the Journal is peer reviewed and critically appraised by the Editor (having regard to the Editorial Policies) who retains absolute discretion as to whether or not the material should be published.
- Contributors grant to the Intellectual Property Society of Australia and New Zealand Inc. ("the Society") a non-exclusive, irrevocable, perpetual, worldwide licence to publish, reproduce and communicate their copyright material in the Journal and for services, including but not limited to, libraries and educational institutions, as approved by the Society from time to time.
- The material is submitted by a contributor for publication on the basis that it has not been previously published and is an original work of the contributor.
- The contributor is responsible for the accuracy of the material, including citations and references.
- Contributors, in preparing material for publication in the Journal are required to have regard to the following guidelines:
 - Articles written for the Journal are to be approximately 5,000-10,000 words (including endnotes), with endnotes at the end of the article.
 - Reports written for the Journal are to be approximately 1,000-4,000 words (including endnotes), with endnotes at the end of the report.
 - The following information must be included with the material: the contributor's name, title, contact details: address, telephone and e-mail details and a summary of the article or report (50-100 words).
 - The material is to be supplied in electronic form and is to comply with the Journal's Style Guide.
- In consideration of the Society publishing the material in the Journal, the contributor agrees that any proceeds for such publication received by the Society may be retained by and vest in the Society.

Submission Dates for Contributions:

Journal Issue	Submission Dates
March 2024	before 1 February 2024
June 2024	before 1 May 2024
September 2024	before 1 August 2024
December 2024	before 1 November 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.

Contents

- 3 Editorial**
Fiona Rotstein
- 5 In Conversation with Richard Cobden SC**
Fiona Rotstein
- Articles**
- 10 Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions**
Associate Professor Jessica C Lai, Dr Ronelle Geldenhuys and Maryam Khajeh Tabari
- 21 Registering Trade Marks with Little or No Inherent Adaptation to Distinguish**
Brett Doyle
- 33 Generative AI and Copyright: Exception, Compensation or Both?**
Dr Rita Matulionyte
- 41 A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US**
Guy Yonay
- Reports**
- 53 Review of *A New Framework for Intermediary Liability: Copyright, Causation and Control on the Internet***
Dr Sarah Hook
- 56 Review of *Research Handbook on Intellectual Property and Artificial Intelligence***
Anthony Middleton
- 61 Review of *Improving Intellectual Property: A Global Project***
Ben Mee
- Current Developments**
- 64 Australia**
- 83 New Zealand**
- 89 Asia**
China & Hong Kong SAR, Japan, Singapore
- 96 Europe**
United Kingdom, European Union, France, Germany
- 105 North America**
United States of America



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.

Editorial – Fiona Rotstein



Photo by Harney Andrews

Fiona Rotstein, Editor

We have made it to the end of another year! I am pleased to bring you the final issue of *Intellectual Property Forum* for 2023. This edition covers the broad spectrum of IP, from trade marks and designs to copyright, patents and trade secrets. There are contributions on a range of important topics, such as gender inequality in the practice of IP law in Australia and New Zealand, plus the complicated (and evolving) relationship between generative artificial intelligence (“AI”) and copyright law.

We begin with my profile of Richard Cobden SC who was called to the New South Wales Bar in 1992 and took silk in 2005. In our conversation, Cobden reflects on his journey from being encouraged by Sir John Kerr and Sir Anthony Mason to study law while working at the Australian National Gallery to appearing in many landmark IP cases. He also shares his thoughts on how the practice of IP law has changed over the course of his career. When I ask what he views as the key issues in IP currently, Cobden states:

Copyright in computer programs is Procrustean torture. Looking back, it was pure syllogism to say, “Well, they’re written down so they’re literary works” and then to protect not only source code but object code in that way. The lack of logic in doing that, and the statutory contortions that have been layered one upon the other to attempt to accommodate it, are very clear from the recent judgment in Motorola v Hytera.¹

The *Motorola v Hytera* appeal is being heard in the Full Court of the Federal Court of Australia (Justices Beach, O’Byrne and Rofe) from 27 to 30 November 2023, so we wait for the Full Court’s view of these issues when the judgment is delivered.²

Our first article focuses on women in IP from Australia and New Zealand and their experiences with colleagues and other professions. Associate Professor Jessica C Lai, Dr Ronelle Geldenhuys and Maryam Khajeh Tabari present their findings, having interviewed 107 Australian and New Zealand women in IP. Women working across patents, copyright and trade marks discuss the gender biases, barriers and discrimination they have faced in their careers. The article is an important reminder of the work that needs to be done in the IP profession given the inappropriate attitudes that are sadly still prevalent. The authors discuss their methodology as well as their hopes for the future. However as they note, “Much of what women experience cannot change until people’s perceptions of women, and gender more broadly, change.”

Next, Brett Doyle considers how Australian applicants and practitioners should seek to register trade marks with little or no inherent adaptation to distinguish. The focus of Doyle’s article is the United Kingdom High Court decision of Justice Jacob (as his Honour then was) in *British Sugar PLC v James Robertson & Sons Ltd* [1996] RPC 281 (“*Treat*”) which has been referred to in Australia when assessing signs where the degree of distinctiveness is marginal. Doyle considers what is meant by the term “trade mark use” and assesses the “influence, value and relevance” of *Treat* on Australian jurisprudence. Doyle reviews a range of judicial and administrative trade mark decisions, including the recent High Court of Australia judgment, *Self Care IP Holdings Pty Ltd v Allergan Australia Ltd Pty* (2023) 408 ALR 195.

Dr Rita Matulionyte then takes a deep dive into generative AI and copyright. The current legal challenges in Australia and possible reform options are explored. The article details a four-step proposal which seeks to meet the needs of the Australian AI industry and the local creative industries whose works and other copyright subject matter are being used to train generative AI. Under the proposal, “non-creative AI” and “creative AI” modules are differentiated. According to Dr Matulionyte, a remuneration scheme should be created to compensate authors for the use of their copyright material to train “creative AI”. This would best be collected under a statutory licensing scheme. Dr Matulionyte also asks for greater transparency in AI training when copyright material is being used.

In our final article, Guy Yonay compares patent claim construction in New Zealand to the United States of America and the United Kingdom. Yonay analyses three New Zealand appeal judgments: *Peterson Portable Sawing Systems Ltd v Lucas* [2006] 3 NZLR 721; *Hammar Maskin AB v Steelbro New Zealand Ltd* [2010] NZCA 83; and *Doug Andrews Heating and Ventilation Ltd v Wayne James DIL & others* [2015] NZCA 122 (“*Doug Andrews*”). According to Yonay, the New Zealand Court of Appeal’s application

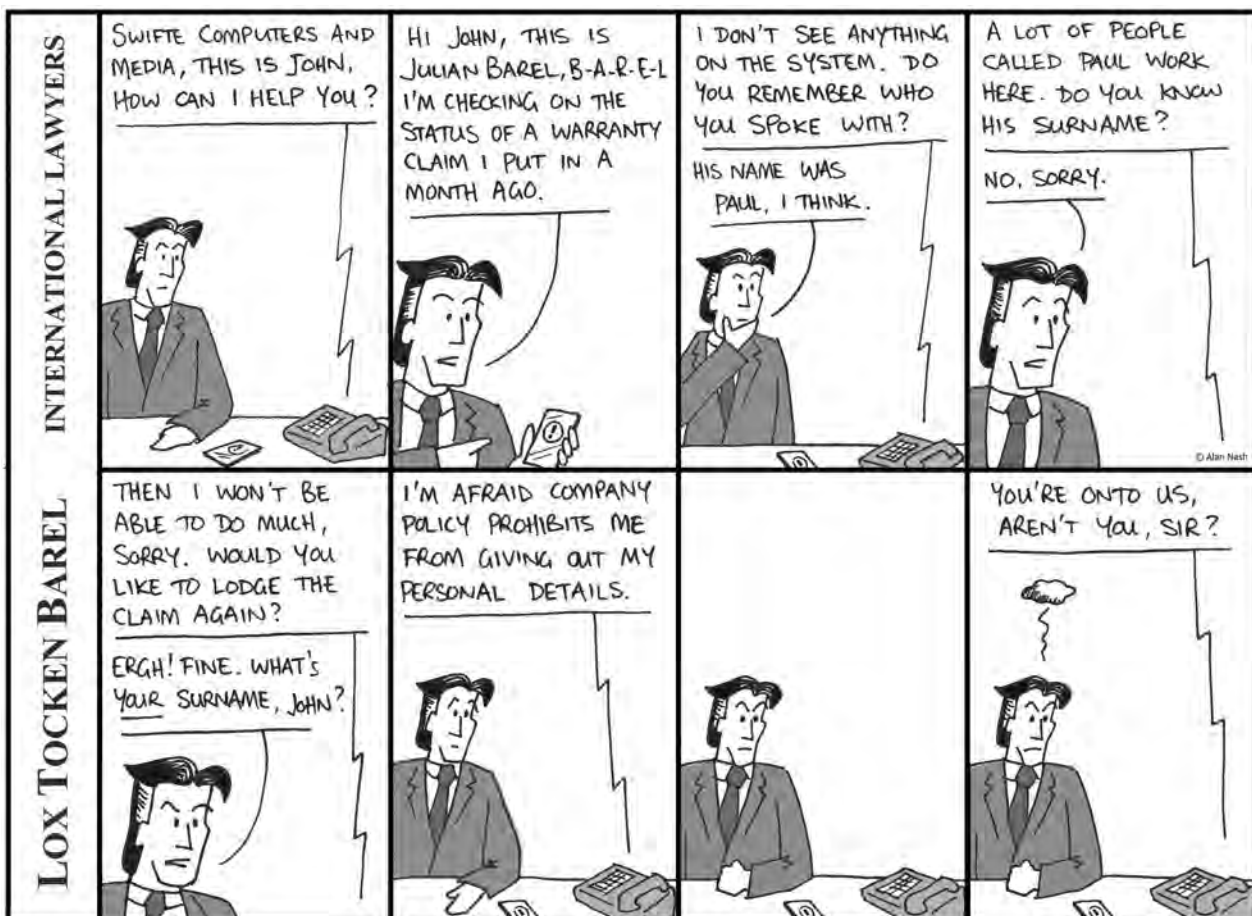
of New Zealand’s “invention-centric approach” in *Doug Andrews* provided an alternative outcome than would have been achieved under the claim construction regimes in the US and the UK. Yonay also considers the doctrine of equivalents under US and UK law and argues that it does not subsist in New Zealand patent law.

We also have three book reviews on three very different topics. First, Dr Sarah Hook reviews *A New Framework for Intermediary Liability: Copyright, Causation and Control on the Internet* by Australian IP academic Dr Kylie Pappalardo. According to Dr Hook, the book “is a unique conceptual work that really dives in to the “why” of intermediary liability instead of just the “how”.” Next Anthony Middleton reviews *Research Handbook on Intellectual Property and Artificial Intelligence*. This timely text discusses a range of topical issues regarding the connection between AI and copyright, trade marks, designs, patents and trade secrets. It features contributions from an array of IP experts, including Dr Rita Matulionyte whose article in this issue of the Journal also considers AI and copyright. Then Ben Mee reviews *Improving Intellectual Property: A Global Project* – a collection of 46 essays by IP’s leading lights. According to Mee, the book is “an outstanding resource on international IP law and policy”.

Finally, this edition is brimming with updates from Australia, New Zealand and around the world. With regard to local updates, there are analyses of a range of IP judgments from the Federal Court of Australia and the Full Court plus the recent High Court of New Zealand decision on the marathon trade mark case between competitors Bed Bath & Beyond and Bed Bath ‘N’ Table. There are also contributions from China and Hong Kong SAR, Japan, Singapore, the UK, European Union, France, Germany, and the US. These cover a variety of IP issues, including what amounts to use of a trade mark in Singapore, a UK Court of Appeal patents decision regarding the use of confidential information and trade secrets, a long-running dispute over the trade mark of a famous French bread, and the registrability of a design for a bike saddle in Germany. I thank all of the Journal’s regular correspondents for their insightful and interesting updates throughout the year.

I also thank everyone who has contributed to the Journal in 2023. As always, I welcome feedback and emails to editors@ipsanz.com.au. I wish readers a safe and happy festive season and look forward to a peaceful and productive 2024.

- 1 *Motorola Solutions, Inc. v Hytera Communications Corporation Ltd (Liability)* (2022) 172 IPR 221.
- 2 *Hytera Communications (Australia) Pty Ltd ACN 165 879 701 & Anor v Motorola Solutions, Inc.* NSD675/2023.



In Conversation with Richard Cobden SC

Fiona Rotstein



Photo courtesy of Richard Cobden SC

Richard Cobden SC

Richard Cobden SC was called to the New South Wales Bar in 1992 and appointed silk in 2005. He met with Fiona Rotstein to discuss what led him to the law, some of his career highlights and how his speciality come to be at the point where IP intersects with the music business and entertainment law.

Q: You graduated with a Bachelor of Arts and a Bachelor of Law from the University of Sydney in 1982. What initially drew you to study law?

A: This needs a brief run-up, which also leads into my involvement with the arts, music, entertainment and, ultimately, IP. I finished school in 1970, aged 17, planning to study classical music and composition. However, after a year in Europe (1971), and a serious allergic reaction to the 1972 methods of B. Mus. instruction at Sydney University, I began a career in art galleries. I started at the David Jones' Art Gallery in the Elizabeth Street Store in the city, which, it might surprise people to find out, was one of the top commercial galleries in the country. I learnt from the very best, but my job also involved long hours sitting behind the desk and dealing with the occasional client or member of the public when exhibitions were on. I read a great deal (Patrick White's *Tree of Man* in a day – although to be fair, it was late-night shopping, and a long day) and to stay alert I also studied a subject in the Barristers' Administration Board course, in fits and starts. My career in art galleries led me to being the Assistant to the Director of the (then non-existent) Australian National Gallery in Canberra from 1974 to 1976. In that role I came into the orbit of the Governor-General, Sir John Kerr, and Lady Kerr. That, and my very fondly-remembered friendship and association with them, is another long and fascinating story.

The Gallery's collection was then hidden in storage in a former frozen food warehouse in Canberra's industrial suburbs. I have a photograph of myself in a large open storeroom that was at one point my office, and the office painting on the wall behind me is *Blue Poles*. One of my jobs was to show dignitaries around the national collection – which, if not on a spare warehouse wall,

was stored in a large compactus – so I would pull out one sliding rack after another to reveal von Guérards, Glovers, Drysdales, Smarts, Nolans, de Kooning's *Woman V* etc. In any event, the Governor-General and Lady Kerr were keen to persuade the Gallery to showcase some of its Australian art at Government House, Yarralumla and Admiralty House, Sydney, where it would be seen, while the Gallery was being built, by the many official guests and other visitors who went there. They enlisted me to bring the Director of the Gallery, James Mollison, around to their point of view. He did, and James and I were often invited to the Government House and Admiralty House for events large and small and, unsurprisingly, I met an unusual number of lawyers and especially Judges – and assorted Princesses and Queens – at those occasions. In that way, through Sir John, I also met Sir Anthony Mason, then a Justice, later Chief Justice, of the High Court.

In another role at the Gallery, I served as Secretary to an ad hoc committee set up to advise Sir Garfield Barwick on the commissioning of artworks for the new High Court building, which was being designed for the site next door to the Gallery site. When we finished those meetings at the Chief Justice's chambers at the High Court in Taylor Square, I would duck downstairs to Sir Anthony and update him on the artwork commissioning process over a cup of tea. One did not get the impression that Sir Garfield was a very "sharing" person as regards decisions about the High Court building. In late 1976 Sir John and Sir Anthony engineered a lunch with just me and them at the restaurant at the Art Gallery of NSW. They had formed the notion that I should get a tertiary education, quit my job, and go back to university. But what would I study? I asked. They said, law, and so I did.

Q: You began your legal career at Allen, Allen & Hemsley, solicitors, in Sydney. You worked at the firm for 12 years from 1980 to 1992 as a paralegal, a solicitor and a Senior Associate. What did you enjoy most about your time working there?

A: What I enjoyed most was how much fun we had. And what a tolerant and broadminded place it was to work in. I think the fact that during my last year there, when I became President of Sydney Gay and Lesbian Mardi Gras and appeared regularly in the newspapers and on the radio/TV news, not an eyelid was batted when I put an “On Air/Do Not Disturb” sign on my office door, is good evidence of that. We paralegals, and younger solicitors, were travelling the eastern seaboard ordering Bacardi rum and Orchy orange juice¹ (and being served substitutes, thus leading to letters of demand, and proceedings), buying fake Snoopys, approaching housewives in carparks to get them to swear affidavits about the Cookie Monster, and enjoying mountains of free CDs provided for use as evidence in counterfeiting and parallel import cases. My then (in due course ex-, and now late) partner (and always great friend) Ted Marr was on the *Ritz* case² team under Jim Dwyer and circumnavigated the globe at least twice to attend conferences with the worldwide Ritz team, twice flying the Concorde to make it from New York to Paris in time for a meeting at the Ritz Hotel, and skipping half the instruction at the College of Law, to the amazement of the tutors there. That gives you the flavour.

Meanwhile, back on the music front we had cases about disco covers (*CBS Records Australia Ltd v Guy Gross*³) – to the delight of the tabloids, the singer Collette gave her evidence in bicycle shorts and a flimsy blouse); the soundalike case (*CBS Records Australia Ltd v Telmak Teleproducts (Aust) Pty Ltd*)⁴ where we played the music video of *Walk Like an Egyptian* to Sir Nigel Bowen, Chief Justice of the Federal Court. Fans of The Bangles will remember that the video included a fully wigged and gowned Judge walking, so the director imagined, like the figures in Egyptian hieroglyphics. We sat down with Glenn A. Baker, the “Rock Brain of the Universe”, while he analysed thousands of tracks to see whether they were “protected” or “non-protected” for broadcasting and public performance rights under the *Copyright Act 1968* (Cth). Our offices tended to be full of stuffed toys, framed gold records, bottles of alcohol with exhibit notes attached, and merchandise of all kinds.

Q: You were called to the Bar in 1992. Why did you decide to go to the Bar?

A: Again, I was just doing as I was told. I regularly appeared as a solicitor in Justice Gummow’s Thursday and Friday morning (mainly IP) call over. This was in the days before the docket system in the Federal Court and while, just before a trial, you would find out who

the trial judge was going to be, almost all the directions hearings were before Justice Gummow. There could be up to 20 IP matters in the list on each day. It was a very good apprenticeship – whether doing it yourself, or watching others; and learning when to duck. Before the list commenced one day, Justice Gummow’s Associate told me to wait behind after the list ended, as the Judge wanted to talk to me. If this evokes images of “please see the headmaster after school” you would not be far wrong. Justice Gummow called me out the back where there was a corridor that the Judges used (to come and go from court), and sat me down. “When are you going to the Bar?” he asked. I protested and said I was not, which did not interrupt the flow of instructions. “Alright, I think you had better read with David Catterns.” Somehow, I extricated myself from this situation and went back about my business, which at that point included going soon after to New York for three weeks to do a discovery. I did mention the fun part, didn’t I?

When I arrived back in Australia I had a message to ring David Catterns urgently, who seemed to have been brought in on the plan: a room at Nigel Bowen Chambers had come up, and I applied for it. I think it is long enough ago for me to reveal, shamelessly, that when I was told that the admissions ceremonies and bar courses I needed to attend had closed some time before, I called in aid some high judicial influence (not Justice Gummow, to absolve him from any inference: indeed, he may sensibly disclaim any involvement with inflicting me on the Court system) and had myself slotted in. I then went in to see Jim Dwyer, for whom I was mainly working at Allens, and said to him, “I’m going to the Bar.” He said, “When?”. I said, “On Thursday.” And so I did.

Q: Who were some of the people you worked with in your early days at the Bar and what did you learn from them?

A: This sort of question needs to be avoided at all costs. With the best will in the world you will list people, and then when the print deadline has gone by, you suddenly remember somebody you have mortifyingly left out. So, I will start by confining my answer to my early days, to other barristers, and, indeed, to senior counsel. First, however, I will answer the second part of the question – what did you learn from them? – to which the answer is, everything. I am sure people are far better-prepared these days – for example, conceivably, they are admitted as barristers, and take up their career, a bit more than seven days after deciding to do so. But the job of being a barrister is dramatically different from the job of being a solicitor. It happens in real time and when you state a proposition, even if it is 100 per cent correct and is, indeed, a matter of general acceptance, you can be asked, and have to answer on the spot, “What is the authority for that proposition? How do you get to that

point in the statute?”. This is not quite an answer to this question but I remember well going up to get an *Anton Piller* order (by definition, ex parte) based on a sound recording copyright before a Duty Judge who had simply never encountered the Copyright Act.

For some reason, the principal offence-creating section, s.132(1), came up and I said, relying on the section, that it was an offence to deal with a pirated copy of the sound recording in question, which was, as I recall, a United States recording. The Judge very fairly said, “How do you get to that point?” – the section talks only about “works”. As it happened, in order to get to that point, you had to go, in order, to s.132(4), various of definitions in s.110(1), then ss.31, 36, 13, 15, 14, the headings to Part IV, ss.10(3)(c) and (d), 89, 85, 93, 97, 101, 102, 113, 115, 184 and then various parts of the *Copyright (International Protection) Regulations 1969* (Cth). It took a good 20 minutes or so to page-turn our copies of the Act together. I happened to know it off by heart, but it made me very conscious that if I went up on a topic that I knew less well I would have to study it very carefully before crossing the road to Court.

Now to name some people, remembering that I am naming only barristers, from my early days, and only senior counsel: David Catterns QC, John Ireland QC, Dyson Heydon QC, Henric Nicholas QC, Peter Hely QC, Tony Bannon SC, Annabelle Bennett SC.

Q: What appeals to you most about IP law and why?

A: The simple answer is colour and movement. I think readers can probably work the rest out from my other answers.

Q: How did your speciality come to be at the point where IP intersects with the music business and entertainment law?

A: I think the question for me is: how could it possibly have been otherwise? At the beginning of my answer to your first question I pointed out that when I left school, I was a musician and a composer. To some extent, I still think of myself as the former, and I continued to write or arrange music for some time thereafter. In 1973, while still working at the David Jones’ Gallery, I wrote the music to accompany a passage in the play *Kaspar* by the avant-garde Austrian playwright, now Nobel Prize laureate, Peter Handke, which was directed by Richard Wherrett, and designed by Martin Sharp, at the Nimrod Street Theatre. I had to go on stage to accompany the singing of that part, which involved me dressing, like the rest of the cast, in silver-painted shoes, Mickey Mouse ears and a white painted face. While that was hugely enjoyable, and allows me to add “actor” and “composer” to my CV, making it in time to be on stage on late night shopping nights could be a little scary. I led a somewhat quieter life in the 1980s, but starting

in 1988 I began my involvement with Sydney Gay and Lesbian Mardi Gras and thus in the production of, at that time, the largest dance parties in the world, not to mention a spectacular, enormous and, again, somewhat musical Parade, and a month-long arts festival. As a director, Party Director and President in the early 1990s, followed by a continuing, very close involvement with Mardi Gras’ gigantic dance parties until the turn of the century, I am not exaggerating to say that IP and the music and entertainment businesses dominated my life for many years, occupying it at times 24-, 48- and even 72-hour non-stop stretches.

Q: As junior counsel, you appeared in the High Court of Australia in various leading copyright cases: *Telstra Corporation Limited v Australasian Performing Right Association Limited* (1997) 191 CLR 140, *Phonographic Performance Company of Australia Limited v Federation of Australian Commercial Television Stations* (1998) 195 CLR 158, *Network Ten Pty Limited v TCN Channel Nine Pty Limited* (2004) 218 CLR 273 (“*The Panel case*”) and *Stevens v Kabushiki Kaisha Sony Computer Entertainment* (2005) 224 CLR 193 (“*Stevens*”). What was it like working on such high profile cases as a junior counsel?

A: As you might have detected from my earlier answers, “high profile” was not a particular issue for me. The first thing I learnt appearing in cases like those in the High Court is that no matter how ingrained the case was with you, no matter how hard you had prepared it at trial and at the Full Court level, preparing it for the High Court meant going into the case as deeply as you had before, and then twice as deep again; and that was only for the special leave application. When preparing submissions for the full case, and preparing for the hearing, somehow you dug deeper and found out even more about the issues. All those cases involved provisions of the Copyright Act that were being construed against their legislative background, and in some cases committees of inquiry going back to 1909. There was always something more to be discovered. A highlight was in *Stevens*, when my instructing solicitor and I played the PlayStation game *Moto Racer World Tour* for the bench by projecting it onto the wall of the court room, next to the portrait of Sir Samuel Griffith.

Q: You were appointed Senior Counsel in 2005. What was that experience like?

A: To quote the Hugh Grant character from *Notting Hill*, “Surreal. But nice.” I put in an application at the last minute and did not for a moment think it would succeed. I had, of course, started serious study of the law at the grand old age of 25. I came to the Bar at 39, just 14 years earlier. I told my clerk when she came down the stairs with the envelope to put it away, I would open it later. I think she might have already

held it up to the light because she said to me, “No, you have to open it now.” It was a little unfair to the solicitors who were in a conference with me, because nothing else useful happened that day. I was the most junior (not the youngest, of course) appointee that year. Non-litigators, and perhaps many non-barristers, might not know about the curious tradition of taking your “bows” when appointed silk. Until into the 2000s, that involved wandering from court to court, looking like the Lord Chancellor from *Iolanthe* in a full-bottomed wig, your clerk trailing behind, and interrupting cases to announce that you had the “honour of being appointed senior counsel, ranking in seniority after Mr/Ms X of Queen’s Counsel (or, later, of Senior Counsel)”.

In the 1990s I was a junior instructing solicitor in the Copyright Tribunal, constituted by Justice Sheppard (not robed, of course) and two laypersons. The latter two were gobsmacked when a newly-appointed silk, fully garbed, and trailing a clerk, entered the court room like a galleon in full sail and made that speech. By 2005 this procedure had been superseded by special ceremonies before the NSW Supreme Court, the Federal Court and the High Court at which all the appointees took their bows in one session. Being last in the 2005 list meant that when the 2006 bows were taken, my name was mentioned by 2006’s most senior appointee, while those of my far more august seniors in the 2005 list were not. Very good PR.

Q: What have been some of your highlights as Senior Counsel?

A: The answer is quite easy: the highlights are mostly when you win, despite what people say. But you don’t always win, so it tempts fate to list them. But in fact, I have had considerable satisfaction from advising people, especially in the entertainment business, on difficult issues and watching them step through a minefield guided by my advice, and coming out the other side successfully. That is quite gratifying, even if quite often it is necessary to keep my involvement unknown. One achievement of which I am particularly proud is when I was called in by Senator the Hon. George Brandis QC, who was Attorney-General, and whom I knew socially, mainly through arts industry events, to rewrite his Department’s draft of what became s.115A of the Copyright Act, the site-blocking provision. While what was enacted was not exactly what I drafted, it was much closer to my version than to the Department’s version. I drafted it with practicality in mind: as it provides for a cause of action, or at least the basis for seeking an order, I asked: So who are the parties? Who does not need to be a party? Who needs to be served? How do you do that? It seems to have worked very well in practice.

Q: What skills do you believe a barrister needs in order to be successful in IP matters?

A: Persuasiveness, perseverance, productivity, patience, passion, a little pessimism and a sense of humour. They are not necessarily all skills, but it was more fun coming up with that list.

Q: What, in your view, are the key issues in IP currently?

A: Really just one: how ill-fitting many of IP’s traditional concepts and regimes are to the current world. Copyright in computer programs is Procrustean torture. Looking back, it was pure syllogism to say, “Well, they’re written down so they’re literary works” and then to protect not only source code but object code in that way. The lack of logic in doing that, and the statutory contortions that have been layered one upon the other to attempt to accommodate it, are very clear from the recent judgment in *Motorola v Hytera*.⁵ In fact, if you really think about it, this intractable process of grafting everything onto a copyright model began in 1911 with the protection of “mechanical contrivances”, which became sound recordings. Films or moving pictures were then shovelled into the same inapt structure, followed in 1968 by television and sound broadcasts. But given that history, it was really a loss of nerve in 1984 when the same thing was not done with object code. But most problematically, the concept of “substantial part”, which for “works” was completely bound up with authorship, was dragged across from traditional works, and applied to machine outputs that had no author. Even worse, in the case of television and sound broadcasts, especially once 24-hour broadcasting became the norm, the item of copyright “subject-matter” – the “whole” against which the “substantial part” is measured – did not even have a beginning or an ending. That led the High Court to hold, in *The Panel* case, that each “television broadcast” was at least each program listing in the TV guide, and that individual segments of programs might be separate “television broadcasts”. Fortunately, the latter was not up for decision.

I think another problem that we face in Australia, which is very unfortunate for particular litigants when they turn up in the High Court on an issue, is the development of an “Australian approach” to questions where somehow we have moved away, despite a strong common heritage and frequently identical statutory language, from, e.g., the UK position. I used to wonder how this imperceptible Australian change had come about until I was engaging in idle chatter with an insider during one of those interminable breaks in a mediation, and was told that the lowering of the standard of inventiveness was deliberately done because Australia is a relatively small economy fighting to make its way in the world. Given that we are told time and again that the beginning and end of the enquiry is the statutory language, this was a somewhat startling revelation.

The final big challenge – and these are somewhat random topics – arises in copyright where the US seems determined never to let the copyright in Micky Mouse or Elvis Presley expire. The slavishness with which we – and a significant part of the rest of the world – simply extended the term of copyright, which was already extraordinarily generous at 50 years from the death of the author for works, and at 50 years from the making of the subject-matter in the case of films and recordings, was completely contrary to any skerrick of the public interest. Most people do not think about it, but no copyright in *any* work or other subject-matter has expired in Australia since 31 December 2004. The stock response is to say that such term extensions encourage more creation of such things, but that is ridiculous. A major rationale of IP protection (trade marks being an exception of course) is that it is given in exchange for the resulting creative or inventive endeavours being handed over to the community, and into the public domain, at the end of a defined and confined period.

Effectively, in the case of copyright, the public's end of the bargain has not been delivered for two decades. And now, one reads, in the utterly dysfunctional and corrupted US Congress, moves are afoot to extend the 70 years yet again. Sectional interests in the US have also contrived to extend all sorts of other copyrights, such as photographs, for bizarre lengths of time. The process needs to be reversed, not perpetuated.

Q: How has the practice of IP law changed since you started your career?

A: Hmm. It used to be a bit exotic – a bit like when someone, asked, “What do you do?”, the answer, “I’m an artist”, was met with, “Yes, but what’s your real job?” – but I don’t think that the fundamentals have changed: other than in the case of passing-off/misleading or deceptive conduct, and the law relating to confidential information, each of which are regarded as being within the general province of “IP”, this is a statute-based field. So you have to know the statutes inside out. You have to consume the case law. Perhaps the hardest part, which only comes with time, is that you have to try to internalise a feel for the elusive parts of IP law (substantial part, inventiveness and deceptiveness to name the three main ones). And then you have to accept that you’ll probably never get that part completely right, at least in the sense of (always, mostly) persuading Judges to agree with you. The fact that Judges themselves disagree on such things in the same case – see, e.g., *The Panel* case – is a pretty good indication of that. Finally, you reach the Elysian calm of knowing that everyone but you (and those who agree with you) are in fact the only one to be invariably correct on the question.

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

A: Where they always have been: relevance; avoiding idiosyncrasy; and avoiding capture by forces hostile to the broader public interest. IP law is forever being added to as a result of the same worldwide bureaucrats and IP hierophants meeting one another at the same peak conferences and conventions, and perceiving needs for ever more IP which the public, were they to know about it, would not support. A life plus 70-year copyright in snapshots and shopping lists. Moral rights in home movies. The fact that it is easier to demolish a whole building on three weeks’ notice than restore an artwork forming part of the building. Plain and ordinary words being found to be distinctive of things they describe. Generally speaking, I think that the *Trade Marks Act* 1995 (Cth) was a big mistake. And, of course, it is obligatory to mention Artificial Intelligence in this context. Given that the law has not yet managed to digest either computer programs or the internet, it seems to me very unwise that it would try to tackle AI – unless it were to be for the purposes of banning it, which seems to me to be a very good idea.

Q: If you could speak to the younger Richard Cobden who is working as a paralegal at Allen, Allen & Hemsley solicitors in the early 1980s, what would you say to him?

A: Learn to touch-type. If we were talking about IP, I’m not sure we would even speak the same language. It often occurs to me reading things these days that are by no stretch of the imagination specialist, or technical, how little would make any sense at all to somebody in 1982. Imagine if I said, “In a case you’ll do in the High Court you will represent an ISP whose broadband web services will offer enough bandwidth for consumers to log in and use an App to file-share .mp3s of music and .mp4s of movies at speeds of up to 75 Mbps, including on your smartphone.” Young Richard would have thought I was babbling. And that is without even mentioning USBs, WIFI, Bluetooth, websites, Google-searching and any other of a long list of terms we use every day but were unknown then. None of it would have made the slightest bit of sense. Oh – and I would have communicated to him, 20 years before it was imparted to me, Dannii Minogue’s motto: “everyone must have fun”.

1 See *Keith Harris & Co Ltd v Bryant* (1980) 30 ALR 663 and on appeal *Bryant v Keith Harris & Co Ltd* (1980) 33 ALR 437.

2 *Ritz Hotel Ltd v Charles of the Ritz Ltd* (1988) 12 IPR 417.

3 (1989) 15 IPR 385.

4 (1987) 72 ALR 270.

5 *Motorola Solutions, Inc. v Hytera Communications Corporation Ltd (Liability)* (2022) 172 IPR 221.

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

Associate Professor Jessica C Lai,¹ Dr Ronelle Geldenhuys² and Maryam Khajeh Tabari³

Introduction

It is well traversed that intellectual property is gendered⁴ and has gendered outcomes for creators and inventors, and their ability to use the IP system.⁵ But what about those who practise in IP? Do women in IP related professions have gendered experiences? As those who practise IP play a crucial role in identifying and defining the contours of what is protected,⁶ it is important that there is equity in who practises IP.

We interviewed 107 women in IP across Australia and New Zealand to examine the gendered world of IP related professions. The interviews revealed a large variety of themes, such as trying to navigate a career as a primary caregiver, concerns about having to behave “like a man” or to hide any weakness, or inappropriate conduct. This article focuses on interactions with colleagues and other professions and how they could reflect negative biases. What women say should be sufficient. However, we knew that we had to give their words written form, and speak in numbers, because this is what will be heard. Thus, we rely on the words of our participants where possible, and indicate the proportion of women who made similar comments.

The article starts by explaining our methodology. Section 3 describes our participants and their professions. What our participants spoke about is examined in Section 4. Section 5 looks to the future and Section 6 concludes.

Methodology

We sought to interview those who identify as women or gender diverse (that is, anyone who did not identify as a man) across Australia and New Zealand regarding their experiences in the IP related professions, interpreted broadly to include:

- patent attorneys (co-regulated in Australia-NZ);
- trade mark attorneys;
- IP managers and strategists;
- solicitors, barristers and litigators specialising in IP;
- in-house counsel specialising in IP;
- those working in copyright administration/management;
- those working for government in IP; and
- government examiners of registered forms of IP.

Conscious of various axes of inequality and that context matters,⁷ we aimed to cover a diverse range of ages, ethnicities, experiences, career paths (e.g., from different firm sizes), and IP specialisations, to obtain a range of perspectives that had hitherto gone unheard. We limited our research to women

in Australia and New Zealand as these two jurisdictions co-regulate patent attorneys.⁸ Historical, legal and cultural similarities also mean that writing about the women as a group across IP related professions is reasonable.

There were five broad categories of questions, as follows:

- demographic/background questions;
- questions about how stereotypical gender roles and professional structures have affected the participant’s experiences and careers;
- questions about what is valued by the participant’s profession and by the participant;
- pandemic related questions; and
- questions about the participant’s thoughts on the future of women in the participant’s profession.

These questions were designed to be a guide for a semi-structured interview.

Participants and their Professions

We interviewed 107 women across New Zealand (45) and Australia (62) between November 2022 and April 2023. The demographics of our participants follows. Note that certain granular detail is not provided in order to maintain the anonymity of our participants. The same is true for our presentation of the results and our discussion. While we sought to talk to anyone who identified as a woman or as gender diverse, no women with trans or non-binary experiences chose to talk to us. Thus, our study was only of those who identify as cis-women.

Our participants were located across multiple states in Australia and cities in New Zealand. The main areas of IP that our participants practised in can be seen in Table 1. Participants were categorised by their core area (i.e., patents, trade marks, copyright, all IP). “All IP” (women who worked in all areas of IP) comprised of barristers (7), litigators (4), litigation and commercial lawyers (8), a commercial lawyer and a solicitor, four attorneys, and three government officials.⁹ “Patents” was entirely attorneys (some also litigation lawyers), with the exception of one solicitor.

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

“Trade marks” included mostly commercial lawyers and solicitors (5), plus government officials (4), and only three attorneys and two litigators. “Copyright” largely comprised those working in administration, rights/access management and advice (13), including one working for a government agency, as well as a litigation lawyer and two solicitors.

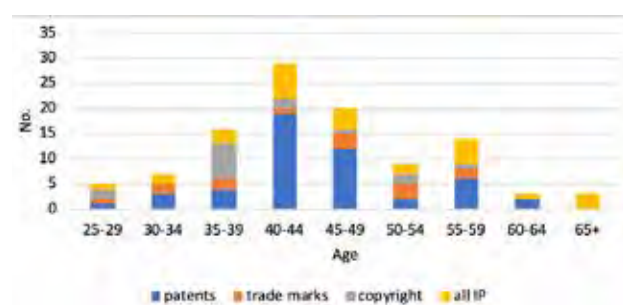
Table 1. Main areas of IP in which our participants worked

	Patents	Trade marks	Copy-right	All IP	TOTAL
Australia	31	6	5	20	62
New Zealand	18	8	11	8	45

Note that many copyright related industries are not legal professions as such. Because copyright is not registered, other than contentious matters, copyright is administered and managed by non-lawyers and attorneys, such as those in the galleries, libraries, archives and museums (“GLAM”) sector, the music industry, and universities, who must deal with access and rights management. For our purposes, they were grouped as being copyright administrators, advisors and executives. These titles do not necessarily match our participants’ seniority in their primary roles, but their roles vis-à-vis copyright. For example, a participant quite senior in her organisation might be categorised as a “copyright administrator”, because this is the capacity in which she dealt with copyright.

The participants reflected a range of ages as shown in Figure 1, which also shows the age ranges broken down by area of IP.

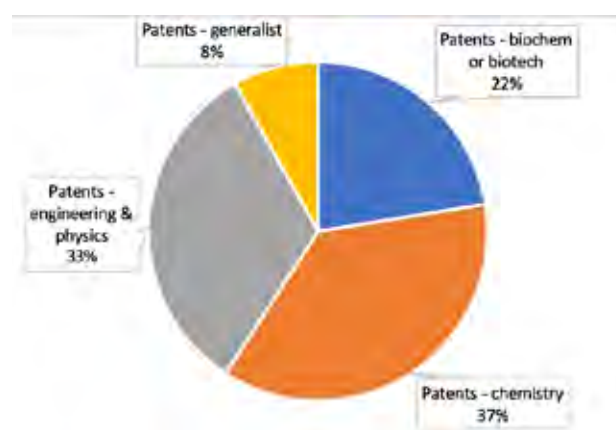
Figure 1. Ages of our participants split into area of IP in which they worked



The women practising in patents can be categorised into their particular technical fields of expertise, as illustrated in Figure 2. These were determined by how the participants described their practice field. Some participants (8 per cent) practised in a broad range of subject areas and were categorised as “Patents – generalist”.¹⁰ A further 33 per cent practised in engineering (either electrical, information and communications technology (“ICT”) or mechanical), or physics. Another 37 per cent specialised in chemistry patents,

including materials chemistry (synthesis of new materials) and those who were in chemistry/biochemistry to keep our participants’ anonymity. In addition, 22 per cent of those in patents specialised in biochemistry or biotechnology.

Figure 2. Technical fields of the patent attorneys



Regarding the professions, in Australia and New Zealand, most patent attorneys are male,¹¹ and the profession has fewer women in senior positions.¹² More females than males graduate with law degrees and are admitted to the Bar, and women dominate the legal profession.¹³ However, senior positions remain male dominated.¹⁴ This includes barristers.¹⁵ Copyright administration/management, especially GLAM, is female dominated, however senior roles are still male dominated.¹⁶

Women’s Interactions

Some Context

Before delving into the detail of our findings, it is important to contextualise this study in the fact that no two women have the same experiences, and the way women frame and perceive experiences can differ. While we use different variables, such as subject area and age, to identify key themes,¹⁷ and we draw comparisons where appropriate, it is important to recall that the individual nature of our participants means that behind every number that we present from our coding lies multiple experiences. Contextualising the women in this way underscores why we chose to interview women in a qualitative study rather than survey them.

While many women spoke to us about misogyny (14 per cent), and inappropriate advances (10.3 per cent), and inappropriate sexual (34.6 per cent), physical (7.5 per cent) and verbal behaviour (38.3 per cent), this was largely (though not entirely) historical. This is not to say that women no longer have gendered experiences. Our study underscores that they clearly do. However, in 2022/2023, it was typically (though not always) less overt, subtler, sometimes concealed and sometimes unconscious.

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

It is unsurprising that gendered experiences have changed in nature. This is in part because of external drivers, such as demands from clients (who want to see gender balanced teams), changes in societal expectations of behaviour, and exposés and reports that force change. Change has likely also resulted from the fact that there are more women in senior positions, and the women entering the workforce today have different expectations from those who entered 50 years earlier. Despite this, pockets of misogyny and sexism exist, but people have either learnt that certain behaviour is not allowed, or their behaviours reflect socialised (unconscious) sexist beliefs about women (and men).

To illustrate, in contrast to the first generation of women in IP related professions, the second generation did not talk much about the difficulties or specialness of getting into the profession, but rather the difficulties once they were there in promotion and getting good opportunities. For example, a mid-career patent attorney (New Zealand, 45–49) stated:

I strongly believe ... life, my career would be easier if I was male. Absolutely. Hands down, hands down.

Whereas our participants aged 25–34 spoke about struggling to be taken seriously by clients or colleagues, imposter syndrome, inappropriate verbal behaviour (often sexist and/or belittling), and pervasive sexist attitudes. To illustrate, a patent attorney (Australia, 30–35) relayed:

In fact, when I was studying, I had this very naive idea that, 'It's all equal now. All that's done and it's all fine now.' And then the things that happened were very rude shocks.

Analogous statements can be made regarding race. That is, our women of colour did not speak of open racism. All but one talked about small subtle things that made them feel other or were subtly racist.

As discussed in the following, there are some indications in our data that things might be improving for those entering the professions in 2023. We hope that this is the case, but also note that it takes time to see some things for what they are. It can take maturity and perspective to understand certain behaviours and experiences. Furthermore, certain concerns only arise at certain life or career stages.

In the following, we examine women's interactions with their colleagues and other professionals, and how these often reflect biases against women.

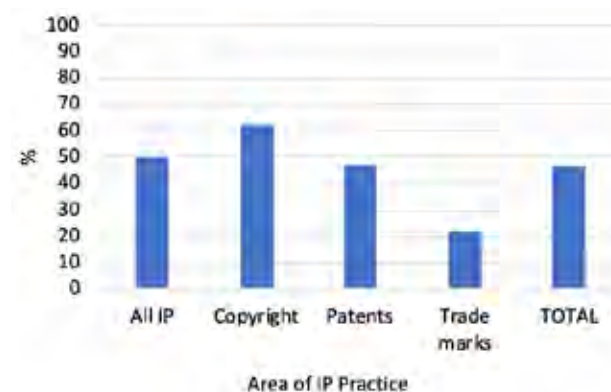
Colleagues

I remember ... one of my tutors at law school said, "Never let anyone know you can type, because they will treat you like a secretary." So that is the stage at what it was like in those early days, it was quite sexist. (At the Bar, 65+)

A large number of our participants spoke about bias from their colleagues – people whom they worked directly with in their own organisations and others in their profession (see

Figure 3). As discussed in the following, this included being presumed to not be subject-matter competent, being talked over, and not being heard, for example.

Figure 3. Experienced bias from colleagues by IP area (as a percentage of participants in that area)¹⁸



That 45.8 per cent of our participants spoke about colleagues treating them as lesser, and/or disrespecting them in a professional capacity because of their gender, is quite astounding. Our participants are all highly qualified and – unlike perhaps their clients – their colleagues should know this. Thus, it is significant that almost one in every two of our participants spoke about this.

Fewer women in trade marks spoke about it than the other IP areas. We postulate that this is because our participants working in trade marks are largely commercial lawyers and solicitors or government officials (which see more gender equity in numbers), and many women work in trade marks. There were only three trade mark attorneys and two litigation lawyers who were not commercial lawyers. In contrast, “All IP”, for example, is the barristers and litigators (male dominated professions), and a handful of solicitors and patent attorneys. We suggest that the experiences of litigators and barristers make the average experience of those in “All IP” vis-à-vis colleagues harder than the average experience of those in trade marks.

The percentage for women in copyright experiencing bias from colleagues is higher than patents or all IP. We postulate that this is because women in copyright tend to work in organisations that are large and complex, where they are dealing with a variety of actors. For example, university copyright officers are not just dealing with academics (who would be like their “clients”, needing their advice), but also IT, central services, and the entire university hierarchy. Within that structure, the role of these women vis-à-vis copyright, might be attributed little social or organisational capital. To illustrate, one copyright advisor (New Zealand, 35–39) stated:

I think when you're in an industry that is female dominated, which the library space is, you can see at times that there is a

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

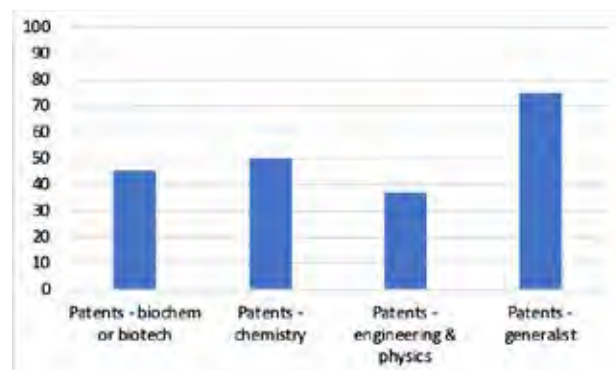
... well, I guess it's the same thing people find elsewhere, that you're not always taken as seriously, and your issues aren't necessarily taken as seriously. So, to give an example, it can be quite hard to get copyright on the agenda at university meetings in a way that I don't think the risk manager, who's male, has the same difficulty. ... but I do feel there's an element of copyright being seen – it's like it's an implicit thing – that copyright's seen as the work that's done in the library, and the library is largely seen as a fairly low-level, not particularly concerning, sort of place where we're ... still seen with a traditional view of what librarians were, rather than seen as information professionals.

Moreover, we do not discount the effect of the fact that these roles are largely undertaken by women, as “service roles”,¹⁹ often by librarians, which arguably feminises them. This affects interactions with colleagues who are not in a feminised branch of the organisation, for example, IT or senior management.

We can break down those in patents into their fields (see Figure 4). The generalists spoke about bias from colleagues at a significant rate. Tentatively, this might be because generalists tend to be non-specialists (often without PhDs), and/or are often either junior (still training and so not yet specialised) or older (as specialisation has become more necessary as technology has become more complicated). Note, however, the relatively small sample size of generalists in this study.

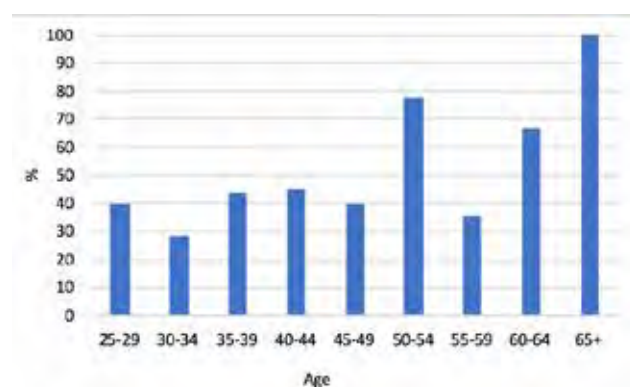
Those practising in engineering and physics patents spoke about bias from colleagues less than those practising in chemistry, or in biochemistry or biotechnology.²⁰ We suggest that this could be because of, firstly, a relatively stronger need for patent attorneys in engineering and, secondly, a reflection of the internalised belief that those doing engineering are more intelligent. This could result in, firstly, a conscious need to treat these women better to attract and not lose them and, secondly, an unconscious level of respect given to those in engineering compared to those in chemistry or biochemistry/biotechnology.

Figure 4. Women in patents: experienced bias from colleagues by patent area (as a percentage of participants in that area)



Bias from colleagues spans across all age groups of our sample (see Figure 5). While one can see a general trend that bias from colleagues generally seems to have decreased over time, it is rather concerning that it remains about 40 per cent for women entering their professions today.

Figure 5. Experienced bias from colleagues by IP age (as a percentage of participants in that age group)



In the following, we discuss the specific themes that our participants spoke about.

Women presumed to be unsuitable or “other”

This sub-section opened with a quote from a participant who has been working in IP for many years talking about advice that she not do anything to make herself seem like a secretary. This presumption that women are secretaries and not suitable for the professional work was expressed across a range of ages. A patent attorney (New Zealand, 45–49) stated:

When I first started at [an IP firm over 20 years ago], there were very few of us as females. There were two female partners, one in trade marks, one in patents. The rest of the partnership was entirely male, quite old. And at least one [male] partner was of the view that women could not make decent patent attorneys. They didn't have the brain for it.

... And he and at least one [other] partner was of the belief that women who were also mothers do not make good patent attorneys and should not be employed.

To further illustrate, a commercial lawyer (Australia, 40–44) spoke about how she “used to be in a room like this awaiting a meeting with the other side in a dispute and the other side’s lawyers would talk amongst themselves about the matter.” Asked if they ignored her, she continued:

Yes. They just assumed I was not related to the matter. So there were so many times where I had to interrupt before they said anything privileged or confidential and say, “I’m so sorry, I have to interrupt because I’m actually a lawyer for the other side.” This information usually appeared to surprise them. I have often thought about why this happened. I have considered, “what do I do?”, “what am I putting out there?”,

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

“am I too smiley?” And I still don’t know the answer to those questions, but it happened a lot and it wasn’t a great feeling.

Note that she considers how the issue might be on her end and that she should perhaps change her behaviour. Note also that she is speaking of the present. This continues to be an issue for her in 2023. The experience is shared across different areas of intellectual property. For example, a copyright executive (Australia, 35–39) described being treated like an executive assistant, including being expected to take her manager’s phone calls.

Women presumed to be lesser

Participants spoke about how women are often automatically assumed to be lesser than their male counterparts and have to win over their colleagues. To illustrate, a patent attorney (New Zealand, 50–54) stated:

So I guess there’s that general sort of bias to start from – that the classic patent attorney is a tall white man in a suit. The further you diverge from that, the harder you’ve got to kind of work to show that you are any good. It wasn’t that you couldn’t. But you had to prove yourself a little bit more ... And so, I think reasonably quickly, people in my team, and my boss and people that knew me, realised that I was quite smart, and I could do the job. But you’d pick up perceptions from some of these other, particularly older blokes, who [told a specific example of a male partner she’d never worked with explicitly calling her and another female patent attorney dumb in a social setting] ... you could feel that kind of vibe from some of the guys and particularly the older ones, where they just didn’t really have much inherent respect because you’re a woman. So, how could you possibly do the job?

This presumption and need to win over colleagues have not disappeared with time. Another patent attorney (New Zealand, 40–44) spoke about her experience at an IP firm:

... when I first started, that one of the attorneys was very condescending, a lot of the time. And over, over the years that I’ve now worked with him, we have a very good relationship. But to start with, you are viewed as a failure, you’re just viewed as, you know, inferior. But after pushing back, and we’ve now got a really good working relationship, and he’s probably one of the attorneys I actually really enjoyed working with the most.

The presumption does not necessarily fade as women continue in their careers and move into senior positions. A patent attorney from Australia (55–59) intimated that, in fact, it might become more difficult as a woman has to assert more authority:

But, particularly when I got into management and I started to work with men as their leader if you like, or to try to drive things through, or to get out into more senior echelons of business, I started to realise that you had to say things twice, or you’d say something and everyone would just go “Yeah,

that’s nice”, and then someone male down the table would say the same thing and the collective would say “Oh, yeah, that’s great”. You’d be thinking hang on, “Didn’t I just say that?” So I didn’t start to recognise [the consequences of being a woman] until probably I was in my 40s.

This participant spoke about how it required a man to voice an idea in order for it to have any authority – this is discussed further below.

Positioning of women affects the work they are given

The presumption that women are lesser could affect the work a woman was given, or whether her work was attributed to her. Almost one out of four of our participants spoke about not being given good opportunities compared to their male counterparts. Around the same number of women reported not being given work that should have gone to them based on merit, and around one in six of our participants spoke about not being given complex matters. This can affect a woman’s ability to win work, have strong billable hours, develop a solid client base, build her reputation, and be promoted, and can negatively impact livelihoods.

To illustrate, a barrister said:

... there was one commercial partner who would say, ‘Oh, yeah, well, this client, well, ... they need a male lawyer’. With ... a straight face. This was quite a long time ago, it would be 20 years ago.

This, however, continues to occur. Another barrister (40–44) said that her experiences had been more affected by colleagues than clients and shared the following experience:

... in my first year, I think I had just been admitted, [a law firm] was working for a particular client who, it was put to me, did not like female solicitors. And their way of dealing with that was that I would do the work, so I would draft an email, then I had to send it to one of my male colleagues and he would send it to the client. ... The client obviously didn’t want a woman working on it. The firm wouldn’t stand up to that sexism, but nonetheless used my services. But I wouldn’t have gotten any credit for my work externally. I don’t know if I got credit for my work internally in relation to that but I didn’t feel I had a choice if I wanted to keep my job. I felt I had to not be a bother.

Note the participant’s concern about being a bother. There is some evidence that women are socialised to put up with injustice more than men, including in the workplace, and that greater financial precarity also affects how women behave in the workplace compared to men.²¹ Presumptions about women might also place women in the position to take on certain emotional work (taking care of the emotional needs of others).²² Notably over half of our participants talked about taking on tasks, typically social and emotional, that were not part of their role descriptions, such as having to organise birthday cards and social events.²³

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

Women are not heard

As indicated above, a common theme was women not being heard, and that a man had to say the same thing for a point to be considered. To illustrate, a commercial lawyer (Australia, 40–44) stated:

You have probably heard this many times over, but I have also experienced having an idea, and then saying an idea in a group setting, then five minutes later hearing a male colleague present essentially the same idea I just said and taking credit for it. And every time it happens, you think, "Wow, it's just happened." And each time, it really it just throws you off.

In the copyright space, a copyright executive (Australia, 35–39) spoke about being in a meeting where her project was being discussed, and a decision was made to terminate the project without consulting her, even though she was in the room:

... I had been working on a project for probably a year. And I'd be working with all sorts of teams. And then I went into a meeting with my manager, and someone that was higher than him asked us what the project was about. We were there to kind of walk them through it. And this manager said, "Oh, no, we can't do that". And so right there and then in the meeting, without any consultation, my manager just said, "Oh, no, that's fine. We won't do it anymore. That's okay. We'll just scrap it". So it was like I was invisible. Like no one actually asked me, "What do you think? How do you think we should handle this?" It was literally just, "we don't have any resources for this. We're not doing it anymore". And there was no discussion and it was no consultation.

... But yeah, I definitely felt like in the moment that it was [gendered]. I didn't have a voice in that room. And I think maybe if I was a man, and maybe I would have been asked my opinion, who knows?

There is a deference to the male voice. As a patent attorney (Australia, 40–44) explained:

I've got three examples of being in meetings with a male colleague that stood out. One where my male colleague just wouldn't stop talking. I couldn't get a word in; I just sat there in the meeting and didn't contribute anything because there was no opportunity to. The second was when I was in a meeting with an older male client and an older male colleague, and even though I was asking the questions and I was the one that had all the knowledge of what was going, the response would go back to the man. Or the next question would go to the man. And for most questions, the man would have to defer to me, as he couldn't answer the question, but it continued. The third was on a trip to China. I think this was partly ethnicity familiarity related, as I was travelling with an Asian male colleague. The client would not look at me when he responded to a question. I'd ask a question and he'd look at and respond to my male colleague.

The deference to men occurs even in the female dominated sphere of copyright. A copyright administrator (New Zealand, 50–54) noted that:

One man in the group who is kind of referred to as the expert in a lot of things, but I think probably also is the expert in a lot of things so it's hard to know whether that's because he's male or because he is in fact the expert. Certainly, it is something I'm aware of, because I tend just to listen to the meetings rather than then participate because I still feel like I'm learning. I have noticed that he will interrupt and talk over. ... it's completely unconscious, where he's a hell of a nice man. I'm sure he'd be horrified if anyone were to say that he was behaving in any kind of gendered way. But I do notice that.²⁴

Note the participant questions that it is unclear if the deference is because the person is a man or because he is in fact the expert. But, nevertheless, he dominates discussions. At the same time, she observes that he is a very nice person and would not consciously do something gendered. This highlights that these gendered interactions are often unconscious.

The problem might be more challenging in the copyright space because the few men that are there can hold court without being challenged by other men. A copyright advisor (New Zealand, 35–39) stated that:

I think also, they more naturally speak up because they are used to being dominant, and they're not really challenged by other men, because there aren't that many of them. So I think they can perhaps take on more of a ... alpha role, if you like, even though they're not maybe actual alphas, you know what I mean. But ... the library [space] can kind of give them that. And certainly, I think if you're a man who can speak credibly, in the female-dominated library environment, you will be naturally looked to speak and as the potential candidate for the next promotion.

A patent and trade mark attorney (Australia, 60–64) told us that, conscious of the common deference to men, she would actively try to take up space the way a man would. In this vein, a senior copyright administrator (copyright administrator, New Zealand, 50–54) spoke about her preference to work with women because "my experience is they listen better. And they won't interrupt. You won't have to work hard ... to get your point across."

However, it is tiring for women to constantly be in these kinds of situations, pushing to be heard and taken seriously. That is, even though women can push back or win over their colleagues, this effort requires resources – resources that could be more productively employed. A copyright executive (Australia, 35–39) spoke about this:

There've been other instances where I have had quite different views to people, and those views have been, like when you try and stand up for yourself and try and you kind

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

of get more pushback. And so I just stopped doing it after a while, because it just felt like I kept trying to push and push, it just became so hard on me and my mental health that I was just like, actually, you know what, sometimes it's worth just not ...

Women spoke about the need to involve a man when dealing with certain stakeholders. To illustrate, one copyright administrator (New Zealand, 35–39) shared the following:

... a big part of my job is managing conservation and maintenance of the, our collection, which requires working with our facilities department working with contractors, working with local iwi [Māori tribes] for ... conservation of carvings and things like that. And, yeah, in working with the contractors, [I] regularly get the impression that I'm this little girl who rocks around wearing dresses and doesn't know what I'm talking about and then sort of getting cut out of the conversation. Particularly dealing with carving teams and things like that, and not getting responses and things like that. So, that stuff's a lot harder for me to push through, I find ... You know, in some instances, I work with someone else in the university, who then carries the conversation with that party, and I ... have to kind of work the middleman I suppose, to be able to have a conversation. In some instances, there's cultural sensitivities there. So, yeah, while it's challenging for me, it's, I can understand that ...

Arguably it is not the best use of resources if a woman needs to bring a man along so that a client listens. In addition, it perpetuates the belief in clients that it is men who speak with authority.

Women are patronised and belittled

As alluded to, many of the experiences shared reflected unconscious bias. People would say or do things, not realising they were sexist or gendered. To illustrate, one barrister (45–49) told us about a “compliment” that was actually highly patronising:

And I think there are probably micro incidents where it has had an effect. So ... for example, the first place I worked [name of law firm], I can recall giving an advice, where I drafted an advice and shared it with quite a senior male partner. And he was like, “this is a very good advice. It's probably one of the best advice by women, a woman I've ever read. But you should try and write advice more like a man.” And I mean, you know what, I mean in a way it sort of didn't affect my progression, but I suspect it probably could have.

In addition, participants spoke about how sometimes people were overly nice in a condescending manner. For example, a litigation and commercial lawyer (Australia, 25–29) said:

But I have noticed that my stakeholders might say things like, “Oh, That's a really good point.” And stuff that they wouldn't have said that to my male counterpart. I know

they're trying to be nice. ... It's almost like, “good for you, sweetheart”. Like that kind of thing. Where I know there's no offence meant by it. It's not insulting. It's not mean. They think they've been nice. But it is condescending, and it is calling out, implicitly, my age and my gender. Like, they wouldn't say that if I was my dad. They wouldn't be like, “great point, [man's name], well put”. They'd be like, “Oh, thanks, [man's name], we'll take that on board [and be on our] merry way.”

A patent attorney (Australia, 55–59) spoke about how colleagues referred to her patronisingly as a “schoolmarm”:

[working on a collaborative task a long while back], a colleague used to say ‘you're such a schoolmarm’ ... Someone again called me a ‘schoolmarm’ just a few years ago. And [on the recent occasion] I did take it as an insult actually. It probably was the first time too, it's just that I didn't recognise the deeply gendered, demeaning nature of it when it happened the first time around.

In a similar vein, another patent attorney from Australia (40–44) also spoke about being readily patronised, and referred to by her attire and physical appearance, giving an example of being described as a French maid when she wore black and white.

It was common for women to talk about men using “terms of endearment” to refer to them. This might seem harmless, but this kind of behaviour – calling a woman a schoolmarm, French maid, nice lady – strips her of her professionalism. She becomes not a woman in the workplace in the public sphere, but someone who belongs at home in the private sphere.²⁵

This kind of behaviour seems to permeate across all the professions in our study. As an illustration, a younger participant (government official, Australia, 30–34) stated:

... there are a couple of people who I know who have spoken to male colleagues, and they get a bit a bit nickname-y. If they're a bit older, they'll call you “darling” or whatever, or that sort of thing. Just yeah, but that's just sort of any gender. If they're a bit older, they'll – if they find out you're a woman, they'll get a bit nickname-y with you ...

Another government official (Australia, 40–44) also noted the use of the term “darl”:

... when I think personally, to my own experience, yeah, there was probably a general manager there whose views, to put it simply, I think just misogynistic. And I mean, the ones that stand out – and I can only talk for myself, I can't talk for others – but it was just the general behaviour that you witnessed every day. It was the women being called “darl”.

A similar means of differentiating women is by using “women” or “lady” as an adjective before one's profession. This underscores the otherness of women, as men do not get similar adjectives when their profession is described. To illustrate, a barrister (40–44) said: “I've been introduced to

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

people as a lady lawyer before. The exchange went, ‘This is, I don’t know, John, and this is [participant’s name]. She’s a lady lawyer’. I don’t know what the need for that was.”

In the copyright world, a copyright executive (New Zealand, 40–44) spoke about being patronised in the context of someone who would not listen to her advice:

... so he wouldn't listen to me. And I think had he listened to me and taken a very different approach, he would have been a lot more successful but he was ... you know, the way that elderly men interact with girls and women who they think are nice. That's what I got. ... So patronising, so so patronising. And he's not patronising with men, so I doubt he even thought once whether or not they were pretty ... I also see this ... I think less so with government departments, because most of the folks that we work with in government departments are women themselves.

Note that this participant also spoke about being referred to by her appearance as something gendered.

Women can receive bias from junior colleagues

In addition to the comments about general bias from colleagues, two women talked about bias from junior male colleagues. One, a litigation lawyer from New Zealand (50–54), told of the following experience that took place at an event where she was very senior:

And a very, very baby lawyer turned around and said, "Who are you?" And I said, "Oh, my name's [participant's name]. I'm from [name of firm]", and they went, "Never heard of you." ... And it's just, you know, it's as you said, social capital. Searching out people with social capital. Not having the wherewithal to sort of just keep your mouth shut and play the game ...

When asked whether she thought her experience might have been different were she a man, she answered:

I think if you're a man, I think they automatically assume, because you look older, that you will have a – you'd be higher up the food chain. Whereas I suppose with women, it's harder to guess. Because you just don't know.

The other woman who spoke about juniors, a patent attorney from New Zealand (40–44), talked about helping juniors and she felt that they questioned her ability to understand the technology in a way that she could not imagine they would question men. These women are referring to juniors having a presumption that men, particularly older men, are in a position of power and authority, and have subject-matter competence, to the extent that they disrespect women who are senior to them. This underscores that simply having women in senior positions is not enough to change culture and the experiences of women.

Final comments

We end this sub-section with the following quote from a litigation and commercial lawyer from Australia (55–59), who articulated that it is not just overt sexism and misogyny that creates a negative space for women. It can also be an environment that treats them (whether consciously or unconsciously) as “other”. She noted that one has to have some “inbuilt resilience” when one is the only female in a group, but, at the same time, the firm she was at was uncomfortable with her “otherness” making her question the desirability of becoming a partner:

... they weren't going to make me an equity partner, because they weren't comfortable with me. Why? Because, [I] then went and spoke to the then-CEO, I said, "I feel like I'm, like, the only female in the rugby shed. And, you know, I don't want to be in the rugby shed when they're all taking off their, their towels. And they don't want me to be there either." That's how it felt. That type of environment, you're kind of in a no-win situation, unless you're happy to row your own boat, but then why be in a partnership?

The presumptions that women face, the fact that there are fewer women in senior positions than men, and the othering effect these things can have, potentially explains why almost 60 per cent of our participants spoke about having experienced or observed the “Queen Bee Phenomenon” – something outside the scope of this article.²⁶

Other Professions including IP Offices

Some participants spoke about their interactions with other professions (see Table 2). Due to the transactional and transitory nature of such interactions, it is unsurprising that these numbers are relatively low – much lower than the numbers related to those our participants interacted with on a regular basis (such as their colleagues).

The experiences with barristers and judges largely came from participants aged 40–59, which is unsurprising as one is typically relatively senior when briefing barristers and presenting before the courts. Encouragingly, of our participants aged 25–34, only one spoke about biased interactions with another profession (with an IP Office).

Notably, while our participants did not talk much about bias from other professions, when they did, their experiences were typically extreme. For example, one patent attorney (60–64) spoke of an experience from the late 1990s when she was before a Hearing Officer. The opposition made a personal comment, which she objected to. The Hearing Officer then told her that he wished to speak to her, making it clear to everyone present that she was about to be chastised. The participant noted that it was a different time – there were fewer women in the profession, she was younger and so did not know how to handle the situation, and women in those days were not as empowered as they are in 2023. She added

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

that she could not imagine that a Hearing Officer would behave in that way today.

Table 2. Gender effected interactions with other professions

	Percentage of participants
Barristers	8.4
IP Office Examiners/ Hearing Officers	4.7
Judges	1.9
Patent Attorneys	1.9
Solicitors	5.6

Few women said anything negative about their dealings with the IP Offices. It is worth noting, however, that bias can be invisible. While we are not aware of any studies on the effect of the gender of a patent (or trade mark) attorney on the examination process, in line with the experiences of women discussed in the foregoing, as well as some evidence that examiners can be influenced by attorneys,²⁷ it is likely that female attorneys face biases from examiners that their male counterparts do not and these might impact on their outcomes.

Closely related to this, one participant (patent attorney New Zealand, 45–49) commented on how changes in the cultural background of patent examiners could affect gender bias. Namely, she spoke about how cultural differences could introduce sexism. The participant was certain that the examiners were being unreasonable due to her gender, which was ultimately negative for her clients, as she had to work and bill more to get something through, or it did not get through at all. Beyond this, such bias can have a material effect on a woman's career, as it could negatively impact her reputation if her work costs more or is not successful. In turn, this could negatively impact the work she receives and her financial situation.

As a further illustration of experiences that were few but extreme, the two examples of judges being biased were female judges, where our participants spoke about being belittled, embarrassed and shamed (New Zealand, litigation lawyer, 45–49), or talking about seeing female judges be overtly biased against female silks, e.g., rolling eyes (Australia, litigation and commercial lawyer, 55–59).

A Look to the Future

Of the participants, 70.1 per cent noted that things had changed or were changing. It was also clear from what our participants said that the experiences of women in IP related professions have improved vastly in the last 50 years. At the same time, this study has shown that women continue to experience gender discrimination and bias in these professions. We suggest that, because women are entering the professions and moving into senior positions, and more overt sexism and misogyny has dissipated, new entrants might not appreciate how quickly things have changed, and

what the senior women around them did to achieve that change. In her 2013 New Zealand Intellectual Property Attorneys ("NZIPA") interview Margaret Doucas²⁸ stated:

Now we have perhaps come not almost full circle, but I think the younger women who join the legal profession and perhaps patent profession don't realise that this palpable quality was something that wasn't there just a couple ... three decades ago. It just wasn't there. And it's something that I think women generally need to be aware of, not just in our profession, younger women don't realise that the benefits they have now have been hard fought by a number of senior women well before them.

That is, it is important to remember that things have improved because women have pushed the boundaries and persisted.

We suggest that it is also easy to become complacent with the hard-fought gains. Yet, one in 10 women noted concern that sexist views persisted because they are passed down and perpetuated, including by women. However, it is difficult to see the extent of this kind of bias because men had learnt that there were certain things they could not say or do. In this vein, about 10 per cent of participants spoke about how engrained the bias is in their professions, making it difficult to dis-embed. Furthermore, the less overt, the invisible and the unconscious, are hard to pinpoint, prove and change. They are also hard to address. Thus, it is important to recognise that addressing discrimination and bias is a never-ending task.

We suggest that the professions discussed in this article need to understand the presumptions and biases that exist vis-à-vis the ideal worker (and professionalism) and women, consider what it is that they value in the work that needs to be done, and act to reach that value in a manner that is equitable. Doing this is not about framing one thing (the masculine or the feminine) as necessarily better than the other. It is about recognising that perceptions of professionalism, ability and competence can be biased against women (and anyone who does not conform), and about seeing value behind facades of appearance and behaviour. This is good for everyone, regardless of their gender. After all, while the fact that the professional world is largely a masculine construct likely means that men are generally the "norm", not all men fit the corporate mould and some also feel the need to perform a role to succeed.

Finally, it is important to stay vigilant because, despite gains made, women – especially young women – remain relatively vulnerable. As one trainee patent attorney (New Zealand, 25–29) said:

I am not naïve. I know what it's like to be a young female in general. If I interact with enough people, at some point someone is going to behave inappropriately towards me or put me in an awkward situation or position. I know this because inappropriate situations occur in every job. And

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

unfortunately, young females are always, or at least the vast majority of the time, the easy target. Maybe this is partly because we are less likely to stand up for ourselves.

We note that change in the work place is inherently connected to change in all spheres. Much of what women experience cannot change until people's perceptions of women, and gender more broadly, change. This change needs to be in everyone, regardless of gender, as everyone has socialised understandings of gender.

Final Thoughts

As professions that curate knowledge, create knowledge assets, and regulate access to those assets, it matters who is in those professions and their experiences. Moreover, it should be viewed as desirable to have a broad range of people, valued for their various abilities, shaped by their own experiences.²⁹ Unfortunately, the profession is relatively homogenous, and the negative experiences that women can have, including those examined in this article, are not conducive to encouraging diversity vis-à-vis gender. Furthermore, they embody behaviours that are potentially contrary to professional codes of conduct, including those for patent and trade mark attorneys,³⁰ and lawyers.³¹

Another way to view this is that it is not simply enough to have women there. It matters what it is like for them. This article has focused on how their colleagues might treat them. Several other dimensions are also relevant, such as their interactions with clients, equity in opportunities and promotion, the extent to which they feel they must behave "like a man" in order to be in their profession, or whether a profession creates equity around caregiving (something still highly gendered in New Zealand and Australia).³²

While this article has concentrated on the experiences of women, it is also important to be cognisant of intersectional experiences. For example, women of colour experience at least one extra axis of "otherness" that can affect what it is like for them in their professions. To illustrate, talking about her experience as a solicitor (New Zealand, 25–29), a women of colour expressed the following about being in the IP world:

I think something else that I thought about a little bit as well is just the nature of IP work, like it's inherently kind of colonial or Western, in the sense that it takes ownership over something, right. And a lot of time, it is cultural property, in the broader sense, whether it's a brand or whatever. But ultimately, that is a contemporary expression of culture in this time. Yet the whole ethos around what that area of law means is to be able to protect exclusive use, so that somebody can monopolise it. ... and I wonder if some of the those kind of insidious underlying cultural aspects of the profession are there also just because the way the actual content matter of what we're practising is, in that particular perspective, and so we're kind of like forced into being in those ways as well.

Analogously, an Indigenous copyright administrator (New Zealand, 25–29) talked about the difficulties in being confronted with, and having to deal with management of, a property system that has been used as part of the colonial process.

Finally, we end by noting that we did this work, and many of our participants told us that they participated, because of care for the professions. Of the participants, 79.5 per cent were optimistic about the future of women in their professions. This research raises concerns, but also teaches us lessons. Namely, lessons about biases that women face, resulting in them being presumed to be less competent, not being given work, spoken over, not being heard, and made to feel other. Being conscious of these biases and experiences, and actively trying to counter them, would represent a solid step towards ensuring that there is equity for those in the position to identify, define and defend the contours of IP.

1 Associate Professor, Victoria University of Wellington, New Zealand. This research was made possible by a Victoria University Faculty Strategic Research Grant, as well as a New Zealand Royal Society Rutherford Discovery Fellowship. Thanks to Cody Rei-Anderson, Prakriti Bhatt and Che Ekaratne for their assistance checking transcripts. This project has ethics approval from Te Herenga Waka—Victoria University of Wellington, No. 0000030583.

In addition, we thank all our participants for their generosity with their time, experiences and insights. This work would not have been possible without that generosity and the frankness of these women.

2 Principal, Foundry IP, Brisbane, Australia

3 Principal, Chrysiliou IP, Sydney, Australia.

4 See e.g. Kara W Swanson, 'Getting a Grip on the Corset: Gender, Sexuality, and Patent Law' (2011) 23(1) *Yale Journal of Law and Feminism* 57; Jessica C Lai, *Patent Law and Women* (Routledge, 2022); Carys J Craig, 'Feminist Aesthetics and Copyright Law: Genius, Value, and Gendered Visions of the Creative Self' (2014) 10(1) *Osgoode Legal Studies Research Paper* No. 42; Anthea Kraut, *Choreographing Copyright: Race, Gender, and Intellectual Property Rights in American Dance* (Oxford University Press, 2016); Kevin J Greene, 'Intellectual Property at the Intersection of Race and Gender: Lady Sings the Blues' (2008) 16(3) *American University Journal of Gender, Social Policy & the Law* 165; Ann Bartow, 'Barbie in Bondage: What Orly Lobel's Book "You Don't Own Me: How Mattel v. MGA Entertainment Exposed Barbie's Dark Side" Tells Us About the Commoditization of the Female Body' (2019) 29 *Fordham Intellectual Property, Media & Entertainment Law Journal* 435.

5 'Women's Participation in Inventive Activity: Evidence from EPO Data' (November 2022) EPO; UKIPO 'Gender Profiles in Worldwide Patenting: An Analysis of Female Inventorship' (November 2019); USPTO 'Progress and Potential: 2020 Update on US Women Inventor-Patentees' (4 July 2020) Office of the Chief Economist, IP Data Highlights; Elodie Carpentier and Julio Raffo, 'The Global Gender Gap in Innovation and Creativity' (2023) WIPO Development Studies; WIPO Economics and Statistics Series; Vicki Huang, Sue Finch and Cameron Patrick, 'Patents and Gender: A Big Data Analysis of 15 Years of Australian Patent Applications' (2022) 45(3) *UNSW Law Journal* 914; Susan Corbett 'The Female Inventor: What Price Intellectual Capital?' (2002) *New Zealand Intellectual Property Law Journal* 91; US Copyright Office, 'Women in the Copyright System' (2022); W Michael Schuster, Miriam Marcowitz-Bitton and Deborah R Gerhardt, 'An Empirical Study of Gender and Race in Trademark Prosecution' (2021) 94 *Southern California Law* 1407.

Women in IP from Australia and New Zealand: Experiences with Colleagues and other Professions

- 6 Jessica Silbey, *The Eureka Myth* (Stanford University Press, 2015), ch 5. On the importance of contextualising inventors, law, lawyers and the legal system, see also Kara W Swanson, “Great Men,” Law, and the Social Construction of Technology’ (2018) 43(3) *Law & Social Inquiry* 1093; and David Pretel, ‘The Global Rise of Patent Expertise in the Late Nineteenth Century’ in David Pretel and Lino Camprubi (eds), *Technology and Globalisation* (Palgrave Macmillan, 2018) 129. See also Patrick Doran and Elizabeth Webster, ‘Who Influences USPTO Patent Examiners?’ (2019) 56 *World Patent Information* 39; Gaëtan de Rassenfosse et al, ‘Is the Patent System a Level Playing Field? The Effect of Patent Attorney Firms’ (November 2021) Innovation and Intellectual Property Policy Working Paper Series No. 15 (Web Page) <<https://ideas.repec.org/p/iip/wpaper/15.html>>.
- 7 Joan Acker, ‘Inequality Regimes: Gender, Class, and Race in Organizations’ (2006) 20(4) *Gender & Society* 441.
- 8 Arrangement between the Government of Australia and the Government of New Zealand Relating to Trans-Tasman Regulation of Patent Attorneys (signed March 2013).
- 9 In Australia and New Zealand, “lawyer” is the broad term used to describe anyone with a recognised law degree, and who is registered at the bar to practise and has a practising certificate. In New Zealand, lawyers are admitted to the bar as both a “solicitor” and “barrister”, and may undertake litigation. New Zealand also has those registered as “barrister sole”, who are litigation specialists. In Australia, lawyers are first registered as solicitors, and may appear in court. Solicitors can become barristers by fulfilling additional conditions. In both jurisdictions, those who refer to themselves as “commercial lawyers” are solicitors who dealt with commercial matters, but not disputes. Those who refer to themselves as “litigators” are solicitors (rather than barrister sole in New Zealand or barristers in Australia) who are primarily involved in disputes. In complicated litigation matters, solicitors “brief” barristers. That is, barrister soles in New Zealand and barristers in Australia typically get their work from solicitors. “Attorney” refers to trade mark attorneys or patent attorneys (regulated separately from lawyers).
- 10 Note: one patent attorney noted that she did everything except electrical and ICT. She is categorised under “Patents – generalist” for convenience.
- 11 Mark Summerfield, ‘A Profile of Australian and New Zealand Patent Attorneys’ (7 January 2018) *Patentology* (Blog) <<https://blog.patentology.com.au/2018/01/a-profile-of-australian-and-new-zealand.html>>.
- 12 See e.g. Katherine Rock, ‘Gender (Im)balance in the Patent Attorney Profession in Australia: Myths and Evidence based Recommendations for Change’ (2018) 28 *Australian Intellectual Property Journal* 64, 66–68.
- 13 Louise Brooks and Marianne Burt, ‘Snapshot of the Profession 2022’ (2022) 952 *Lawtalk* 6, 9; URBSI, ‘2022 National Profile of Solicitors’, prepared for the Law Society of NSW, 26 April 2023, 9 (Online PDF) <[https://www.lawsociety.com.au/sites/default/files/2023-05/2022 National Profile of Solicitors - Final.pdf](https://www.lawsociety.com.au/sites/default/files/2023-05/2022%20National%20Profile%20of%20Solicitors%20-%20Final.pdf)>.
- 14 New Zealand Law Society, ‘By the Numbers’ (29 July 2020) (Web Page) <<https://www.lawsociety.org.nz/professional-practice/diversity-and-inclusion/women-in-the-legal-profession/by-the-numbers/>>; URBSI, ‘2022 National Profile of Solicitors’, prepared for the Law Society of NSW, 26 April 2023, 21–2 and 48–50 (Online PDF) <[https://www.lawsociety.com.au/sites/default/files/2023-05/2022 National Profile of Solicitors - Final.pdf](https://www.lawsociety.com.au/sites/default/files/2023-05/2022%20National%20Profile%20of%20Solicitors%20-%20Final.pdf)>.
- 15 Melanie Cairns and Alinea Chambers, ‘Gender Diversity at the NSW and Victorian Bars’ (19 October 2021) New South Wales Bar Association (Web Page) <<https://nswbar.asn.au/the-bar-association/publications/inbrief/view/7fe49807df877cb7bb81940d2e16f7c1>>; New Zealand Law Society, ‘By the Numbers’ (29 July 2020) (Web Page) <<https://www.lawsociety.org.nz/professional-practice/diversity-and-inclusion/women-in-the-legal-profession/by-the-numbers/>>.
- 16 Australian Library and Information Association, *Workforce Diversity Trend Report 2019* (Australian Library and Information Association, 2019), 9 and 11.
- 17 While not discussed in this article, it is worth noting that having children continues to have a significant effect on a woman’s experiences and career, as does their exact relationship with their romantic partner. Several women relayed that they did not encounter gender related issues until they wanted to have children or they had children.
- 18 “Total” refers to all our participants.
- 19 Service roles (e.g., in universities) are typically filled by women; Karen Pyke, ‘Service and Gender Inequity Among Faculty’ (2011) 44(1) *PS: Political Science & Politics* 85. Cf Adrian Liston, ‘Saying “No” to Academic Service’ (2022) 101(3) *Immunology & Cell Biology* 183.
- 20 Note that we have reported elsewhere on how the opposite is true for women in patents talking about bias from clients; Jessica C Lai, Ronelle Geldenhuys and Maryam Khajeh Tabari, ‘Invisible Women in Invisible Professions: Voices from Australian and New Zealand Women in Intellectual Property’ (1 September 2023) (Web Page) <<https://ssrn.com/abstract=4556301> or <http://dx.doi.org/10.2139/ssrn.4556301>>.
- 21 For an Australian study of 317 employees, see Natasha M Loi, Jennifer MI Loh and Donald W Hine, ‘Don’t Rock the Boat: The Moderating Role of Gender in the Relationship Between Workplace Incivility and Work Withdrawal’ (2015) 34(2) *Journal of Management Development* 169.
- 22 See e.g. Ferguson Heather Bulan, Rebecca J Erikson and Amy S Wharton, ‘Doing for Others on the Job: The Affective Requirements of Service Work, Gender, and Emotional Well-Being’ (1997) 44(2) *Social Problems* 235; Lybdall Strazdins and Dorothy H Broom, ‘Acts of Love (and Work): Gender Imbalance in Emotional Work and Women’s Psychological Distress’ (2004) 25(3) *Journal of Family Issues* 35.
- 23 Amit Kaplan, “Just Let it Pass by and it Will Fall on Some Woman”: Invisible Work in the Labor Market’ (2022) 36(6) *Gender & Society* 838.
- 24 On women being interrupted, see Dean H Zimmerman and Candace West, ‘Sex Roles, Interruptions and Silences in Conversation’, in Barrie Thomas and Nancy Henly (eds) *Language and Sex* (Newbury House, 1975) 105; Tonja Jacobi and Dylan Schweers, ‘Justice, Interrupted: The Effect of Gender, Ideology and Seniority at Supreme Court Oral Arguments’ (2017) 103 *Virginia Law Review* 1379.
- 25 These represent discursive practices that make women less than their male colleagues. Language shapes what is and is not, including social relations – male authority to the female other; Saija Katila and Susan Meriläinen, ‘A Serious Researcher or Just Another Nice Girl?: Doing Gender in a Male-Dominated Scientific Community’ (1999) 6(3) *Gender, Work and Organization* 163, 164–5.
- 26 On the Queen Bee Phenomenon, see Belle Derks, Colette Van Laar and Naomi Ellemers, ‘The Queen Bee Phenomenon: Why Women Leaders Distance Themselves from Junior Women’ (2016) 27(3) *The Leadership Quarterly* 456.
- 27 Patrick Doran and Elizabeth Webster, ‘Who Influences USPTO Patent Examiners?’ (2019) 56 *World Patent Information* 39. See also Gaëtan de Rassenfosse et al, ‘Is the Patent System a Level Playing Field? The Effect of Patent Attorney Firms’ (November 2021) Innovation and Intellectual Property Policy Working Paper Series No. 15 (Web Page) <<https://ideas.repec.org/p/iip/wpaper/15.html>>.
- 28 ‘Oral History & Sound: NZIPA Oral History Project. Interview with Margaret Doucas’ (2013) New Zealand National Library, Tiaki IRN 1044081, Tiaki Reference No OHInt-1120-3, M_DOUCAST08.
- 29 On the advantages of diversity (looking at Australian data), see e.g. Muhammad Ali, Carol T Kulik and Isabel Metz, ‘The Gender Diversity–Performance Relationship in Services and Manufacturing Organizations’ (2011) 22(7) *The International Journal of Human Resource Management* 1464; and Muhammad Ali, Yin Lu Ng and Carol T Kulik, ‘Board Age and Gender Diversity: A Test of Competing Linear and Curvilinear Predictions’ (2014) 125 *Journal of Business Ethics* 497.
- 30 Code of Conduct for Trans-Tasman Patent and Trade Marks Attorneys 2018, cl 13(3).
- 31 e.g. Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008 (NZ), rr 10 and 10.1; Legal Profession Uniform Law Australian Solicitors’ Conduct Rules 2015 (Cth), r 42.1.1.
- 32 In New Zealand: New Zealand Ministry for Women, ‘Labour Market Participation’ (Web Page) <<https://women.govt.nz/women-and-work/labour-market-participation/>>; in 2020, men took 1.6 per cent of parental leave; Michelle Duff, ‘The Dad Trap: The Parental Leave System that Shuts Men Out’ (4 July 2021) *Stuff* <<https://www.stuff.co.nz/life-style/gender-and-society/300348034/the-dad-trap-the-parental-leave-system-that-shuts-out-men>>. In Australia: in 2021, men accounted for 12 per cent of primary carer’s leave; Workplace Gender Equality Agency, ‘Australia’s Gender Equality Scorecard’ (February 2022) 28.

Registering Trade Marks with Little or No Inherent Adaptation to Distinguish

Brett Doyle¹

Abstract

The UK decision *British Sugar PLC v James Robertson & Sons Ltd* [1996] RPC 281 (“*Treat*”), has been influential in Australia in assessing signs/trade marks bereft of distinctiveness or where the level of distinctiveness is problematically low.

This article considers the words “devoid of any distinctive character” in the *Trade Marks Act* 1994 (UK), which is significantly different from the *Trade Marks Act* 1995 (Cth) (“the Act”). *Treat* considers these words to be “roughly the same” as “lacking any inherent adaptation to distinguish”, terminology from the UK Act of 1938, which are retained in the current Australian Act. *Treat* also proposes “educating the public” is necessary to establish distinctiveness.

The article traces how *Treat* has been relied on in Australia. Jacob J’s description of the “illogical assumption” about use equalling distinctiveness, summed up in the slogan “SOAP for soap”, is examined and found to be too simplistic for use as more than a non-contentious basic proposition but not a substitute for close evaluation of evidence. Conclusions are then drawn about the ongoing relevance, precedent value and practicality of *Treat* in the Australian context.

Introduction

The threshold question for trade mark law is whether a “sign”, as defined in section 6 of the Act, is a “trade mark” within the meaning of section 17 of the Act. Whether a sign is in fact “used as a trade mark” determines the most crucial operations of the system of registered trade marks, as regulated by the Act. Establishing or “proving” trade mark use becomes critical in a range of circumstances, including whether a trader can achieve registration of a particular sign (section 41); the extent of the monopoly and related benefits accorded to a registered owner (section 20); whether use of a sign by another trader will amount to infringement (section 120); whether there might be grounds to oppose registration of an application that has been accepted for registration (sections 52; 57ff); whether the registration might be removed for non-use (section 92) or be expunged as having been wrongly registered (sections 87–89); and whether non-trade mark use might engage the discretion not to remove an unused trade mark from the Register (section 101); whether the extent of use will support a defensive registration (section 185); and in relation to exhaustion of rights (section 122A).

The four constituent elements of a trade mark, as set out in section 17 of the Act, are:

1. that it be a “sign”;

2. that it be “used, or intended to be used”;
3. for a particular purpose, namely, to distinguish goods/services of one trader from those of another; and
4. that the use be “in the course of trade”.

Therefore, use and the manner of that use are essential to the nature of a trade mark, which is summed in its description as “a badge of origin”, judicially approved at the highest level.²

In addition, section 7 of the Act, headed “Use of a trade mark”, defines what constitutes trade mark use “in this Act” for both goods and services [sub-section 7(4)], and so sections 7 and 17 must be read in tandem. Despite some tweaking and liberalisation, the understanding of the nature of a trade mark in the Act as a badge of origin is not vastly different from the definition of “trade mark” in sub-sections 6(1) and 6(2) of the *Trade Marks Act* 1955 (Cth) (“1955 Act”). Certainly, the broad understanding of the nature of a trade mark was not a significant issue for the Working Party set up to review the 1955 Act, whose principal concern in this area was to expand the categories of registrable marks to include non-traditional marks such as colour, sound, scent, etc., now comprehended within the definition of “sign” in section 6 of the Act, and to introduce a presumption of registrability.³

Sub-section 7(2) of the Act, which deals with aural use of trade marks, begins with the words “To avoid any doubt”.

This might suggest that the legislature had foreseen and dealt with even the trickiest minor issues that might arise, or had previously been in doubt, and so now there should not be a great deal of conjecture or dispute about what amounts to “use as a trade mark” or its proof in the current legislation. Nothing could be further from the truth. The enormous body of case law covering all aspects of the current Act, including those mentioned in the opening paragraph above, shows that sections 7 and 17 are but the starting points. Litigants expend much time and energy in proving or disproving trade mark use and Judges closely examine the evidence, often in minute detail.

This article will examine what is meant by “trade mark use” and how it is proved, spanning the years since the inception of the current Australian legislation to the present, focusing on the 1996 decision of Jacob J⁴ in *Treat* and tracing its influence, value and relevance to the 2023 High Court’s decision in *Self Care IP Holdings Pty Ltd & Anor v Allergan Australia Pty Ltd & Anor*. [2023] HCA 8 (“*Botox/Protox*”) and surveying a range of judicial and administrative decisions in the intervening years that cite or rely on *Treat*. It has been cited many times in Australian judicial and administrative decisions: six times by the Full Federal Court; 24 times by the Federal Court; once by the Supreme Court of Western Australia and more than 120 times by delegates of the Registrar of Trade Marks. *Treat* has never been referred to, even in passing, by the High Court.

Historical background

The Australian law dealing with the common law tort of passing off and trade mark legislation was, for many decades, largely in lock step with the English common law and legislation. There had been a long history of following English paradigms, not only in passing off cases, but in pre-Federation colonial trade mark legislation.⁵ Following the recommendations of the Dean Committee, chaired by Sir Arthur Dean in 1954, the Australian Parliament enacted the 1955 Act. With relatively few variations, it copied the 1938 UK Act. The Dean Committee Report commented that legislative reform was constrained by the resolution of the 1911 Imperial Conference “that it is in the best interest of the Empire that there should be more uniformity throughout its centres and dependencies in the law of copyright, patents, trade marks and companies”.⁶ This consideration was bolstered by the strength of economic ties and would enable “our courts, in interpreting and applying the law, to obtain guidance and to find authority in the decisions of British courts.”⁷ Not surprisingly, trade mark legislation was remarkably similar in places as diverse as Jamaica, South Africa, Ireland, India, Pakistan, Hong Kong, Malaysia, Burma and Israel. Shanahan refers to “many differences” between the 1938 UK Act and the 1955 Act, listing six of the “more important” ones.⁸ In hindsight they appear to be only minor variations of the British model and merely of historical significance, with the exception of

the recommendation not to follow the British *Yeast-Vite* decision,⁹ so that “use as a trade mark” became integral to infringement under Australian legislation. This issue resurfaced in *Treat*. Nonetheless, it was possible to speak of an Anglo-Australian trade mark jurisprudence that was relatively uniform and the Australian High Court, which had initial jurisdiction in matters under the trade mark legislation until the mid-1970s,¹⁰ continued to follow the decisions of English courts and refers to them still when it is necessary to draw attention to the common underlying jurisprudential heritage.¹¹

The political and economic ties to Britain progressively weakened but the legislative landscape changed suddenly in the mid-1990s because of two specific geo-economic and geo-political factors. The first was Australia’s decision to comply with the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”)¹² negotiated at the end of the Uruguay Round of the General Agreement on Tariffs and Trade (“GATT”) between 1989 and 1990.¹³ The second was the UK’s implementation of the EU Harmonisation Directive (EEC) 89/104 and the Council Regulations (EC) 40/94, creating the “Community Trade Mark Register”, enabling protection of trade marks across all EU member states by way of a single registration. The directive currently in force is Directive (EU) 2015/2436. Post-Brexit, an EU Community Trade Mark (“CTM”) no longer gives protection in the UK. Nonetheless the *Trade Marks Act 1994* (UK) introduced changes that make it “different in philosophy, structure and provisions from the current Australian law.”¹⁴

As part of the withdrawal agreement from the EU, the UK was obliged to create comparable rights for existing CTMs.¹⁵ These are the so-called “cloned” national registrations that mirror CTMs in force in the UK prior to Brexit. The 1994 UK Act, which implemented the EU Directive requiring harmonisation of trade mark laws, remains unamended. Sir Robin Jacob et al. believe that “for the most part, the substantive law relating to UK trade marks and EUTMS [EU trade marks] is the same” with some procedural differences concerning registration and enforcement.¹⁶ Some authors have questioned whether UK and EU trade mark law might gradually diverge. The Retained EU Law (Revocation and Reform) Bill 2022–23, also known as the “Brexit Freedoms Bill”, if enacted as currently drafted, will enable the English Court of Appeal and UK Supreme Court to depart from EU case law.

An illogical assumption: use = distinctiveness

At the critical rupture point in the mid-1990s, Jacob J handed down his decision in *Treat*, making a range of comments, many of them obiter, that have echoed through the decades since. *Treat* was the first case under the new UK legislation and the issues it canvassed remain central to any understanding of trade mark use, to proving trade

mark use and to how to grapple with its implications and consequences. In many respects, it is clear that Jacob J was feeling his way with the new provisions, making qualified and tentative comments, reluctant to rely on the old statute and its case law but unable to avoid recourse to the previous jurisprudence. The decision ranges widely and in some respects speculatively across issues that remain at the centre of what is or should be involved in proving trade mark use. The case is most noted, at least in Australia, for the following passage:

There is an unspoken and illogical assumption that “use equals distinctiveness”. The illogicality can be seen from an example: no matter how much use a manufacturer made of the word “Soap” as a purported trade mark for soap the word would not be distinctive of his goods.¹⁷

This has commonly been abbreviated to the principle: “SOAP for soap”,¹⁸ which has become something of a mantra or shorthand disparagement for marks considered highly descriptive or non-distinctive. This too narrow view of the significance of the case does not do justice to the issues that Jacob J struggled with and which continue to engage traders, lawyers, trade mark registries and courts. The *Treat* decision warrants much greater critical analysis than it has received, particularly in Australia in the light of subsequent case law.

Proving trade mark use most commonly crystallises as an issue when an applicant seeks registration of a mark that has a low level of distinctiveness or none at all, or when an applicant seeks to rely in an infringement action on the registration obtained for such a mark. Under the Act, (and the 1994 UK Act) there are no longer any trade marks (signs) that are per se impossible to register. “The bar ... will be factual not legal.”¹⁹ This was not previously the case. Under former Australian and UK legislation, marks that critically lacked the inherent ability to function as trade marks (badges of origin) were barred from registration irrespective of the nature or extent of use and irrespective of factual distinctiveness. Such marks included OXFORD for books²⁰ and WHOPPER for hamburgers.²¹ Both are now registered.²² The innate capacity to function as a trade mark (absent any considerations of its use) was referred to by the term of art: “inherent adaptation to distinguish” enshrined in legislation. It was and remains an attribute, when considered in light of the goods/services in question, that can neither be acquired nor lost.²³ Given this absolute bar to registration of marks totally lacking this characteristic, courts and the Registrar were eager and inventive in finding at least a “spark” of inherent adaptation to distinguish that could be enhanced by use.²⁴ Categorisation as what is now a section 41(3) mark was a very severe assessment and was reserved for only the most obviously non-distinctive marks. Almost anything could be registered in Part B of the 1955 Act provided there had been significant use. Marks generally failed to achieve registration in Part B because of insufficient use, not because they lacked all inherent adaptation to distinguish, which was

only the case with marks such as MICHIGAN, WHOPPER and PERFECTION.²⁵

The term “inherently adapted to distinguish”, as set out in section 24(2) of the 1955 Act, was inherited from UK legislation but abandoned in the 1994 UK Act in favour of the terminology in the EU Directive: “devoid of any distinctive character” [section 3(1)(b)]. The former terminology continues in the current Act, section 41 of which contains a trinity of related terms all centred on distinctiveness: “capable of distinguishing”; “inherently adapted to distinguish” and “does in fact distinguish”. In every sense it is distinctiveness in one guise or another that is the sine qua non of registered trade marks. Section 41 of the Act has a cascading set of criteria, categorising signs according to gradations of distinctiveness. There are three categories:

1. those inherently distinctive, which are per se registrable;
2. those not sufficiently inherently distinctive, which need some augmented distinctiveness, generally acquired through use, to reach the threshold of “capable of distinguishing”; and
3. those having no inherent adaptation to distinguish, which must be distinctive in fact by reason of use at their lodgement date.

41 – Trade Mark not distinguishing applicant’s goods or services

- (1) *An application for the registration of a trade mark must be rejected if the trade mark is not capable of distinguishing the applicant’s goods or services in respect of which the trade mark is sought to be registered (the **designated goods or services**) from the goods or services of other persons.*
- (2) *A trade mark is taken not to be capable of distinguishing the designated goods or services from the goods or services of other persons only if either subsection (3) or (4) applies to the trade mark.*
- (3) *his subsection applies to a trade mark if:*
 - (a) *the trade mark is not to any extent inherently adapted to distinguish the designated goods or services from the goods or services of other persons; and*
 - (b) *the applicant has not used the trade mark before the filing date in respect of the application to such an extent that the trade mark does in fact distinguish the designated goods or services as being those of the applicant.*
- (4) *This subsection applies to a trade mark if:*
 - (a) *the trade mark is, to some extent, but not sufficiently, inherently adapted to distinguish the designated goods or services from the goods or services of other persons; and*

Registering Trade Marks with Little or No Inherent Adaptation to Distinguish

(b) the trade mark does not and will not distinguish the designated goods or services as being those of the applicant having regard to the combined effect of the following:

(i) the extent to which the trade mark is inherently adapted to distinguish the goods or services from the goods or services of other persons;

(ii) the use, or intended use, of the trade mark by the applicant;

(iii) any other circumstances.

Note 1: Trade marks that are not inherently adapted to distinguish goods or services are mostly trade marks that consist wholly of a sign that is ordinarily used to indicate:

(a) the kind, quality, quantity, intended purpose, value, geographical origin, or some other characteristic, of goods or services; or

(b) the time of production of goods or of the rendering of services. [Emphasis added]

IP Australia's *Trade Marks Manual of Practice and Procedure* no longer contains a reference to *Treat* in the section dealing with marks having no inherent adaptation to distinguish, Part 22.6 having been amended on December 2022, though it was still in the version dated 22 April 2022. In the text co-authored by Sir Robin Jacob, *Treat* is referred three times: with regard to distinctiveness, similar goods and infringement.²⁶ The authors of the 3rd edition of the *Annotated Trade Marks Act 1995* refer to *Treat* twice. Burrell and Handler refer to *Treat* three times in relation to distinctiveness but without much discussion. *Shanahan's (7th edition)*²⁷ footnotes *Treat* once as a reference in Branson J's decision in *Blount*.²⁸ The UK text by Michaels and Norris refers to *Treat* seven times but only once with regard to distinctiveness, placing SOAP for soap at one end of the spectrum and NORTH POLE for bananas at the other.²⁹ As already noted, *Treat* has nonetheless been referred to in multiple Australian judicial and administrative decisions. The continuing reliance on *Treat* by Registrar's delegates in more than 120 decisions shows that, as a very practical matter, *Treat* still exerts considerable influence. It therefore warrants close attention. It must however be viewed in context.

The decision in *Treat*

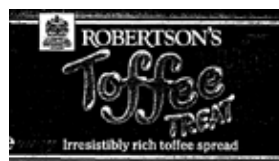
Despite the complexity of the issues that Jacob J grappled with, there was never any question about the outcome that he would reach, nor is it possible to cavil with the ultimate result. The judgment begins with the famous passage from the Master of the Rolls, Cozens-Hardy from 1909:

Wealthy traders are habitually eager to enclose part of the great common of the English Language and to exclude the

*general public of the present day and of the future from access to the enclosure.*³⁰

Treat involved an allegation of statutory infringement of Registered Trade Mark 1516087 TREAT and a cross claim to cancel the registration. TREAT was registered for "Dessert sauces and syrups". The case concerned not only the plain block script registration for TREAT but the parties' use of the word "treat" on their respective product labels.

1.



2.



British Sugar alleged that James Robertson & Sons infringed the TREAT registration by use of label No. 1 above, which included the words "robertson's Toffee TREAT". Jacob J made the obiter comment that the plain block script mark TREAT should not have been registered under previous legislation in Part B of the Register, which required that it be "capable of distinguishing", a different test from the 1994 Act's threshold for registration but the same as the Part B threshold under the 1955 Australian Act. The evidence (proof) that had secured registration was of use of the mark in the "Silver Spoon Treat" composite label, No. 2 above, not use of TREAT simpliciter. Whether the registration should be cancelled under the 1994 legislation depended on answering two questions: whether TREAT was "devoid of any distinctive character" and whether it had subsequently "acquired a distinctive character". It was in the precise context of the original registration that Jacob J made obiter comments about certain marks, including TREAT, being incapable of registration, despite proof of extensive use. He prefaced that comment with the following words: "It was really no more than evidence of use. Now it is all too easy to be beguiled by such evidence."³¹ But they were repeated later in connection with proving the acquisition of distinctiveness.

*There is no pre-set bar saying no matter how well it is proved that a mark has become a trade mark, it cannot be registered. This is not to say that there are some signs which cannot in practice be registered. But the reason is simply that the applicant will be unable to prove the mark has become a trade mark in practice – "Soap" for "soap" is an example. The bar (no pun intended) will be factual not legal.*³²

It was open to British Sugar to prove that TREAT had in the years since registration become "distinctive now",³³ which British Sugar sought unsuccessfully to do by way of evidence of increased sales/market share, from the evidence of its officers and from survey evidence.

The precise ratio of the infringement action is that the allegedly infringing use was not on goods covered by the registration. “Spreads” were not the same as the registered goods “dessert sauces and syrups”. Moreover, they were not similar goods and so there was neither direct infringement under section 10(1) nor indirect infringement under section 10(2), corresponding to sections 120(1) and 120(2) of the 1995 Australian Act. Had there been infringement, Jacob J would also have found that there was a defence of bona fide description, neither “Treat” nor “Toffee Treat” being used as a trade mark but descriptively.

The ratio of the cross claim for expungement is that TREAT was “devoid of any distinctive character” and, despite the registration’s presumed validity, the registration for TREAT could not be saved because, as a matter of evidence, it had not been proved to have acquired “a distinctive character” since registration [section 47(1)]. It is at this point that Jacob J asks the following question: “What does *devoid of any distinctive character* mean?”³⁴ He proposes that the proper enquiry is to ask: “Is it the sort of word (or other sign) which cannot do the job of distinguishing without first educating the public that it is a trade mark?”³⁵ Jacob J goes on, albeit hesitantly, “to borrow ... from the old [UK] Act” the concept of inherently adapted to distinguish because “the idea [devoid of any distinctive character] is much the same” as lacking any inherent adaptation to distinguish.³⁶ The exact difference between “devoid of any distinctive character” and “not to any extent inherently adapted to distinguish” remains unclear. They cannot be the same because “distinctive character” can be acquired by a mark devoid of it but “inherent adaptation to distinguish” can be neither gained nor lost.

To prove that signs “devoid of any distinctive character” have “acquired distinctive character” Jacob J would require both use and recognition – and it is a question of degree. Put another way, acquired a distinctive character “really means: ‘has the mark acquired a sufficiently distinctive character that the mark has really become a trade mark.’”³⁷ In Jacob J’s view, it must be proven that “the mark has really become accepted by a substantial majority of persons as a trade mark – is or is almost a household word.”³⁸

So in *Treat*, Jacob J deals with two interrelated concepts and proposes a way of approaching each of them:

1. “devoid of any distinctive character” describes the type of sign that the public first needs to be educated about as being a trade mark in order for it to become one and to act as one – otherwise they can only be “purported” trade marks;³⁹ and
2. “acquired a distinctive character” is relevant to the marks “devoid of distinctive character” but their use must result in recognition or perception of the sign as a trade mark,⁴⁰ requiring acceptance of the sign as a trade

mark by a substantial majority, such that the trade mark is almost a household word.⁴¹

These two phrases really focus on two aspects of the one issue because acquiring a distinctive character is a cure for the defect of lacking any distinctive character. We will, however, see that it is easy to conflate these separate but related enquiries about distinctiveness. Two questions arise: (i) how practical are these approaches?; and (ii) are they congruent with binding Australian authorities?

A metaphysical question

There is a preliminary metaphysical question that must be considered. When does a trade mark come into being and in what does a trade mark consist? This conundrum pervades the considerations of a range of issues in *Treat*. It is related in particular to the question of statutory infringement. Under UK legislation (both the 1938 and 1994 Acts) any use of a registered mark, irrespective of the nature of that use, was and is an infringement, to which a defence might nonetheless apply. The Australian High Court read the infringement provisions of the 1955 Act with a gloss, requiring the use be “as a trade mark” for there to be infringement.⁴² The Dean Report recommended this, saying specifically that the UK decision in *Yeast-Vite*⁴³ should not apply to infringement under the 1955 Act. This consideration is central to the High Court’s decision in *Botox/Prottox*, which held that use of the phrase “instant Botox® alternative” was not use as a trade mark and so was not infringing use. In *Treat*, Jacob J specifically rejected a similar gloss on the UK infringement provisions,⁴⁴ though it appears that he was not made aware of it.

Under section 17 of the Act, a trade mark springs into being when a sign is used or intended to be used in the course of trade to distinguish a trader’s goods/service from those of other traders. Before that, it is merely a sign masquerading as a trade mark, what Jacob J terms a “purported” trade mark. He seems to have a different view of how a trade mark comes into being. For Jacob J, it must first become distinctive: “Of course the power of advertising may be able to turn almost anything (save a pure description) into a trade mark ...”⁴⁵ A sign therefore cannot be a trade mark unless it acts as one: the intention to use it as a trade mark must first be realised. Though this might seem “factual”, it really goes to the nature of a sign that is “devoid of any distinctive character” which cannot be a trade mark. This is a metaphysical statement about the nature of that sign. Here Jacob J seems to propose a binary position, at least with regard to highly descriptive/non-distinctive trade marks. They are either descriptions or trade marks, the issue arising in relation to the defence to infringement. This is not only contrary to section 17 of the Australian Act but is in tension with long-standing English and Australian authority that distinctiveness and descriptiveness are not mutually exclusive.⁴⁶ This strict metaphysical divide was the basis of the Full Federal Court’s

reasoning in *Cantarella*,⁴⁷ subsequently overturned by the High Court. The Full Federal Court wrongly stated that ORO and CINQUE STELLE could not have been used as trade marks because they were mere descriptions and so the registrations should be expunged for non-use.

The reason Jacob J went down this path was that he was faced with use of the word *treat* by James Robertson but did not want to find that the label was an infringement, so he found that the use of “Toffee Treat” or “Treat” was not use as a trade mark and only descriptive use, falling within the statutory defence. The Australian Act contains a corresponding defence [section 122(1)(b)(i)]. Clearly the judicial gloss on infringement and the descriptiveness defence have in view the same public policy considerations, that is, that highly non-distinctive signs should remain available for general use. For this reason, the comment of Gageler J in his dissenting judgment in *Cantarella*⁴⁸ that neither the test for inherent adaptation to distinguish nor its application is affected by the defence section 122(1)(b)(i) does not have sufficient regard to the intertwined legislative history in Australia and the UK of these provisions nor to the famous Australian gloss on what usage will amount to statutory infringement.

Devoid of any distinctive character – educating the public

The first point to note is that “devoid of any distinctive character” is not in the Australian legislation, the former terminology of “inherent adaptation to distinguish” having been retained in the 1995 Act. Jacob J’s comments are therefore not directly relevant. Assuming however that he is correct and the two phrases/concepts are “much the same”, how useful is the notion of “not needing to educate the public” in identifying marks that are “not to any extent inherently adapted to distinguish”? Such marks fall into what is now the section 41(3) category and into section 41(6) prior to the *Raising the Bar* amendments. They must be proved to be “in fact distinguish” of the applicant’s goods/services as at the priority date by virtue of their use [section 41(3)]. This is also the case under section 3(1) of the 1994 UK Act for marks “devoid of any distinctive character”.

The phrase “without first educating the public” has proven much less popular with Australian courts and with delegates of the Registrar than has the SOAP for soap invocation and the apparent endorsement of “use equals distinctiveness” as an illogical assumption. Lindgren J, in his dissenting judgment in *Kenman Kandy*, queried whether, “without any prior education” about its trade mark significance, the Bug shape would be able to do the job of a trade mark.⁴⁹ Would it be “saying something about [the confectionery’s] origin.”⁵⁰ Lindgren J admitted, however, at [63] that shape marks give rise to “special problems” and so his comment is a general one only and in *Kenman Kandy* there was no use or attempts at education of any kind. The other Federal Court decisions that refer to *Treat* find it is useful; assume or suggest that it

is correct; assume it is relevant and even tacitly accept that “devoid of any distinctive character” is or is roughly the same as “lacking any inherent adaptation to distinguish” – but they do not rely on it alone or even principally. It is considered persuasive but not being central to the decisions at hand is not subject to any critical analysis.⁵¹ Finn J in *Austereo* is the one exception in applying the education principle to the facts before him.⁵² He accepted the concept of developing distinctiveness by education and held that SOUNDS DIFFERENT did not lack all inherent adaptation to distinguish but nonetheless did not qualify for registration because it had only been proven to come up to the requisite threshold of distinctiveness after the priority date.⁵³ What is significant is that he says that the “education” had been achieved by use of the trade mark in particular circumstances. The proof included use of SOUNDS DIFFERENT along with other trade marks.

*I am satisfied that the most reasonable and probable deduction from the post-priority date evidence ... is that the mark acquired such distinctiveness as it now has from its use with the Nova marks. That use educated other traders and the public as to the association between the “sounds different” mark and the Nova businesses. In other words, it was through the subsequent usage that the mark acquired a capability to distinguish.*⁵⁴ [Emphasis added]

Finn J reviewed evidence of auditory use in radio and television commercials, industry practice and survey evidence as well as graphic materials.⁵⁵ Examples of graphic use that were found persuasive included:



Finn J himself remarked that he made a “deduction” (draws an inference) rather than there being proof per se. The inference was drawn from various NOVA mark and SOUNDS DIFFERENT being used “in conjunction ... [but] ... separated spatially or temporally”. These examples above, if viewed in isolation, could only be regarded as equivocal at best. As we will see from the decision in *Defence Jobs*,⁵⁶ it would be a lucky litigant or applicant who could convince a judge or the Registrar that this type of use “proved” distinctiveness if it were the sole evidence relied on. There are also important differences in how Finn J deployed the education principle. He was not dealing with a sign that needed to become a trade mark in the sense proposed in *Treat*. SOUNDS DIFFERENT already had some level of inherent adaptation to distinguish. Finn J accepted that education had raised the level of distinctiveness, not that it had turned the sign, Sounds Different, into a trade mark.

It seems best to regard Jacob J’s comments about becoming a trade mark as referring to a trade mark becoming distinctive. Jacob J strayed into saying *Treat* was not a

trade mark because if it were partly a trade mark and partly descriptive the defence of bona fide description would not have been available. This is a conundrum peculiar to the UK legislative regime. It is nonetheless clear that not reading the infringement provisions with the gloss of requiring use to be “as a trade mark” merely shifts establishing/proving what is trade mark use from the infringement provisions to the statutory defence provision. That is what Australian courts have done in infringement and revocation actions without venturing into notions of “educating the public”, which Finn J’s judgment shows does not map across from the UK legislation, no matter how useful “education” might be for identifying signs that are “devoid of any distinctive character” the purposes of the 1994 UK Act.

Both *Austereo* and *Treat* show that the types of evidence that are filed require close evaluation and can be problematic. Survey evidence and expert evidence based on it is expensive and always open to criticism of the underlying methodology or the prejudices/assumptions of the expert. Evidence of sales might merely be beguiling use of no probative value. Evidence from officers of the parties will not be independent and might be merely self-serving.

Treat and further Australian authorities

There are however more fundamental criticisms of how *Treat* proposes to identify signs “devoid of any distinctive character”, assuming for the moment, as a range of Australian decisions have uncritically done, that it is analogous to lacking any “inherent adaptation to distinguish” and so is helpful in categorising signs into the three categories in section 41 of the Act.

The first criticism is that in *Cantarella*, the High Court provided an authoritative two step test for evaluating whether a sign has the quality of inherent adaptation to distinguish and based that on previous High Court authority dealing with those words in the 1905 and 1955 Acts.

In accordance with the principles established in Mark Foy’s and restated in Clark Equipment, Faulding and Burger King, determining whether a trade mark is “inherently adapted to distinguish”, as required by s 41(3), requires consideration of the “ordinary signification” of the words proposed as trade marks to any person in Australia concerned with the goods to which the proposed trade mark is to be applied.

... Once the “ordinary signification” of a word, English or foreign, is established an enquiry can then be made into whether other traders might legitimately need to use the word in respect of their goods.⁵⁷

This was done without any reference at all to *Treat* and without any reference to educating consumers or anyone else about a sign being or becoming a trade mark. The High Court did not need to consider the acquisition of distinctiveness in *Cantarella* because the marks under challenge were held to be

inherently distinctive. Prior to *Treat*, courts and the Registrar had successfully managed to evaluate whether a sign had any inherent adaptation to distinguish using established Anglo-English trade mark jurisprudence.

On the same day as the High Court decision but without referring to it, Yates J handed down his decision that APP STORE lacked any inherent adaptation to distinguish and had not become factually distinctive before the filing date.⁵⁸ In doing so, he like others before him, reviewed the evidence closely holding that both *App* and *Store* had well known meanings and in combination were merely descriptive of the services. Yates J surveyed the relevant authorities with only one reference to the public being educated and one reference to *Treat*, both embedded in prior court decisions.⁵⁹ He reviewed evidence from expert witnesses, including linguistic experts, officers of Apple, survey evidence, internet search evidence, etc. Though *Treat* is not dealt with, there is another quote at [227] from Jacob J in the same vein, but with regard to shape marks, which Yates J said at [229] was “applicable to the capacity of word marks to distinguish”.

... it is not enough to prove the public recognises them as the product of a particular manufacturer. It must be proved that consumers regard the shape alone as a badge of trade origin in the sense that they would rely upon that shape alone as an indication of trade origin, particularly to buy the goods. If that cannot be proved, then the shape is not properly a trade mark, it does not have a “distinctive character” for the purposes of trade mark law.⁶⁰

In relation to APP STORE, this quotation supports no more than Yates J’s general point about the difficulty of proving factual distinctiveness.

A further difficulty with “educating the public” is a very practical one. How is this done other than by pointing to use and the consequences of use that can only be inferred on the basis of probabilities? There are many promotional possibilities, but programs of education are what is typically done when the public is encouraged to be vaccinated, to drive safely or to respect the environment. Other types of activity similar to education occur with lobbying for a particular position or when politicians vie for re-election. Jacob J referred to a “sleight of hand” and a “trick” with regard to shape marks that become associated with a product that becomes well-known and are then claimed as a trade marks. The question to answer is: “When does a product feature become a distinctive trade mark?” But is this really so difficult? How is it any different from a trade mark that is inherently distinctive that has been used to such an extent that registration as a defensive trade mark is justified for unrelated goods/services; or when a trade mark becomes so “well-known” that it can be relied in infringement proceedings under section 120(3)? Jacob J clearly has in mind wealthy traders who are pushing the boundaries but, in principle, the Jiff Lemon case⁶¹ (lemon shaped containers

Registering Trade Marks with Little or No Inherent Adaptation to Distinguish

for lemon juice) shows that the common law now accepts the principle that “descriptive” shapes or shapes indicating the nature of the goods are now capable of monopolisation and was willing to fill the gap in protection when in 1990 shapes were not registrable trade marks.




Education of the public in relation to products and services is generally focussed on promoting the need or desire for the goods/services and thereby increasing sales and revenue. As a consequence, the signs/trade marks that are used become more widely known and so in the legal terminology they become distinctive or more distinctive. In *Botox/Protox*, the High Court made the following comment, which calls fundamentally into question any uncritical acceptance of comments in *Treat* about use not equalling distinctiveness:⁶²

Reputation, or the extent of reputation, can be difficult to ascertain and, in the absence of evidence, unless judicial notice could be taken of reputation, a court would be unable to evaluate the reputation of a mark. In the context of s 60, “reputation” has been considered to refer to recognition of a trade mark by the public generally.⁶³ It has been held to be “commonplace to infer reputation from a high volume of sales, together with substantial advertising expenditures and other promotions, without any direct evidence of consumer appreciation of the mark, as opposed to the product”.⁶⁴

In *Blount*, Branson J accepted the observation in *Treat* as a general starting point or caveat:

... evidence of promotion and use does not, without more, demonstrate distinctiveness. Nonetheless, common sense suggests that significant promotion and use of a trade mark amongst people concerned with the relevant market will have a tendency to enhance, rather than diminish, the trade mark’s capacity to distinguish the goods in respect of which it is used from the goods of others. Certainly, the absence of evidence of promotion and use is likely to assume significance where distinctiveness resulting from use is in issue.⁶⁵

This is not to gainsay the Full Court decision in relation to the colour green for services stations which endorses *Treat* via *Blount* but omits Branson J’s qualification.

In *Blount*, Branson J held the trade mark  to be factually distinctive for chainsaws, tools and work equipment that had been sold under the mark since before 1960. She disregarded its slight stylisation and held  to lack any inherent adaptation to distinguish. As proof of acquired distinctiveness, Blount filed evidence of use and promotion. There were also affidavits from consumers, wholesalers and retailers the overall impact of which was to indicate a brand identity, even though the “association” between the products and  was not explicitly stated to indicate a particular trade source. Branson J did not require a statistically sound survey for her to draw a favourable inference about distinctiveness. Her Honour dismissed concerns that affidavits were predominantly from customers. Her common

sense approach is summed up in the following passage:

It is not, in my view, necessary as a matter of law for a statistically sound market survey to be undertaken before it can be established that a trade mark does distinguish an applicant’s goods from the goods of another person. In each case the evidence relied on by the applicant is to be evaluated in the light of any evidence tending to the contrary effect and having regard to the evidence which the applicant might reasonably be expected to be able to obtain in all the circumstances of the case.⁶⁶

Branson J made two important propositions of law:

1. that the structure of section 41 as then drafted displaced the general presumption of registrability that applied to other sections of the Act; and
2. that for a sign without any inherent adaptation to distinguish, the enquiry about its distinctiveness as at the filing date is “entirely one of fact” (508), so overruling the position taken by the Registrar’s delegate that a relevant consideration was the likelihood of other traders requiring OREGON (a state in the USA) for use in relation to their similar goods.

Since section 41 was redrafted by the Raising the Bar Amendments, the presumption now applies also to section 41 and this needs to be factored into any evaluation of distinctiveness during the initial registration process or when an expungement action is brought.

Two decisions of the Registrar

In *Beautiful*⁶⁷ the Deputy Registrar held that BEAUTIFUL had, without the benefit of the presumption of registrability, become distinctive of Estee Lauder’s “perfumes” by the filing date. “[B]eautiful is both a highly descriptive and highly laudatory word”, commonly in use in the perfume industry. The Deputy Registrar gave the following examples from evidence filed by Estee Lauder:

- p.61 a perfume as beautiful as Arpège deserves more;*
- p.109 but the illusion they created is so beautiful;*
- p.125 Femme is so beautiful but quite difficult to wear;*
- p.149 we make our own perfumes ... use the most beautiful raw materials;*
- p.194 The perfume was so different ... so clean and beautiful; and*
- p.203 (of the Paris bottle) this will be ... much more beautiful.⁶⁸*

Citing *Treat*, the Deputy Registrar held that the public needed education for BEAUTIFUL to “do the job of distinguishing”. Evidence showed use of the mark in Australia from 10 years before the filing date and promotion in a range of magazines and a ranking of second amongst most popular perfumes sold by Myer and David Jones department stores. Evidence from an expert in fragrances satisfied the Deputy

Registering Trade Marks with Little or No Inherent Adaptation to Distinguish

Registrar that:

1. the perfume business is highly competitive and highly sophisticated;
2. Estee Lauder's Beautiful perfume was an innovative development launched in 1985 because it set a new fashion both in respect to its style and its image;
3. Beautiful is "universally" known in the perfume industry as an Estee Lauder fragrance;
4. Beautiful has an extensive reputation amongst consumers; and
5. on a worldwide measure of sales and usage, Beautiful is amongst the world's top fragrances.⁶⁹

There was of course no contradictor in an ex parte hearing and the expert evidence was clearly only submitted because it was favourable and the expert would have been paid. Importantly, not all the expert's opinions were accepted and, despite Deputy Registrar Hardie referring to *Blount* in relation to the presumption not applying to section 41 as then drafted, she did not heed Branson J's finding that the assessment of distinctive was "entirely one of fact". She wrongly took into consideration "whether or not other traders would wish to use the word beautiful for the sake of its ordinary significance, and in the promotion of their own perfumes."

Defence Jobs refused registration of DEFENCE JOBS for personnel services.⁷⁰ The Defence Department had used the trade mark for at least 20 years prior to the filing date. The *Cantarella* test for inherent adaptation to distinguish was applied and DEFENCE JOBS was held to have no inherent adaptation to distinguish.⁷¹

The Delegate quoted at [16]–[17] from the Registrar's decision in *Mount Everest Mineral Water Ltd* [2012] ATMO 65, which has as its centrepiece the passage from *Treat* about the illogical assumption: use = distinctiveness; and the Delegate imported into his decision what Jacob J required for factual distinctiveness. The enquiries to be undertaken with regard to factual distinctiveness are:

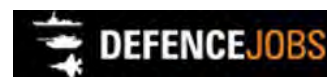
1. the way the trade mark has been used by the applicant;
2. how the particular market has been educated concerning that use; and
3. how the market perceives the trade mark in denoting the services in respect of which it is used.

The Delegate considered that the points two and three above were not addressed in submissions but we have already seen that that these are not consistent with Australian authorities.

At [22] the Delegate cited in support the *St Walter* case⁷² subsequently approved by the Full Court in *Primary Health Care Limited v Commonwealth* [2017] FCAFC 174. These decisions do no more than treat the statement about use not equalling distinctiveness as a starting point. As Yates J

in *Sir Walter* made it clear that everything is dependent, not on the starting point, but on the evaluation of evidence. A footnote at [29] contends on the basis of two decisions⁷³ that SOAP for soap "remains an accepted principle under Australian law". For Burley J in *Bohemia* this principle is also no more than a starting point, and his is not a whole hearted adoption of everything in *Treat*. Burley J also cites *Blount*, which is far from an unbridled endorsement of *Treat*. The "illogical assumption" about use needs, in Branson J's view, to be accompanied by a big dollop of common sense. O'Brien J in *Swancom* at [139] did no more than refer to *Treat* by citing *Bohemia*, stating: "the connection between use and distinctiveness requires careful consideration".

It seems clear that if educating the market is relevant, something that needs to be doubted given the Australian authorities already referred to, the Delegate ought to have drawn inferences from the extensive evidence of use that had been filed. This also applies to the third point: market perceptions. It was clear from the evidentiary material that DEFENCE JOBS had been extensively used and promoted for decades by the Defence Department in a number of ways that make it clear that DEFENCE JOBS had been deployed as part of a branding function, which are at least as probative of distinctiveness as the materials taken into account by Finn J in *Austereo*. This evidence included: the website; the Facebook page <<https://www.facebook.com/DefenceJobsAustralia/>> and other social media; <<https://defencejobs.gov.au/>>; use of



and "defencejobsaust"; the positioning of the elements to show trade mark use; YouTube videos; merchandising goods such as caps, pens and water bottles featuring defencejobs.gov.au. The website defencejobs.gov.au received 400,000 visits per month and the media pages and YouTube video traffic was described at [27] as "impressive" and at [21] between 20,000 and 40,000 personnel are dealt with annually. One of the significant issues during examination was what in the evidence proved trade mark use. The examiner was prepared to accept some materials as showing use of DEFENCE JOBS as a trade mark. By contrast, a Deputy Registrar did not think there was proof of any trade mark use. The Delegate at [27] assumed for the purpose of his decision that it was all trade mark use but nonetheless concluded at [30] that there was insufficient evidence of "consumer appreciation of the Trade Mark in that market".

There was no discussion of what this or other applicants might be able to rely on when seeking to prove trade mark use. This would have been helpful given that it was the contentious and critical issue provoking serious disagreement between the examiner and a Deputy Registrar. The Delegate departs from the common sense approach adopted by Branson J in *Blount*, from the approach taken

by Finn J in *Austereo* and is inconsistent with the comments of the High Court in *Protox/Botox*. Ultimately the Delegate remained “unconvinced that the market had been educated and recognises the term DEFENCE JOBS as connoting the Applicant’s [recruitment and personnel] services rather than for its descriptive meaning” [28]. At [29] the Delegate returns to *Treat*, conceding that DEFENCE JOBS (for personnel services) is not the same as SOAP (for soap) but the spectre of *Treat* is not entirely dispelled and the application is doomed. It seems, however, to be contrary to common sense that 20 years of offering and promoting services by reference to DEFENCE JOBS, which was assumed/conceded by the Delegate to be trade mark use, had no effect on the market to which it was directed and so “a new and secondary meaning different from its descriptive meaning” had not been established.

Presumption of registrability and the state of the Register

Two further issues need to be considered. *Defence Jobs* differed from *Beautiful* because after the Raising the Bar amendments the presumption applied but this was not addressed in the decision. Clearly, the presumption should not operate to deem all evidence of use to be trade mark use, so avoiding any evaluation of the evidence but it would seem that favourable inferences must be drawn once trade mark use is found, assumed or conceded, as it was. This is the natural inference (presumed unless the contrary be proved) as indicated by Branson J in *Blount*, by Kenny J in *McCormack*, by the Full Federal Court in *Lodestar* and endorsed by the High Court in *Protox/Botox*. Inspired by *Treat* and reliant thereon, the opposite principle seems to have held sway: that highly or allegedly merely descriptive word marks are presumed not to be distinctive, not on the basis of the balance of probabilities, but unless overwhelming evidence is produced demonstrating that the public has been educated and that the sign has become in Jacob J’s words “almost a household word”.

The state of the Register was also considered unhelpful because the circumstances of particular registrations were not known, despite the examples given being “of a similar level of descriptiveness” [26]. While this principle applies in judicial proceedings, the Registrar’s own practice surely cannot be irrelevant to her administration of the Act. A level of certainty and predictability is a proper consideration when considering what marks should be placed on the Register.

... consistency in public administration is desirable. Secondly, there is a difference between the role of the court and that of the Trade Marks Office in such matters. It is the responsibility of an administrator to take reasonable steps to understand, consider and assess the pattern of his/her own agency in dealing with past matters, where these are directly relevant. It is only if the decision-maker is satisfied that a current matter can be distinguished from past decisions, for

*whatever reason, that an established pattern can be varied in good conscience.*⁷⁴

There are now over 330 registered marks, assessed as having no inherent adaptation to distinguish, which give a good basis to assess the Registrar’s practice. Such marks of government or statutory bodies include: **RailCorp**, STATE RAIL, Inland Rail, Australia Post, Commonwealth Games, university of new England, SYDNEY WATER, Sunshine Coast Airport, Weather Bureau, Bureau of Meteorology, BRISBANE METRO. Those including the word “defence” include: DEFENCE HEALTH, DEFENCE BANK, DEFENCE BANK FOUNDATION, Defence Innovations. Other descriptive marks include: KIRRA BEACH HOTEL, LATROBE FINANCIAL, MEGA! CROSSWORDS, Commercial Diving Services, JEWISH NATIONAL FUND, AUSSIE HOME LOANS, AUSTRALIAN BANKING AND FINANCE, NEW, BABY DOLL (for clothing), The Medical Directory of Australia – and on it goes. Even given “special” considerations relevant to some of these registrations, it’s hard to see how these descriptive marks differ radically from DEFENCE JOBS for personnel services and few are likely to have been supported by two decades of very, very extensive trade mark use.

Conclusion

The following conclusions can be drawn from the above discussion:

1. *Treat* has been regularly cited but has not received proper critical attention;
2. *Treat* concerned a legislative regime that is different from the Act;
3. *Treat* gained prominence and currency because of when it was decided as the first case appearing in a new statutory landscape;
4. Australian court decisions that refer to it either do not rely on it or do not apply it in its own terms;
5. *Treat* has not been evaluated against multiple contrary Australian authorities that reject the indiscriminate use of the “use does not equal distinctiveness” principle and do not adopt the “educating the public” principle;
6. nowhere has either of these principles been endorsed by the High Court;
7. in *Cantarella* the High Court provided authoritative guidance on how to determine inherent adaptation to distinguish without even a passing reference to *Treat*;
8. the frequent reliance on *Treat* by Registrar’s needs to be challenged;
9. the Registrar’s practice is seemingly arbitrary with regard to which signs that have no inherent adaptation to distinguish will be accepted for registration;

Registering Trade Marks with Little or No Inherent Adaptation to Distinguish

10. SOAP for soap, beguiling as it might be as a mantra, is too simplistic to be a useful analytical tool and is not a justification to avoid critically examining evidence of a sign's actual use or to avoid a commonsense evaluation of it; and
 11. the Registrar needs to take seriously into account the presumption in favour of registrability even for signs that lack any inherent adaptation to distinguish.
- 1 BA., LL.M., M.A., M.Th., Grad Dip Bioethics. Director, Brands & Trade Marks, Clayton Utz, Sydney.
 - 2 *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd* [2023] HCA 8 [53] citing *Campomar Sociedad Limitada v Nike International Ltd* (2000) [2000] HCA 12, [42]; *E. & J. Gallo Winery v Lion Nathan Australia Pty Limited* [2010] HCA 15, [43].
 - 3 Working Party to Review the Trade Marks Legislation, *Recommended Changes to the Australian Trade Marks Legislation: A Report to the Hon. Ross Free MP, Minister for Science and Technology*, Australian Government Publishing Service, Canberra, 1992, Ch. 1 "Registrability", especially the "Recommendations", 38 and 42.
 - 4 Jacob J was subsequently appointed a Lord Justice of the UK Court of Appeal in 2003, retiring in 2011, after which he sat intermittently as a Judge in the High Court and the Court of Appeal until April 2015.
 - 5 D R Shanahan, *Australian Law of Trade Marks and Passing Off* (The Law Book Company, 2nd ed, 1990) 6.
 - 6 *Report of the Committee Appointed by the Attorney-General of the Commonwealth to Consider what Alternatives are Desirable in the Trade Marks Law of the Commonwealth together with Copy of the Committee Previously Appointed to Consider the Same*, Government Printing Office, Canberra 1954, [7].
 - 7 *Report of the Committee Appointed by the Attorney-General of the Commonwealth to Consider what Alternatives are Desirable in the Trade Marks Law of the Commonwealth together with Copy of the Committee Previously Appointed to Consider the Same*, Government Printing Office, Canberra 1954, [7].
 - 8 D R Shanahan, *Australian Law of Trade Marks and Passing Off* (The Law Book Company, 2nd ed, 1990), 7.
 - 9 *Irving's Yeast-Vite Ltd v Horsenail* (1934) 51 RPC 110.
 - 10 *Trade Mark Amendment Act 1976* (Cth).
 - 11 *Cantarella Bros. Pty Ltd v Moderna Trading Pty Ltd* [2014] HCA 154, [35]-[59] (French CJ, Hayne, Crennan and Kiefel JJ).
 - 12 *Marrakesh Agreement establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C ("Agreement on Trade Related Aspects of Intellectual Property Rights").
 - 13 John Revesz, "Trade-Related Aspects of Intellectual Property Rights – Staff Research Paper". Productivity Commission, Melbourne, 1999, 4–12 (Online PDF) <<https://www.pc.gov.au/research/supporting/intellectual-property/trips.pdf>>.
 - 14 Mark Davison and Ian Horak (eds), *Shanahan's Australian Law of Trade Marks and Passing Off*, (Lawbook Co./Thomson Reuters, 7th ed, 2022) 7.
 - 15 See *European Union (Withdrawal Agreement) Act 2020*.
 - 16 Robin Jacob, Matthew Fisher and Lynn Chave, *Guidebook to Intellectual Property* (Oxford: Hart Publishing, 7th ed, 2022) 113–14.
 - 17 *Treat* [1996] RPC 281,302.
 - 18 "But the reason is simply that the applicant will be unable to prove the mark has become a trade mark in practice - "Soap" for "soap" is an example. The bar (no pun intended) will be factual not legal." *Treat* [1996] RPC 281, 305.
 - 19 *Treat* [1996] RPC 281, 305.
 - 20 *Oxford University Press v Registrar of Trade Marks* (1990) 17 IPR 509.
 - 21 *Burger King Corporation v Registrar of Trade Marks* (1973) 128 CLR 417. See also *Yorkshire Copper Works v Registrar of Trade Marks* (1954) 71 RPC 150 (HL) re YORK trade mark.
 - 22 Australian Registered Trade Mark 705886 OXFORD in class 16; Australian Registered Trade Mark 751333 WHOPPER in classes 30 and 42.
 - 23 *Burger King Corporation v. Registrar of Trade Marks* (1973) 128 CLR 417.
 - 24 Chief Assistant Registrar Susan Farquhar in *Application by Hardings Manufacturers Pty Ltd t-a Wyandra Industries* (1985-1987) 8 IPR 147 at 154–5, who considered GOLDEN for crumpets was not lacking the requisite "spark" of inherent adaption to distinguish. See also CHUNKY for dog food registered in Part B: 'Chunky' Trade Mark [1978] FSR 322 - UK Chancery Division.
 - 25 See D R Shanahan, *Australian Law of Trade Marks and Passing Off* (The Law Book Company, 2nd ed, 1990)133.
 - 26 Robin Jacob, Matthew Fisher and Lynn Chave, *Guidebook to Intellectual Property* (Bloomsbury Academic, 2022), 84, 96 and 104.
 - 27 Mark Davison and Ian Horak (eds), *Shanahan's Australian Law of Trade Marks and Passing Off* (Lawbook Co./Thomson Reuters, 7th ed, 2022).
 - 28 *Blount, Inc. v Registrar of Trade Marks* [1998] FCA 440.
 - 29 Amanda Michaels and Andrew Norris, *A Practical Guide to Trade Mark Law* (Oxford University Press, 2014) 36.
 - 30 *Joseph Crosfield & Son's Appn ('Perfection')* (1909) RPC 837, 854.
 - 31 *Treat* [1996] RPC 281, 302.
 - 32 *Treat* [1996] RPC 281, 305
 - 33 *Treat* [1996] RPC 281, 305.
 - 34 *Treat* [1996] RPC 281, 305, 306.
 - 35 *Treat* [1996] RPC 281, 306.
 - 36 *Treat* [1996] RPC 281, 306.
 - 37 *Treat* [1996] RPC 281, 306.
 - 38 *Treat* [1996] RPC 281, 306.
 - 39 *Treat* [1996] RPC 281, 302.
 - 40 *Treat* [1996] RPC 281, 304, 306.
 - 41 *Treat* [1996] RPC 281, 306.
 - 42 *Shell Company of Australia Ltd v Esso Standard Oil (Australia) Ltd* [1963] HCA 66 (Dixon CJ, Taylor and Owen JJ, McTiernan J in dissent).
 - 43 *Irving's Yeast-Vite Ltd v Horsenail* (1934) 51 RPC 110.
 - 44 *Treat* [1996] RPC 281, 291.
 - 45 *Treat* [1996] RPC 281, 306.
 - 46 *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd* [2023] HCA 8 [25] approving *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* 21 IPR 24 per Lockhart J & Gummow J; *J. E J Gallo Winery v Lion Nathan Australian Pty Ltd* [2010] HCA , [43] approving *Coca-Cola Co. v All-Fect Distributors Ltd* [1999] FCA 1721 [19].
 - 47 *Modena Trading Pty Ltd v Cantarella Bros Pty Ltd* [2013] FCAFC 110, [105]
 - 48 *Cantarella Bros. Pty Ltd v Modena Trading Pty Ltd*, [2014] HCA 48, [92].
 - 49 *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* [2002] FCAFC 273, [100].
 - 50 *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* [2002] FCAFC 273, [108].
 - 51 *Unilever Australia Ltd v Societe Des Produits Nestlé S.A.* [2006] FCA 782 [56] (Bennett J); *The a2 Milk Company Limited v LD&D Australia Pty Ltd* [2021] FCA 1515 (Bromwich J); *Fry Consulting Pty Ltd v Sports Warehouse Inc (No 2)* [2012] FCA 81 [68] (Dodds-Streton J); *Chocolaterie Guylian N.V. v Registrar of Trade Marks* [2009] FCA 891 [59] (Sundberg J); *Primary Health Care Limited v Commonwealth of Australia* [2016] FCA 313 [14] (Jagot J); *Phone Directories Company Australia Pty Ltd v Telstra Corporation Limited* [2014] FCA 373 [180] (Murphy J).
 - 52 *Austereo Pty Ltd v DMG Radio (Australia) Pty Ltd* [2004] FCA 968.
 - 53 Application 869884 was refused but SOUNDS DIFFERENT has subsequently been registered: Registrations 1013093 and 1103844.

Registering Trade Marks with Little or No Inherent Adaptation to Distinguish

- 54 *Austereo Pty Ltd v DMG Radio (Australia) Pty Ltd* [2004] FCA 968, [52].
- 55 *Austereo Pty Ltd v DMG Radio (Australia) Pty Ltd* [2004] FCA 968, [13].
- 56 *Re Trade Mark Application 2142548* [2023] ATMO 36, Nicholas Smith.
- 57 *Cantarella Bros Pty Limited v Modena Trading Pty Limited* [2014] HCA 48, [70]–[71].
- 58 Application 1252301 was refused but APP STORE has subsequently been registered: Registrations 1666271, 1666272, 1666274 & 1693917 on the basis of factual distinctiveness at the filing date.
- 59 *Apple Inc. v Registrar of Trade Marks* [2014] FCA 1304. See [225] quoting Sundberg J regarding education in *Chocolaterie Guylian N.V. v Registrar of Trade Marks* [2009] FCA 891 [95] and [228] quoting the Full Court’s citation of *Treat* in *Woolworths Ltd v BP PLC (No 2)* (2006) 154 [117].
- 60 *Societe Des Produits Nestle SA v Unilever PLC* [2003] RPC 35, 662.
- 61 *Reckitt & Colman Ltd v Borden Inc.* [1990] 1 All ER 873.
- 62 *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd* [2023] HCA 8 [48].
- 63 *McCormick & Co Inc v McCormick* (2000) 51 IPR 102, 127 [81].
- 64 *McCormick* (2000) 51 IPR 102, 129 [86] (Kenny J), approved in *Austin Nichols & Co Inc v Lodestar Anstalt [No 1]* (2012) 202 FCR 490, 500 [45] (Full Federal Court).
- 65 *Blount, Inc. v Registrar of Trade Marks* (1998) 40 IPR 498, 509.
- 66 *Blount, Inc. v Registrar of Trade Marks* (1998) 40 IPR 498, 509.
- 67 *Estee Lauder Limited* (2000) 50 IPR 131.
- 68 *Estee Lauder Limited* (2000) 50 IPR 131, 135.
- 69 *Estee Lauder Limited* (2000) 50 IPR 131141.
- 70 *Commonwealth of Australia represented by the Department of Defence (Defence Force Recruiting Branch)* [2023] ATMO 36.
- 71 The submission about Kitto J’s words in *Clark Equipment*: “in any manner that would infringe a registered trade mark granted in respect of it” was misrepresented by the Delegate at [18] as a submission that “CARS for cars” was registrable. That is a whole other debate but the true nature of the submission and of Kitto J’s words was grasped, accepted and explained by Lindgren J in *Kenman Kandi* at [88]–[91].
- 72 *Buchanan Turf Supplies Pty Ltd v Registrar of Trade Marks* [2015] FAC 756, [128].
- 73 *Bohemia Crystal Pty Ltd v Host Corporation Pty Ltd* [2018] FCA 235 [176] (Burley J) and *Swancom Pty Ltd v The Jaz Corner Hotel Pty Ltd* (No. 2) [2021] FCA [140] (O’Brien J).
- 74 *Unilever PLC* [2001] ATMO 39 (Terry Williams).

Generative AI and Copyright: Exception, Compensation or Both?

Dr Rita Matulionyte

Abstract

The emergence of generative artificial intelligence (“AI”) has increased existing concerns and raised new issues both for AI developers and right holders. These include possible copyright infringement when copyright subject matter is used in AI training (including generative AI) modules, absence of viable licensing models, and a lack of transparency around the use of works in AI training. This article proposes a four-step approach that might help mitigate these challenges by taking into account the interests of both AI developers and Australian right holders. It suggests differentiating between the so-called “non-creative AI” and “creative AI” modules. While the former “non-creative AI” modules could be subjected to a new copyright exception, the use of works to train “creative AI” modules should require compensation that could be best collected via a statutory licensing scheme. In addition, the article calls for transparency around the use of works in AI training, which is indispensable for the efficient exercise and enforcement of rights.

1. Introduction

The increasing development and adoption of AI technologies has created both opportunities and challenges for copyright industries. Some artists are embracing these new technologies in their creative practices, even if to a different extent. At the same time, they are concerned about the impacts these technologies are causing, or likely to cause, to their revenue streams and jobs.

Works, such as literary texts, works of visual art, photographs, musical works, as well as other copyright subject matter (recordings, recorded performances, broadcasts and cinematographic works) are increasingly being used to train machine learning (“ML”) algorithms, including generative AI modules, both overseas and in Australia. One of the earlier examples that appeared in the media was Google’s use in 2014 of 11,000 romance novels, initially taken from a self-publishing website www.smashwords.com, to train its Google Assistant to be more conversational.¹ More recently, text-to-image apps have appeared such as DALL-E, LensaAI, Stable Diffusion, MidJourney and many others. They all use an open source Stable Diffusion algorithm developed by the CompVis group at LMU Munich, Runway and Stability AI. The Stable Diffusion algorithm was trained using 5.8 billion images collected from online sources without authorisation from right holders. All these images were first compiled into a large LAION-5B dataset which was then used for AI training purposes.²

As another example, ChatGPT produces relatively high-quality text based on a given instruction (a text-to-text generative AI module). Its underlying GPT-3.5 module was

trained using text databases from the internet. This included 570GB of data obtained from books, webtexts, Wikipedia, articles and other pieces of writing on the internet.³

Artists have been increasingly complaining about such unauthorised uses of their works. First, such technologies are able to output large amounts of high-quality content (e.g., images) that are able to compete with human-created works on the market. AI-generated art has already won art competitions.⁴ Commercial users are increasingly choosing to use free AI-generated content, rather than paying for human-generated art.⁵ Even more concerning, some text-to-image apps can be used to copy the style of artists,⁶ i.e., create works in the style of the artist, without copying specific works of that artist.

The second concern of creative industries is that these commercial AI tools are being developed (i.e., trained) using works protected by copyright, without authorisation or compensation to the right holders. This concern has already resulted in cases in the United States and the United Kingdom: a class action launched against GitHub Copilot, an AI trained on open source code taken from GitHub and able to generate new computer code;⁷ a class action against Stability AI, DeviantArt and MidJourney in the US concerning the use of visual works to train Stable Diffusion algorithm;⁸ two actions by Getty Images (in the UK and US) against Stability AI for the use of images from their platform to train the Stable Diffusion algorithm;⁹ a US class action against OpenAI and Microsoft regarding the unauthorised use of text to train an algorithm underlying ChatGPT;¹⁰ and an action in Germany against the developers of a LAION-5B database which was used to train the Stable Diffusion algorithm.¹¹

While there are no copyright cases in Australia yet, both Australian AI developers and copyright industries are facing similar challenges and similar litigation might follow in Australia soon. The purpose of this article is to summarise the current legal challenges in the intersection of copyright and generative AI in Australia and to discuss some possible law reform options. In particular, the article develops a four-step proposal that aims to address both the needs of the Australian AI industry and the local creative industries whose works are being used to train generative AI.

2. Copyright and AI in Australia: current challenges

There are a few challenges related to AI and copyright law in Australia that are of concern both to AI developers and right holders.

2.1 *Generative AI and copyright infringement*

The first challenge is the lack of certainty on whether the use of works (and other copyright subject matter) in ML (including generative AI) training processes triggers exclusive rights under the *Copyright Act 1968* (Cth) and requires authorisation from right holders. Some commentators and AI industries argue that the use of works to train AI modules does not normally trigger the reproduction right.¹² They argue that the training process itself does not include copying of data (algorithm “reads” data or is only “ingested” with data) or, if copies are made, they are temporary and arguably fall under temporary copying exceptions.¹³ In addition, the outputs are arguably transformative and do not copy the expression of a specific work, while artistic styles per se, even if copied, are not protected. This suggests there is neither an infringement in the input (training), nor in the output stage.

The above arguments, however, have a number of weaknesses and a more convincing position is that the unauthorised use of content in the training and use of generative AI could potentially lead to copyright infringement. The infringement could potentially take place at four stages.

First, the training often requires the compilation of thousands, millions or billions of works into a so-called training dataset which is then cleaned and prepared for training.¹⁴ This results in a lasting (i.e., non-temporary) reproduction of works, which is ordinarily done without the authorisation of right holders. For instance, the Stable Diffusion algorithm was trained using the LAION-5B dataset which includes 5.8 billion images taken from online sources without authorisation from right holders. Since the copies in this dataset are not temporary, they would not be covered by temporary reproduction exceptions available under the *Copyright Act*. Also, it is doubtful whether fair dealing exceptions available under the Act (e.g., for research and study purposes) would apply in these cases, especially when such datasets are developed with the financial support from commercial entities that afterwards use them to train commercial generative AI modules.¹⁵ Also, fair dealing

for research and study might not be applicable because a large amount of works are copied in their entirety into the dataset.¹⁶

Second, when an AI developer trains the algorithm using the training dataset comprising works protected by copyright, multiple temporary copies are arguably produced. Copies occurring during the training process could be compared to temporary copies that computers make when transmitting the work from internet servers to computer screens for the purpose of viewing or listening to works, or temporary cache copies that facilitate the transmission process. While temporary copying exceptions have been designed to cover the latter type of copying, they have not been designed and did not intend to cover copying occurring during the machine learning process.¹⁷ Namely, exceptions found in sections 43A and 43B of the *Copyright Act* exclude only temporary copying which is “a part of the technical process of making or receiving a communication” (section 43A) and “if the reproduction is incidentally made as a necessary part of a technical process of using a copy of the work” (section 43B). It is unlikely that copies occurring during the AI training process would fall under these purposes. Also, these exceptions apply only if the initial copy is legal.¹⁸ If the copying of works in a dataset is not legal, then temporary copies occurring when using this dataset will not be covered by the temporary copying exceptions.

Third, when a user uses a trained generative AI module, they might want to use content protected by copyright as a part of their text prompt. For instance, an educator might copy and paste an entire novel into ChatGPT and ask it to provide a summary of the novel. This temporary copying, if occurring in a research or educational setting, might be covered by fair dealing for research and study or by the current statutory licensing scheme for educational institutions, at least to a certain extent.¹⁹ If such uses are occurring outside educational settings (e.g., by commercial entities) and if no licence covers them, use of content in prompts may lead to a copyright infringement.²⁰

Fourth, an infringement could possibly occur at an output stage, when an AI module generates an output that is substantially similar with a previous work or contains a substantial part from a previous work. Generative AI modules are normally trained to produce outputs that do not contain substantial parts from previous works on which they are trained. However, infringement at the output level remains possible. For instance, if a user of a pre-trained AI module inputs a pre-existing text protected by copyright and asks an AI module to rewrite it in another style by leaving the content unchanged, the resulting output might remain substantially similar to the content inputted by a user. Similarly, the user is potentially infringing copyright, unless any of the existing copyright exceptions or an existing licence applies in a given scenario.

This brief analysis suggests that the unauthorised use of works and other subject matter in generative AI context might lead to the infringement of Australian copyright laws, both when AI modules are trained using content protected by copyright and when such content is ingested in pre-trained AI modules by users as a part of their prompts.²¹

2.2 Legal insecurity and competitive disadvantage

If the above analysis is correct and Australian courts agree that the use of protected subject matter in AI training processes could lead to copyright infringement, this has significant consequences for AI developers in Australia. It would mean that AI developers in Australia who use content protected by content in AI training processes face significant legal risks of copyright infringement compared to their counterparts overseas.

Namely, if AI developers use content protected by copyright without authorisation from right holders (e.g., by scraping unlicensed online materials) in Australia, they may infringe copyright. AI developers in other countries arguably have more legal security in this space. Many other jurisdictions have certain copyright exceptions that will arguably apply to uses of works in AI contexts at least to some extent.

In the US, the use of copyright content in machine learning is likely to be covered by the fair use doctrine,²² at least in some cases.²³ The US fair use doctrine was applied to allow many uses that are not permitted under narrow exceptions in other jurisdictions. For instance, as part of the Google Books project, Google and libraries digitised thousands of books, mined their contents, and provided users with snippets from the books that correspond to their search keywords.²⁴ While such mass digitisation of books was recognised as illegal in some European jurisdictions,²⁵ it was permitted under the US fair use doctrine.²⁶ Similarly, while showing thumbnail previews of pictures in Google is not covered by any copyright exceptions in Germany,²⁷ it is covered by fair use in the US.²⁸

The UK has a text and data mining (“TDM”) exception, which was recommended as early as 2011 in the Hargreaves Review of Intellectual Property²⁹ and was adopted in 2014.³⁰ It allows a person to make copies in order to carry out “computational analysis of anything recorded in the work for the sole purpose of research for a non-commercial purpose”.³¹ While the UK TDM exception does not specifically mention ML, it arguably applies to the use of content in ML processes. In 2022, the UK Government also committed to extend the TDM exception to commercial purposes, but has since withdrawn these plans.

The European Union also has a TDM exception that is supposed to cover the use of copyright content in ML projects, both in non-commercial and commercial contexts, with an option for right holders to opt out from the use of their works in commercial TDM activities.³² Japan’s

TDM exception, initially introduced in 2009 and revised in 2018, covers the use of works both in commercial and non-commercial TDM projects.³³ Neither of these exceptions exist in Australia, which is of concern to Australian AI developers.

2.3 Lack of transparency

Right holders are also facing challenges in the AI and copyright context. Despite relatively broad copyright laws, Australian authors and other right holders are not enjoying the benefits that this protection is supposed to secure. In most cases they are not consulted or informed when their works are used in an AI training context and are not being compensated for such uses. In addition, they are not able to enforce rights when their works are used in ML projects without their authorisation due to a lack of transparency of such uses.

While Stable Diffusion is an open-source algorithm with significant transparency around its development and training process,³⁴ it constitutes an exception from the general rule. In most cases, AI developers do not disclose what content they use in AI training purposes, for commercial secrecy and other purposes (e.g., not to expose themselves to legal risks). For instance, while it is known that OpenAI used 570GB of data to train the GPT-3 algorithm, Open AI has not disclosed the exact content it used for this purpose. This lack of transparency and inability to know whether and which works were used in specific training projects makes it very difficult for right holders to either approach AI developers to discuss licensing options or consider enforcement actions.

2.4 Absence of viable licensing models

The last significant problem to be mentioned here is the absence of viable licensing mechanisms that would allow AI developers to secure copyright licences they need for their AI development projects and that would enable right holders to secure payments for such uses.

One licensing option is individual licensing, which requires users (AI developers) to approach individual owners of content. In some cases individual licensing might be a solution, for instance, when AI developers want to license content from large academic or commercial publishers, music producers or large content platforms (e.g. Getty Images).³⁵ AI developers may also rely on content licensed via appropriate Creative Commons licences, especially if they do not have financial resources to obtain such licences.³⁶ In addition, some AI projects might require licensing content from one right holder only, which is generally manageable.³⁷

In many cases, however, individual licensing is not a viable option. If an AI developer needs access to a vast amount of content that belongs to many different right holders, individual licensing becomes virtually impossible. To refer to a previous example, in order to develop the Stable Diffusion

algorithm, Stability AI used 5.8 billion images available online. Getting licences to these images from millions or billions of different right holders would have been practically impossible. Similarly, even if OpenAI wanted to secure licences to text they scraped from online and used for training purposes, this would not have been possible through an individual licensing model.

An alternative to individual licensing is collective licensing that is traditionally offered by collecting societies, or collective management organisations (“CMOs”), representing right holders in certain sectors (literary and publishing sector, music, audiovisual, etc.). Unfortunately, Australian collecting societies, like collecting societies around the world, are currently not offering collective licences for the use of protected content in ML projects.³⁸ Collective societies around the world have just started a discussion on how to develop viable collective licensing schemes and there are many challenges that will need to be addressed along the way.

For instance, one issue faced by many CMOs is limited representation. CMOs often represent a limited number of right holders and not all right holders that AI developers would like to reach.³⁹ Also, right holders who are members of a society, might have assigned rights or given an authority to license rights to the CMO in some of their works, but not in others. Further, CMOs can only license rights that these right holders assigned to them or provided a permission to license on their behalf. Content use in a ML context might *not* be on the list of rights that CMOs are currently entitled to license, and getting these rights from thousands of their members would be a time-consuming and costly process. Furthermore, perhaps not all right holders will want to permit the use of their works in developing new generative AI modules, especially if they see AI as a threat to their jobs and income.

Another challenge is that Australian CMOs can license content only if their own members or the members of other foreign CMOs have bilateral agreements with them. However, if a foreign (“sister”) CMO does not have rights to license their own content for ML purposes, then an Australian society cannot license content on behalf of those foreign right holders either. This further decreases the repertoire that the Australian CMO can offer to AI developers.

A further problem will be to establish a mechanism to distribute the revenue collected by CMOs among the right holders. It will be essentially impossible to determine to which extent which work was used in ML context. Thus, most likely all right holders will have to be allocated equal amounts. This might result in amounts that do not reach the minimum threshold level and thus cannot be distributed to right holders at all.

Last but not least, it is unclear whether Australian authors – as opposed to publishers, record producers, and other secondary

right holders – will receive any remuneration for such uses at all. Most authors sign agreements that assign or exclusively license most, if not all, of their rights to these secondary right holders. If this is the case, the latter – and not the individuals authors – will be the ones receiving the revenue from the use of content in ML projects.⁴⁰ Only relatively few authors who negotiated more nuanced agreements (e.g., established authors with agents representing them) might be able to license and get revenue for these rights. It is questionable whether author publishing agreements will ensure that a reasonable portion of fees collected from AI developers will reach individual authors. These and other problems will have to be addressed if an attractive and viable collective licensing scheme is to be developed.⁴¹

3. Possible policy solutions

Keeping in mind the problems identified above, what are the possible policy solutions that could address the challenges that AI pose in copyright and the creative industries space, and, similarly, challenges that copyright poses for Australian AI industries?

Below I propose a four-step solution. First, distinguishing between different types of AI modules (so called “creative” and “non-creative” AI). Second, introducing a new copyright exception that would cover the use of works to train “non-creative” AI. Third, introducing a remuneration scheme that would compensate authors for the use of their works to train “creative” AI. Lastly, measures ensuring transparency around AI training data that would facilitate the enforcement and licensing of works for the use in AI development projects.

This set of solutions is based on two foundational principles: first, I aim to establish a copyright framework that would encourage, rather than discourage, the development of AI technologies in Australia. Second, I also aim to take into account the legitimate interests of authors and right holders to be compensated when their works are used to train modules that are able to produce outputs competing with human outputs or replace human outputs on the market.

Step 1: Different treatment for different AI technologies

As a first step, I suggest distinguishing between, first, AI modules that generate content capable of competing and/or substituting creative human-generated content (for the purpose of this article, we call it “creative” content), and, second, AI modules that produce other outputs, i.e. insights in data, decisions, recommendations, etc. (here – “non-creative” content). The former “creative AI” would include at least some generative AI modules that are trained on creative content and produce creative content, such as text, images, audio or audiovisual content.⁴² The latter “non-creative AI” would cover AI modules that might be trained on various content (both protected under copyright, such as text, and not protected under copyright, such as statistical data) but produce “non-creative” outcomes, such as predictions,

patterns, etc., that would not directly compete with artistic works or directly affect the markets of right holders. The example of a “non-creative AI” could be an AI that is trained on academic articles with a purpose to identify a new treatment method for a specific disease.⁴³

This differentiation between “creative AI” and “non-creative AI” is novel as it is based on the type of outputs that AI module produces (output level) and the impact of outputs on the rightsholders’ market.⁴⁴ Previously introduced copyright exceptions, such as a TDM exceptions in the EU and the UK, are differentiating AI modules at training level (input level) and distinguish between different types of TDM based on their purpose (commercial and non-commercial). Namely, both in the UK and the EU, different rules would apply for TDM for commercial and non-commercial purposes. However, this distinction proved to be largely unsuitable. As Stable Diffusion litigation demonstrates, training datasets developed by non-commercial parties, such as LIAON-5B developed by a German non-profit organisation, could then be used by commercial parties to develop commercial AI modules.

Step 2: Exception for “non-creative AI”

As a next step, I propose introducing a copyright exception for AI modules with predominantly non-creative outputs. Namely, if a company develops or makes available an AI module which is/will be producing non-creative outputs, such as predictions, recommendations, patterns, etc. that do not substitute or compete with human creative works, the use of works in the development of such models should be covered under a new copyright exception.

The purpose of such an exception would encourage investment in AI technologies in Australia, at least those which output is not “creative” and does not compete with human creative works and does not prejudice the legitimate interests of right holders. This would include various AI technologies, including some generative AI models (e.g., used in the medical sector for medical purposes, or used in corporation to generate business correspondence and industry reports).

Step 3: Statutory collective licensing for “creative AI”

AI technologies that generate “creative” content would not be covered by the copyright exception proposed above. This means that AI developers⁴⁵ wishing to develop such “creative” AI modules, including generative AI modules outputting “creative” content, would need to pay remuneration for right holders. As individual licensing and voluntary collective licensing would not be viable options in many cases (see discussion above), we suggest considering a compulsory, or statutory, licensing scheme for such uses.

Compulsory, or statutory, collective licensing⁴⁶ has been previously proposed as a possible solution to the AI/TDM

problem by some Australian stakeholders.⁴⁷ Statutory collective licensing means that certain particular use of works can only be licensed via collecting societies, and individual right holders are not anymore able to individually license their works for that particular purpose.⁴⁸

Currently, there are two main statutory licensing schemes in Australia. The first applies to copying and communication of copyrighted content by the Commonwealth or State institutions,⁴⁹ and the second applies to copying and online communications of certain content by educational institutions.⁵⁰ They mean that educational institutions or government agencies do not need to get *permissions* from individual right holders to use content in providing education or government services. However, these institutions have to *pay remuneration* for such use, which is collected via CMOs that distribute the remuneration among right holders.

One of the main reasons for introducing statutory collective licensing schemes has been market failure due to prohibitively high costs of individual licensing.⁵¹ If the cost in reaching out to all right holders and acquiring licences is higher than the value of the licence itself, there is market failure that could be addressed by compulsory/statutory licensing schemes.⁵² In addition, introduction of compulsory licences has been proposed where new technologies enable undetectable use, render copyright unenforceable and copyright owners unrewarded.⁵³ Costs in acquiring licences in millions or billions of works needed to train generative AI modules are similarly prohibitive, and therefore a statutory licensing solution could be considered for such uses.

Statutory licensing scheme would enable AI developers to get required licences via a “one-stop-shop”, which is a collecting society that represents right holders of a particular type of works (e.g., literary works, images). This would help overcome challenges created by individual licensing, mentioned above. A statutory licensing scheme would also enable to address some of the challenges in developing a voluntary collective licensing scheme (briefly discussed above). Namely, a statutory licensing scheme could be designed to enable collective societies to automatically represent all stakeholders in their respective sector, and would address the lack of representation problem.

Of course, a national statutory licensing scheme for “creative AI” would not address all challenges related to the licensing of content for AI development purposes. For instance, a national statutory licensing scheme will not automatically enable Australian collective societies to license content owned by foreign right holders and administered by foreign collective societies. This would become possible only when foreign societies themselves have a right to license local content for AI/ML purposes (via local voluntary or compulsory licensing schemes). Thus, a national statutory licensing scheme would give AI developers access to local repertoire only, at least until similar schemes are established

overseas.

An additional problem that should be mentioned here is that some right holders – both individual authors and large content companies – might not be willing to license their content through collective societies in the first place. Some individual right holders might oppose the use of their work in AI as a matter of principle (e.g., unwillingness to enable further development of generative AI). Large content right holders (e.g., large publishers, large online content platforms) might prefer licensing their content directly to AI developers. As a solution to this problem, some previous extended collective licensing (“ECL”) schemes have provided a possibility for the right holder to opt out from the scheme.⁵⁴ Such opt-out clauses are envisaged in the EU extending collective licensing scheme for out-of-print books.⁵⁵ They allow individual authors to opt out from the system if they are worried that their content will be used for purposes they do not support. This also allows commercial entities (e.g., publishers) to leave the ECL system if they see individual licensing as a more optimal solution.⁵⁶ While the operation of such opt-out clauses would need a separate analysis, opt-out clauses have been recently adopted in an increasing number of jurisdictions that have adopted ECL, with the goal to establish a balance between the interests of users and right holders.⁵⁷

Another issue is how to ensure that remuneration collected from the AI industry would reach Australian authors, and not only secondary right holders (e.g., publishers, music producers). Australian copyright law is premised on the freedom of a contract and there are very limited provisions that would protect authors’ interests specifically.⁵⁸ When developing the statutory licensing scheme, the Australian Government is encouraged to take into account individual authors’ interests and possibly introduce specific measures ensuring remuneration flow to this especially vulnerable stakeholder group. Various measures promoting the interests of individual authors have been introduced in the EU and the EU Member States and they could be used as sources of inspiration.

Step 4: Transparency duties for AI developers

The final proposal is to introduce certain transparency duties on AI developers. Without adequate transparency about the use of works and other subject matter in AI training, right holders are not able to enforce the rights or to negotiate licensing agreements. The current AI Ethics Framework adopted by the Australian Government also requires AI to be transparent.⁵⁹

The proposed EU Act sets a first example in the field and requires AI developers to provide certain information about the works used in AI training process.⁶⁰ While the current provision is not without its criticisms,⁶¹ it could be used as an inspiration to develop AI transparency duties that are suited for an Australian context.

Conclusion

AI developers in Australia are legitimately concerned that their unauthorised use of content protected by copyright in training generative AI modules might lead to copyright infringement. They also do not have feasible pathways to license large amount of copyright subject matter required for AI projects. Meanwhile, right holders are not able to benefit from a relatively broad protection afforded by Australian copyright laws due to a lack of transparency around the use of works in the AI industry and the absence of viable licensing mechanisms that would ensure they receive fees for the use of their works. This article has proposed a four-step approach that might help mitigate these challenges by taking into account the interests of both AI developers and right holders of copyright.

- 1 See Richard Lea, ‘Google swallows 11,000 novels to improve AI’s conversation’, *The Guardian* (Online, 28 September 2016) <<https://www.theguardian.com/books/2016/sep/28/google-swallows-11000-novels-to-improve-ais-conversation>>.
- 2 For more information about the dataset see <<https://laion.ai/blog/laion-5b/>>.
- 3 See Alex Hughes, ‘ChatGPT: Everything you need to know about OpenAI’s GPT-4 tool’, *BBC Science Focus* (Web Page, 26 September 2023) <<https://www.sciencefocus.com/future-technology/gpt-3/>>.
- 4 See, e.g. Kevin Roose, ‘An A.I.-Generated Picture Won an Art Prize. Artists Aren’t Happy’, *New York Times*, (online, 2 September 2022) <<https://www.nytimes.com/2022/09/02/technology/ai-artificial-intelligence-artists.html>>.
- 5 See e.g., Daniel John, ‘This AI-generated book cover is causing controversy’, *CreativeBlok* (Web Page, 16 May 2023) <<https://www.creativebloq.com/news/ai-book-cover>>.
- 6 As a result of these complaints, the option to imitate a style of a specific artist has been removed from a recent version of Stable Diffusion 2.
- 7 For more information about the class action, see <<https://githubcopilotlitigation.com/>>.
- 8 Information about this class action can be found here: <<https://stablediffusionlitigation.com/>>.
- 9 See <<https://newsroom.gettyimages.com/en/getty-images/getty-images-statement>>.
- 10 Case no 1:23-cv-08292, the full complaint is available at <<https://authorsguild.org/app/uploads/2023/09/Authors-Guild-OpenAI-Class-Action-Complaint-Sep-2023.pdf>>.
- 11 See Chloe Xiang, ‘A Photographer Tried to Get His Photos Removed from an AI Dataset. He Got an Invoice Instead’, *Vice*, (Web Page, 28 April 2023) <<https://www.vice.com/en/article/pkpb7/a-photographer-tried-to-get-his-photos-removed-from-an-ai-dataset-he-got-an-invoice-instead>>.
- 12 See, e.g., Matthew Sag, ‘Copyright Safety for Generative AI’, (2023) 61(2) *Houston Law Review* (forthcoming) <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4438593>. See also Brendan Paul Murphy, ‘No, the Lensa AI app technically isn’t stealing artists’ work – but it will majorly shake up the art world’, *The Conversation* (Web Page, 14 December 2022) <<https://theconversation.com/no-the-lensa-ai-app-technically-isnt-stealing-artists-work-but-it-will-majorly-shake-up-the-art-world-196480>>.
- 13 *Copyright Act 1968* (Cth) ss 43A, 43B, 111A, 111B.
- 14 Note that some training approaches – such as federated machine learning – do not require such compilations of works.

Generative AI and Copyright: Exception, Compensation or Both?

- 15 While LIAON-5B was developed by a German non-profit organisation, it was arguably funded by commercial entities including Stability AI. See Slaughter and May, 'Are the Floodgates Opening? The Future of Large Datasets in AI', *Lexology*, (Web Page, 3 February 2023) <<https://www.lexology.com/library/detail.aspx?g=d6f965aa-0f31-4a93-8714-b2a7669202d2>>.
- 16 See Rita Matulionyte, 'Australian copyright law impedes the development of Artificial Intelligence: What are the options?' (2021) 52(4) *IIC – International Review for Intellectual Property and Competition Law* 417.
- 17 See *Copyright Act 1968* (Cth) ss 43A and 43B. See also Rita Matulionyte, 'Australian copyright law impedes the development of Artificial Intelligence: What are the options?' (2021) 52(4) *IIC – International Review for Intellectual Property and Competition Law* 417, 428–9.
- 18 *Copyright Act 1968* (Cth) s 43B (2)(a)(i).
- 19 See e.g., *Copyright Act 1968* (Cth) ss 113N–113U.
- 20 They could be compared with press clipping cases where press articles are (temporarily) copied for commercial purposes (press review).
- 21 For a more in-depth analysis of a copyright infringing at an AI training level, see Rita Matulionyte, 'Australian copyright law impedes the development of Artificial Intelligence: What are the options?' (2021) 52(4) *IIC – International Review for Intellectual Property and Competition Law* 417.
- 22 17 U.S.C. § 107 (2017).
- 23 For a detailed analysis of how fair use applies to machine learning see BLW Sobel, 'Artificial Intelligence's Fair Use Crisis' (2017) 41(1) *The Columbia Journal of Law & The Arts* 45, 61.
- 24 See <www.googlebooks.com>. In addition, Google has also established agreements with some publishers, which allows Google to show on the Google Books website sections of books or entire books.
- 25 See Baker McKenzie, 'Google Books infringes French copyrights, but not trademarks', *Lexology* (Web Page, 3 February 2010) <<https://www.lexology.com/library/detail.aspx?g=76cc4982-8cc2-4dad-9dab-799f5f8d7894>>.
- 26 *Authors Guild v. Google, Inc.* 804 F.3d 202 (2d Cir. 2015). See also Rita Matulionyte, '10 years for Google Books and Europeana: Copyright law lessons that the EU could learn from the USA' (2016) 24(1) *IIC – International Journal of Law and Information Technology*, 44.
- 27 See German Federal Supreme Court decision I ZR 140/10 of 19 October 2011 – *Vorschaubilder II* (use of work in thumbnails does not fall under any of copyright exceptions; note, however, that the Court found an implied licence, which allowed Google to use thumbnails in their search engine).
- 28 See *Kelly v Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003) (the Court held that U.S. search engines may use thumbnails of images, despite a failure to obtain permission for such images from the rights holder); *Perfect 10, Inc. v Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007) (the Court sanctioned the defendant's use of copyrighted artwork – without permission – in the form of thumbnails and "cached" links).
- 29 Ian Hargreaves, 'Digital Opportunity: A Review of Intellectual Property and Growth' (May 2011), (Online PDF) <https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/32563/ipreview-finalreport.pdf>, 51.
- 30 *The Copyright and Rights in Performances (Research, Education, Libraries and Archives) Regulations* 2014 (S.I. 2014/1372), regs. 1, 3(2).
- 31 Copyright, Patents and Designs Act (UK) s 29A(1)(a).
- 32 Art 3 and 4 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, L 130, 17 May 2019 ('EU Digital Single Market Directive').
- 33 30quater, 47quinquies Copyright Law (Japan). For the official texts (Japanese Website): <http://www.mext.go.jp/b_menu/houan/kakutei/detail/1405213.htm>; for a comment, see European Alliance for Research Excellence, 'Japan amends its copyright legislation to meet future demands in AI and big data' (Web Page, 3 September 2018) <<http://eare.eu/japan-amends-tdm-exception-copyright/>>.
- 34 Through the website <<https://havebeentrained.com/>>, Stable Diffusion developers provide right holders with the opportunity to find out whether their works have been used in the training process.
- 35 As another example, in order to train its AI DeepFace technology, Facebook used four million photos of faces from their user photo database and users "licensed" such use by accepting Facebook's Terms of Use. See Tom Simonite, 'Facebook Creates Software That Matches Faces Almost as Well as You Do', *MIT Technology Review* (Web Page, 17 March 2014) <<https://www.technologyreview.com/s/525586/facebook-creates-software-that-matches-faces-almost-as-well-as-you-do/>>. Recently, Facebook developed AI to identify human pictures and videos by assumingly using large amounts of human photographs its users upload to their profiles. See 'New Facebook AI fools facial recognition', *Sophos News* (Web Page, 29 October 2019) <<https://news.sophos.com/en-us/2019/10/29/new-facebook-ai-fools-facial-recognition/>>.
- 36 <www.creativecommons.org>.
- 37 E.g., Microsoft and the Bjork AI project used mainly previous content created by Bjork to develop an AI application, see Kieron Marchese, 'Bjork and Microsoft use AI to create music that changes with the weather', *Design Boom* (Web Page, 20 January 2020) <<https://www.designboom.com/technology/bjork-microsoft-ai-music-01-20-2020/>>.
- 38 The situation is similar in other countries, e.g., UK, Ireland and Canada. As an exception, the US Copyright Clearance Centre arguably includes the use of copyright subject matter in AI contexts through some of its licences, e.g., the "Annual Copyright License for Higher Education". For more about the licence see (Web Page) <<https://www.copyright.com/solutions-annual-copyright-license-higher-education/>>.
- 39 Authors in some sectors (text, music) are traditionally better organised in societies, while authors in other sectors (e.g., image, photography) are less organised and their representation is lower.
- 40 For a more thorough discussion of authors' rights, see Rita Matulionyte, 'Empowering Authors via Fairer Copyright Contract Law' (2019) 42(2) *UNSW Law Journal* (2019) 42(2), 681.
- 41 For a more in-depth analysis of these issues, see Rita Matulionyte, 'Australian copyright law impedes the development of Artificial Intelligence: What are the options?' (2021) 52(4) *IIC – International Review for Intellectual Property and Competition Law* 417.
- 42 Note that not all generative AI modules would fall under this category. For instance, large language modules developed for medical context would output text (e.g., diagnosis, treatment recommendation) but they would not be considered "creative".
- 43 Certainly, further discussion would be needed to exactly define what falls under terms "creative" or "non-creative", or whether other terms would be more suitable for the purposes of this proposal.
- 44 Similarly, output level solution has been proposed in Martin Senfleben, 'Generative AI and Author Remuneration' (2023) 54 *IIC – International Review of Intellectual Property and Competition Law* (forthcoming).
- 45 Alternatively, it could be persons or organisations offering modules to the public, if they are different from the company that developed the module.
- 46 "Statutory" and "compulsory" licensing are often used as synonyms, see Mark Davison, Ann Monotti, Leanne Wiseman, *Australian Intellectual Property Law* (Cambridge University Press, 3rd ed, 2018) 268.
- 47 Australian Copyright Council submission to Copyright Modernisation Consultation, <<https://www.communications.gov.au/have-your-say/copyright-modernisation-consultation>>, [32.3].
- 48 For more, see Mark Davison, Ann Monotti, Leanne Wiseman, *Australian Intellectual Property Law* (Cambridge University Press, 3rd ed, 2018) 268-274.
- 49 *Copyright Act 1968* (Cth) Pt VII Div 2. The historical development of statutory licences for the Crown is well discussed in Jean-Pierre Blais, 'Copyright and Compulsory Licences for the Services of the Crown: An Australian Model for Canadian Copyright Reform?' (1994) 5 *Australian Intellectual Property Journal* 222.
- 50 *Copyright Act 1968* (Cth) Pt VB and VB. A good short summary of schemes and their history is available at Australian Law Reform Commission, *Copyright and the Digital Economy* (ALRC Report 122, 2013), chapter 6. The less significant statutory licensing schemes apply to retransmission of free-to-air broadcasts and to making of "cover" versions of musical recordings, see *Copyright Act 1968* (Cth)

Generative AI and Copyright: Exception, Compensation or Both?

- ss 109 and 55 ; for commentary see e.g. Jorgen Blomquist, 'Non-voluntary Licensing in the Field of Radio, Television and Cable Distribution' (1993) 3 *Australian Intellectual Property Journal* 95; Luca Costanzo 'Licensing the manufacture of records: The current statutory licence and the alternative of collective administration' (2009) 20 *Australian Intellectual Property Journal* 13.
- 51 Australian Law Reform Commission, *Copyright and the Digital Economy* (ALRC Report 122, 2013), [6.7].
- 52 For a variety of other justifications for compulsory licensing schemes see Gillian Davies Garnett and Gwilym Harbottle, *Copinger and Skone James on Copyright* (Sweet & Maxwell, 16th ed, 2011), [28-08].
- 53 See Joanne Court, 'The notional bargain approach to the determination of equitable remuneration for compulsory licences: a comment on four decisions of the Copyright Tribunal', (1987) 11 *Sydney Law Review*, 348, 348.
- 54 Lucie Guibault, 'Cultural Heritage Online? Settle It in the Country of Origin of the Work', (2015) 6 *JIPITEC* 173, [1].
- 55 EU Digital Single Market Directive Art 8(4).
- 56 This option might be used by publishers who already licence their content for TDM for researchers, e.g. Wiley.
- 57 Lucie Guibault, 'Cultural Heritage Online? Settle It in the Country of Origin of the Work', (2015) 6 *JIPITEC* 173, [1].
- 58 See Rita Matulionyte, 'Empowering Authors via Fairer Copyright Contract Law' (2019) 42(2) *UNSW Law Journal* (2019) 42(2), 681.
- 59 Available at <<https://www.industry.gov.au/publications/australias-artificial-intelligence-ethics-framework>>.
- 60 For a description and discussion of the proposed transparency obligations see João Pedro Quintais, 'Generative AI, Copyright and the AI Act', *Kluwer Copyright Blog* (Blog Post, 9 May 2023) <<https://copyrightblog.kluweriplaw.com/2023/05/09/generative-ai-copyright-and-the-ai-act/>>.
- 61 João Pedro Quintais, 'Generative AI, Copyright and the AI Act', *Kluwer Copyright Blog* (Blog Post, 9 May 2023) <<https://copyrightblog.kluweriplaw.com/2023/05/09/generative-ai-copyright-and-the-ai-act/>>.

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

Guy Yonay¹

The process by which courts interpret the scope of patent protection, for purposes of determining validity and infringement, is known as patent claim construction. Although courts are accustomed to interpreting legal texts such as contracts in commercial cases and statutes in administrative cases, neither contract law nor constitutional/administrative law is a perfect mirror to claim construction, as patents have hybrid characteristics of public and private law.² In the patent context, the process of claim interpretation, together with application of the doctrine of equivalents (if any), provides the means by which legal systems may strike a balance between the interests of innovators, their competitors, and the public.

The public (and particularly, competitors) expect to know in advance the precise bounds of the patent, in order to reliably predict what they are (and are not) prohibited from doing. This often results in an expectation that the words of the claim mean exactly what they say, and no more – even (especially?) if the result allows them to utilise the spirit of an invention as described in the more elaborate specification.

From the patentee's perspective, in order to recoup the investment in research and development, inventors expect a robust monopoly during the patent term on use of their inventions by others, particularly competitors. This expectation translates into a perspective that patent claims should be read generously, forgiving minor oversights and entanglement in legalistic quibbling over claim language.³ In most situations, therefore, a patentee will typically seek a broad construction (often referred to as the “plain and ordinary meaning”) of claim terms to capture a variety of accused infringement; however, a patentee may sometimes prefer an interpretation of the claims limited to less than their superficial meaning in order to avoid an invalidity challenge (e.g., prior art or fair basis).

Therefore, tension inevitably arises between literal versus intention-based interpretation of the patent. That is, courts must decide whether to give effect strictly to the claim language chosen by the inventor (or more commonly, by his/her patent attorney), or to what the inventor actually intended to capture. We may refer to the approach that words of the claim in their literal sense define the patent scope as a *textualist* approach, while the method of eliciting the inventor's intention from the patent specification is known as a *purposive* approach.⁴ New Zealand's place between these two modes of interpretation is the focus of this article.

The textualist approach – which has generally been applied in the United States – looks primarily at the ordinary meaning of the claim terms used. According to such an approach, testimony by the inventor about her intention

to capture certain aspects of the invention is irrelevant as being subjective to the inventor.⁵ The textualist approach has the benefit of providing greater clarity for courts and competitors by eliminating the vagaries of intention. Rather, the textualist approach relies principally on the claim language, as understood by a person having ordinary skill in the art.⁶ However, application of the textualist approach may lead to an overly inflexible regime that may produce unintended results – typically, resulting in an overly narrow patent scope that fails to capture the full scope of the invention. Accordingly, the doctrine of equivalents (i.e., taking the “pith and marrow” of an invention) may offset potential injustice to the inventor from the effects of unduly harsh literalism.⁷

The purposive approach – championed by the United Kingdom courts – attempts to give effect to the inventor's intention. While not as strictly rooted in the literal claim text as the US approach, it is also not truly subjective, as it attempts to inquire into the understanding of a notional addressee based on the claims and the specification as a whole. It was thought that this comprehensive interpretive approach would eliminate the need for equivalents; however, the UK Supreme Court has subsequently clarified that claim interpretation is a separate exercise from determining whether immaterial variants come under the claim scope.⁸

As in other areas of the law, New Zealand patent jurisprudence has borrowed heavily from the UK. However, a close reading of New Zealand's leading appellate cases indicates a more *invention-centric* strain than the UK's purposive claim construction. Under this approach, courts seem more likely to actively interpret a claim (i.e., rely on the specification to give the term a broader or narrower interpretation than the plain meaning), particularly when it considers the term to be the essence of the invention. While at first blush, New Zealand's invention-centric approach would seem to favour the patentee, it has resulted in at least one decision for defendant (see *Doug Andrews Heating and Ventilation*

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

Ltd v Wayne James DIL & others (“*Doug Andrews*”),⁹ below) that would not necessarily have been the case in the US or possibly even the UK, and it may be responsible for the lack of the doctrine of equivalents in New Zealand jurisprudence.

In the below discussion exploring New Zealand’s claim construction, I first summarise the different approaches to claim construction in the US and UK, then analyse New Zealand case law, with particular reference to three recent New Zealand appellate precedents: *Peterson Portable Sawing Systems Ltd v Lucas* (“*Lucas*”),¹⁰ *Hammar Maskin AB v Steelbro New Zealand Ltd* (“*Hammar Maskin*”),¹¹ and *Doug Andrews*. I argue that the Court of Appeal’s application of New Zealand’s invention-centric approach in *Doug Andrews* resulted in a different result than would have been reached under the US or the UK’s claim construction regimes. Finally, I conclude with a brief discussion of the doctrine of equivalents under US and UK law, and discuss why it does not appear to exist in New Zealand.

Textualist Claim Construction (US)

In the US, the modern era of claim interpretation – and indeed patent litigation – started in 1996 with *Markman v Westview Instruments* (“*Markman*”).¹² With each District Court deciding for itself whether to interpret claims or allow juries to do so, the Supreme Court recognised the importance of uniformity and decided to allocate all issues of construction to the Court, not to the jury.¹³

Otherwise, a zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims would discourage invention only a little less than unequivocal foreclosure of the field, and the public would be deprived of rights supposed to belong to it, without being clearly told what it is that limits these rights.

Since then, it has been common practice for District Courts to request briefing, conduct argument, and issue interlocutory rulings on claim construction separately from the triable issues of fact (e.g., infringement and validity), which are later decided by a judge or jury at trial. The upshot of *Markman*, coupled with the creation in 1982 of the Court of Appeals for the Federal Circuit as the single destination for all patent appeals, is a trove of claim interpretation precedents.

Once it was established that only judges may interpret patent claims, the next question was *how* they should do so. Should they rely on patent-extrinsic sources, e.g., dictionaries, expert witnesses, etc., or on the intrinsic patent-specific materials, i.e., the patent specification and prosecution history? By analogy to contract interpretation, the common law parole evidence rule – viz., that absent ambiguity, contracts are interpreted based solely on the four corners of the contract – would seem to allow reference only to the patent, and possibly some limited extrinsic sources, such as dictionary definitions. Indeed, this type of textual analysis was espoused in *Texas Digital Sys. v Telegenix*,¹⁴ in which the

Federal Circuit’s analysis first consulted dictionaries for the meaning of a claim term, and only then considered whether that meaning was consistent with the patent.

However, using a dictionary definition of a word (particularly a non-technical one) outside the context of the invention can lead to unintended results. Perhaps the zenith of absurdity in elevating literal claim language over the clear intent in the intrinsic record was *Chef Am. v Lamb-Weston*,¹⁵ in which the Federal Circuit affirmed a claim interpretation of “heating ... dough to a temperature ... of about 400 degrees [F]” to mean that the dough *itself* must reach 400 degrees (approx. 220 C), despite uncontested expert testimony that baking to (rather than at) that temperature would render the dough inedible. There was no doubt that skilled artisans would have known this, and the inventors surely did not intend to burn the dough, yet the Court adhered to the literal claim language.

In 2005, the Federal Circuit sat en banc in *Phillips v AWH* (“*Phillips*”),¹⁶ to decide “the extent to which [courts] should resort to and rely on a patent’s specification in seeking to ascertain the proper scope of its claims,” and ranked the relative weight of sources for claim interpretation in the following order: (a) claim language, (b) specification, (c) prosecution history, and (d) dictionaries and treatises. Accordingly, since *Phillips*, the US tempered its textualist approach by requiring consideration of the specification and prosecution history in construing the claims. Despite the significance of the intrinsic record, however, the emphasis remains exclusively on interpreting the specific language of the claims themselves. As the Court in *Phillips* observed, US courts have been wary of reading limitations into the claims from the specification, when there is insufficient support in the claims:¹⁷

[T]he Supreme Court made clear that the claims are of primary importance, in the effort to ascertain precisely what it is that is patented. Because the patentee is required to define precisely what his invention is, the Court explained, it is unjust to the public, as well as an evasion of the law, to construe it in a manner different from the plain import of its terms.

Nevertheless, reasonable minds continue to differ about how to interpret patent claims, even under the *Phillips* framework. As illustrated in two subsequent cases discussed below, questions of whether claim interpretations unjustifiably import limitations from the specification continue to arise.

Although unrepresentative of the US approach to claim interpretation, a particularly divisive ruling that exposed the fault lines among the Federal Circuit was the 2-1 panel decision in *Retractable Techs v Becton*.¹⁸ In that case, the Court considered whether the claimed syringe “body” was limited to only a single-piece body or also covered a two-piece body. Indisputably, the plain and ordinary meaning of the term “body” would normally have covered two-piece bodies, and indeed, the specification did not expressly define

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

it as a one-piece body. Nevertheless, the majority opinion limited “body” to a single-piece element, relying heavily on the fact that the specification only disclosed single-piece embodiments. Thus, the panel controversially found that the specification trumped the plain language of the claims. The Federal Circuit’s refusal to rehear the case en banc prompted a rare and scathing dissent from denial of rehearing that criticised the panel majority for interpreting the claim language “to tether the claims to what the specifications indicate the inventor actually invented.”¹⁹ This criticism is particularly interesting, insofar as determining what the inventor actually invented goes to the core of the purposive approach, yet under the US textualist framework, this was a harsh criticism of the ruling.

The case still stands as valid precedent, however, its application has been limited, and it is largely remarkable for being an outlier to the general rule. For example, in *Hill-Rom Servs v Stryker*,²⁰ the Federal Circuit reversed a District Court’s claim interpretation because it imported a limitation from the specification similar to *Retractable Techs*. In the first instance, the District Court interpreted the claim term “datalink” to mean a wired connection, insofar as it was the only type of datalink described in the specification. This interpretation based on the specification should have been justified based on *Retractable Techs*. However, the Federal Circuit reversed the claim construction, holding that the plain and ordinary meaning of a datalink at the relevant time was merely a connection that carries data, and the specification did not limit it to a wired connection alone. That is, the mere fact that the only datalink described in the specification was wired was insufficient basis to narrow the plain and ordinary meaning of the term as any type of connection for data, including wireless.

Nevertheless, when the specification indicates that an inventor intends limited use of certain claim terms, the courts will interpret the claims accordingly. Thus, for example, in *Meds Co v Mylan*,²¹ the specification lacked an explicit definition of “efficient mixing”, but rather, included one example of inefficient mixing and one example of efficient mixing. The District Court construed efficient mixing broadly to include every type of mixing *other than* the inefficient mixing example. The Federal Circuit reversed the District Court’s broad construction and instead limited efficient mixing solely to the efficient mixing explicitly described in the example. That is, the patentee was limited to the instances described.

Accordingly, the US approach to claim interpretation is highly focused on the claims, most frequently giving terms their plain and ordinary meaning (which typically results in a broad construction), and typically rejecting interpretations that limit claims to the embodiments. However, where inventors have exhibited deliberation using claim terms in a limited manner, courts have interpreted those terms narrowly.

Purposive Claim Construction (UK)

In the UK, the modern era of claim interpretation began with *Catnic Components Ltd v Hill and Smith Ltd* (“*Catnic*”).²² The facts of the case are well known: the claim language required the back plate of a steel lintel to be “vertical”, but the corresponding element in the accused device was inclined at about 6° to the vertical. The lower courts could not decide on an approach to determine infringement. In his speech, Lord Diplock reframed claim construction not as a linguistic exercise to determine the meaning of the claim language, but rather, one of determining the *purpose* of the claim element in the context of the invention:²³

A patent specification should be given a purposive construction rather than a purely literal one derived from applying to it the kind of meticulous verbal analysis in which lawyers are too often tempted by their training to indulge. The question in each case is: whether persons with practical knowledge and experience of the kind of work in which the invention was intended to be used, would understand that strict compliance with a particular descriptive word or phrase appearing in a claim was intended by the patentee to be an essential requirement of the invention so that any variant would fall outside the monopoly claimed, even though it could have no material effect upon the way the invention worked.

In short, if based on the specification, it appears that the patentee considered a claim element to be essential, then the courts should regard it as such, regardless of whether the invention may be worked with a variation in that element. However, Lord Diplock noted that the investigation into the inventor’s purpose is not the end of the story; if a variation had a material effect on the working of the invention (and would have been understood as such), then a variation would not infringe, regardless of the inventor’s purpose. Moreover, as discussed further below, Lord Diplock also opined in *Catnic* that a single exercise of claim construction should replace the two types of infringement (literal and equivalent, or the “pith and marrow”).

In *Improver*,²⁴ Hoffman J (as he then was) refined the *Catnic* analysis by formulating the well-known *Improver* questions. If a variation falls outside the literal claim language, the court should ask three questions:²⁵

- (1) *Does the variant have a material effect upon the way the invention operates? If yes, the variant is outside the claim.*
- (2) *If no material effect, would the fact that the variant has no material effect have been known or obvious at the date of publication? If yes, the variant is outside the claim.*
- (3) *If not obvious at the date of publication, then would a reader have nonetheless understood from the claim that strict compliance with the literal meaning of the claim was an essential element of*

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

the invention? If yes, then the variant is outside the claim.

As a result, an accused device could infringe a patent even though it fell outside the literal scope of its claims. While this flexibility may be laudable from the patentee's perspective, it was difficult to reconcile these principles with the interpretation of claim language. Nevertheless, Lord Hoffman still emphasised the importance of the claims:²⁶

[T]he scope of the invention must be found in the language of the claims. Extrinsic material such as the description can be used to interpret those claims but cannot provide independent support for a cause of action, which the language of the claim, literally or figuratively construed, simply cannot bear. On the other hand, the claims should not be interpreted literally but in a way which "combines a fair protection for the patentee with a reasonable degree of certainty for third parties.

When the issue arose again in *Kirin-Amgen v Hoechst Marion Roussel Ltd*, Lord Hoffman expressed concern that once a patent is enforced beyond the scope of its claim, as is done under the doctrine of equivalents, "it is not easy to know where its limits should be drawn."²⁷ The principle of construction, therefore, was to give effect to the full scope that a person skilled in the art would understand to be claimed.

The latest word of the UK Supreme Court on claim interpretation was *Eli Lilly and Company v Actavis UK Ltd* ("*Actavis*").²⁸ The patent at issue disclosed the use of antifolates generally, but described and claimed only the use of pemetrexed disodium with vitamin B12. The Actavis product alleged to infringe the patent combined other pemetrexed compounds with vitamin B12 (e.g., pemetrexed diacid, ditromethamine or dipotassium). The trial court at first instance found no infringement, and the Court of Appeal agreed there was no direct infringement. However, the UK Supreme Court considered the requirement of the European Patent Convention 2000 ("EPC 2000") to take into account equivalents.

After surveying the prior cases, Lord Neuberger reversed course on Lord Diplock's pragmatic *Catnic* synthesis of the two types of infringement, stating that "to characterise the issue as a single question of interpretation is wrong in principle ..."²⁹ and reverted to a two-stage analysis that mirrored the old textual and "pith and marrow" analysis:

- (a) does the variant (literally) infringe under normal principles of interpretation?, and
- (b) if not, does the accused product vary from the invention in a way that is immaterial?

In the latter context, the *Improver* questions may be useful guide, with a modification to the second question, i.e., whether on being told what the variant does, "the notional addressee would consider it obvious that it achieved

substantially the same result in substantially the same way as the invention."³⁰ On this basis, Actavis' pemetrexed was found to infringe as an immaterial variation on the claimed invention.

In the wake of *Actavis*, it was uncertain whether the resurrection of the doctrine of equivalents would limit the purposive construction of claims. Specifically, it has been argued that readoption of a two-tiered framework for literal and equivalent infringement supplanted the prior unitary scheme of purposive construction under *Catnic*. However, the Patent Courts disagreed with this proposition, and reaffirmed that claims continued to be construed purposively for literal infringement.³¹

Invention-Centric Claim Construction (New Zealand)

The general principles of claim construction under New Zealand law (for example, as expressed by the New Zealand Supreme Court in *Lucas*, discussed below) are similar to other common law countries, but these principles are internally self-contradictory and therefore, have limited predictive value as to the outcome of any particular case. Most prominently, it is not immediately apparent when judges are to interpret claim terms to give effect to the purpose of the invention, and when they may not read limitations from the specification into the claims. Absent a long line of precedents to rely upon, New Zealand courts seem drawn to interpreting claims so as to incorporate what they view as the essence of the invention (labelled here the invention-centric approach). When the claims at issue track this essence of the invention (e.g., *Lucas*, *Hammar Maskin*), the results are similar to the US and UK approaches. However, where the language of the claims did not reflect this essence (e.g., *Doug Andrews*), the New Zealand courts imported that perceived essential limitation from the specification into its claim interpretation.

To begin, the *Patents Act* 2013 (NZ) says nothing about the interpretation of claims. Moreover, IPONZ's Examination Manual provides little guidance. In the current version, section 7 ("Meaning of Inventive Step") includes a discussion of claim interpretation within a subsection entitled "Identifying inventive concept" (paragraphs 25–9). That section instructs Examiners that "[t]he first stage in identifying the inventive concept of a claim is likely to be a question of construction: what does the claim mean?"³² Tellingly, the Manual proceeds to approvingly quote Jacob J's obiter dictum that "[o]ne is trying to identify the *essence* of the claim in this exercise", which it equates with purposive construction, and contrasts with a purely literal one.³³ Confusingly, this stands in contrast to the subsequent paragraph:

*The question is always what the person skilled in the art would have understood the patentee to be using the language of the claim to mean. And for this purpose, the language he has chosen is usually of critical importance.*³⁴

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

These statements exemplify the contradiction: if the claims mean what that say, why should examiners bother to distil the essence of the invention from the specification?

What is lacking from the IPONZ guidance is also revealing. First, the UK cases relied upon in the Manual have not been updated to include the UK Supreme Court's *Actavis* ruling, which revived the doctrine of equivalents; however, that omission could be overlooked in view of the later ruling that consideration of equivalents in the infringement stage does not affect purposive construction for purposes of validity.³⁵ More glaring is the absence in the Manual of *Lucas* (discussed below) the only New Zealand Supreme Court judgment dealing with claim construction, or either of the Court of Appeal decisions discussed below, leaving examiners with only the vaguest notion of how to interpret claims during examination.

Moreover, little help may be found in other quarters. As a comparative matter, contract interpretation provides no meaningful assistance, despite reference to "purposive" interpretation. In that context, the New Zealand Supreme Court confirmed that "a purposive or contextual interpretation is not dependent on there being an ambiguity in the contractual language."³⁶ However, none of patent cases dealing with claim interpretation have relied upon (or even mentioned) purposive interpretation of contracts. Although not expressly stated, one may infer that judges instinctively distinguish between contracts and patents. For example, the UK Patents Court rejected the comparison to contracts when it pointed out that (a) a contract is a bilateral statement agreed between the contracting parties, whereas a patent is a unilateral statement made by the patentee and addressed to the public, and (b) a contract contains mutual promises by the contracting parties, while a patent establishes a legal monopoly on an invention.³⁷ Accordingly, although the comparison between "purposive interpretation" of contracts and patents may have superficial appeal, New Zealand courts have not been particularly attracted to such a comparison.

In New Zealand, therefore, the question remains how courts are to interpret patent claims. Absent guidance from statute and contract interpretation case law, courts are left with *stare decisis* from patent cases; however, the dearth of patent litigation in New Zealand has meant that claim construction principles remain unrefined, particularly as applied to patent infringement. Moreover, as in the UK, claim construction is decided together with the merits: "[i]nvariably, the issues of construction and infringement are interwoven."³⁸ This means that cases that settle prior to final determination do not leave behind a *Markman*-style judicial footprint showing judicial thinking about claim interpretation.³⁹

Nevertheless, by analysing the precedents, we may articulate a New Zealand theory of claim construction, which seems to rely more heavily on the *essence* of the invention than either the textualist or purposive schools of construction.

For ease of reference, the New Zealand claim interpretation precedents may be divided into pre-*Catnic* and post-*Catnic* cases. The pre-*Catnic* cases discussed, lacking a framework for claim interpretation, were transparent in their reliance on identifying the essence of the invention. In contrast, the post-*Catnic* cases, while relying on a set of formal principles identified with the UK's purposive construction, seem to apply it slightly differently, resulting in an invention-centric strain of purposive construction.

In *Hutchinson v Howell*,⁴⁰ the (then) New Zealand Supreme Court considered a cow-milking patent. The claim recited a buoyant "float" in a cow-milking device, while the accused device used a sinking plunger to regulate a valve in the milk tank. Despite the literal meaning of the verb "float" as rise above, the Court found that the use of a sinking plunger infringed the claim. Based on the similar functionality of the float and the plunger, the Court found "the defendant's plunger, or whatever he calls it, is, when immersed in upward-moving milk, also a float, and if it were not, then the presence of moving milk in the cylinder would have no appreciable effect in lifting it upwards and his device would be useless to perform the function he claims for it."⁴¹ Accordingly, the Court found that "the defendant used the term 'plunger' to define the same thing that the plaintiff designates a float."⁴² Thus, the Court consulted the specification to establish the *essential purpose* of the float integer, rather than rely on the literal meaning of "float" as something that floats above the water, and found infringement based on utilising that same essence of the invention. A textualist approach could certainly have counselled for an interpretation of a float as a buoyant component, particularly as this was the only embodiment provided; however, the doctrine of equivalents (discussed below) may have arguably stepped in to prevent an insubstantial difference.

In another pre-*Catnic* case, *Maeder v "Ronda" Ladies' Hairdressing Salon*,⁴³ the New Zealand Court of Appeal described claim construction with reference to the right of the public to "have the essence of the invention clearly defined."⁴⁴ On the facts of that case, the Court considered whether a claim over a genus of chemicals should be interpreted to exclude two compounds that were known to be unsuitable for the purpose of the invention. After surveying UK case law relating to interpretation of claims, the Court gave the term its plain literal meaning, and on that basis found it invalid as inoperable. At first blush, the result suggests a superficial similarity with textualist cases (e.g., *Chef Am. v Lamb-Weston*, discussed above); however, the Court's obiter dictum shows otherwise. In fact, the reason that the Court considered this to be a "question of some difficulty" (which it would not have been under the textualist approach) was the failure of the specification (not the claims) to exclude the two inoperable compounds.⁴⁵

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

There is not a word in the specification to show that the invention which the inventor has disclosed excludes the use of such substances ...

Presumably, had the inventor recognised in the specification that certain compounds were not suitable, then the Court would have taken an active approach and interpreted the identical claim language narrowly. This result (albeit a speculative one) would have been flatly inconsistent with the textualist approach, and possibly even the UK's purposive approach; however, it is consistent with an invention-centric approach.

The post-*Catnic* era has seen three appellate cases to date: the sole foray of the Supreme Court of New Zealand into patent claim construction (*Lucas*, decided nearly a quarter century after *Catnic*)⁴⁶ and two later Court of Appeal cases (*Hammar Maskin* and *Doug Andrews*), in which the Supreme Court denied further review. As in the above pre-*Catnic* cases, these rulings start with an investigation into the nature of the invention, with claim interpretation following inexorably. That is, the unifying thread in these cases is that features of *the invention* (rather than merely claim terms) viewed by the Court as essential have been readily found as claim limitations. This result was not particularly controversial in the *Lucas* and *Hammar Maskin* cases, where those essential elements were anchored in claim language. However, the *Doug Andrews* court implied a negative limitation in its claim interpretation because it perceived that omission to be essential to the nature of the invention, not because of a deliberate linguistic choice by the inventor in the claim.

Claim construction was first methodically considered⁴⁷ by the Supreme Court in *Lucas*, in which the Court relied principally on the purposive approach of *Catnic*. Although *Improver* had been decided by then, it is not cited in *Lucas*, perhaps because the principal refinement of the *Improver* questions related to infringement, which was not at issue in the *Lucas* appeal. Nevertheless, Finch observes that New Zealand courts since the 1990s have continued to apply *Catnic* without reference to the *Improver* questions.⁴⁸

The New Zealand Supreme Court in *Lucas* set out the basic principles of patent interpretation (later numbered) as follows:⁴⁹

- (1) *The first and essential step is to construe the claim. Construction is a matter of law for the court.*
- (2) *A patent specification is to be read as a whole and given a purposive construction. It must be construed as it would be understood by a person skilled in the relevant art.*
- (3) *Each part of the specification is to be read objectively in its overall context and in light of the function of that part. The claims are to be interpreted by reference to the object and description in the body of the specification.*

- (4) *The claims define the scope of the monopoly conferred by the patent. ...*
- (5) *[a] The description in the body of the specification may assist interpretation but [b] it cannot modify the monopoly the inventor has clearly marked out.*
- (6) *[a] If his claim is formulated too narrowly so that imitators do not infringe, that cannot be rectified by reference to the description. [b] If it is too wide, consequent invalidity cannot be saved by reading in limitations appearing in the description.*
- (7) *The description of a preferred embodiment of the invention is just that and plainly will not confine the scope of an invention claimed more broadly.*

As commentators have noted, there is internal tension within these canons: “there appears to be an internal inconsistency in certain of the tests advocated regarding the effect on the claims of information appearing in the body of the specification.”⁵⁰ If the claims are interpreted objectively, albeit according to the specification (Canon 3), in what instances can the inventor's purpose be relied upon to give proper scope to the claims (Canon 2)? Finch asserts that *Kirin-Amgen* resolved the ambiguity to some degree, insofar as (1) an unambiguous claim needs no interpretation and is applied as such, but then (2) we ask whether that interpretation is consistent with the purpose reasonably ascertained from the specification. Nevertheless, as shown in *Doug Andrews*, New Zealand courts have at times imported elements of the specification into otherwise unambiguous claims. That is, the line between permissible interpretation (Canon 5[a]) and improper modification of the claims (Canon 5[b], 6, 7) remains unclear.

Indeed, *Lucas* itself exemplifies the contradictory application of these tenets in the two claim terms that it construed. The first issue in *Lucas* turned on the construction of “moving means”, which the High Court judge interpreted to mean:⁵¹

some form of mechanical device interposed between the activities of the human operator on the one hand and the movement of the rails on the other, and having that movement as its primary function ... The relevant meaning appears to be a mechanical device whose sole or primary function is to produce or promote movement in the rails. Examples would include lifting devices such as winches, sprocket chains, threaded adjustment rods and hydraulic rams.

On that basis, the High Court found that the movable brackets of the prior art were not moving means, and the claim was not invalid. On this point, the Court of Appeal rejected the appeal, and the Supreme Court agreed: “having regard to the express disclosure in the specification that manual adjustment was known, it was open to the Judge to conclude that a skilled addressee would not read claim 7 as extending to two men working together.”⁵²

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

The second issue was the word “separate” in the claim integer “first and second end frames with a pair of separate rails extending therebetween.” Here, too, the High Court judge interpreted the word to require that the rails must be “so unconnected that they would need to be raised and lowered independently but for the moving means that allows them to be moved in unison”.⁵³ This comported with the object of the patent as adjusting separate rails in unison using the moving means. In this instance, however, the Supreme Court found the judge read too much of the specification into the claim, and that “[t]he scope of the claim must stand on its own wording.”⁵⁴

Beyond the basic principles proclaimed in *Lucas*, the case is an enigma. On one hand, the Court interpreted “moving means” narrowly based on the purpose divined from the specification (Canon 2), and rejected a broad objective interpretation of the term (Canon 3). On the other hand, the term “separate” was interpreted plainly and broadly (Canon 3), and it was error to restrict it to the embodiment (Canon 6[b], 7). Reconciling these two results in a single case is difficult. The Court did not interpret the claims narrowly to avoid invalidity. Nor is there a distinction here between interpretation and modification, as both claim terms were matters of interpreting claim language, rather than introducing new claim terms.

The hypothesis of this article is that the Court engaged in textualist construction for one term (“separate”), and purposive construction for the other (“moving means”), where the only salient distinction being the two terms was the extent the court considered those elements to be essential to the invention. That is, the Supreme Court seems to have implicitly considered the “moving means” to be an essential part of the invention, triggering a purposive reading that imported a limitation from the specification to exclude manual adjustment, which was known. In contrast, the “separate” characterisation of the rails was considered tangential to the invention, and the term was understood textually, and not limited by the embodiments disclosed in the specification.⁵⁵ We can therefore hypothesise that the Supreme Court was implicitly more willing to actively interpret a term based on the specification (here, narrowly) where it referred to an essential element, but read literally (here, broadly) claim terms that were inessential or tangential to the invention. We can test this hypothesis based on two subsequent patent cases that reached the Court of Appeal.

The preference for purposive over textualist construction of essential claim integers was demonstrated in *Hammar Maskin*. The claim integer at issue there was “an extension part which is movably arranged in a bearing in the first support part.” *Hammar Maskin*, the patentee, offered a broad construction for the term “bearing”, arguing that the word only required a functional relationship between the extension part and the support part without specifying structure, i.e., the extension part *bears upon* the support

part. The accused infringer Steelbro, argued for a literal (narrow) interpretation, suggesting that the claim required a distinct physical bearing component. Although there was no reference in the text or drawings of the specification to a bearing component, the trial judge inferred from the claim language standing alone that it could only refer to a distinct component. That is, the trial judge read the claim language in a textualist fashion, rather than interpreting them based on the embodiments in the specification (preferring Canon 3 over Canon 6[b], 7).

The Court of Appeal accepted the appeal, and rejected Steelbro’s argument that the unambiguous clarity of the indefinite article (“a bearing”) should end the discussion and preclude reference to the specification for purposes of interpretation. That is, a textualist approach may stop at the unambiguous interpretation of the claims (see, e.g., *Chef Am v Weston*, discussed above). The Court’s reasoning implicitly rejected the textualist approach: “claims must always be interpreted in their overall context and by reference to the object and description in the body of the specification.”⁵⁶ However, in its discussion of *Kirin-Amgen*, the Court of Appeal gave expression to the tension in claim interpretation: it emphasised Lord Hoffman’s elevation of the claim language chosen by the patentee as critically important, but also echoed his comment that “there will be occasions upon which it will be obvious to the skilled man that the patentee must, in some respect, have departed from conventional use of language or included in his description of the invention some element which he did not mean to be essential.”⁵⁷

As if to emphasise the point, the bulk of the *Hammar Maskin* Court’s opinion has nothing to do with the absence of a distinct “bearing” from the specification, but rather explains the inventive aspect of the “sloping downwards” pivotable support part as a means to conserve space while allowing longer reach of the support. Upon this analysis, the Court agreed with the patentee that claim term “a bearing” should be construed with reference to its function, not the structure of a bearing element, which was known to skilled artisans. That is, the Court of Appeal found that a purposive reading (Canon 2) trumped the literal meaning of the term (Canon 3). The extensive discussion of the purpose and innovation of the patent supports the hypothesis that tangential or inessential claim terms (e.g., the “bearing”, which appears in the preamble before the “characterised in that ...” integers) are to be construed broadly, because the inventor gave little thought to their particular phrasing. Accordingly, on a functional reading of “bearing”, the Court found infringement.

It seems the US or UK courts would likely have reached the same conclusion on similar facts. In the US framework, the High Court’s decision would have been consistent with the *Texas Digital* line of cases giving primacy to claim language, while the Court of Appeal’s interpretation is more consistent with the later *Phillips* case, which gives primacy

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

to the intrinsic record. In that regard, the absence of a distinct bearing element would have likely been considered conclusive on this point. Likewise, in the UK, a purposive reading would ask what a notional addressee would have understood from the term “a bearing” in the context of the specification, and likely arrive at the same conclusion.

In contrast, however, the case in which the New Zealand courts deviated most significantly from what their US or UK counterparts may have done was *Doug Andrews*, which concerned a hangi-style cooker. The claim recited a first (bottom) part comprising a lower portion adapted to receive a heating source and an upper portion including plate means to be heated; and a second (upper) part comprising a housing for containing the food being cooked. The claim further stated that the two parts may be assembled by engaging the second (upper) part on the first (bottom) part “to define a cooking chamber above said plate means and to provide the cooking apparatus.”

There was no dispute that the accused cooking device (the universal food outdoors (“UFO”) cooker) included first and second parts of a cooking chamber when combined. However, the upper portion of the first (bottom) part was extended upward, so that it allowed direct cooking in the bottom chamber. The New Zealand High Court found that the UFO cooker did not infringe, as it interpreted the claim as meaning that “only the second part comprises a cooking chamber.” The Court held that “a purposive reading of that claim makes clear that it is confined to cooking apparatus in which the cooking chamber in its entirety is comprised within the second upper part.”⁵⁸

By way of claim interpretation, the High Court “consider[ed] the word ‘define’ to be equivalent to ‘create’ or ‘comprise’.” The Court then found that the upper part of the UFO cooker did not create a cooking chamber, but rather “extends the existing cooking chamber” formed by the larger lower part. The Court held that a purposive reading “makes it clear that it is confined to cooking apparatus in which the cooking chamber *in its entirety* is comprised within the second upper part.”⁵⁹ After concluding that the patent claim was so limited, the Court did not consider infringement by equivalents.

The Court of Appeal affirmed, finding that the “element of inventiveness about the Andrews cooker is its separation into parts ...”⁶⁰ The Court rejected the patentee’s textual interpretation under which the extended bottom portion of the UFO cooker would nonetheless define a cooking chamber, and agreed with the High Court that the upper portion was “the only cooking chamber defined by the claim”, excluding the possibility of a second cooking chamber defined by the same elements.⁶¹ It found that in the embodiment described, the second (upper) part “merely extends the cooking chamber formed by the first”, and the patented cooker “does not allow hangi-style cooking until the two parts are engaged.”⁶² Based on this narrow reading of the

patent, the Court affirmed the finding of no infringement. As in the High Court, the Court of Appeal did not consider infringement by equivalents.

The *Doug Andrews* analysis is difficult to reconcile with traditional principles of claim construction (e.g., Canon 4, 7), but it may be explained based on the hypothesis of this article, that explains the dual result in *Lucas*. The *Doug Andrews* court took the single cooking chamber described in the specification to be the essence of the invention, although this was never explicitly stated in the specification in haec verba. There is also little by way of interpretation of claim language, as such. The only textual footing for the Court’s narrow reading of the claim was the term “define” in the claim integer stating that the first and second parts “define” a cooking chamber. Reverting to the hypothesis about New Zealand claim construction, it seems that the Court started with the innovation described in the specification, and then worked backward to read its essential elements into the claim language.

Again, we may consider how a US or UK court would have interpreted the claims in the *Doug Andrews* case. A US court interpreting the phrase “to define a cooking chamber” would likely have read it to mean that when constructed, the first and second parts create a space in which food may be cooked. Despite superficial similarity to *Retractable Techs* (where the claim was limited to embodiments showing a single syringe body), the result would likely have been a broader claim interpretation. Unlike that case, there was no specific claim element to be defined narrowly, and there was no deliberately specific use of claim language in the specification. A US court’s analysis would perhaps have centred around whether the word “define” was used in a particular manner, or whether the patentee made amendments or arguments during prosecution supporting a limited interpretation. Ultimately, it is impossible to know how a US District Court (or the Federal Circuit on appeal) would have interpreted the claim. It is likely that without a clear and unequivocal disclaimer of claim scope, a court would have adopted the plain and ordinary meaning of these terms, and refuse to limit them to a single chamber, resulting in a finding of literal infringement. Having said the above, the claim as broadly interpreted may have faced a formidable invalidity challenge.

A UK court applying EPC 2000 and *Actavis* would first consider textual infringement by interpreting any ambiguous words or terms of art, and then, if the accused device differed from the literal claim, it would consider whether that variation was immaterial using the modified Improver questions. In the textual analysis, the question would likely be a closer one than under US claim interpretation. It is possible that a UK court applying purposive construction would find that the inventor’s intention in using the claim term “define” was to mean that without such assembly, there was no chamber.

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

Finally, we may note in passing *Assa Abloy*, in which the New Zealand High Court considered whether the claim, which recited “a lock bolt”, encompassed two locking pins. After finding lock bolt and locking pins to be interchangeable terms, the Court turned to whether the claim was limited to one element, or encompassed a plurality of locking elements:⁶³

As Claim 18 refers only to “a” lock bolt, the patentee must have attributed some significance to the number of bolts... In any event, the addition of another lock bolt (or pin) adds nothing to the invention, would have been obvious to a skilled addressee at the time of priority strict compliance with “a” lock bolt is not necessary. The preferred embodiment and the current version of the Latch in fact have two lock bolts performing the deadlocking function.

That is, the Court looked to the specification, and observing that several embodiments included two lock bolts, it interpreted “a lock bolt” to include two lock bolts as a matter of claim interpretation (not under the doctrine of equivalents). We may contrast this holding with the *Retractable Techs* case in the US, in which the claim term “body” was limited to the single-piece body disclosed in the specification. In *Assa Abloy*, the Court referred to the specification in order to allow an interpretation that was broader than the plain meaning of the claim language.

Is there a Doctrine of Equivalents under New Zealand Law?

The nuances of the doctrine of equivalents are beyond the scope of this article, but the relationship between claim construction and the scope of equivalents is worth noting. Specifically, one observation that flows from New Zealand’s invention-centric approach is the uncertain status of the doctrine of equivalents. In order to understand the place (if any) of the doctrine of equivalents in New Zealand patent law, it would be helpful to first outline the doctrine under US and UK law.

Under US law, the doctrine of equivalents states that infringement may be found when the differences between the claim and the accused subject matter are immaterial. The basic doctrine of was articulated by the US Supreme Court in *Graver Tank v Linde Air Products*:⁶⁴

... to permit imitation of a patented invention which does not copy every literal detail would be to convert the protection of the patent grant into a hollow and useless thing ... Outright and forthright duplication is a dull and very rare type of infringement. To prohibit no other would place the inventor at the mercy of verbalism and would be subordinating substance to form.

As the Supreme Court noted in *Graver Tank*:

[c]onsideration must be given to the purpose for which an ingredient is used in a patent, the qualities it has when

*combined with the other ingredients, and the function which it is intended to perform.*⁶⁵

This analysis is reminiscent of purposive construction under UK law, although that construction determines the literal scope of a patent claim and equivalents are considered separately.

In the UK, Lord Diplock’s speech in *Catnic* sought to eliminate the distinction between textual infringement and infringement by taking the pith and marrow. In that case, the trial judge found no “infringement in terms”, but nevertheless found for plaintiff inasmuch as the defendant had taken the “pith and marrow” of the invention. The majority of the Court of Appeal reversed this decision, finding that although nothing in the essence of the patent required the back plate to be vertical, the patentee’s use of precise language narrowed the claim to require a strictly vertical element. In a bold stroke, Lord Diplock unified the two types of infringement into a single question of claim interpretation:⁶⁶

... both parties to this appeal have tended to treat “textual infringement” and infringement of the “pith and marrow” of an invention as if they were separate causes of action, the existence of the former to be determined as a matter of construction only and of the latter upon some broader principle of colourable evasion. There is, in my view, no such dichotomy; there is but a single cause of action and to treat it otherwise, particularly in cases like that which is the subject of the instant appeal, is liable to lead to confusion.

The UK Supreme Court’s *Actavis* decision reverted to the bifurcated literal/equivalent infringement analysis. Although Lord Neuberger based her opinion on a fundamental disagreement with Lord Diplock’s collapsing of the inquiries of interpretation and equivalents into one, the change was also prompted by the text of EPC 2000, which required courts to consider equivalents in their infringement analysis. Thus, UK law, which started in *Catnic* with a singular purely purposive approach, has now returned to a two-tier infringement analysis, bringing it closer to US law, where the doctrine of equivalents has been firmly rooted since at least the *Graver Tank* case in 1950. (Notably, however, the jurisdictions differ sharply on the use of the prosecution history: US law limits the availability of equivalents on the basis of narrowing claim amendments;⁶⁷ the UK does not.)

In contrast to the above jurisdictions, none of the New Zealand patent cases discussed in this article expressly invoke the doctrine of equivalents, despite contemporaneous debates in US and the UK on the existence and scope of the doctrine. Some New Zealand legal commentators have described the analytical framework for claim construction to include assessing infringement despite differences between claimed and accused integers if the two are equivalent.⁶⁸ However, there is no clear citation to authority for

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

consideration of equivalents, and these steps are not always distinctly analysed by the court.

It has been observed that the distinction between claim interpretation and consideration of equivalents is not always clear.⁶⁹ However, at least one High Court case made mention of the doctrine of equivalents in order to distinguish it from claim construction and indicate that it may not be necessary:⁷⁰

This interpretative methodology is not to be confused with the “doctrine of equivalents”, the effect of which is “to extend protection to something outside the claims which performs the substantially the same function in substantially the same way to obtain the same result”. But commonsense dictates that functional equivalence can be an important part of the background facts known to the skilled addressee because it may affect what he or she understood the claims to mean... An enquiry into whether a variant is captured by the disclosure will not be necessary if the monopoly is clearly defined to exclude the variant, or more accurately, to include only the disclosed invention.

While the absence of the doctrine of equivalents from New Zealand patent jurisprudence may be surprising at first glance, this may not be a flaw, but a feature that results from the invention-centric nature of claim construction. That is, the doctrine of equivalents may be understood as offsetting potential injustice to the inventor from the unduly harsh effects of textualism in claim interpretation.⁷¹ Therefore, it may be argued that the more strict the approach to literal infringement (i.e., textualist claim construction), the greater the need for a broad scope of equivalents; conversely, if the claim interpretation already subsumes a range of immaterial variations sharing the same essence of the invention, there may be no need for the doctrine at all.

This thesis is difficult to test, as the doctrine of equivalents is not always at issue. In *Lucas*, the issue on appeal was validity, and *Hammar Maskin* found (literal) infringement. In *Doug Andrews*, however, the Court found no infringement, yet it did not engage in any discussion of equivalents analysis. By comparison, if a US or UK court were to find no literal infringement, the natural progression would have been to consider infringement under the doctrine of equivalents.

For example, a US court would likely have concluded that while the presence of a second chamber added functionality, it was immaterial to the operation of the invention. Similarly, a UK court in 2013 would have applied the *Improver* questions (or, applying EPC 2000 and *Actavis*, the modified *Improver* questions). The results would be close, but they would have certainly required explicit analysis.

We are left to wonder why the *Doug Andrews* court did not discuss equivalents. It is possible that predating the revival of equivalents under EPC 2000 in *Actavis*, the *Doug Maskin* court was merely applying *Catnic*; however, this does not

explain the failure to ask the *Improver* questions, as did the High Court in *Assa Abloy*, indicating an awareness of some penumbra of rights outside the literal scope of the claim. Possibly, New Zealand’s invention-centric claim construction subsumes all equivalents. That is, if the true construction of the patent defines its essence, there can be no immaterial variations on that essence.

Conclusion

In the decade and a half since *Lucas* was decided, the New Zealand Court of Appeal has decided two appeals in patent infringement cases in which the critical issue was claim construction. By triangulating the principles applied in these three post-*Catnic* cases, and reviewing them in light of earlier case law, an invention-centric approach to claim interpretation emerges. If the principles of claim construction attempt to balance the rights of inventors against those of competitors and the public, what are we to make of New Zealand’s approach to claim construction? And what are the implications of this balance?

It would be too facile to label New Zealand’s approach to claim construction as more patentee-friendly or more defendant-friendly than the US or the UK. We have observed that if the inventor disclosed the accused device, but the claims do not clearly cover it, New Zealand’s invention-centric approach may favour the inventor (e.g., *Hammar Maskin*); indeed, claims may even be construed broadly enough to cover infringement that was not contemplated by the inventor (e.g., *Hutchinson*), perhaps more favourably than under US or UK law. In contrast, if the specification does not clearly disclose the accused device, but it is ostensibly covered by the claim language, the New Zealand approach will likely not find infringement (e.g., *Doug Andrews*); in this regard, it is less favourable to inventors than US law, although likely similar to UK law.

Therefore, a more nuanced conclusion would be that for an inventor with a robust specification but weak claims, New Zealand seems to be a sympathetic jurisdiction; for one with a thin specification but aggressive claims, New Zealand is likely unfavourable. This balance seems to reward greater disclosure for the public benefit in return for patent protection, with less focus on incentivising innovation by monetisation of patents outside the core invention disclosed.

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

- 1 Partner in the US Litigation Practice Group of Pearl Cohen Zedek Latzer Baratz LLP (New York), and admitted to practice in New York, California, Israel, and New Zealand. This article is a modified version of a paper submitted in partial satisfaction of an LLM degree at Victoria University at Wellington. I wish to extend my gratitude to my academic advisor, Professor Susy Frankel, and to Jane Glover for her invaluable comments. The responsibility for opinions expressed in this article is mine alone.
- 2 Christian Mammen, 'Patent Claim Construction as a Form of Legal Interpretation' (2012) 12 *John Marshall Review of Intellectual Property Law* 40; see also, Jessica Kaiser, 'What's that Mean? A Proposed Claim Construction Methodology for *Phillips v. AWH Corp.*' (2005) 80 *Chicago Kent Law Review* 1009 (contrasting the competitor to a patentee with the non-drafting party to a contract for purposes of contra preferentum.).
- 3 Broad and narrow are themselves subjective terms, lacking an objective frame of reference. Professor Freilich points out that the patent system often grants patents that are broader or narrower than the theoretical ideal (the minimum amount of scope necessary to incentivise innovation) because of the sequence-of-information problem. Janet Freilich, 'The Uninformed Topography of Patent Scope' (2015) 19 *Stanford Technology Law Review* 150.
- 4 One article refers to these approaches as text-oriented and author-oriented. Huang Yan, 'A Dynamic Framework For Patent Claim Construction: Insights From A Philosophical Hermeneutic Study' (2013) 21 *Texas Intellectual Property Law Journal* 1. In the statutory interpretation context, the equivalent of the purposive approach is moderate intentionalist, which attempts to infer intention from its objective manifestations. See, e.g., Abby Wright, 'For All Intents and Purposes: What Collective Intention Tells us about Congress and Statutory Interpretation' (2006) 154 *University of Pennsylvania Law Review* 983; Richard Posner, *Statutory Interpretation — In the Classroom and in the Courtroom* (1983) 50 *University of Chicago Law Review* 800 .
- 5 *Howmedica Osteonics Corp. v Wright Med. Tech., Inc.*, 540 F.3d 1337, 1347 (Fed. Cir. 2008) ("inventor testimony as to the inventor's subjective intent is irrelevant to the issue of claim construction"); compare *Hoechst Celanese Corp. v BP Chems. Ltd.*, 78 F.3d 1575, 1580 (Fed. Cir. 1996) ("*Markman* requires us to give no deference to the testimony of the inventor about the meaning of the claims.>").
- 6 See, e.g., *Phillips v AWH Corp.*, 415 F.3d 1303, 1326 (Fed. Cir. 2005) ("the ordinary and customary meaning of a claim term is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention").
- 7 See, e.g., *Graver Tank & Mfg. Co. v Linde Air Products Co.*, 339 U.S. 605 (1950) ("Outright and forthright duplication is a dull and very rare type of infringement. To prohibit no other would place the inventor at the mercy of verbalism and would be subordinating substance to form.>").
- 8 Compare *Catnic Components Ltd v Hill and Smith Ltd* [1982] RPC 183, *Eli Lilly and Company v Actavis UK Ltd* [2017] UKSC 48.
- 9 *Doug Andrews Heating and Ventilation Ltd v Wayne James DIL and others* [2015] NZCA 122.
- 10 *Peterson Portable Sawing Systems Ltd v Lucas* [2006] 3 NZLR 721.
- 11 *Hammar Maskin AB v Steelbro New Zealand Ltd* [2010] NZCA 83.
- 12 *Markman v Westview Instruments*, 517 U.S. 370 (1996).
- 13 *Markman v Westview Instruments*, 517 U.S. 370 (1996), 370, 390–1 (1996) (citations and internal quotations omitted).
- 14 *Texas Digital Sys v Telegenix, Inc.*, 308 F.3d 1193 (Fed. Cir. 2002).
- 15 *Chef America, Inc v Lamb-Weston, Inc.*, 358 F.3d 1371 (Fed. Cir. 2004).
- 16 *Phillips v AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005).
- 17 *Phillips*, 1325-1326 (citations and internal quotations omitted).
- 18 *Retractable Techs, Inc v Becton*, 653 F.3d 1296 (Fed. Cir. 2011).
- 19 *Retractable Techs, Inc v Becton*, 659 F.3d 1369, 1716 (Fed. Cir. 2011) (quoting *Retractable*, 1305).
- 20 *Hill-Rom Servs v Stryker Corp.*, 755 F.3d 1367 (Fed. Cir. 2014).
- 21 *Meds Co v Mylan, Inc.*, 853 F.3d 1296 (Fed. Cir. 2017).
- 22 *Catnic Components Ltd v Hill and Smith Ltd* [1982] RPC 183.
- 23 *Catnic Components Ltd v Hill and Smith Ltd* [1982] RPC 183, 236.
- 24 *Improver Corporation and others v Remington Consumer Products Ltd and others* [1990] FSR 181.
- 25 *Improver Corporation and others v Remington Consumer Products Ltd and others* [1990] FSR 181, 189.
- 26 *Improver Corporation and others v Remington Consumer Products Ltd and others* [1990] FSR 181, 189.
- 27 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] 1 All ER 667.
- 28 *Eli Lilly and Company v Actavis UK Ltd* [2017] UKSC 48.
- 29 *Eli Lilly and Company v Actavis UK Ltd* [2017] UKSC 48, [55].
- 30 *Eli Lilly and Company v Actavis UK Ltd* [2017] UKSC 48, [61]-[63].
- 31 *Generics (UK) Ltd trading as Mylan and another v Yeda Research and Development Company* [2017] EWHC 2629 (Pat), [134]-[139].
- 32 IPONZ Patent Manual, section 7, [26], quoting *Unilever PLC v Chefaro Proprietaries Ltd* [1994] RPC 567, 580.
- 33 IPONZ Patent Manual, section 7, [27], quoting *Catnic*, 243.
- 34 IPONZ Patent Manual, section 7, [28], quoting *Kirin-Amgen*, [34].
- 35 *Generics (UK) Ltd trading as Mylan and another v Yeda Research and Development Company* [2017] EWHC 2629 (Pat), [161]-[167].
- 36 *Bathurst Resources Ltd v L & M Coal Holdings Ltd* [2021] NZSC 85.
- 37 *Generics (UK) Ltd trading as Mylan and another v Yeda Research and Development Company* [2017] EWHC 2629 (Pat), [138].
- 38 *Asa Abloy New Zealand Ltd v Allegion (New Zealand) Ltd* [2016] NZHC 1738, [23].
- 39 The High Court declined to perform a preliminary claim interpretation in *Thinking Ergonomix Pty Ltd v Integ Int'l Ltd* [2019] NZHC 1687, finding that doing so separately from the merits would not substantially expedite the proceedings.
- 40 *Hutchinson v Howell* [1939] NZLR 395.
- 41 *Hutchinson v Howell* [1939] NZLR 395, 401.
- 42 *Hutchinson v Howell* [1939] NZLR 395, 405.
- 43 *Maeder v "Ronda" Ladies' Hairdressing Salon* [1943] NZLR 122.
- 44 *Maeder v "Ronda" Ladies' Hairdressing Salon* [1943] NZLR 122, 135.
- 45 *Maeder v "Ronda" Ladies' Hairdressing Salon* [1943] NZLR 122, 142-143.
- 46 *Peterson Portable Sawing Systems Ltd v Lucas* [2006] 3 NZLR 721.
- 47 In the post-*Catnic* era, the first mention of purposive construction came in *Smale v North Sails Ltd* [1991] 3 NZLR 19, where Tompkins J noted that the specification "should be given a purposive construction. The claims in the specifications, and the claims alone, define the monopoly granted."
- 48 Ian Finch (ed), *James & Wells Intellectual Property Law in New Zealand* (Thomson Reuters, 2nd ed, 2012), 146.
- 49 *Peterson Portable Sawing Systems Ltd v Lucas* [2006] 3 NZLR 721, [26]-[28].
- 50 Ian Finch (ed), *James & Wells Intellectual Property Law in New Zealand* (Thomson Reuters, 2nd ed, 2012), 143.
- 51 *Lucas v Peterson Portable Sawing Systems Ltd* [2006] 3 NZLR 361.
- 52 *Peterson Portable Sawing Systems Ltd v Lucas* [2006] 3 NZLR 721, [41].
- 53 *Lucas v Peterson Portable Sawing Systems Ltd* [2006] 3 NZLR 361[48].
- 54 *Peterson Portable Sawing Systems Ltd v Lucas* [2006] 3 NZLR 721, [45].
- 55 In obiter dictum commenting on claim interpretation, Andrews J omitted reference to purposive construction when he commented that "[i]t is well established that a patent is construed objectively, through the eyes of the skilled addressee," and that "a claim must not be construed with an eye on prior material, in order to avoid its effect." *Thinking Ergonomix Pty Ltd v Integ Int'l Ltd* [2019] NZHC 1687, [16].
- 56 *Hammar Maskin AB v Steelbro New Zealand Ltd* [2010] NZCA 83, [48].
- 57 *Hammar Maskin AB v Steelbro New Zealand Ltd* [2010] NZCA 83, [36].
- 58 *Doug Andrews Heating and Ventilation Ltd v Wayne James DIL and others* [2013] NZHC 3333, [62].
- 59 *Doug Andrews Heating and Ventilation Ltd v Wayne James DIL and others* [2013] NZHC 3333, [62].
- 60 *Doug Andrews Heating and Ventilation Ltd v Wayne James DIL and others* [2015] NZCA 122, [16].

A Comparative Analysis of Patent Claim Construction in New Zealand Versus the UK and the US

- 61 *Doug Andrews Heating and Ventilation Ltd v Wayne James DIL and others* [2015] NZCA 122, [18].
- 62 *Doug Andrews Heating and Ventilation Ltd v Wayne James DIL and others* [2015] NZCA 122, [18].
- 63 *Asa Abloy New Zealand Ltd v Allegion (New Zealand) Ltd* [2016] NZHC 1738, [88].
- 64 *Graver Tank & Mfg. Co. v Linde Air Products Co.*, 339 U.S. 605, 607 (1950).
- 65 *Graver Tank & Mfg. Co. v Linde Air Products Co.*, 339 U.S. 605, 607 (1950), 609.
- 66 *Catnic Components Ltd v Hill and Smith Ltd* [1982] RPC 183, *Eli Lilly and Company v Actavis UK Ltd* [2017] UKSC 48, 235.
- 67 *Festo Corp. v Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002) (presumption that equivalents are precluded for claim elements amended during prosecution, except for certain cases, e.g., the reason for the amendment was only tangential related to the equivalent in question).
- 68 Susy Frankel, *Intellectual Property in New Zealand* (LexisNexis, 2nd ed, 2011), 7.5.5.
- 69 Ian Finch (ed), *James & Wells Intellectual Property Law in New Zealand* (Thomson Reuters, 2nd ed, 2012), 137 (“While infringement is generally determined upon the doctrine of ‘pith and marrow’, the New Zealand Courts interpret patent claims in accordance with the ‘purposive construction’ doctrine [of *Catnic*].”)
- 70 *Asa Abloy New Zealand Ltd v Allegion (New Zealand) Ltd* [2016] NZHC 1738, [24].
- 71 See, e.g., *Graver Tank & Mfg. Co. v Linde Air Products Co.*, 339 U.S. 605, 607 (1950), 605 (“Outright and forthright duplication is a dull and very rare type of infringement. To prohibit no other would place the inventor at the mercy of verbalism and would be subordinating substance to form.”).

Book review: *A New Framework for Intermediary Liability: Copyright, Causation and Control on the Internet*

Dr Sarah Hook¹

Kylie Pappalardo

[Edward Elgar 2023 pp 230. The e-Book version is priced from £25/AU\$48 from e-Book vendors while in print the book can be ordered from the Edward Elgar Publishing website <www.e-elgar.com>.]

The main argument of this book is that *capacity* does not equate to *responsibility*. Dr Pappalardo reasons that the argument that there is a collective responsibility to prevent online copyright infringement is not based on any legal theory or precedent, but is rather a narrative used by copyright owners to exert pressure on intermediaries who may only have the most tenuous connection to end user infringement. The book does this through the lens of a tort-based analysis.

As digital dissemination of works runs rampant, the issue of intermediary liability is poised to become a large part of copyright law. Aspects of intermediate liability are even trickling into trade mark infringement (as in the recent European Union case of Audi and Volkswagen versus Fruugo, an online marketplace).² Similar issues have also plagued defamation law where platforms and websites may be seen as a “publisher”, depending upon their control and knowledge.

One argument throughout the book is that the deficiencies we often find in copyright cases include articulating why there is a duty of intermediaries to act, as well as the precise harm and damage that occurs in the absence of such a duty. Dr Pappalardo argues very persuasively that we need to pare everything back to the question of liability. While the book does not discuss website blocking, safe harbours, or the advent of artificial intelligence (“AI”) programs, the assumption of liability that sustains scholarship, argument, and policy in all of these areas means the book is likely to open important conversations about the role of the “middle person” in the equation.

An intermediary is someone who “authorises the doing of” an act. “Authorises” is a tricky term, with different jurisdictions approaching its definition in different ways.³ The book often uses Australian legislation and cases, not just because of the jurisdiction of the author, but because Australia is an interesting jurisdiction in which to test out these issues.

Initially I was sceptical of the torts analogy, especially given the presence or absence of damage and the logic of common law tests applied to statutory rights. Unlike other statutory regimes that overlay torts such as defamation, copyright infringement is not a harm against a person but a pure-economic-based right (with the exception of moral

rights). Dr Pappalardo refers to Dr Christina Angelopoulos’ argument that copyright’s essential nature is a subcategory of tort law.⁴ This argument as conceptualised by Professor Wendy Gordon⁵ is as follows: tort law, and in particular personal injury, causes people to internalise the risk to others as part of an assessment of the overall risk of an action. It therefore internalises the social externalities as well as the more immediate and economical pros and cons of actions. In relation to copyright the argument is not that of negative externalities (how might my action harm others) but positive externalities – to incentivise creativity, to capture the benefit of their labour. A carrot rather than a stick is the metaphor Professor Gordon uses.⁶

The similarity between torts and copyright is then the changing of behaviour. However, this could be applied for every law – law is about creating norms of behaviour after all, whether it be via contract, crime, or tort. While I agree with all of these authors that tort law can illuminate the way we think about responsibility, I am not altogether convinced that copyright’s essential nature is that of a subcategory of tort law. However, these issues are thoughtfully countenanced in this work. Dr Pappalardo does not advocate for copyright as a tort, but more so that negligence tests give a helpful framework to focus on *fault*, the most important criterion in establishing liability.

Whether in essence a tort or not, it makes sense for intermediary liability to be viewed through the lens of negligence, in that the core concepts are responsibility for the actions of others. What I found most welcome and well argued in this book is the engagement of the user as part of the analysis. In most cases the copyright owner, the intermediary, and the infringer are the only parties that a court is concerned with. Ignoring users undermines the legitimacy of copyright law and this book’s greatest strength is in the repositioning of the user by a negligence-influenced analysis of intermediary liability. This is because by using a negligence calculus, social utility and public policy are able to be factored into the enquiry.

One of the little pleasures of this book is the chapter structure. Having taught torts in my Remedies class this semester, the chapters mimic the modules I often set for students: Duty of care (Responsibility theory), Causation, Remoteness or Scope of liability and Damage. It is akin to a problem question with copyright as the unusual fact pattern

Book Review: *A New Framework for Intermediary Liability: Copyright, Causation and Control on the Internet*

to apply the principles. I found this quite clever and useful for the analysis.

Responsibility theory, it is argued in Chapter 2, is an underdeveloped area in relation to copyright law, primarily due to the strict liability nature of infringement (although it does come into play in damages assessment). Dr Pappalardo makes the argument that intermediate liability is far different to primary infringement due to the proactive nature of the role these parties must play in much of the infringement debate. For example, sometimes the responsibility to prevent others' use of their service/sites/programs to infringe requires thought in the very design stage. Tort law however is entrenched in the doctrine of fault and so drawing upon this scholarship sets the foundation for the later chapters on the construct of liability.

Separating responsibility in legal theory from moral philosophy, and actions from consequences, Dr Pappalardo examines the features of legal responsibility, specifically causation and fault which she then puts to work in her analysis throughout the book.

Chapter 3 sets the grounds for where there may be a duty to act depending on relational responsibility. This is used to establish a causation framework for copyright. Here she illustrates the difference between misfeasance and nonfeasance and "pseudo-nonfeasance" where omissions can be termed as misfeasance. Where the defendant has a role in creating the risk, a duty arises to take reasonable precautions to minimise that risk. It is argued that engaging in misfeasance doesn't necessarily establish fault, it's only afterwards when the tortfeasor fails to take reasonable precautions that liability is incurred. In terms of causation, a defendant is not normally liable for the voluntary acts of a third party however they would be if the act of the third party is the type of harm the defendant had a duty to guard against.

Dr Pappalardo utilises the normative approach of Professor HLA Hart and Professor Tony Honoré to argue causation in copyright liability.⁷ It is argued the "but for" test is inappropriate for situations where the defendant has set up a situation for the plaintiff to be harmed by a third party and where a positive duty to protect may be imposed. Such a normative approach allows a consideration of the intermediary's causal role as well as responsibility to the plaintiff copyright holders. This also requires a court to consider how close to the infringement an intermediary's conduct must be to ground a duty to prevent others from infringing copyright.

This is broken down to:

- categorisation of the intermediary's service;
- normative natural consequences test of causation;
- if the infringement is a natural consequence of the opportunity provided by the service, then

preventative measures should be taken ("misfeasance intermediaries" ("MI"));

- but if not, then there is no "duty to rescue" ("nonfeasance intermediaries" ("NI")).

Dr Pappalardo then uses this approach to work through a number of different categories of intermediaries: internet service providers (NI), payment intermediaries (NI), peer to peer file sharing networks (MI), technologies that enable copying (MI), and content sharing platforms (MI). This framework, it is argued, takes us from the arguments that intermediaries should prevent as they are best placed to do so, away from the opposite argument that there is no duty to prevent end user infringement as it stifles emerging technologies, and back to the essential question of fault.

This misfeasance/nonfeasance binary bears striking similarities to the arguments regarding passive facilitators versus publishers in defamation law⁸ where courts already focus on the issue of control. Chapter 4 assesses why just looking at control in the absence of causation is problematic. It argues that just because there is an ability to hinder doesn't mean there is a power to prevent, and that issues of control can then become a self-limiting argument that takes away from the central concern of liability.

Chapter 4 makes it clear that just because an intermediary falls into the misfeasance intermediary category does not mean anything other than that there is a duty to take reasonable precautions to minimise the risk of harm. It also discusses where nonfeasance intermediaries might be liable for copyright infringement due to the failure to control using the case of *Roadshow Films v iiNet Limited*⁹ and the judgment that in the absence of a special relationship there is no duty to control another person to prevent the damage to a third party.¹⁰ The case, it is argued, fell on the failure to properly articulate what such a duty would be, there being a difference between capacity and obligation. Using the principles of negligence Dr Pappalardo argues that for nonfeasance intermediaries, control over the premises where infringement occurs is not enough to create a duty. Where such an imposition would fall is where there is a *real and actual control* combined with reasonableness in imposing the duty. Interestingly this chapter works through this argument via the perspective of performance venue cases where owners remain indifferent to copyright infringement on their premises. This is where the power to prevent as a sole argument seems the most unrealistic, and Dr Pappalardo's real and actual control combined with reasonableness test makes the most sense. There is a difference between an owner mostly removed from the scene and those that sell the tickets, and implications for whether it is reasonable in those situations to demand to see the licensing and permissions of each work being performed.

The reasonableness framework, it is also argued in this chapter, allows end users to be taken into consideration. This

Book Review: *A New Framework for Intermediary Liability: Copyright, Causation and Control on the Internet*

is also apparent in Chapter 5 where the full articulation of fault is stepped through for both nonfeasance intermediaries and misfeasance intermediaries through the negligence calculus. It concludes that just because they can, doesn't mean they have to – only where it has a role in creating opportunities for wrongdoing should any power to prevent, convert into a duty to take reasonable steps. It needs to be remembered that by structuring online content in copyright owners' favour, users are restricted in terms of functionality, accessibility and use, and this needs to be part of the factors to consider in reasonable steps taken.

Chapter 6 looks at the element of damage. Copyright damage (or harm), it is argued, is often not articulated, its true depths hidden behind the idea of infringement being actionable per se. This is a completely different characterisation to damage in actions on the case in tort where damage must be articulated for any action or right to arise. Trespass, however, does not require such an evidentiary burden which is why the analogy is often made. Dr Pappalardo evidences some conceptual difficulties that such an analogy makes given that infringements of intangible property may go unnoticed by owners, may not damage the work, and that the boundaries around a work are less clear.

Theories of copyright harm are then explored, including the idea that most of the harm comes from the ex-ante incentives to create. Therefore, market competing works are most clearly harmful. The traditional calculus of lost sales in assessing harm is argued to be based on the faulty conjecture that every infringing use is a lost sale, especially in regions where users infringe due to the inability to legally obtain the work. Evidencing the harm is a challenge, but one which Dr Pappalardo argues courts should not shirk from.

Chapter 7 examines industry codes, arguing they come into play when considering breach but should not be determinative on their own. These codes, it is argued, have the capacity to scope-creep liability in ways that the negligence analysis considered throughout the book would ameliorate. For example, the creation of a duty to warn when ceasing a voluntary task such as a failure to forward an infringement notice when such a duty would not normally be imposed as reasonable, or where there is little actual control. The proportionality of a remedy in these situations needs to be considered given that the "but for" test is unlikely to be met. Arguing reliance liability, where a defendant by their conduct agrees to take responsibility, is problematic due to the harm being mostly speculative. Without evidence of the efficacy of warning notices why should the failure to send a warning that such notices are no longer being sent cause injury? Such a doctrine has limited usefulness when it comes to copyright liability.

This is a unique conceptual work that really dives in to the "why" of intermediary liability instead of just the "how". By refocusing arguments back on fault, re-engaging with

the incentive motivation for protection, and realising that the rights of users also have a part in infringement debates, this is an important book that helps open the conversation back to the quintessential question of fault. While the issue of AI is out of scope for the book, I believe a lot of the questions it raises may also be helpful in this space. Particularly when thinking of regulation when programs are trained on copyright protected works and where the outputs are unlikely to be infringement (and evidence of the inputs are hard to detect), what role should a company, platform, or website that integrates such programs have over making sure those programs are only using licensed works? Chasing intermediaries has only brought limited success in stopping online infringement, so it makes sense that we don't accept that such an approach of liability without the issue of fault be adopted without question, or without the nuanced approach advocated in this book.

When intermediary liability is at the forefront of regulation policy in terms of defamation, privacy, and attempts to halt misinformation and hate speech, it is important that copyright infringement doesn't get swept up in the heat of platform regulation urgency. I would urge anyone working in policy reform in any of these spaces read this book as its lessons could be helpful in a range of digital liability issues. The book also would be most welcome for IP practitioners for its in-depth case analysis as well as arguments for the line to be drawn for fault in intermediary liability cases.

- 1 Senior Lecturer, Faculty of Law, Western Sydney University.
- 2 *Audi and Volkswagen v Fruugo* (2023) (District Court The Hague, 30 August 2023, Case number C/09/622304 / HA ZA 21-1105).
- 3 Kylie Pappalardo, *A New Framework for Intermediary Liability: Copyright, Causation and Control on the Internet* (Edward Elgar, 2023) 12.
- 4 Kylie Pappalardo, *A New Framework for Intermediary Liability: Copyright, Causation and Control on the Internet* (Edward Elgar, 2023) 19.
- 5 Wendy J Gordon, 'Copyright as Tort Law's Mirror Image: Harms, Benefits, and the Uses and Limits of Analogy' (2003) 34(3) *McGeorge Law Review* 533.
- 6 Wendy J Gordon, 'Copyright as Tort Law's Mirror Image: Harms, Benefits, and the Uses and Limits of Analogy' (2003) 34(3) *McGeorge Law Review* 533, 535.
- 7 Kylie Pappalardo, *A New Framework for Intermediary Liability: Copyright, Causation and Control on the Internet* (Edward Elgar, 2023) 67.
- 8 See for example *Byrne v Deane* [1937] 1 KB 818; *Dow Jones & Co Inc v Gutnick* (2002) 210 CLR 575; *Fairfax Media Publications Pty Ltd & Anors v Voller* [2021] HCA 27.
- 9 (2012) 286 ALR 466.
- 10 Kylie Pappalardo, *A New Framework for Intermediary Liability: Copyright, Causation and Control on the Internet* (Edward Elgar, 2023) 94.

Book Review: *Research Handbook on Intellectual Property and Artificial Intelligence*

Anthony Middleton¹

Edited by Ryan Abbott

[Edward Elgar Publishing 2022 pp 498. The e-Book version is priced from £48/AU\$91 from e-Book vendors while in print the book can be ordered from the Edward Elgar Publishing website <www.e-elgar.com>]

Introduction

Artificial intelligence (“AI”) is a challenge to the law’s ability to adapt to changing circumstances. In a broad sense, this challenge is nothing new. Judges in the 19th century faced the negative externalities of the Industrial Revolution for the first time and had to grapple with, for example, issues of liability for harm caused by dangerous materials which escaped from people’s land.² This posed many difficult questions for tortious liability and led to the accelerated development of the tort of negligence. Historically, the common law has responded to “human errancy” by imposing legal responsibility which develops “in adaptation to altering social conditions and standards”.³

The proposition that the law needs to adapt to changing social circumstances is largely uncontroversial. Exactly how the law adapts will always be the subject of hot debate,⁴ particularly in the field of intellectual property law and its response to AI. This debate underlies the chapters in Professor Ryan Abbott’s *Research Handbook on Intellectual Property and Artificial Intelligence* (“*Handbook*”).

Themes

The *Handbook* is divided into four sections which cover most of the important areas of intellectual property law and its application in the context of AI. The first section addresses intellectual property law and its application to AI as a general concept. The second specifically addresses AI and copyright and related rights. The third addresses AI in the context of trade mark and design rights. The fourth covers AI in the context of patents and trade secrets.

The chapters contained in the *Handbook* are written by different academics from all over the world. The authors write predominantly from a United States and European Union perspective but there are some chapters which address the Australian legal system, such as Professor Michael D Pendleton’s work: “An Abject Failure of Intelligence: Intellectual Property and Artificial Intelligence”. In any event, Australian intellectual property practitioners and academics will likely be interested in all the topics and themes raised. The *Handbook* achieves its goal of appealing to both philosophers and practitioners alike.

It is impossible to succinctly summarise the issues that are raised by the authors in their works as they all (unsurprisingly) have very different views on the policies

underlying intellectual property law in the context of AI technology. Nevertheless, there are a few key issues which are repeatedly raised such as:

- what type of intellectual property rights exist in particular AI technologies;
- whether AI generating technologies can be authors or inventors for the purposes of copyright and patent law respectively; and
- in what circumstances will the output of an AI generating technology infringe an intellectual property right of a person.

I discuss these themes in more detail below.

Intellectual property in AI

One of the most immediate issues in the context of intellectual property law and AI is identifying the intellectual property rights which can protect AI technologies. Two potentially applicable rights are copyright and patent rights. These two rights are covered in detail in the *Handbook* and the chapters covering this topic reveal that they both face difficulties in their application in the context of AI.

In the case of patents, Dr Rita Matulionyte and Tatiana Aranovich in their chapter, “Trade Secrets Versus the AI Explainability Principle”, note that commentators have suggested there are aspects of AI technologies which might be deemed unpatentable subject matter.⁵ This issue is already being confronted by Australian practitioners and was raised recently in *PayPal, Inc.* [2023] APO 54 (27 October 2023). In that case, the Delegate held that the assessment of manner of manufacture in cases involving AI “cannot be reduced to a simplistic consideration whereby inventions involving artificial intelligence are patentable”.⁶ The Delegate went on to hold that the relevant invention (a system and method for obtaining recommendations using scalable cross-domain collaborative filtering) was “in substance” a scheme for providing tailored transaction recommendations and that it was a “business innovation rather than a technical innovation”.⁷ Accordingly, the Delegate held the claimed invention was not patentable subject matter.⁸ As this decision reveals, one difficulty that the courts and IP Australia will face in determining whether a patent is valid is discerning whether, in any particular patent application, there is a particular advance in AI technology as opposed to a simple use of existing AI technology (even though that use might be “novel”).

In the copyright context, Matulionyte and Aranovich identify that copyright can protect source (and object) code, but it is arguably not suitable to protect algorithms.⁹ This is because copyright protects the expression of a computer program (being the source and object codes), as opposed to the principles and ideas underlying those programs (being algorithms).¹⁰ In Australia, it is also difficult to protect computer generated datasets under copyright law where the selection and arrangement of the material is not original.¹¹ Both these issues pose difficulties in protecting AI through copyright law.

Matulionyte and Aranovich suggest that the law around trade secrets appears to be the most suitable option to protect all elements of AI technologies, as long as those elements can be kept confidential.¹² However, as Matulionyte and Aranovich recognise, there are limitations applicable to trade secrets law and its application to AI technology. In Australia, one practical obstacle in litigation involving alleged breaches of confidence is identifying, with specificity, the particular AI technology (or part of AI technology) which is said to be confidential.¹³

Matulionyte and Aranovich also identify that there are potential conflicts between trade secrets law and what is described as the “explainability principle”. In basic terms, this principle reflects an expectation that AI systems’ decisions should be explainable.¹⁴ One example where AI technology should be explainable is in the context of criminal proceedings. For example, if an AI system developed to assess risk suggests that a defendant is at a “high risk” of reoffending and should be denied parole, the defendant (known as the “decision subject”) has an interest in knowing the reason for this inference.¹⁵ As Matulionyte and Aranovich recognise, there are potential conflicts between trade secrets law and the explainability principle. However, they suggest these conflicts can be managed by, for example, explaining the purpose, general characteristics and validation process of the particular AI in question which does not involve the disclosure of trade secrets.¹⁶ One difficulty with this approach is that it may be the algorithm behind the AI technology which is the problem itself.

As the above discussion illustrates, there is no simple answer as to which intellectual property rights will adequately protect AI technologies. However, the *Handbook* offers some guidance to intellectual property lawyers in thinking through what the appropriate protections are in any given case. Each case will, of course, depend on its own facts.

AI generating technology and subsistence of intellectual property rights

One of the main topics raised in multiple chapters in the *Handbook* is AI generating technology and whether it is capable of being an author of a copyrighted work, or an inventor for the purposes of patent law. Unsurprisingly, the

various test cases involving DABUS (the AI device developed by Dr Stephen Thaler) are discussed in multiple chapters (as some readers may know, Abbott was involved in the various test cases with Thaler).

These chapters were written before the Full Court of the Federal Court of Australia’s decision in *Commissioner of Patents v Thaler* (2022) 289 FCR 45, which held that only natural persons can be inventors for the purposes of the *Patents Act* 1990 (Cth).¹⁷ One can imagine that Abbott would be (at least in part) disappointed about the result in the Full Court. However, Abbott might take heart in the Court recognising that the application “no doubt intended to provoke debate as to the role that artificial intelligence may take within the scheme of the *Patents Act* and Regulations” and its conclusion that “[s]uch debate is important and worthwhile.”¹⁸ This is reflected in Abbott’s introduction to the *Handbook*, identifying three reasons why he and Thaler have been running test cases all over the world, including that they wanted to “encourage a broader discussion about IP and AI, and how IP systems should respond to technological advances.”¹⁹ If nothing else, I believe the test cases (and the *Handbook*) have achieved Abbott’s goal of making patent attorneys “marginally more interesting than tax attorneys.”²⁰

Dr Benjamin Mitra-Kahn picks up on Abbott’s argument that recognising AI as inventors will incentivise investment in AI and thereby innovation. Mitra-Kahn considers this position from an economic standpoint.²¹ He refers to Abbott’s view that AI inventors are fundamentally different from human inventors but there is one situation in which the law should treat them the same: where it provides benefits for people.²² Mitra-Kahn argues this view is logically aligned with the “economic rationale for the patent system”: to create economic benefits. In this way Mitra-Kahn argues that the social benefit from an AI inventor needs to be found in its economic characteristics.²³ One of those characteristics relates to the technology transfer that the patent system can allow. Mitra-Kahn suggests that a reason why you would list AI as an inventor would be to “signal to third parties that the invention can be generated by AI and to set out which AI it was.”²⁴ This would have value to third parties in the way that other technical and inventor-related information does. Mitra-Kahn concludes that knowing an AI undertook the development means that a third party will be able to understand the capability and technology required for the specific invention.²⁵

In the copyright context, many authors in their chapters explore whether AI can be an author for the purposes of copyright law. In the chapter prepared by Professor Carys J Craig, “The AI–Copyright Challenge: Tech-Neutrality, Authorship, and the Public Interest”, Craig states “[t]he rise of the machines is here ... but they do not come as conquerors, they come as *creators*”.²⁶ The traditional depiction of the “rise of the machines” or AI in general

has been overtly violent (classic examples that readers may be familiar with include the Replicants' rampage in *Blade Runner* and the attempts of the various terminator models to kill John Connor in the *Terminator* franchise).

AI technology is not (yet) totally embodied in deadly robots and involves many hidden inputs (one of the most famous examples being Chat GPT developed by OpenAI). It is these types of technologies that can conceivably be recognised as authors of copyright works. As Craig identifies, there has been a push to challenge the traditional view and recognise that AI is capable of authorship.²⁷ However, Craig contends that the whole concept of an AI author is an oxymoron as AI is "ontologically incapable of authorship".²⁸ This is because AI generated outputs may resemble original works of authorship but they are not works of authorship or expression within the meaning of copyright law.²⁹ Craig argues that we should not extend copyright law to cover AI generated works on the basis that they are not equivalent to works of authorship that copyright seeks to encourage.³⁰

On a more philosophical level, Professor Daniel J Gervais in the chapter, "The Human Cause", states "[t]he more we rely on machines to perform creative and innovative tasks that are singularly human and important for us as a source of progress ... the more we may shrink the space available for our individual and collective self-realization."³¹ Gervais' work and many others in the *Handbook* raise interesting questions as to the anthropological study of copyright law. In this respect, the *Handbook* offers great insight for those who would like to learn about the more humanistic roots of copyright law.

AI generating technology and infringement of intellectual property rights

Another important theme raised by the *Handbook* is the question of when AI generating technology will be held responsible for infringement of intellectual property rights.

In the context of copyright, Enrico Bonadio, Plamen Dinev and Professor Luke McDonagh in their chapter, "Can Artificial Intelligence Infringe Copyright? Some Reflections", identify that AI generating technology cannot function without source material.³² Generally AI needs to learn from existing works (many of which could be protected under copyright law).³³ This inevitability raises the risk of infringement.³⁴

If this risk of infringement arises, what defences could apply? Bonadio, Dinev and McDonagh identify that the "fair use" doctrine in the US could apply in situations where the use of the relevant copyrighted work is a "non-expressive use".³⁵ This could include, for example, where a facial recognition system is trained and this technical process is "solely focused on comparing facts about one's personal identity with facts about their appearance".³⁶ In this case the images are

reproduced for the purposes of pattern recognition rather than for their expression or artistic merit.³⁷ This analysis is difficult to apply in the Australian context with Australia's relatively limited "fair dealing" exemptions in the *Copyright Act 1968* (Cth).³⁸ However, a potential defence in this context may involve reliance on the fair dealing exemption for the purpose of research or study.³⁹ This is just one example of how the *Handbook* offers a useful comparative law analysis of the way in which AI might infringe intellectual property rights and each jurisdictions' response to this issue.

Conclusion and further discussion

While I have endeavoured to identify the key themes raised in the *Handbook*, I do not intend to diminish the value of the other chapters to which I have not referred. Some of these deal with equally important subject matter such as:

- whether and how musical "style" can be protected in an age where AI programs can effectively replicate the style of famous musicians such as Michael Jackson or Taylor Swift;⁴⁰
- to what extent AI can be used in the adjudication process of intellectual property rights (particularly in the context of trade mark analysis and comparison of brand names and logos);⁴¹
- to what extent should the law recognise AI as having independent legal existence or legal personhood (this also ties into the themes above).⁴²

Having now read and reviewed the *Handbook*, one area of interest I would like to see explored further is the practicalities of litigating when AI technology is involved. For example, at one point or another, practitioners in this area will face the difficulty of assisting with the preparation of evidence to demonstrate how a particular AI technology works. In this respect, practitioners will face many issues of proof (particularly because AI technologies are often evolving) and admissibility (for example in relation to hearsay evidence where business records might not be available). A solution to these problems might require some creative thinking (for example, the involvement of experts in explaining the system) or the use of other processes of the court (such as views or engaging the rules relating to inspection of property).

In addition to the practicalities involved in this type of litigation, and as some authors identify in the *Handbook*, there is a relative dearth of research in the context of trade mark law and AI technology, as compared to copyright and patent laws.⁴³ In this respect, another issue worth further research is to what extent counterfeit trade marks and deepfakes generated by AI can be the subject of proceedings under the *Trade Marks Act 1995* (Cth), or perhaps under some other laws such as the Australian Consumer Law,⁴⁴ defamation law or tort law.

Book Review: *Research Handbook on Intellectual Property and Artificial Intelligence*

As a final comment, in the introduction to the *Handbook*, the reader may notice that the cover image was “conceived by DABUS, complements of Dr Stephen Thaler”.⁴⁵ This is a fantastic touch to deliberately force the reader from the outset to grapple with the discussions to come. The *Handbook* will challenge the reader on their views on the policy underpinnings of all aspects of IP law. Fortunately or unfortunately (depending on the reader’s point of view), the discussions will raise more questions in the reader’s mind than answers. But the cover of the book reminds the reader of one of the fundamental and more pressing questions: should intellectual property rights subsist in works generated by an AI?

- 1 Barrister, List G Barristers.
- 2 See, e.g., *Rylands v Fletcher* (1868) LR 3 HL 330.
- 3 *Donoghue v Stevenson* [1932] AC 562, 619 (Lord Macmillan). In relation to the development of the law of negligence, see *Sharma by her litigation representative Arthur v Minister for the Environment* (2021) 248 LGERA 330, 371–5 (Bromberg J).
- 4 Justice Bromberg held in *Sharma by her litigation representative Arthur v Minister for the Environment* (2021) 248 LGERA 330 that the Minister for the Environment at the time had a novel duty to take reasonable care to avoid causing personal injury to certain Australian children when she was deciding to approve or not approve a certain coal mining project under ss.130 and 133 of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth). His Honour’s decision was overturned by the Full Court of the Federal Court of Australia in *Minister for the Environment v Sharma* (2022) 291 FCR 311. This has sparked debate about the ability of tort law to address changing social factors (specifically climate change).
- 5 Rita Matulionyte and Tatiana Aranovich, ‘Trade Secrets Versus the AI Explainability Principle’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 405, 409.
- 6 *PayPal, Inc.* [2023] APO 54 (27 October 2023), [52].
- 7 *PayPal, Inc.* [2023] APO 54 (27 October 2023), [53].
- 8 *PayPal, Inc.* [2023] APO 54 (27 October 2023), [53].
- 9 Rita Matulionyte and Tatiana Aranovich, ‘Trade Secrets Versus the AI Explainability Principle’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 405, 409–10.
- 10 Rita Matulionyte and Tatiana Aranovich, ‘Trade Secrets Versus the AI Explainability Principle’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 405, 410.
- 11 Rita Matulionyte and Tatiana Aranovich, ‘Trade Secrets Versus the AI Explainability Principle’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 405, 410. See also, *Telstra Corporation Ltd v Phone Directories Co Pty Ltd* (2010) 264 ALR 617; *IceTV Pty Ltd v Nine Network Australia Pty Ltd* (2009) 239 CLR 458, 503.
- 12 Rita Matulionyte and Tatiana Aranovich, ‘Trade Secrets Versus the AI Explainability Principle’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 405, 410.
- 13 As a relatively recent example of the level of specificity required in a breach of confidence action in the context of software, see *Agility CIS Ltd v White* [2021] FCA 1145.
- 14 Rita Matulionyte and Tatiana Aranovich, ‘Trade Secrets Versus the AI Explainability Principle’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 405, 412.
- 15 Rita Matulionyte and Tatiana Aranovich, ‘Trade Secrets Versus the AI Explainability Principle’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 405, 413.
- 16 Rita Matulionyte and Tatiana Aranovich, ‘Trade Secrets Versus the AI Explainability Principle’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 405, 421.
- 17 *Commissioner of Patents v Thaler* (2022) 289 FCR 45, 69. Special leave to the High Court was refused on 11 November 2022 (see *Thaler v Commissioner of Patents* [2022] HCA Trans 199).
- 18 *Commissioner of Patents v Thaler* (2022) 289 FCR 45, 70.
- 19 Ryan Abbott, ‘Intellectual Property and Artificial Intelligence: An Introduction’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 2, 19.
- 20 Ryan Abbott, ‘Intellectual Property and Artificial Intelligence: An Introduction’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 2, 19.
- 21 Benjamin Mitra-Kahn, ‘Economic Reasons to Recognise AI Inventors’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 376, 377.
- 22 Benjamin Mitra-Kahn, ‘Economic Reasons to Recognise AI Inventors’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 376, 383.
- 23 Benjamin Mitra-Kahn, ‘Economic Reasons to Recognise AI Inventors’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 376, 383.
- 24 Benjamin Mitra-Kahn, ‘Economic Reasons to Recognise AI Inventors’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 376, 386.
- 25 Benjamin Mitra-Kahn, ‘Economic Reasons to Recognise AI Inventors’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 376, 386.
- 26 Carys J Craig, ‘The AI–Copyright Challenge: Tech-Neutrality, Authorship, and the Public Interest’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 134, 142, quoting Andres Guadamuz, ‘Artificial Intelligence and Copyright’, *WIPO Magazine* (online, October 2017) <https://www.wipo.int/wipo_magazine/en/2017/05/article_0003.html> (emphasis added by Professor Craig).
- 27 Carys J Craig, ‘The AI–Copyright challenge: Tech-Neutrality, Authorship, and the Public Interest’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 134, 144–5.
- 28 Carys J Craig, ‘The AI–Copyright challenge: Tech-Neutrality, Authorship, and the Public Interest’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 134, 145.
- 29 Carys J Craig, ‘The AI–Copyright challenge: Tech-Neutrality, Authorship, and the Public Interest’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 134, 144.
- 30 Carys J Craig, ‘The AI–Copyright challenge: Tech-Neutrality, Authorship, and the Public Interest’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 134, 154.
- 31 Daniel J Gervais, ‘The Human Cause’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 22, 39.
- 32 Enrico Bonadio, Plamen Dinev and Luke McDonagh, ‘Can Artificial Intelligence Infringe Copyright? Some Reflections’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 245, 247.
- 33 Enrico Bonadio, Plamen Dinev and Luke McDonagh, ‘Can Artificial Intelligence Infringe Copyright? Some Reflections’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 245, 247.
- 34 Enrico Bonadio, Plamen Dinev and Luke McDonagh, ‘Can Artificial Intelligence Infringe Copyright? Some Reflections’ in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 245, 247.

Book Review: *Research Handbook on Intellectual Property and Artificial Intelligence*

- 35 Enrico Bonadio, Plamen Dinev and Luke McDonagh, 'Can Artificial Intelligence Infringe Copyright? Some Reflections' in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 245, 248.
- 36 Enrico Bonadio, Plamen Dinev and Luke McDonagh, 'Can Artificial Intelligence Infringe Copyright? Some Reflections' in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 245, 248.
- 37 Enrico Bonadio, Plamen Dinev and Luke McDonagh, 'Can Artificial Intelligence Infringe Copyright? Some Reflections' in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 245, 248.
- 38 See *Copyright Act 1968* (Cth) ss.40–2.
- 39 *Copyright Act 1968* (Cth) s.40.
- 40 Sean M O'Connor, 'AI Replication of Musical Styles Points the Way to an Exclusive Rights Regime' in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 65.
- 41 See Daryl Lim, 'Computational Trademark Infringement and Adjudication' in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 259. See also, Dev S Gangjee, 'A Quotidian Revolution: Artificial Intelligence and Trade Mark Law' in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 325.
- 42 See, e.g., Dennis Crouch, 'Legal Fictions and the Corporation as an Inventive Artificial Intelligence' in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 356.
- 43 See Anke Moerland and Christie Kafrouni, 'Online Shopping with Artificial Intelligence: What Role for Trade Marks?' in Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) 290, 290.
- 44 Schedule 2 to the *Competition and Consumer Act 2010* (Cth).
- 45 See Ryan Abbott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar Publishing, 2022) iv.

Book Review: *Improving Intellectual Property: A Global Project*

Ben Mee¹

Edited by Susy Frankel, Margaret Chon, Graeme Dinwoodie, Barbara Lauriat and Jens Schovsbo

[Edward Elgar Publishing 2023 pp 540. The e-Book version is priced from £25/AU\$48 from e-Book vendors while in print the book can be ordered from the Edward Elgar Publishing website <www.e-elgar.com>]

It is difficult to imagine that the stakeholders involved in concluding the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”)² in 1995 could have foreseen the world in which intellectual property laws and institutions operate today (to say nothing of the milieu in which the Paris and Berne Conventions were concluded in 1883 and 1886 respectively).

At a technological level, the internet has fundamentally transformed communication, information gathering and storage, commerce, work, social activity and publishing. Increasingly powerful (and opaque) artificial intelligence (“AI”) and machine learning models have not only emerged in recent years but are becoming widely accessible to individuals and institutions far beyond the very few that have the immense resources required to build and train them. In biomedical science, breakthrough projects and technologies such as the Human Genome Project and CRISPR-Cas9 gene editing have moved medical research into fields like proteomics, gene therapy and personalised medicine.

Politically, there has been a clear shift away from the multilateralist globalisation and harmonisation paradigm of the 1990s. One element of this shift is the proliferation of both bilateral agreements such as trade and investment treaties with “TRIPS-plus” obligations or subjecting IP “assets” to investor state dispute settlement provisions. Another is the emergence of the unilateral measures or trends, such as the United States’ move towards protectionism and the European Union’s willingness to “go out on its own” in relation to the regulation of digital platforms, technology companies and data.

The supposed “flexibilities” left to member states under TRIPS, including in relation to public health, have been put under the spotlight, most obviously by the COVID pandemic and its knock-on effects, but more generally through the minimal success of compulsory licensing in the post-TRIPS era.

Institutionally, “IP specialist” (and in particular “patent specialist”) administrative and judicial decision makers and bodies continue to have a major impact on the development of the law, which can have far-reaching consequences beyond the interests of the parties to a particular dispute (for example, FRAND determinations). At the other end of the spectrum, the confidential arbitration of significant IP disputes raises issues around transparency.

It is in that setting that *Improving Intellectual Property: A Global Project* – a collection of 46 essays unified by taking one or more of the prodigious contributions of Professor Rochelle Dreyfuss as a point of departure – embarks on an ambitious, and at times dizzying, examination of IP’s boundaries and balance in today’s landscape. The diverse collection, contributed by many of the world’s leading IP scholars, surveys how effectively IP and IP adjacent rules, agreements, institutions, and conventions are fostering creation and innovation in today’s landscape. More fundamentally it seeks to explore how IP is interacting with, and impacting on, other global public goods and interests such as public health.

The editors have grouped the essays into 10 themes: “Addressing Boundaries and Imbalance”, “Public Health, Pandemics and Crises”, “Patent Challenges”, “Dispute Settlement and Court Specialization”, “Authors and Inventors”, “Expressive Genericity and Freedoms”, “Information/Data and Confidentiality/Publicity”, “Non-Discrimination Issues”, “Making International IP and Investment Law” and “Institutions and Political Drivers”. The perspectives adopted vary from a focus on pure doctrinal questions, through to comparative law, international law, global administrative law, public policy, economics, and philosophy, among others.

Professor Dinwoodie and Professor Frankel’s introductory chapter concisely surveys the entire collection of essays and neatly draws together some key landmarks in the landscape making up the “complex picture of the global project of improving intellectual property”. Nonetheless, some examples of recurring themes of relevance and interest to an Australian reader can be noted.

First, multiple authors address how to evaluate whether particular IP laws, principles and institutions are justified. In “Prioritizing intellectual property’s freedom to operate”, Professor Chon conceptualises the term “freedom to operate” as “freedom from restrictions imposed by exclusive rights across different IP categories” and makes the case that a logical fallacy exists when exclusivity is prioritised over freedom to operate. Chon challenges the “over-reliance on incentive theory” by lawmakers to rationalise a one-way ratchet of increasing IP rights, and outlines existing legislative and judicial counterbalances where freedom has been prioritised over exclusion. In “Are negative spaces likely to be fragile?”, Professor Christopher Sprigman critically

examines the role and durability of IP's "negative spaces", including their role as a check on IP use in a number of industries. The book's final essay, Professor Henning Grosse Ruse-Khan's "Does IP improve the world?", challenges a central implicit assumption of modern international IP discourse: that worldwide propagation of new technologies will necessarily enhance human welfare.

Secondly, and perhaps by necessity given the book's title, there are numerous contributions outlining shortcomings in current IP principles, processes and institutions that have (by design or operation) a detrimental impact on, or do not properly accommodate, competing public interests such as public health and research. These include a number of pieces on compulsory licensing (e.g., Professor Duncan Matthews, Professor Esther van Zimmeren and Professor Timo Minssen's "Using compulsory licences as a governance tool"; Professor Margo Bagley's "Tool Time"), Professor Geertrui Van Overwalle's "Food security, food crisis and boundaries to intellectual property" and Professor Cynthia Ho's "COVID crisis underscores IP imbalance". In "How do we protect biomedical research in the evolving intellectual property environment?", Professor Dianne Nicol and Associate Professor Jane Nielsen critically assess whether biomedical research is currently able to flourish through appropriate protection from patent enforcement and other commercial practices. Dr Dhanay Cadillo Chandler assesses the policy freedom (or otherwise) enjoyed by national legislators of TRIPS signatories in dealing with climate change as a matter of public health concern in "Investment treaties and public health: Time to rethink the strategy?".

Although less applicable in the Australian context, "A shifting paradigm or regulatory data transparency in Europe: How to reconcile the irreconcilable" (Assistant Professor Zaneta Zemla-Pacud) explores recent developments in the EU data exclusivity and confidentiality regimes, and explores areas in need to greater uniformity or greater coherence such as access to protected knowledge in emergency circumstances.

Conversely, Professor Laurence Helfer's "The Marrakesh Treaty" explores the success of the Marrakesh Treaty as an example of IP tools being used to advance human rights objectives. Helfer rejects the premise that human rights is an unsuitable lens through which to view IP policy, and assesses the suitability or otherwise of the Marrakesh Treaty to serve as a template for future accommodations of human rights and IP.

Thirdly and relatedly, Professor Peter Drahos explores, from an economics perspective, various dynamics in contests between concentrated pharmaceutical interests and the diffuse interests of citizens in "Winning and losing pairings in access to medicines". In "Justifying the public law of patents", Professor Kali Murray explores the question of political legitimisation of patent law at the national level, viewed through a public law paradigm.

One of the book's strongest criticisms of IP's entanglement in bilateral free trade and investment agreements, and the reconceptualisation of IP from an incentive mechanism, to a commodity and then to an asset, comes from Professor Christophe Geiger. In "Excluding intellectual property from bilateral trade and investment agreements: A lesson from the global health crisis", Geiger contends that this paradigm shift lies at the core of a range of contemporary problems with the IP system and that a progressive phasing out of the "investment protection rationale" is necessary. The constraints imposed by investment treaties on domestic policy making is a recurring theme throughout many of the essays.

Fourthly, the contemporary question of AI inventorship is ventilated in Professor Brad Sherman's "AI machines as inventors: The role of human agency in patent law" and Professor Daniel Gervais' "Artificial Inventors". Sherman challenges the premise that inventorship in patent law is "based on the assumption that inventors are human", noting that the debate over whether human contribution to the "creation" of an alleged invention is not new and has been ventilated at length in the context of patents over chemical compounds. By contrast, Gervais focuses more on the philosophical "should we?" question, arguing that the lodestar of IP policy must be human progress, rather than mere technological novelty. He contends that any consideration of whether to grant patents to "inventions" by AI must have regard to whether it makes sense for humans to thereby surrender our monopoly as the only "species" (to date) with the higher mental faculties able to produce inventions in "Artificial Inventors".

Fifthly, in the trade mark sphere, the expressive genericity essays highlight the recent trend in both the US and Europe towards less protection for use of trade marks in an artistic setting. Professor Martin Senftleben's "Expressive genericity revisited: What EU policymakers can learn from Rochelle Dreyfuss" argues that the CJEU's replication of the criteria for *prima facie* infringement in assessing the "honest practices" test in the context of artistic expression creates a risk of circularity in analysis. The author proposes that the CJEU adopt a US style analysis in the form of a presumption in favour of the artist in assessing the "honest practices" test when considering use of a trade mark for artistic expression. This would require a trade mark owner to provide that despite the artistic setting, the use either explicitly mislead consumers as to commercial origin or, where dilution protection is engaged, that the use deliberately blurs, tarnishes or exploits in an unfair manner the distinctiveness or reputation of the mark. Professor Barton Beebe documents the evolution of the *Rogers v Grimaldi* line of authority in the US relating to unauthorised expressive uses of trade marks in "The sensibility of 'expressive genericity' and the rise (and potential fall) of *Rogers v Grimaldi* in American trademark law". Beebe also discusses recent case law that appears to be

significantly diminishing the protection of expressive uses under that line of authority.

Sixthly, interesting questions of private international law, and transnational judicial competition are explored in a number of essays. Professor Toshiyuki Kono's "The validity of patent royalties after patent expiration" evaluates how (if at all) the US Supreme Court's decisions in *Brulotte v Thys* and *Kimble v Marvel Entertainment LLC* – relating to the per se unlawfulness of a patentee using a royalty agreement projecting beyond the expiry of the patent – should operate in a cross-border case where, for example, a US patent is licensed and a dispute on the license agreement arises outside of US territory. "Transnational judicial competition in intellectual property law", contributed by Professor Marketa Trimble, explores some of the difficulties arising in the recognition of inconsistent or conflicting foreign judgments, and the pros and cons of the "first-in-time" and "last-in-time" approaches to select between foreign judgments in certain circumstances. Lauriat's essay "Navigating public, private, national and global: International commercial arbitration of patent disputes" challenges the proposition that there is "nothing special" about patent disputes. In addition to exploring potential practical issues, it seeks to outline legitimate policy concerns that may make arbitration of patent disputes between commercial parties (and the removal of those disputes from the public sphere) a vehicle for undesirable economic and social effects.

Lastly, many of the contributions either challenge "one-size fits all" approaches in IP that pay insufficient regard to contextual considerations or other important differences, or explore the success (or otherwise) of sui generis regulation and specialist institutions. Despite the phasing out of innovation patents in Australia, Professor Jerome Reichman and Professor Ana Santos Rutschman's "The case for a liability rule to stimulate investment in sub-patentable" outlines an interesting proposal for an alternative legal regime based on the use of "take-and-pay" liability rules in place of exclusive rights for products and processes that are novel and useful, but fail to meet non-obviousness requirements. In "Governing valuable confidential data in the EU: Transparency as fairness", Professor Nari Lee challenges the notion that a sui generis rights focused framing of data governance is

ultimately helpful, and argues that data governance ought to focus on the relevant institutions, including questions of transparency and accountability, and the need to clearly define the competence of those institutions to avoid regulatory competition. Frankel's "Discriminatory non-discrimination" explores the issue of states seeking to avoid national treatment by asserting sui generis status, and thereby useful a non-discrimination tool (national treatment) into a tool to facilitate discrimination. Professor Lionel Bently also provides a thoughtful contribution examining whether rules and decisions that clearly discriminate based on the character of a trade mark applicant's goods or services are compatible with international trade mark law in "Non-discrimination as to the field of commerce as a norm of international trade mark law".

Improving Intellectual Property is an impressive, insightful and at times provocative body of work. It is an outstanding resource on international IP law and policy, but also likely to be of interest to IP practitioners. Although many of the essays focus in their conclusion on reform or development opportunities, the historical accounts of how laws, institutions and practices have developed, including case studies throughout the book from a range of jurisdictions to support those arguments, are presented lucidly and carefully and serve as a valuable survey across a broad range of areas.

What the book does clearly demonstrate is how Dreyfuss' scholarship has, across a broad range of topics, shown a remarkable level of foresight as to the implications of particular policy approaches. At the same time, her work has laid down comprehensible, coherent, and suitably nuanced markers of future directions for those seeking to build on her scholarship and use it as an aid in the development of principled, pragmatic, and balanced IP policy.

- 1 Barrister, 5 Wentworth Chambers.
- 2 *Marrakesh Agreement establishing the World Trade Organization*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C ("*Agreement on Trade Related Aspects of Intellectual Property Rights*").

Current Developments – Australia

IP Australia

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

FB Rice

Indigenous Business Month and the Indigenous Business Plan

October marked Indigenous Business Month, with this year's theme being "To gather, together". IP Australia offers valuable insights and services to help Indigenous businesses understand the protection offered by various intellectual property rights. To facilitate this, IP Australia provides "Yarnline", a free callback service enabling business owners to engage directly with specialist IP Australia staff. Additionally, the IP Australia website is a source of information on various initiatives supported by the Australian Government to safeguard Indigenous knowledge. For additional information, visit the IP Australia and Indigenous Business Month websites.

The Patents Manual of Practice and Procedure upgrade

A new version of the Patents Manual has been released. The trial period for the beta version has concluded and version 2.0 will now become the official version. This update incorporates new chapter numbers and page references, as well as improved content and language for enhanced readability and user-friendliness. The new Manual can be accessed in the same way as the previous version.

IP Australia to showcase TM Checker on *Australia ByDesign: Innovations*

IP Australia's General Manager of Customer Experience Group, Justine Hall, will be joining the judging panel for season six of *Australia ByDesign: Innovations*, a TV show about Australian innovation and design excellence.

IP Australia will be using the opportunity to showcase its TMChecker innovation, an AI-assisted tool, which makes it easier for businesses and individuals to check the availability and suitability of a trade mark registration.

Interpretation of "prompt and diligent" ground for extensions of time in trade mark oppositions

In effect from 31 July 2023, the Trade Mark Office will apply a broader interpretation to the "prompt and diligent" ground for extension of time ("EOT") for filing evidence in oppositions proceedings.

The Regulations provide a basis for an EOT to a party who can show that despite making *all reasonable efforts* to comply with the evidence filing date, and despite *acting promptly*

and diligently, they have been unable to meet the deadline. Historically, these provisions have been interpreted strictly and it has been extremely difficult to secure an EOT in circumstances where there has been a genuine error.

The changes in place recognise that the requirement does not impose a standard of perfection and permits remedy in certain situations. Parties will still need to demonstrate that a reasonable plan was in effect to prepare and file the evidence in good time and that there have been no significant unexplained delays. The changes also take into account, and allow for, simple errors which may have contributed to the evidence not being filed on time.

IP Australia has outlined some situations where EOT may now be allowed including:

- mere slips;
- errors in recording follow-up dates;
- missing pages;
- unsigned declarations;
- technical errors encountered while submitting evidence; and
- other genuine errors that are causative of a failure to file when they are in the context of a reasonable plan for the preparation of evidence otherwise executed promptly and diligently.

EOT requests should still be filed at the earliest opportunity and provide as much detail regarding efforts, plans and any delays or errors which warrant the granting of the extension.

IP Australia's guidance on classification of emerging technologies

On 10 August 2023, IP Australia published its guidance on the classification of emerging technologies to clarify its practice relating to the classification of goods and services related to virtual goods, metaverse, non-fungible tokens ("NFTs"), and blockchain in new trade mark applications.

The guidance document may be accessed on the IP Australia website <https://www.ipaustralia.gov.au/-/media/Project/DXA/IPAustralia/PDF/Trade-marks/Guidance_document_virtual_goods_metaverse_NFTs_blockchain.pdf>, or in Part 14.5 of the IP Australia Trade Marks Office Manual of Practice and Procedure at section 5.2.15, available at <<https://manuals.ipaustralia.gov.au/trademark/5.-principles-of-classification-and-finding-the-correct-class-for-specific-items>>.

CASES

Tom Cordiner KC, Melissa Marcus, Clare Cunliffe,
Marcus Fleming and Amy Surkis¹

Barristers

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

This quarter, we reflect with hindsight on the approach to expert evidence in *MMD Design and Consultancy Limited v Camco Engineering Pty Ltd*, jump across to a successful opposition to “KANGAROO MOTHER” in *Energy Beverages LLC v Kangaroo Mother Australia Pty Ltd*, see a bright new day shine for *REC Solar Pte Ltd* as it successfully defended allegations of patent infringement brought by *Hanwha Solutions Corporation*, consider an unsuccessful attempt to kick people out of the hot tub in *Sanofi v Amgen Inc. (No 2)*, report on a mis-directed appeal in *Directed Electronics OE Pty Ltd v Gridtraq Australia Pty Ltd* and, for good measure, we also report on one case outside our territory (in NSW), *Cantarella Bros Pty Ltd v Lavazza Australia Pty Ltd (No. 3)*, where Lavazza got a gold star for its successful ownership attack that, subject to any appeal, resulted in Cantarella losing its marks.

MMD Design and Consultancy Limited v Camco Engineering Pty Ltd

[2023] FCA 827

21 July 2023 – Rofe J

Summary

It is just shy of three years since the High Court of Australia handed down its decision in *Calidad Pty Ltd v Seiko Epson Corporation* (2020) 272 CLR 351 (“*Calidad*”) regarding the “exhaustion doctrine” and the “repair defence” to patent infringement. Since then, the decision has received judicial consideration just three times, but only now substantively by Justice Rofe in this patent dispute between MMD Design and Consultancy Limited and Camco Engineering Pty Ltd. Her Honour found that the “repair defence” was not available, but the patent in suit was not infringed in any event. Her Honour also found the patent valid and, in the course of doing so, made some interesting observations as to hindsight bias in an expert’s evidence on inventive step.

The repair defence

In *Calidad*, the High Court was required to determine whether a purchaser of a patented product held an implied licence from the patentee to use the product, or whether the rights of the patentee to exclude full use of that product were exhausted upon it being sold to the purchaser. The majority of the High Court held that the “implied licence doctrine” should be abandoned in favour of the “exhaustion doctrine”.

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

But, regardless of which doctrine applied, the majority in *Calidad* observed that the “sale of a patented product cannot confer an implied licence to make another and it cannot exhaust the right of a patentee to prevent others from being made”: *Calidad* at [45]. The High Court considered whether *Calidad*’s modifications to Seiko’s depleted printer cartridges were within the scope of a purchaser’s rights to repair what it owns, or constituted a making of the patented cartridges, which would be an infringement of Seiko’s patent monopoly.

As Justice Rofe observed, the crucial question is “whether a party has engaged in a permissible repair or an impermissible manufacture”. The majority in *Calidad* found that the modifications *Calidad* made to the used printer cartridges were not an infringement of Seiko’s patent. In so doing, their Honours observed, and Justice Rofe in *MMD v Camco* emphasised at [407] [her Honour’s emphasis]:

66. ... *The question of infringement under the Patents Act 1990 is not addressed to the nature of the article but rather to the invention described by the integers of the claim. Where what has been done does not involve the replication of the combination of integers that describe the invention it cannot be said that what has been done is the making of it.*

67. *When a small hole was made in the printing material container of the original Epson cartridge to enable it to be refilled with ink, the cartridge did not cease to exist, and it was not made anew when the two holes were sealed. The product did not cease to exist when the memory chip was substituted. An argument that an article has been “unmade” and then “remade” might have some weight in a circumstance such as United Wire. However, it is somewhat artificial in cases where parts are changed so as to permit continuation of use. In Wilson v Simpson, referred to with approval in Aro Manufacturing, the Court refused to accept that a tangible machine could be said to have ceased to have a material existence because a part that had become inoperative was repaired or replaced. ...*

69. *When all of Ninestar’s modifications to each of the categories of cartridges were completed what remained were the original Epson cartridges with some modifications which enabled their re-use. The modifications did not involve the replication of parts and features of the invention claimed. There was no true manufacture or construction of a cartridge which embodied the features of the patent claim.*

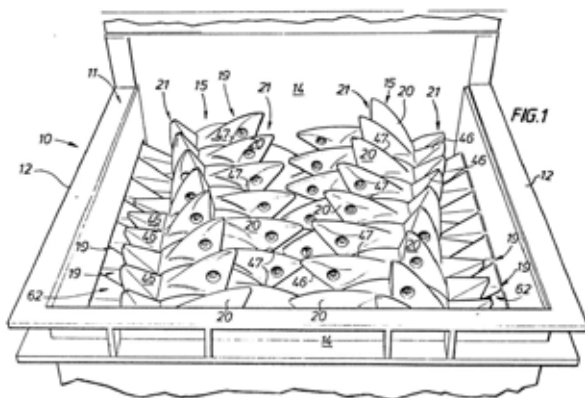
As to the *United Wire* case referred to above, the majority in *Calidad* at [51] observed:

... *The patent there in question concerned improvements to sifting screens used to recycle drilling fluid in the offshore oil-drilling industry. The screen was described in the first claim of the patent as a sifting screen assembly, comprising a frame to which mesh screens were secured, for use in a vibratory*

sifting machine. The defendants stripped down the screen to its frame and then secured new mesh screens to it. This was regarded by Aldous LJ, in the Court of Appeal, as equivalent to purchasing the frames on the open market and then using them to produce an assembly. The House of Lords held that the Court of Appeal was entitled to conclude that the totality of the work amounted to “making” a new article because the removal of the meshes and the stripping down and repairing of the frame resulted in a mere component of the patented article remaining “from which a new screen could be [and was] made”.

Now, it should be noted that, by reason of her Honour’s construction of the MMD’s patent, Camco’s conduct did not infringe MMD’s patent in any event. Accordingly, her Honour’s consideration of Camco’s repair defence was strictly obiter.

Turning to the facts of the case before Justice Rofe, mineral sizers (or mineral breakers) are large pieces of equipment, used predominantly on mine sites to break mineral ore into smaller sizes so that the rocks are a suitable size for further processing. Mineral sizers typically comprise two counter-rotating parallel shafts, with each shaft having a series of adjacent drums with radially projecting teeth which break up the incoming ore, the teeth from each shaft being off-set so as to be interlaced, as depicted below:



MMD’s patent concerns the construction of the teeth used in such a mineral breaker. In particular, the construction involves covering a tooth shaped support body with a shell made up of sacrificial covers welded to each other and/or the support body in a particular orientation, namely “a front cover which is weldingly secured to and seated in face to face contact with the front face of the support body and a separate rear cover which is weldingly secured to and seated in face to face contact with the rear face of the support body”. The primary debate between the parties lay in the proper construction of those quoted integers, but that is not the subject of this update.

Camco provides an after-market repair service, repairing parts of mineral breakers owned by mining companies.

Camco explained that:

Repair of mineral breaker teeth is required because the components forming the teeth are consumable parts worn away by the mineral breaking process and need replacing after a period of time in use. Over the years, Camco has repaired tooth structures as part of the overall repair of breaker [sizer] shaft assemblies by using OEM parts provided by the mining companies, purchasing parts directly from the OEM, or by Camco manufacturing parts of its own, or by Camco using welding and other hard facing techniques that do not require spare parts.

The sizer shaft assemblies typically arrive at the Camco workshop by truck on transport frames and are delivered back to the mine site for reinstallation in the mineral sizer following refurbishment.

Her Honour observed that “the only part of the claimed invention which is not replaced by Camco when undertaking a refurbishment is the tooth-shaped support body”. Once “the covers of the tooth construction are removed via arc gouging of the weld, all that remains is the naked support body attached to the sizer ring” and “the fact that this ‘skeleton or chassis’ remains does not derogate from the conclusion that Camco has unmade the patented tooth construction and made a new tooth construction”. Her Honour concluded that the “shell of the tooth construction has ceased to exist at this point” and that “each of the covers that form the shell was removed and replaced with new covers, rather than the cover being repaired and re-used”.

Justice Rofe observed that the claim was to a tooth construction for a mineral breaker, not to a mineral breaker that included, among other things, tooth constructions. Interestingly, her Honour appeared to be of the view that, if the claim was to a *mineral breaker*, the reconstruction of the tooth constructions might have constituted a permissible repair. But the refurbishment of the patented *tooth construction* went too far, replicating the integers of the claim which related to the welding connection between the covers and the support body. Therefore, the repair defence would not have been made out, if there had otherwise been an infringement.

Hindsight bias in inventive step evidence

Dr Huggett, called by Camco, was shown MMD’s patent before he was provided with any of the prior art. None of that prior art formed part of the common general knowledge of the person skilled in the art. Dr Huggett was not aware of problems with bolted tooth constructions at the priority date and only became aware of that problem upon reading the prior art that he was given. Indeed, the prior art itself did not identify any problems with the use of bolts.

Accordingly, Justice Rofe found that Dr Huggett’s evidence as to what he considered would be the obvious design of a

robust tooth construction, overcoming an unknown (non-common general knowledge) “problem” of using bolts to secure the covers to a support body by using welding, was “impermissibly assisted by hindsight”:

Whilst bolting and welding may have been examples of well-known methods for attaching components to equipment in the mining industry at the priority date, the use of bolts or welding to attach covers to mineral sizer teeth/horns, particularly for use in hard rock crushing was not part of the common general knowledge ...

Having read the Patent before giving his evidence it is not surprising that Dr Huggett chose the welding route rather than bolts.

The authors note that, while they are aware that the Federal Court of Australia is taking steps towards relaxing the extent to which an expert must be quarantined from the patent when drafting inventive step evidence, this case highlights the need, if nothing else, to explain to the expert the danger of such bias and how it may be addressed or sought to be avoided. Further, this case suggests that additional care should be exercised in cases where “the problem” might be argued not to be common general knowledge.

Energy Beverages LLC v Kangaroo Mother Australia Pty Ltd

[2023] FCA 999

24 August 2023 – O’Callaghan J

Summary

The group behind the “MOTHER” energy drink has successfully opposed an application for “KANGAROO MOTHER”. Justice O’Callaghan found that the trade mark application failed for lack of intention to use under s.59 of the *Trade Marks Act* 1995 (Cth). Although not necessary given his finding under s.59, his Honour also found the opposition would have been successful under ss.44 and 60 on the grounds that “KANGAROO MOTHER” was deceptively similar to the “MOTHER” marks and, in view of “MOTHER’s” reputation, “KANGAROO MOTHER” would be likely to deceive or cause confusion.

On the penultimate day of trial, the trade mark applicant made an attempt to improve its position by seeking to amend its trade mark application to remove problematic specified goods. Justice O’Callaghan refused that application by reference to the rigorous standards and procedures applicable in equivalent circumstances under Australian patent law, including the requirement for full and frank disclosure.

Background

Energy Beverages LLC (“EB”) is a subsidiary of Monster Beverage Corporation, the group behind the “MOTHER” energy drink. EB owns the trade marks used on its products, including the word mark “MOTHER”.

Erbaviva Natural Care (New Zealand) Limited (“Erbaviva”) filed a trade mark application for “KANGAROO MOTHER” for a broad range of goods (the “Application”), and then assigned the Application to Kangaroo Mother Australia (“KMA”). Mr Zheng was a common director of KMA and Erbaviva.

EB had unsuccessfully opposed the Application before the Delegate under ss.42(b), 44 and 60 of the Trade Marks Act. This update concerns EB’s appeal of that decision. In its appeal, EB maintained the ss.44 and 60 grounds, jettisoned s.42(b) and asserted s.59.

Section 59 (Applicant not intending to use trade mark)

Section 59 is rarely a successful ground of opposition. The section applies if the trade mark applicant had no intention to use (or authorise the use of) the trade mark, or to assign the trade mark to a body corporate for its use in relation to the applied for goods and/or services. Once the opponent establishes a prima facie case of lack of intention, the onus shifts to the applicant to establish intention. The relevant test is whether the applicant had:

a real intention to use, not a mere problematical intention, not an uncertain or indeterminate possibility, but a resolve or settled purpose which has been reached at the time when the mark is to be registered.

Before dealing with the substance of his Honour’s consideration of the s.59 case, one procedural matter is worth mentioning. During the course of the trial, before his cross examination, Mr Zheng produced a further extensive tranche of documents which his Honour said ought to have been produced in answer to an earlier order for discovery or subpoena. KMA sought leave to rely on certain of those documents. Justice O’Callaghan refused that application in an ex tempore ruling which appears in his judgment. His Honour found that there was no satisfactory explanation provided by the respondent for the delay in producing the documents, and that the respondent should not be permitted to depart from the deliberate forensic choice it made earlier in the matter not to adduce evidence on the question of intention to use.

As to the substantive issues, KMA’s case was that his Honour should accept, on its face, the bare assertion from Mr Zheng in his evidence that:

[a]t the time of filing the Application an [sic] 15 February 2019, I confirm that it was the intention of Erbaviva to use, or authorise the use, in Australia of the trade mark KANGAROO MOTHER....

Justice O’Callaghan rejected that submission, found that Erbaviva did not possess the requisite intention and that the s.59 ground was made out. The following findings by his Honour in arriving at this conclusion are particularly noteworthy:

- (i) Mr Zheng’s proposal for the Application was “conjured in a matter of minutes” by Mr Zheng cutting and pasting class descriptions from an unrelated registration on IPONZ, indicating that the application was “obviously speculative and went beyond anything that could even remotely be said to have been the subject of an intention to use of any kind, let alone a ‘real and definite intention’ of the type necessary”.
- (ii) The bare assertion by Mr Zheng regarding Erbaviva’s intention was “nonsensical” because the evidence showed that his trade mark attorney filed the specification with a significantly broader range of goods than the list Mr Zheng instructed be filed, and that Mr Zheng was not provided with an opportunity to review that broader list prior to filing.
- (iii) There was no evidence of any documentation, plan or proposal for any intended use that went beyond a very limited range of products.
- (iv) Since filing the Application over four years ago, neither Erbaviva or KMA has manufactured or attempted to manufacture the goods applied for.
- (v) There was “not a skerrick of evidence” that would support the conclusion that the state of mind of other companies suggested to be part of the same conglomerate as Erbaviva could be treated as the state of mind of Erbaviva (a single director company with no employees).

Amendment application

Many IP practitioners will be aware that, as a general rule, it is far better for a patentee or patent applicant to seek to amend its patent wholly before the patent office (under s.104 of the *Patents Act* 1990 (Cth)) rather than before the Court (under s.105 of the *Patents Act*). This is because, unlike s.104, s.105 is discretionary and therefore rigorous standards and procedures apply, including the requirement for the patentee to make full and frank disclosure.

This decision suggests a similarly rigorous standard ought to apply to a trade mark applicant who seeks to amend the specification of goods or services during an appeal from the Trade Marks Office in opposition proceedings.

On the penultimate day of trial, KMA made an oral request (not supported by evidence) to amend the Application by deleting specified goods pursuant to the discretionary power provided by s. 197 of the Trade Marks Act. In considering the request, Justice O’Callaghan applied the discretionary principles applicable under s.105 of the *Patents Act*. His Honour considered that the:

approach to the exercise of the discretion provided for in s 105 of the Patents Act is applicable to the exercise of the discretion provided for in s 197 of the Trade Marks Act,

and each of the [s 105 discretionary] matters they mentioned above, when and if they arise, may be taken into account when exercising the discretion whether to permit an amendment pursuant to s 197.

The only explanation proffered by KMA for the amendment was that it was “to narrow the issues in dispute” and was being sought “as a matter of efficiency”. In opposing the amendment, EB said that it had to be inferred that the real reason for the amendment was to avoid a finding (relying on *Apple Inc v Registrar of Trade Marks* [2014] FCA 1304 (“*Apple Inc*”)) that, if part of the Application failed (i.e., in relation to some goods), then the whole mark would fail. EB said, and his Honour agreed, that the amendment should not be allowed because KMA had not provided full and frank disclosure of the reason for the amendment, or for the delay in making it.

Although not stated, these authors assume that his Honour’s reference to the principles applicable under s.105 of the *Patents Act* was intended as a reference to those principles as assessed in the context of s.105(1A) (being the applicable provision in the context of a *patent application*, cf s.105(1) which applies to granted patents). This distinction is important because in *Meat and Livestock Australia Ltd v Cargill, Inc (No 2)* [2019] FCA 33 Justice Beach said (at [365]–[366]) that:

- (i) knowledge of risk of potential difficulties with the application;
- (ii) whether the applicant has made full and frank disclosure; and
- (iii) unfair advantage and delay, being discretionary factors considered under s.105(1), were matters relevant to the exercise of discretion under s.105(1A) but, “in the context of an application to amend a patent application as distinct from a granted patent, the context of my consideration of these matters, **their weighting and the balancing exercise may have a different dimension** as compared with considering such factors in exercising a discretion under section 105(1).” [Emphasis added]

It is well established that the above discretionary considerations are not applicable before the Patent Office because s.104 of the *Patents Act* is not discretionary (*New England Biolabs Inc v F Hoffman-La Roche AG* [2004] FCAFC 213).

An interesting feature of Justice O’Callaghan’s decision is that, while his Honour referred to the exercise of discretion pursuant to s.197 of the Trade Marks Act, there is no discussion of s.63(1) or s.65(7) of the Act, which is the source of the power exercised by the Registrar to make narrowing amendments to specifications of goods or services at the request of a trade mark applicant (often to overcome

grounds of opposition or rejection). In the decision, Justice O’Callaghan referred with approval to the observations of Justice Yates in *Frucor Beverages Ltd v Coca-Cola Company* [2018] FCA 993 (“*Frucor*”) at [195], that the Court has power to quell the controversy as to the registrability of the mark the subject of the appeal, including in relation to matters not specifically raised before the Registrar. In *Frucor*, Justice Yates also observed that, while the source of the Court’s powers on appeal is s.197, the deployment of those powers must be exercised conformably with the boundaries and limitations imposed on the Registrar’s powers of amendment.

However, there does not appear to be any discussion in Justice O’Callaghan’s decision of the boundaries and limitations that are imposed on the Registrar’s powers of amendment under s.63(1) or s.65(7) of the Trade Marks Act, or the nature or extent of discretion available to the Registrar in the exercise of that power. Like s.197, s.63(1) and s.65(7), both use the word “may”, but whether (at least in the latter context) “may” operates to confer a discretion or merely a permission is open to question. The latter construction is, perhaps, more consistent with the fact that the Registrar’s power to amend is exercisable not only in the context of opposition proceedings but also at earlier stages of prosecution (for example, where an adverse report is issued), as reflected in existing practice at the Trade Marks Office which, in certain circumstances, permits examiners to process amendment requests over the telephone (*Trade Marks Manual of Practice and Procedure* at 9.4). See also the not uncommon practice of Delegates permitting a trade mark applicant to accept amendments to the specification of goods or services following an opposition hearing to avoid refusal of acceptance in opposition proceedings.

Given the potential collision between existing practices at the Trade Marks Office, it will be interesting to see to what extent (if any) Justice O’Callaghan’s findings in this decision impact the Trade Mark Office’s approach to amendments.

Section 44 (deceptive similarity)

Surprisingly to some, Justice O’Callaghan considered “KANGAROO MOTHER” to be deceptively similar to “MOTHER”. His Honour’s view was that:

- (i) consistent with the finding in *Energy Beverages LLC v Cantarella Bros Pty Ltd* [2023] FCAFC 44, the use of “MOTHER” in the context of the applied for goods is inherently distinctive; and
- (ii) Adding the word “KANGAROO” does not give the “KANGAROO MOTHER” mark an immediate and obvious meaning that avoids any prospect of confusion.

Further, his Honour found that the vast majority of the goods the subject of the Application were “similar goods” to the

goods covered by EB’s “MOTHER” trade marks. While there was a dispute in relation to certain goods, this was irrelevant because, relying on *Apple Inc*, his Honour considered that his finding of deceptively similarity in relation to some goods was fatal to the Application as a whole.

Section 60 (use likely to deceive or cause confusion)

Finally, his Honour found that the trade mark “MOTHER” had acquired a significant reputation in Australia in connection with energy drinks and related products. His Honour also accepted that there was a reason for consumers to associate the “MOTHER” brand with foodstuffs, supplements and other forms of meal replacement products given that “a lot of people interchange breakfast with an energy drink” and that the trade channels through which energy drinks are distributed overlap with those through which snack products and other forms of supplements and meal replacement products are distributed.

Accordingly, his Honour was persuaded that there was a real risk that consumers familiar with “MOTHER” and the variety of ways that the trade mark had been used in Australia (including in products incorporating some variation of the “MOTHER” trade mark) will have cause to wonder whether products bearing the “KANGAROO MOTHER” mark might come from the same source.

Concluding remarks

These authors consider that Justice O’Callaghan’s s.59 findings, coupled with his application of patent law principles in denying KMA’s application to amend, raise important issues for trade mark owners and practitioners. If the approach is generally adopted, whether in the context of proceedings before the Court or before the Trade Marks Office or both, it would have the following consequences:

1. Having regard to s.59 of the Trade Marks Act, trade mark applicants would need to very carefully consider the scope of the goods and services claimed to ensure that they do not extend beyond any possible genuine intention to use.
2. Trade mark applicants would need to consider seeking an amendment as soon as possible after being possessed of knowledge of the risk of potential difficulties with the application (and one has to query when that might be).
3. Before making an application to amend in Court (and potentially before the Trade Marks Office), trade mark applicants would need to be cognisant of the requirement for full and frank disclosure.

Hanwha Solutions Corporation v REC Solar Pte Ltd

[2023] FCA 1017

29 August 2023 – Burley J

Summary

In this case about solar cell technology, Justice Burley concluded that the respondent's products did not fall within the scope of the claims of the asserted patent, and accordingly none of the asserted claims were infringed. As a result, the *Australian Consumer Law* ("ACL") claim also failed and the unjustified threats claim succeeded. Justice Burley also found that claims 9, 12, 16 and 21 of the patent were invalid for want of novelty in the light of one piece of prior art, but that otherwise, the novelty, inventive step, fair basis, utility and clarity grounds failed.

In the course of his judgment, Justice Burley:

- (i) gave some guidance on useful case management techniques for litigation involving multiple respondents;
- (ii) reaffirmed that a Court is not bound by the expert evidence on construction;
- (iii) confirmed that evidence is not necessary to make out a s.7(3) inventive step case, but that an inventive step case must confront the obstacles that would have faced the skilled addressee and demonstrate that they would have been overcome;
- (iv) refused the argument that a claim to a product was not fairly based where the product was not made by the claimed method;
- (v) found that the claims were anticipated notwithstanding the cautious language of the experts;
- (vi) found that the claims were useful and clear; and
- (vii) found that pre-action correspondence was an unjustified threat, but a media release announcing that proceedings have been brought was not.

Introduction

In these proceedings, Hanwha Solutions Corporation and Hanwha Q CELLS Australia Pty Ltd (collectively "Hanwha") sued for infringement of Hanwha Solutions' Australian patent No AU 2008323025 titled "Method for manufacturing a solar cell with a surface-passivating dielectric double layer, and corresponding solar cell" against LONGi Green Energy Technology Co Ltd and three other related companies (collectively, "LONGi"), Jinko Solar Australia Holdings Co Pty Ltd; and REC Solar Pte Ltd, and two other companies (collectively "REC Solar").

After the hearing, but before judgment, the proceedings against LONGi and Jinko settled, but, because of the cooperation between the respondents during trial, the matters in controversy remained largely unchanged.

Hanwha alleged that:

- (i) products sold and offered for sale by or with the approval of REC Solar ("REC Solar products) fell within the scope of asserted claims of the patent; and
- (ii) REC Solar had falsely represented that one or more of the accused REC Solar products do not infringe any intellectual property rights and that it is legally entitled to sell (and third parties are entitled to purchase, install and use those products) in breach of the ACL.

REC Solar denied infringement and cross-claimed, asserting that the claims were invalid. REC Solar relied on lack of novelty, inventive step, fair basis, and clarity and lack of utility, and asserted unjustified threats of patent infringement, in breach of s.128 of the Patents Act.

Outcome

Justice Burley concluded that the REC Solar products do not fall within the scope of the asserted claims of the patent. As a result, the ACL claim failed and the unjustified threats claim succeeded in part. Justice Burley also found claims 9, 12, 16 and 21 of the patent invalid for want of novelty in the light of one piece of prior art (Nakano), but that otherwise the invalidity challenges advanced by REC Solar failed.

Case management

Justice Burley commended the following respects in which the parties cooperated in a way which overcame issues arising from an action against so many separately represented respondents:

- The respondents accepted that they should be permitted one substantive witness (between them) to give evidence as to validity.
- Each respondent filed a product description and a position statement of non-infringement and Hanwha responded with a position statement on infringement.
- The parties prepared a technical primer and a statement of common general knowledge which identified the areas of disagreement between them.
- The respondents cooperated to produce one consolidated set of particulars of invalidity.
- The parties agreed to a confidentiality regime that ensured that sufficient disclosure was provided to the other parties to enable the legal advisors to understand how the case would run.
- Liability (under the Patents Act and ACL) was bifurcated from quantum (including additional damages).
- The respondents relied on separate experts on the issue of infringement who did not participate in

joint expert reports or give concurrent evidence on validity.

- The experts produced six joint expert reports, three on infringement, one on claim construction and two on validity.
- For each of the separate proceedings against the various respondents, evidence in one proceeding was evidence in all proceedings.
- The parties agreed on the use of s.136 of the *Evidence Act 2008* (Cth) to limit the use of the evidence on infringement.

Construction

There are two points of note in relation to construction of the claims of the patent in suit.

First, the central dispute between the parties concerning the meaning of the claims focussed on the question of what “depositing a first dielectric layer on a surface of silicon substrate” meant, and whether the first dielectric layer must be on the silicon substrate itself, or whether other material, particularly a silicon oxide, could be present.

Hanwha submitted that “the thermal growing of a very thin silicon oxide or the presence of a very thin interfacial oxide” does not “avoid” the integer in claim 1(c) of “depositing a first dielectric layer on a surface of the silicon substrate” or in claim 9(c) of a “first dielectric layer ... on a surface of the silicon substrate”.

REC Solar submitted first, that the words “depositing a **first** dielectric layer” require that no other dielectric layer has been formed, grown or deposited, and secondly that the phrase “on a surface of the silicon substrate” means “on the **outer face** of the silicon crystalline structure”. [Emphasis added]

His Honour construed the integer in accordance with REC Solar’s submissions, given the meaning of “silicon substrate” and the positional words “on a surface of the silicon substrate”. His Honour’s view was fortified by the description of the substrate in the specification and the evidence as to the meaning of “silicon substrate”. In reaching this view, his Honour rejected an argument by Hanwha that an article which was referred to in the patent was incorporated by reference and held that the context of the reference to it did not provide any insight into the claimed invention.

Second, his Honour construed the words “and hydrogen being embedded into the second dielectric layer” in a manner which was inconsistent with the expert evidence (and which did not require a minimum amount of hydrogen to be embedded), on the basis that the expert evidence tended to fuse the teaching of the specification and the requirements of the claim. In coming to that conclusion, his Honour noted that expert evidence does not bind the court on questions of construction.

Infringement

Justice Burley’s reasoning on infringement is redacted, but it is apparent that Hanwha’s infringement case (and consequently, its ACL case) failed. Given the debate about construction, it seems likely that construction of the claims of the patent was a feature of the non-infringement finding.

Inventive step

REC Solar contended that the invention in the challenged claims of the patent lacked an inventive step in light of the common general knowledge before 14 November 2007 together with: (1) an article called Hoex 2006 in the reasons; and (2) an article called Hoex 2007 in the reasons. His Honour considered that his findings as to Hoex 2007 also applied to Hoex 2006.

REC Solar submitted that an invention may be obvious within established authority despite the fact that it would require significant work or cost to verify or implement.

Hanwha submitted that obviousness is to be assessed based on the commercial and practical realities at the priority date. In that context, it submitted that REC Solar had not discharged its onus to prove that either of the Hoex articles would reasonably be expected to have been ascertained or regarded as relevant by the skilled addressee. And, in relation to “regarded as relevant”, Hanwha submitted that the question is what a person skilled in the art would regard as relevant “when faced with the same problem as the patentee”. It contended that the person skilled in the art would not have regarded the prior art as relevant to the production of a commercial solar cell.

His Honour found that, before November 2007:

- there was an acknowledged problem facing the solar cell industry that silicon cell efficiency should be increased and cost should be reduced;
- there were several known strands of research and development under way at that time; and
- whilst improvements made to the sun-facing side of the conventional solar cell were apparently the main priority, there was significant interest in improving the rear surface of cells, and that part of the known problem was to improve the surface passivation of that surface.

Accordingly, his Honour did not accept the division that Hanwha sought to draw between work done by researchers in academic institutions and the work of persons in industry. He found that the skilled team consisted of academic workers as well as persons in industry and they were likely to collaborate.

Notwithstanding the absence of any evidence as to ascertainment, his Honour accepted, on the balance of probabilities, that Hoex 2006 would have been ascertained,

given that:

1. it was published in a widely read and respected journal in the photovoltaic field in which each of the experts had published;
2. two of the experts had read it before the priority date; and
3. it was identified in a pre-priority date publication as one of the most relevant publications in the field of photovoltaics.

Notably, Justice Burley observed:

it is not the case that an artificial ex post facto literature search must be carried out at the time of the conduct of patent litigation in order to establish the “ascertained” aspect of s 7(3) of the Patents Act. Whilst such a search, if properly conducted, may quell controversy about the question, frequently it spawns an enquiry that adds unnecessary expense.

Justice Burley also found Hoex 2006 relevant, notwithstanding that it did not disclose a process capable of immediate commercial application, because it proposed a solution to a known problem which was considered to be of interest. His Honour observed: “The fact that some further work is required to be done does not deprive the article of relevance.” His Honour reached a similar conclusion in relation to Hoex 2007.

However, Justice Burley did not conclude that the claimed invention was obvious in light of Hoex 2006 or Hoex 2007 because he considered that the hypothetical skilled team was likely to have faced a number of problems if it decided to move from the teaching of the prior art to the development of a solar cell. His Honour did not consider that REC Solar had demonstrated that it was obvious to take the steps posited by REC Solar, and that there were several assumptions that needed to be made along the path.

Although his Honour accepted that, in some cases, a series of routine tests with predictable outcomes may yield a conclusion that the movement from the prior art base to the invention claimed does not involve an inventive step, the position in these proceedings was different. His Honour found that the series of tests, requiring a series of decisions, proposed by the expert in his hypothetical exercise revealed that the line had been crossed between there being a case where the steps could be seen as routine to try as a matter of course, to a case where the skilled team was simply postulating steps which would be worthwhile to try.

Fair basis

REC Solar contended that the challenged claims travelled beyond the matter described in the specification in that there was no real and reasonably clear disclosure in the specification of a solar cell, or a method for manufacturing such a solar cell, having a first dielectric layer formed by means other than atomic layer deposition (“ALD”).

Justice Burley rejected REC Solar’s fair basis argument because he concluded that it was apparent from the specification that the invention asserted by the patentee includes a product absent the requirement that it be manufactured by any particular method. In this respect, his Honour distinguished between the product and method aspects of the invention and observed that there was no requirement that the product (the solar cell) be made by any particular method.

Novelty

REC Solar contended that various claims identified were not novel in light of various prior art patents or patent applications, nominated as Isaka, Bhattacharyya and Nakano.

His Honour found that Isaka did not anticipate because, although a skilled worker carrying out the instructions in Isaka may achieve the result of the claims, they would only do so if adventitiously the conditions happened to be right. Isaka did not teach these conditions. Put another way, the carrying out of the instructions in Isaka would not inevitably result in something being made which would constitute an infringement of the relevant claim.

Justice Burley concluded Bhattacharyya did not provide clear directions to produce something within the claim, because it did not require the use of a second dielectric layer.

The only matter in dispute in relation to Nakano was whether hydrogen was present in the second dielectric layer. REC Solar’s expert evidence was that because hydrogen-containing precursors were used, hydrogen would be present. Although Hanwha’s expert was not “scientifically convinced” that the presence of hydrogen in the chemicals used “can confidently lead to the conclusion that hydrogen will be present in the final layer”, he accepted that it is “possible” and “maybe even likely” that hydrogen would be present, and (in the joint evidence session) that some hydrogen would be present.

His Honour noted:

The experts in this case, as scientists tend generally to be, were cautious in expressing opinions in terms of absolutes. It is in this context that I regard the evidence of Professors Weber and Cuevas-Fernandez as to the general ubiquity of hydrogen and the probability that hydrogen will be present in the second dielectric layer as disclosed in the Nakano publication as sufficient to satisfy me that in carrying out the directions disclosed the second dielectric layer the skilled reader would inevitably result in something which would constitute infringement of this aspect of claim 9 of the patent.

Accordingly, his Honour found Nakano anticipated several claims of the patent.

Lack of utility

REC Solar contended that the alleged invention as claimed in the challenged claims was not a patentable invention for

the purposes of s.18(1)(c) of the Patents Act because those claims included solar cells containing dielectric layers that do not achieve the promise of the invention. That argument failed.

Justice Burley did not consider that the specification involved a promise that all embodiments that fell within the challenged claims would achieve very good passivation. He considered there was a promise within the specification that, by making a product in accordance with the claims, the skilled reader is *likely* to be able to achieve very good surface passivation, because the relevant statements were that “it should be possible” to produce solar cells displaying very good surface passivation, that very good surface passivation *can* be achieved and that both low and high doped n- and p-type silicon surfaces *can be* passivated very effectively.

Further, while the experts agreed that the use of lightly doped n-type surfaces would be “problematic in practice”, this was due to the potential formation of a parasitic shunt, which is a mechanism that serves to reduce the efficiency of the solar cell but does not affect the surface passivation.

Similarly, by reference to the language in the specification, Justice Burley found that the promise of the specification was not that every conceivable embodiment falling within the claims will have very good optical properties, but that it is *possible* to achieve such properties. Justice Burley’s reasoning reaffirms that a utility case which asserts a promise in the specification will turn in large part on the language of the “promise”.

Lack of clarity

REC Solar contended that the specification of the patent did not comply with the requirements of s.40(3) of the Patents Act in that claims 16 (and claims 17–21 to the extent dependent on claim 16), were not clear and succinct because:

- (a) the phrase “wherein the surface of the silicon substrate is passivated by hydrogen” is unclear and ambiguous and there is no workable standard for determining whether that feature is present; and
- (b) if the phrase “hydrogen being embedded into the second dielectric layer” in claim 9 is construed so as to require a minimum concentration of hydrogen, then that phrase is ambiguous because there is no workable standard for determining whether the feature is present.

The first argument failed because his Honour found that the claim provided a metric for determining infringement, namely that where there is such hydrogen at the surface of the silicon substrate as will lead to passivation, the claim will be satisfied. His Honour observed that, while this may be difficult to test, there was no absence of clarity as to the requirement of the claim. The second argument did

not arise, because his Honour did not consider the relevant phrase required a minimum concentration of hydrogen.

Unjustified threats

REC Solar contended that in letters and media releases issued Hanwha Solutions made assertions that each of the REC Solar parties (being the cross claimants) had infringed claims of the patent. Hanwha accepted that the letters of demand that it sent prior to the proceedings involved threats of patent infringement. However, it disputed that the media releases constituted threats within the terms of s.128 of the Patents Act. The media release stated that Hanwha had commenced proceedings.

His Honour observed that it was difficult to see how the media releases could amount to wrongful threats in circumstances where they was released after the commencement of the proceedings and reported that fact. Justice Burley concluded that the media releases did not amount to an unjustified threat that Hanwha Solutions intended to bring proceedings for infringement against the person said to be threatened, but a report that it had brought legal proceedings.

Sanofi v Amgen Inc. (No 2)

[2023] FCA 1156

27 September 2023 – Yates J

Summary

Strategic questions surrounding whether, and to what extent, to rely on evidence from the patent opposition proceeding when the matter goes before the Federal Court are always difficult. Often practitioners decide not to rely on the patent office evidence to avoid the issue all together. In this case, Amgen elected to rely on several declarations made by three experts in the patent opposition proceedings, together with supplementary affidavits from those same witnesses. Sanofi objected to that course and sought to exclude much of that evidence. Sanofi argued, inter alia, that the evidence was “substantially duplicative” in two ways:

- (i) there was an overlap between the expertise and evidence of the witnesses (which would lead to an unfair, unbalanced hot tub, relying on *Novartis AG v Pharmacor Pty Ltd* [2022] FCAFC 58); and
- (ii) there was an overlap between the declarations and affidavits of each witness. Justice Yates rejected Sanofi’s application in its entirety and found that the decision in *Novartis* provided “no useful support” for the orders sought.

Detail

Amgen is the applicant for a number of patent applications relating to its cholesterol lowering antibody technology. Sanofi unsuccessfully opposed the grant of those applications before the patent office. Sanofi appealed that dismissal to the Federal Court. In the run up to the Federal Court hearing

(set down for November and December of this year before Justice Nicholas) Sanofi has attempted to shrink the body of evidence being relied on by Amgen.

Amgen had given notice that it sought to rely on several declarations made by three experts in the patent opposition proceedings and then filed supplementary affidavits from those same witnesses. Sanofi objected to that course and filed an interlocutory application seeking to exclude certain of that evidence on the grounds that it was “substantially duplicative” in two ways. First, Sanofi complained that there was overlap between the expertise and evidence given by the experts, relying on the observations made in *Novartis AG v Pharmacor Pty Ltd* [2022] FCAFC 58 (“*Novartis*”) where the Full Court of the Federal Court of Australia excluded evidence from expert witnesses with overlapping expertise. Second, Sanofi complained that, for each witness, there was substantial duplication between the declarations from the office and their respective affidavits, and this was embarrassing as it gave rise to uncertainty as to the evidence on which Amgen relied. Justice Yates rejected Sanofi’s application in its entirety, finding that the decision in *Novartis* was not applicable and that its complaint about any “uncertainty” caused by the form of the relevant affidavits did not justify the relief sought.

A key feature of Justice Yates’s reasoning was that Amgen’s approach had been foreshadowed in the orders made at the first case management conference. In essence, at that hearing, both parties advanced orders that permitted them to rely on declarations from the patent office proceeding and Amgen informed the Court that it intended to call evidence from all of the same witnesses it had relied on in the patent office. Justice Nicholas made orders to the effect that the parties had leave to:

- (i) tender the declarations filed in the opposition proceedings, subject to any objections to that evidence; and
- (ii) file and serve any affidavit made by any witness who had made a declaration referred to in (i), which included “any supplementary evidence not included in the witness’ declaration”.

In accordance with those orders, Amgen gave notice that it intended to rely on several declarations from three expert witnesses and filed further affidavits from those witnesses. Amgen said that those affidavits were intended to:

- (a) supplement the evidence given by the deponents (including by clarifying certain statements);
- (b) respond to statements made by Sanofi’s experts; and
- (c) address anticipated objections to the admissibility of some statements made in those witness’ declarations.

Sanofi said that it could not have known at the time of the first case management hearing that Amgen intended to rely on all of the declarations together with further “summarising” affidavits. In support of its application, Sanofi argued that Amgen had not complied with the orders and that:

- Amgen’s expert evidence was “substantially duplicative”, relying on observations made in *Novartis*. Sanofi asserted that permitting Amgen to rely on all of the evidence would have the effect of “affording the respondent a superior advantage in terms of the number of witnesses who will participate in expert conclaves and in concurrent evidence sessions” and that this “raises serious questions as to the fair, efficient and effective conduct of the appeal”; and
- the expert affidavits were embarrassing because the deponent’s approach of summarising statements made in their declarations resulted in duplication or recasting of their evidence “leaving it uncertain as to whether the summary, or the part of the declaration said to have been summarised, stands as the deponent’s evidence”.

Justice Yates was unpersuaded. His Honour said that the problems Sanofi raised “(if they be problems)” existed at the time of the first case management hearing (and the orders made after that hearing). Sanofi had made no complaint about the number of expert witnesses or duplication of evidence that would arise “even though those matters must have been obvious to the applicant at that time”, and the circumstances had not changed since that time “except for the applicant’s apparent change of mind”. Justice Yates observed that whilst “economy in the number of experts is always desirable, a particular course has been taken in the present case of permitting each party to rely on all the evidence given on its behalf in the opposition”. Ultimately, his Honour found that Justice Nicholas’ decision to grant leave in the terms he did at the first case management hearing “set the pattern for the filing of evidence in this appeal”.

Directly in response to Sanofi’s arguments as to the “superior advantage” that Amgen would gain in the expert conclaves and concurrent evidence, his Honour made the following instructive comment:

It is simplistic – indeed, wrong – to think (as some of the applicant’s submissions suggested) that questions of fact based on expert evidence are determined on a “majority view (which is what the applicant appears to fear).

Justice Yates went on to state that the Full Court’s decision in *Novartis* dealt with circumstances that were not analogous and that the Full Court decision provides no useful support for the orders that Sanofi sought. By this, his Honour appears to have made clear that *Novartis* does not support the argument that unbalanced hot tubs are problematic per se.

Justice Yates also rejected Sanofi’s argument that Amgen had not complied with the orders in filing affidavits which duplicated some of the declaratory evidence from the patent office. His Honour held that those orders specifically envisaged that a declarant could supplement what was said in their declaration and the orders did not confine the nature or extent of the supplementation. His Honour observed that, where leave to rely on a declaration in opposition proceedings is permitted with additional supplementary affidavit evidence, it is inevitable that some summarising and duplication will be involved and that differences in language will emerge between what was said in the declaration and what is said in the affidavit. However, his Honour considered that this was not a proper matter of complaint because it was an incident of the course the parties chose to adopt. Moreover, his Honour pointed out that any resulting issues could be dealt with in responsive evidence and/or in the expert conclave and, that it remains open to Sanofi to object to the evidence in the ordinary course, including under the powers provided under ss.135 and 136 of the *Evidence Act 1995* (Cth).

These findings lead one to question whether, had Sanofi raised the issue of witness duplication (*à la Novartis*) at the first case management conference, it would have had better prospects of restricting Amgen’s evidence. This decision emphasises the importance of considering issues of perceived disadvantage resulting from the filing of potentially duplicative evidence at the time evidence orders are made.

Directed Electronics OE Pty Ltd v Gridtraq Australia Pty Ltd

[2023] FCAFC 149

6 September 2023 – Perram, Downes and Button JJ

Appeal from decision to dismiss case against respondents for breach of copyright and misuse of confidential information – whether case advanced in appeal was run at trial

Summary

At first instance, Directed Electronics (“DE”) was successful in establishing that all parties except three, the Gridtraq Parties, had colluded to misappropriate its business. DE appealed the copyright infringement and breach of confidence findings in relation to the independent conduct of the Gridtraq Parties. The Full Court dismissed DE’s appeal because no independent case had been run against the Gridtraq Parties at first instance.

Detail

In October 2017, DE brought proceedings against multiple parties for allegations of breach of fiduciary duty, breach of confidence and copyright infringement. DE’s case was founded on the allegation that two of its former employees had colluded with one of its suppliers to misappropriate its business. This appeal only concerns findings made in respect of three of those parties, the Gridtraq Parties.

After a trial of more than nine weeks, in a 4,003 paragraph judgment published in November 2022, Justice Beach dismissed the proceeding against the Gridtraq Parties. Justice Beach found that the Gridtraq Parties had possession of two relevant documents (the CAN Bus data and vehicle parameters document (the “CAN Bus data”) and the “Directed Specification”) but had not used those documents as part of the larger scheme of misappropriation. The Gridtraq Parties gave undertakings to destroy the documents and Justice Beach dismissed the proceeding against the Gridtraq Parties and ordered that DE pay 90 per cent of the Gridtraq Parties’ costs. DE appealed those orders.

In the appeal, DE argued that the trial judge’s findings showed that the Gridtraq Parties had infringed copyright by being in possession of the CAN Bus Data and Directed Specification and that, by dismissing that case, DE was denied the opportunity to seek remedies against the Gridtraq Parties (in the form of a foregone licence and additional damages). DE also argued that the Gridtraq Parties had used confidential information in the CAN Bus data in relation to their own products (in a manner that was unrelated to the larger scheme) and so was entitled to remedies for that use.

The Full Court examined the pleadings at trial and found that DE’s case against the Gridtraq Parties was only ever ran as an allegation of involvement in the larger scheme and that it was not open to DE to assert, on appeal, that it should be provided with an opportunity to seek remedies for independent acts of copyright infringement or misuse of confidential information.

For example, in relation to the copyright case, the Full Court referred to an omnibus allegation in the statement of claim that the other parties “and/or” the Gridtraq Parties reproduced the works and communicated them to others. After considering that paragraph with its particulars, the Full Court said:

[w]hatever the grammatical implications of ‘and/or’ are, it is clear that Directed Electronics did not advance a free standing copyright infringement case in which only the Gridtraq Parties were involved.

In relation to the confidential information case, the Full Court found that each of the allegations in the pleading were linked to the involvement in the overall misappropriation case and so “the confidential information case sought to be advanced in this Court was never pleaded”.

The Full Court also looked at the closing submissions on relief at trial and the process leading to the final orders in arriving at its view that DE had not ran an independent case against the Gridtraq Parties at trial.

As to the closing submissions at trial, the Full Court said:

[n]o mention was made that Directed Electronics was also pursuing a separate case against the Gridtraq Parties which

was not part of that alleged joint enterprise and which would have required its own separate remedies hearing. If the proposed foregone licence case had actually existed, the omission to refer to it in this part of the submissions is a striking omission.

As to the final orders, the Full Court said:

[t]he failure of counsel for Directed Electronics to indicate at this hearing that the proceeding should not be dismissed because there was still a case which existed which needed a remedies hearing is entirely inconsistent with the argument which has taken up a day of this Court's time."

The Full Court concluded that the appeal was “bereft of merit” and dismissed it with costs. This decision stands as a stark reminder to practitioners that the Full Court will hold parties to the case they advanced at trial. The Full Court’s examination of DE’s statement of claim also brings into the focus the need to ensure that a party’s written case properly reflects the case as run.

Cantarella Bros Pty Ltd v Lavazza Australia Pty Ltd **(No. 3)**

[2023] FCA 1258

20 October 2023 – Yates J

Trade mark infringement, use as a trade mark, defences to infringement – trade mark validity – whether marks are capable of distinguishing, doctrine of stare decisis, whether applicant is owner of the mark for the registered goods.

Cantarella Bros Pty Ltd (“Cantarella”), sued the respondents, Lavazza Australia Pty Ltd (“Lavazza Australia”) and Lavazza Australia OCS Pty Ltd (“Lavazza OCS”) (together “Lavazza”), under s. 120(1) of the Trade Marks Act for infringement of two registered trade marks; trade mark No. 829098 (the “098 mark”) and trade mark No. 1583290 (the “290 mark”). Both the 098 mark and the 290 mark are registrations for the word ORO –in class 30 for “Coffee; beverages made with a base of coffee, espresso; ready-to-drink coffee; coffee based beverages” (the “ORO word mark”).

The acts of infringement included supply of various goods and advertising of the goods on websites.

Lavazza did not dispute that the goods had been supplied and advertised. However, Lavazza disputed that the 098 mark and the 290 mark had been infringed on the basis that Lavazza said it did not use the word “oro” as a trade mark. Examples of some of the goods and the manner in which Lavazza had used the word “oro” on them is set out at the end of this update.

Lavazza also argued that if found to have used the word “oro” as a trade mark, it was able to rely upon various defences to infringement.

By way of cross-claim, Lavazza also challenged the registration of the ORO word mark for two reasons. Firstly, Lavazza claimed that each mark was not inherently adapted to distinguish Cantarella’s goods from the goods of other persons and, therefore, did not meet the requirements of s.41 of the Trade Marks Act as in force at the relevant time; and secondly, Cantarella was not, in any event, the owner in Australia of the ORO word mark in respect of coffee.

This case took place against the background of earlier litigation which Cantarella brought against Modena Trading Pty Ltd (“Modena”) for infringement of the 098 mark and another registered trade mark – trade mark No. 878231 (the “231 mark”) comprising the words CINQUE STELLE in class 30 for “Coffee, coffee essences and coffee extracts; coffee substitutes; and extracts of coffee substitutes; coffee-based drinks; tea, tea extracts and tea-based drinks; cocoa, cocoa-based preparations and drinks” (the “Modena proceeding”). Cantarella also advanced other causes of action against Modena (for contravention of the *Trade Practices Act 1974* (Cth) and the ACL, and for passing-off).

In the Modena proceeding, Cantarella established infringement of the two marks – *Cantarella Bros Pty Ltd v Modena Trading Pty Ltd* [2013] FCA 8; 229 ALR 752 (“*Cantarella (PJ)*”). Modena failed in its defence that it had not used the two marks as trade marks and had only used the words “oro” and “cinque stelle” in good faith to indicate the characteristics of the coffee products the subject of the infringement claims. Modena also failed in its cross-claim which asserted:

- (i) that the registrations of the two marks should be cancelled on the ground that, with reference to s. 41 of the Trade Marks Act in its then form, the marks were not capable of distinguishing Cantarella’s goods from the goods of other persons; and
- (ii) removal of the marks for non-use.

In relation to Cantarella’s case for infringement against Lavazza, Justice Yates accepted that the word “oro” was one of the dominant features on the product packaging (although not ‘the’ dominant feature), along with the name LAVAZZA. His Honour agreed with Cantarella that the use of the word “oro” on the packaging in question was trade mark use. The word “oro” and the word LAVAZZA were each functioning independently, as trade marks on the packaging. Whilst, on the packaging, the word “oro” was used in proximity to the word “qualità”, Justice Yates did not accept that there was any necessary connection between the two words for trade mark purposes. In his view, for trade mark purposes, the two words function independently of each other, particularly given the different sizes and stylistic representations of the two words, with the word “oro” functioning as a trade mark. His Honour concluded that the word “qualità” was not functioning as a trade mark and, even if traders or customers were to associate the two words because of their proximity to

each other on the packaging, it did not follow that the word “oro” was not functioning, in its own right, as a trade mark.

Justice Yates stated that whilst it might be accepted that other traders had used the word “oro” in relation to their coffee products, this did not mean that the word “oro”, as represented in the impugned packaging, was not being used as a trade mark. His Honour also did not accept that mere common use of a particular word in a given trade means that the word is precluded from functioning as a trade mark in that trade. Further, use of the word “oro” on coffee capsules within packaging for such products was use of the word within the course of trade and use as a trade mark.

In relation to the various defences relied upon by Lavazza pursuant to ss.124 of the Trade Marks Act (prior use), 122(1)(b)(i) (good faith use to indicate quality etc), 122(1)(c) (exercising a right given under the Act) and 122(1)(f) and (fa) (would obtain registration in their own right), Justice Yates stated that if he had been required to reach a determination on each, each would have failed. Due to his Honour’s findings concerning ownership of the ORO word mark, no determination was needed. In the course of considering each defence, Justice Yates made some interesting observations about the various defences and highlighted some internal difficulties with the operation of the Trade Marks Act. For example, his Honour noted that current authority suggests that the operation of s.44 of the Trade Marks Act, and the other grounds for rejecting or opposing a trade mark application, operate independently of each other. Therefore, s.60 of the Trade Marks Act (a ground of opposition to the registration of a mark based on the likelihood of deception or confusion arising from the use of the mark having regard to an earlier mark’s reputation) operates independently of s.44(3), and that s.44(3) does not provide an exception to the operation of s.60. His Honour stated that this reasoning suggests that s.58 also operates independently of s.44(3) as a ground of opposition to registration and that s.44(3) does not provide an exception to that provision.

Justice Yates noted that if that is the correct position, the defence under s.122(1)(f) could not be made out successfully in the present case given the findings he made in respect of the ownership of the ORO word mark for coffee. If Cantarella could not legitimately claim to be the owner of the ORO word mark for coffee, based on his findings of ownership referred to below, neither could Lavazza Australia or Lavazza OCS could legitimately claim to be the owner of that mark. Therefore, they could not obtain registration of it.

In Justice Yates’ opinion, giving s.58 of the Trade Marks Act an operation that is independent of s.44(3) robs the latter provision of practical effect. If the registered owner of a trade mark is truly the owner of that mark, every application under s.44(3) could be met with a s.58 objection by the registered owner. Therefore, there is an apparent conflict between the operation of s.44(3) and the operation of s.58

of the Act. One wonders whether Justice Yates is sending a signal that legislative intervention may be needed in relation to this matter.

In relation to Lavazza’s cross claim, it sought removal of the ORO word mark on the basis of ss.88(1)(a), 88(2)(a), relying in turn on s.41 of the Trade Marks Act (the ORO word mark had no inherent ability to distinguish), and on s.58 of the Act (Cantarella was not the owner of the ORO word mark).

In relation to the case based on s.41 of the Trade Marks Act, Lavazza sought to press what it referred to as the “*Du Cros* point”, referring to *Registrar of Trade marks v W & G Du Cros Ltd* [1913] AC 624. Lavazza submitted that the test for whether a word mark is inherently adapted to distinguish is to be drawn from Lord Parker’s speech in *Du Cros*. According to Lavazza, “descriptiveness” is not the only factor that can deprive a trade mark of the inherent capacity to distinguish under the test established in *Du Cros*. A trade mark can lack an inherent capacity to distinguish by reason of its “commonality” rather than its “descriptiveness” and that the test referred to by Kitto J in *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511 only dealt with lack of inherent capacity to distinguish by reason of descriptiveness. According to Lavazza, the High Court in the *Modena* proceeding:

determined the question of inherent adaptation to distinguish by reference to the narrow question of descriptiveness and did not consider the broader question of whether ORO lacked capacity to distinguish Cantarella’s coffee simply because it was commonly used by numerous other coffee traders and thus could not distinguish one trader’s coffee.

Lavazza’s case concerning the *Du Cros* point was rejected by Justice Yates, his Honour stating that Lavazza’s invitation to consider this “broader question” is not an invitation that a judge at first instance can accept. Rather, the High Court authoritatively decided that the correct test to apply when determining whether a word mark is inherently adapted to distinguish for the purposes of s.41 of the Act is the test stated by Justice Kitto in *Clark Equipment*, not the arguably broader “traders test” found in Lord Parker’s speech in *Du Cros*. Justice Yates stated that as the majority in the High Court had explained, the desire of other traders to use the word in question is a function of the meaning that that word bears, according to its ordinary signification, in relation to the goods or services for which the mark is, or is sought to be, registered.

The second aspect to Lavazza’s s.41 case was based on Kitto J’s test in *Clark Equipment* and required Lavazza to establish that, at the relevant time for each mark, the word “oro” had an ordinary signification in relation to the registered goods. By way of reminder, Justice Kitto referred to “the exercise ... of the common right of the public to make honest use of words forming part of the common heritage, for the sake of

the signification which they ordinarily possess”. Justice Yates stated that for the purposes of this case, a word will have an “ordinary signification” if it has been received into Australian English and has a commonly understood and commonly shared meaning by ordinary members throughout the Australian community at large. Consideration of the community at large was apt as coffee is a commodity and a familiar beverage consumed by many. Justice Yates did note that different considerations (and not the community at large) may apply where the trade is more specialised and directed to, for example, those possessing special vocational or technical interests.

Justice Yates rejected Cantarella’s submission that it was not open to the Court to make any finding in relation to the s.41 ground which conflicts with the High Court’s decision in the Modena proceeding. Nevertheless, Lavazza’s s.41 case failed as the evidence fell short of establishing that the word “oro” had been received into Australian English such that the ordinary signification of “oro” is “gold”.

When all appeared to be lost, s.58 emerged late in the piece as Lavazza’s knight in shining armour. While Lavazza could not make out its case that it was the owner of the ORO word mark for the purposes of s.58 of the Trade Marks Act, it succeeded in establishing that Caffè Molinari SpA (“Molinari”) was the owner of the mark. Lavazza had argued that Cantarella’s claim to ownership of the ORO word mark was defeated by the sale of coffee by Molinari to CMS Coffee Machine Services Pty Ltd (“CMS”, later called Saeco Australia Pty Ltd (“Saeco”)) in Australia from September 1995, which Lavazza said amounted to use of the word “oro” as a trade mark. This is before the first date on which Cantarella said it used the ORO word mark in respect of coffee. Justice Yates was satisfied that Molinari had used the word “oro” as a trade mark in Australia prior to Cantarella’s first use, and that Cantarella had not made out its case on abandonment (that Molinari had abandoned the oro mark). Justice Yates was satisfied that the evidence established that before Cantarella’s first use of the ORO word mark in relation to coffee, before the priority date of the 098 mark, and before and after the priority date of the 290 mark, as well as at the commencement of the present proceeding (including the commencement of Lavazza’s cross-claim), Molinari had used the word “oro” as a trade mark in Australia in relation to coffee.

Justice Yates declined to exercise his discretion and not cancel the ORO word mark, concluding that leaving the marks registered would not be in the public interest: Cantarella was not the owner of the marks and its claim to ownership could not depend on the nature of the scope of its reputation. Even once removed from the Register, Cantarella would maintain its common law rights in the mark (and ability to sue for misleading or deceptive conduct for example, based on its reputation).

Schedule of uses by Lavazza

1. 200g of ground Oro Arabica beans



2. 250g of ground Oro Arabica beans



3. 250g of ground Oro Arabica beans



13. Packet of 10 ORO 100% Arabica coffee capsules and the individual coffee capsules



Kevin Huang and Miriam Zanker
Davies Collison Cave Law, Sydney

Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd
[2023] FCAFC 158
29 September 2023 – Moshinsky, Burley and Kennett JJ

Background

The Patent and the invention

Globaltech Corporation Pty Ltd (“Globaltech”) is the patentee of Australian Standard Patent No 2012297564 titled “Optical device for use with downhole equipment” (the “Patent”). The invention relates to devices enabling data to be transmitted to and from downhole equipment, such as core orientation units and borehole telemetry probes. Core orientation is described in the Patent specification as the process of obtaining and marking the orientation of core samples during drilling operations. Borehole telemetry is described as the process of sensing and transmitting data from equipment that is down a hole.¹

The invention described in the Patent builds upon a prior art device which comprised an “orientation unit” containing electronics, a battery and a display to record and view core orientation data, which is physically screwed to a “greaser unit”.² According to the Patent, a limitation of this prior art is that “the orientation unit must be disassembled from the greaser unit before the display and orientation unit can be viewed, rotated and the required core orientation displayed”.³ The Patent notes that “[s]imilar issues arise with downhole probes that are used to obtain borehole telemetry data to determine drilling progress”.⁴ The Patent discloses downhole equipment arranged with an electronics unit that can transmit or receive an electromagnetic signal through an optical device contained within the downhole equipment housing. The optical device has an “electromagnetic signal direction altering means” that can reflect an electromagnetic signal to or from an infrared communication port on the side of the downhole equipment housing. This allows data to be read or transmitted by an external handheld device without the need to uncouple the end of the equipment housing, saving time and reducing wear and tear.⁵

The claims in dispute

Claims 1, 5, 7, 8, 9, 10, 12, 17, 21, 22, 24, 25, 26, 27 and 29 of the Patent were in dispute (the “asserted claims”). Claim 1 (and dependent asserted claims 5, 7, 8, 9, 10, 12, and 17) relates to an optical device for use in downhole equipment:

A device that transfers at least one electromagnetic signal to or from an electronics unit of downhole equipment, the optical device including a body and an electromagnetic signal direction altering means, the body having a light path arranged to allow the electromagnetic signal from an electromagnetic wave source associated with the electronics

*unit to pass to the electromagnetic signal direction altering means, the electromagnetic signal direction altering means causing the electromagnetic signal to change direction of travel, the device, in use, configured to transmit or receive the electromagnetic signal through at least one aperture through a side wall of a component of downhole equipment.*⁶

Claim 21 (upon which asserted claims 22, 24, 25, 26, 27, 28 and 29 are dependent) is a system claim, comprising “a communication device arranged to communicate wirelessly with an electronics unit of downhole equipment”, whereby the electromagnetic signal is transferred by a device in much the same terms as claim 1, and where those electromagnetic signals are transmitted to or from a wireless communication device through at least one aperture in the side wall of the downhole equipment.⁷

The decision at first instance

At first instance, Globaltech alleged Reflex Instruments Asia Pty Ltd (“Reflex”) had infringed the asserted claims of the Patent by supplying in Australia certain downhole equipment. Reflex admitted that it had infringed the Patent, but cross-claimed against Globaltech, alleging that the asserted claims were invalid for lack of novelty and inventive step. The primary judge dismissed Reflex’s cross-claim. In relation to novelty, the primary judge held that the invention in the Patent was not anticipated by US Patent Nos 4899277, 5729013 and 7777643 (“Iizuka”, “Bergren” and “Sun”, respectively). In relation to inventive step, the perception of a problem with existing downhole equipment designs and the related idea to improve the designs was a sufficiently inventive step, even though the particular method chosen to effect the invention would have been obvious to the person skilled in the art asked to address the problem at the priority date. Reflex appealed the primary judge’s decision.

Issues in dispute

Before the Full Federal Court of Australia, Reflex pressed six grounds of appeal:⁸

1. The primary judge erred in construing the phrases “downhole equipment” and “downhole data gathering system” as used in the asserted claims of the Patent as excluding equipment for use in holes drilled for oil and gas exploration and production and wireline telemetry equipment (“Ground 1”).
2. The primary judge erred in construing the phrases “electromagnetic signal direction altering means”, “reflector” and “communicate wirelessly” as used in the asserted claims of the Patent as excluding the use of optical fibre to transmit an electromagnetic signal (“Ground 2”).
3. The primary judge erred in concluding that the invention as claimed in the asserted claims of the Patent was novel in the light of information made publicly available in Sun (“Ground 3”).

4. The primary judge erred in concluding that the invention as claimed in claims 1 and dependent asserted claims of the Patent was novel in the light of information made publicly available in Iizuka (“Ground 4”).
5. The primary judge erred in finding that the invention as claimed in the asserted claims of the Patent involved an inventive step in the light of the common general knowledge (“Ground 5”).
6. The primary judge erred in finding that the invention as claimed in the asserted claims of the Patent involved an inventive step in the light of the common general knowledge taken together with information made publicly available in either Sun or Iizuka (“Ground 6”).

Grounds 3, 4 and 6 largely turned upon the construction findings in Grounds 1 and 2.

Ground 1 (construction of “downhole equipment” and “downhole data gathering system”)

The Full Court overturned the primary judge’s construction of “downhole equipment” and “downhole data gathering system” on three principal bases. First, the Full Court considered that the primary judge had “unduly confined the field of the invention”⁹ in holding that that the field of the invention was limited to drilling for mineral exploration, as distinct from drilling in the oil and gas industry. The Full Court came to this conclusion because:

- The Patent is not so limited by its express terms.¹⁰
- The Patent refers to the fact that “core orientation can reveal geological features that may affect siting or structuring foundations for buildings”. This reference to another field (the construction industry) meant an inference could more readily be drawn that the field of the invention is not limited to drilling for mineral exploration.¹¹
- The Patent uses expressions such as “core orientation”, “borehole” and “borehole telemetry probes” that are, on the evidence of the experts, terms used in both mineral exploration and drilling for oil and gas.¹²
- The evidence of both experts was that core orientation is relevant to both mineral exploration and drilling for oil and gas.¹³

Second, the Full Court held that the primary judge had erred in finding that the expressions “downhole equipment” and “downhole data gathering system” in claims 1 and 21 of the Patent were confined to equipment or a system for use in mineral exploration and construction exploration, but not oil and gas exploration and production. The Full Court considered that, even if the primary judge had been correct in limiting the field of the invention, “this construction places a gloss on the words of the claims drawn from the body of the specification”.¹⁴ Other than an inference that the

terms “downhole equipment” generally arises in a mining context, the words were “otherwise unlimited”.¹⁵

Finally, the primary judge had erred in finding that the expressions “downhole equipment” and “downhole data gathering system”, as used in claims 1 and 21, do not include “wireline telemetry”, in the sense of a wired (real-time) communication of data from down the hole to the surface.¹⁶ Her Honour had so decided because she considered the nature of the “improvement” disclosed by the Patent was the ease of access to the side communication port, and as such, the invention was “not concerned with the uncommon and difficult ... feat of enabling wireline telemetry”.¹⁷ The Full Court again considered that the primary judge had impermissibly read down the claim language by reference to the perceived “essence” or “improvement” achieved by the invention.¹⁸ The Full Court held that this was not the sole determinant applicable to claim construction, and re-emphasised that the task “requires close consideration of the language of the claim when understood in the light of the specification as a whole”.¹⁹ Absent any words of limitation in Claims 1 and 21, there was no basis for a person skilled in the art to construe the claims as excluding “wireline telemetry”.²⁰

Ground 2 (construction of “electromagnetic signal direction altering means”, “reflector” and “communicate wirelessly”)

On this issue, the primary judge had construed the claim language “electromagnetic signal direction altering means”, “reflector” and “communicate wirelessly” as excluding the use of optical fibre to transmit an electromagnetic signal through a change in direction (as opposed to, for example, a mirror). The Full Court opined that “electromagnetic signal direction altering means” is a functional description unconfined to any mechanism of action, and that there was no reason why this could not be constituted by an optical fibre.²¹ However, the Full Court upheld her Honour’s finding on two separate bases. First, the Full Court accepted that claim 1, which states that an optical device includes “a body and an electromagnetic signal direction altering means”, required the light path and the “electromagnetic signal direction altering means” to be two separate things.²² Second, it was open to the primary judge to find that, due to unexplained assumptions in the expert evidence, Reflex would have failed to discharge its onus of proof to show that light passing through an optical fibre changes direction within the meaning of the Patent.²³

As for the construction of “reflector”, the Full Court disagreed with the primary judge’s finding that a person skilled in the art would understand the term only to mean “a device or part of the body having a reflective coating”, because “the characteristic of being a reflector is not medium dependent, and is a question of fact according to the meaning of the word”.²⁴ However, the Full Court accepted her Honour’s finding that the evidence did not establish that the common

general knowledge included how light propagated through a multimode optical fibre (as relevant to the question of whether an optical fibre is a “reflector”).²⁵

Finally, the Full Court upheld the primary judge’s construction of “communicate wirelessly” as excluding communications through a physical link, including through optical fibres.²⁶

Grounds 3 and 4 (lack of novelty on the bases of Sun and Iizuka)

Reflex argued that Sun discloses an optical communications device, related to the field of oil and gas but capable of equal application and use in mining, whereby borehole data from the downhole tool’s sensors are transmitted out the sidewall of the device via a change in direction affected by bends in an optical fibre, whereupon it travels through an external hybrid cable to the surface.²⁷ Reflex’s position was that if the primary judge erred in her construction of the terms as argued in Grounds 1 and 2, and Reflex’s construction of those terms was preferred, then Sun deprives the asserted claims of novelty. Reflex similarly argued that the primary judge erred in finding that Iizuka did not deprive claim 1 and its dependent claims of novelty.

However, in light of the findings on Ground 2 regarding the construction of “electromagnetic signal direction altering means”, “reflector” and “communicate wirelessly”, the Full Court held that Sun, which discloses an optical signal carrier consisting of an optical fibre with bends in it, does not deprive the asserted claims of novelty.²⁸ The Full Court disposed of Ground 4 on similar grounds. Iizuka had also disclosed an invention whereby the transmission and direction change (if any) of a signal is affected through an optical fibre.²⁹

Grounds 5 and 6 (whether the Patent lacked inventive step)

In Ground 5, Reflex contended that the primary judge had erred in finding that the Patent involved an inventive step which:

*lay in the perception and related idea that existing downhole tools could be improved by an arrangement that enabled the light signal within the optical device to be reflected to an IR communication port on the side of the instrument housing, which would mean that when the instrument was brought to surface for data communication, the end of the housing did not need to be uncoupled to enable access to the IR port for data to be obtained.*³⁰

Reflex contended that the invention was obvious based on common general knowledge alone. It made a range of submissions on the issue, though a key argument was that the “perceived uncoupling problem or need for improvement was itself part of the common general knowledge”,³¹ this being attributed to the notional skilled addressee when determining obviousness.³² Reflex further submitted that

the primary judge had erred in finding that the “fact that there is no evidence that Reflex tried to solve the uncoupling problem confirms that there was no perceived problem at the priority date”.³³ Reflex contended that it “did not bother to solve the uncoupling problem” because its product already enjoyed “100 percent market share” at the priority date.³⁴ Reflex’s position was that if a skilled addressee was improving existing designs at the priority date to avoid the need to disassemble the housing, “it would have been obvious to adopt an arrangement as claimed in the asserted claims”.³⁵

The Full Court rejected Reflex’s arguments. Fundamentally, it considered that Reflex’s submissions departed from its inventive step case at first instance, which relied almost entirely on a design task given to an expert, Professor Tapson. This case had failed at first instance because “Professor Tapson’s inventiveness stood him apart from the notional uninventive worker in the field; Professor Tapson was instructed in a way that directed his attention to the problem of uncoupling; and Professor Tapson had background knowledge of Globaltech’s product that involved lateral communication.”³⁶ These findings were not appealed. The Full Court upheld the primary judge’s factual findings that “the weight of the evidence is against any inference that the perceived problem or need for improvement was itself part of the common general knowledge or would itself have been obvious to the person skilled in the art at the priority date”.³⁷ The Full Court also upheld the primary judge’s legal findings,³⁸ noting that “inventiveness may repose largely in the idea”³⁹ and in the “perception of the true nature of the problem”.⁴⁰

In Ground 6, Reflex contended that the primary judge had erred in finding that the Patent involved an inventive step based on common general knowledge combined with the disclosures in Sun or Iizuka. The Full Court dismissed this ground, referring to its rejection of the construction point in Ground 2 and the reasons given in relation to Ground 5.⁴¹

Disposition

As the Full Court upheld the primary judge’s findings on both novelty and inventive step, the appeal was dismissed with costs.

Key points

This decision highlights a number of key points:

1. The Full Court reiterated that it will “[refuse] to read down the language of a claim, which was open as to the manner in which a device could be used, by reference to words of limitation in the specification.”⁴² Importantly, it will not add “glosses” from the specification or narrow claim language “by reference to what may be characterised as the ‘essence’ or ... the ‘improvement’ said by the patentee to have been achieved by the invention”.⁴³ By the same token, the field of the invention should not be unduly confined

- when construing claims.⁴⁴ In this case, the Full Court showed a willingness to construe claim language relatively widely. For example, where a feature is described using a functional description (e.g. a “means” for doing something), it will not construe that language as being confined to any particular mechanism of action,⁴⁵ though expert evidence may be crucial in establishing whether any mechanism of action falls within the meaning of the Patent.⁴⁶
2. This case also clearly demonstrates how inventive step may lie in either or both ideas and the means for carrying out of ideas. This includes identifying an improvement to a perceived problem, which once identified, may be obvious to implement in a technical design sense. Furthermore, a lack of evidence showing that the market has tried to solve an issue might inform an inference that there was no perceived problem.
 3. Finally, this case highlights certain risk factors involved in instructing an expert to undertake a design task for patent litigation. An expert’s design may be given less weight if the expert is of greater skill and inventiveness than the hypothetical non-inventive skilled addressee, or is given instructions to solve a problem that was not perceived at the priority date, or if the expert has background knowledge of the invention.⁴⁷ Furthermore, where an expert is “very familiar with patents or patent litigation”,⁴⁸ care needs to be taken not to give instructions which might alert the expert as to the inventive concept, taking into account that expert’s knowledge base.
- 1 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [11]. There was some dispute between the parties whether that data must be transmitted immediately to the surface. The primary judge construed the Patent as disclosing a device for telemetry without immediate transmission of data to the surface.
 - 2 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [12].
 - 3 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [12].
 - 4 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [12].
 - 5 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [14]–[26].
 - 6 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [27].
 - 7 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [29].
 - 8 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [3].
 - 9 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [90].
 - 10 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [86].
 - 11 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [87].
 - 12 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [88].
 - 13 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [89].
 - 14 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [96].
 - 15 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [96].
 - 16 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [97]–[100].
 - 17 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [92].
 - 18 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [99].
 - 19 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [99].
 - 20 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [100].
 - 21 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [111].
 - 22 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [112], [114].
 - 23 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [113], [115].
 - 24 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [117]–[118].
 - 25 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [118].
 - 26 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [119].
 - 27 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [122].
 - 28 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [124]–[128].
 - 29 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [132]–[133].
 - 30 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [136].
 - 31 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [136].
 - 32 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [138].
 - 33 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [139].
 - 34 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [139].
 - 35 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [140].
 - 36 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [145].
 - 37 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [146]–[147].
 - 38 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [149]–[150].
 - 39 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd (No 2)* (2007) 235 CLR 173, 199 [60].
 - 40 *Wellcome Foundation Ltd v VR Laboratories (Aust) Pty Ltd* (1981) 148 CLR 262, 280–1.
 - 41 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [152]–[155].
 - 42 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [96].
 - 43 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [99].
 - 44 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [86]–[90].
 - 45 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [111].
 - 46 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [113], [115].
 - 47 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [65], [145].
 - 48 *Reflex Instruments Asia Pacific Pty Ltd v Globaltech Corporation Pty Ltd* [2023] FCAFC 158, [65].

Current Developments – New Zealand

Andrew Brown KC

Auckland

Correspondent for New Zealand

Brands Limited & Others v Bed Bath 'N' Table Limited & Another

High Court of New Zealand

Ellis J

Hearing: 25 July – 12 August 2022

Judgment: 7 July 2023

[2023] NZHC 1766

Comment:

This was an interesting Trans Tasman trade mark dispute full of legal issues. The key features were:

1. initial co-existence in New Zealand for some 15 years of two trading rivals in the field of manchester and homewares with similar trade marks i.e. *Bed Bath & Beyond* and *Bed Bath 'N' Table*. *Bed Bath & Beyond* (“BBB”) was the first user in New Zealand, but *Bed Bath 'N' Table* (“BBT”) had been using its trade mark in Australia since 1976, only starting in New Zealand in 2007;
2. action taken in Australia by BBT to prevent the New Zealand company BBB from registering its trade mark there on the ground of likely confusion or deception; and
3. the decision then taken by BBB to belatedly attack the validity of BBT’s 2014 registered trade mark in New Zealand for *Bed Bath 'N' Table* and then to sue BBT for trade mark infringement of its BBB trade mark, passing off and breaches of the *Fair Trading Act* 1986 (NZ).

Ellis J’s decision resulted in a loss for the plaintiff BBB on all causes of action.

Standing back from the decision, it is clear that key factors in the Court’s rejection of the invalidity action (based on sections 25 and 17 of the *Trade Marks Act* 2002 (NZ)) were that BBB had allowed BBT to use its trade mark in New Zealand from 2007 without complaint. This reflected in findings of honest concurrent use in favour of BBT. Even though there was evidence of confusion or deception between the two marks, the Judge relied on the descriptive aspects of each trade mark to find that some confusion must be tolerated as the price to be paid for choice of a mark with descriptive features. Further, Ellis J was not persuaded that there was substantial confusion or deception between the two marks.

As to trade mark infringement, once Ellis J upheld the validity of BBT’s registered trade mark, BBT was able to

fend off infringement because of section 93 of the Trade Marks Act i.e. the existence of another registered trade mark. Honest concurrent use was also a factor in the Court rejecting infringement and passing off. Even though honest concurrent use was not a defence to the Fair Trading Act, Ellis J regarded it as a discretionary factor against any relief.

A more detailed summary of the decision is as follows.

Application:

This was an application by the plaintiff New Zealand companies, trading as BBB seeking a declaration of invalidity in respect of the defendants’ registered trade mark *Bed Bath 'N' Table*, together with a claim for trade mark infringement, passing off and breaches of the Fair Trading Act. The defendant Australian-owned companies, trading as BBT pleaded the defence of honest concurrent use to the invalidity proceeding and a number of positive defences to the infringement, passing off and Fair Trading Act claims.

Facts:

For more than 15 years BBB had been competing with the defendant BBT companies in the New Zealand manchester and homewares market.

(BBB was not connected with the North American company *Bed Bath & Beyond* US (“BBUS”) which had been operating in the United States and elsewhere for more than 50 years.)

Relevant Trade Marks:

BBB had been registered owner in New Zealand of the trade mark *Bed Bath & Beyond* (the BBB 1994 trade mark) since 1994. The registered trade mark contained a disclaimer, i.e. “registration of this mark shall give no exclusive right to the exclusive use of the words ‘Bed’ and ‘Bath’”. BBB had another identical registered trade mark with a deemed registration date of 9 June 2014 (the BBB 2014 trade mark) in classes 20, 21, 24 and 25.

BBT had been the registered owner of *Bed Bath 'N' Table* trade mark in Australia since 1976 and in New Zealand since 4 June 2014 in classes 20, 24 and 35 (the BBT 2014 trade mark).

The parties were no longer willing to tolerate each other’s existence in the New Zealand market.

Action by BBB:

BBB sought invalidation of BBT’s 2014 registration on four separate grounds. If successful, BBB sought a finding that, from the outset, BBT’s use of its mark infringed BBB’s registered trade marks. Additionally, BBB asserted that BBT’s

use of its trade mark constituted passing off and breaches of the Fair Trading Act.

Action by BBT:

As well as refuting these claims and advancing a number of positive defences, BBT counterclaimed that (in the event the Court concluded that BBB and BBT were confusingly similar) the BBB registered trade marks were invalid.

History

During 1996 and 1997, an existing company, Linen for Less, owned by interests associated with BBB began to rebrand 11 stores under the Bed Bath & Beyond trade mark. This rebrand was complete by around 2005 [25].

By 2006, BBT had already established 40 stores across Australia and was looking to expand to New Zealand. BBB approached BBT with an offer to sell the BBB business which by then operated 22 stores in New Zealand [26]–[27]. No sale eventuated and BBT owned its first New Zealand store in March 2007.

As at 2014 [29]:

- (a) There were 29 BBT stores in Australia and nine in New Zealand.
- (b) BBT launched its online store in Australia in November 2013 but at this point did not deliver to New Zealand.
- (c) BBB had 51 stores open in New Zealand and a website for online sales.

Steps taken in Australia by BBT to successfully oppose BBBUS and to warn off BBB

In 2015, the US owners of the BBBUS trade mark applied to register BBB in Australia. That application was opposed by BBT. After a defended opposition hearing, the registration of the BBBUS trade mark was refused in Australia on the grounds of BBT's significant reputation in Australia and that use of the BBB US trade mark in Australia would be likely to deceive or cause confusion [36].

BBB subsequently applied to register BBB in Australia. BBT's lawyers wrote to BBB in October 2017 asserting that any use in Australia would constitute trade mark infringement. In 2018, BBT opposed this application. BBT's managing director gave evidence of concerns as to consumer confusion and actual examples [37]–[41].

BBB commences invalidity action in New Zealand

In December 2018, BBB filed a without notice application in the High Court seeking the invalidity of BBT's 2014 registered trade mark in New Zealand. In June 2020, BBB added claims for trade mark infringement, passing off and breaches of the Fair Trading Act against BBT [42].

At the time of the hearing, BBB was operating more than

50 physical stores across New Zealand (including Auckland, Wellington, Christchurch and Hamilton) and an online store. There were standard retail stores and larger home stores. BBT was operating 15 stores across New Zealand, including Wellington, Christchurch and Hamilton.

Invalidity Claim:

In its invalidity claim, BBB relied on sections 17(1)(a), 17(1)(b) (absolute grounds) and sections 25(1)(b) and (c) (relative grounds).

BBT pleaded the honest concurrent use exception or defence (section 26 of the Trade Marks Act). It also relied on sections 93 and 95 as precluding a claim for trade mark infringement.

BBB asserted that the honest concurrent use exception was, as a matter of law, unavailable where a trade mark is unregistrable on section 17 grounds [63].

Held, dismissing BBB's invalidity application and its actions for trade mark infringement, passing off and breaches of the Fair Trading Act.

Invalidity Proceedings:

Which of the 2014 registrations had priority?

1. BBT was not able to rely on section 36 of the Trade Marks Act (the Paris system) to claim priority for its 4 June 2014 registration. Any such priority would need to have been applied for within six months of BBT's first application in Australia in 1995 (which had not occurred) [78].
2. BBT was able to rely on priority for its 4 June 2014 registration via section 199A of the Trade Marks Act which gave effect to the Madrid Protocol in New Zealand. It was a generally accepted presumption of statutory interpretation that Parliament did not intend primary legislation to be suspended, amended or repealed by statutory regulation – except where Parliament enacted an express empowering clause (known as a “Henry VIII clause”) [86]. The better view was that section 199A was a Henry VIII clause [88]. To interpret section 199A as not authorising application of the Madrid Protocol would fly in the face of its clear purpose and would be inimical to New Zealand's international standing and obligations [89].

Zaoui v Attorney-General [2005] 1 NZLR 577 (SC) at [87] referred to.

Admissibility of survey evidence of confusion or deception

3. BBB's survey evidence was found not to be admissible. For reasons relating to the potential for priming of respondents, question order effects, question wording effects, the absence of controls and the survey population, the survey was found not admissible. The Court did not consider the survey results were capable of constituting facts that were sufficiently reliable to form a proper basis of evidence of the kind sought to be given by BBB's experts [114].

Section 25(1)(b) Ground

Did BBT's trade mark relate to goods and services the same as or similar to those covered by BBB's 1994 trade mark?

4. Because of the Court's conclusion about the relevant priority dates, it was only BBB's 1994 trade mark that was relevant for the purposes of analysis [117].
5. Services of the kind specified in both BBT's 2014 trade mark and BBB's 1994 trade mark would be provided in the same or similar ways, the respective users of the services were likely to be the same or similar and the services could therefore reasonably be seen as competitive [119].

British Sugar PLC v James Robertson & Sons Limited [1996] RPC 281, 296–7 referred to.

6. BBT's 2014 trade mark registration covered a number of categories of goods that might be expected to be the subject of retailing or wholesaling services specified in BBB's registration [120]. A number of specified goods in the BBT 2014 registration could fairly be said to be similar to the services in BBB's 1994 registration [121]. The remainder of goods and services covered by BBT's 2014 trade mark registration for services relating to furniture and kitchenware were not similar [122]. This meant that [123]:
 - (a) A more limited class of goods and services provided the context for discussion of confusing similarity.
 - (b) The invalidity of the BBT trade mark (and any infringement) would not extend to the trade mark insofar as it related to any dissimilar goods and services.
7. The issue of confusing similarity involved asking whether a substantial number of persons in the market for the relevant goods and services were likely to be confused by the use of BBT's mark. This required an assessment of the fair and notional use of BBT's mark with the fair and notional use of BBB's mark [124]. A global approach to similarity and likely confusion should be adopted with the analysis structured under the headings (a) simple similarity; (b) the disclaimer and the price of non-distinctiveness; (c) evidence about confusion [127].
8. As to *similarity*, the inescapable conclusion was that the BBT 2014 mark was similar to the BBB 1994 trade mark [133].
9. In relation to the *disclaimer*, the words "Bed" and "Bath" were highly suggestive ("elliptically descriptive") of the character of the retail services of the kind BBB provided and the relative products they sold [145]. "Bed" and "Bath" fell close to the descriptive end of the spectrum.
10. The very fact of descriptiveness mitigated or lessened the relevant confusion that might be expected to arise from the fair and notional use of the same words by another trader [149].

JW Spear & Sons Limited v Zynga Limited [2015] EWCA Civ 290; [2016] 1 All ER 226; *Office Cleaning Services Limited v Westminster Window and General Cleaners (1946)* 1 All ER 320; (1946) 63 RPC 43; *Reed Executive Plc v Reed Business Information Limited* [2004] EWCA Civ 159; [2004] RPC 40 referred to.

11. The use in a trade mark of descriptive/non-distinctive words lessened the risk of vitiating or fatal confusion – notwithstanding the higher likelihood of similarity with other marks – because [153]:
 - (a) some confusion must be expected and tolerated as the price for using such words; and
 - (b) the use of such words diminished the capacity of the relevant marks to signify the relevant origin of the goods or services to which they related; and so
 - (c) reasonable consumers confronted with such marks would recognise the descriptive allusions for what they were and understand that they were less likely to signal a connection with the particular proprietor of the mark or the proprietor's goods and services;
 - (d) small differences – such as the "&" and the "N" or "Beyond" and "Table" here – may well suffice to distinguish the marks.
12. As to *evidence of actual confusion*, some of the evidence could probably be taken as evincing some actual confusion of the relevant kind [159]. But the Court was far from clear that such confusion was as widespread as BBB claimed [160].
13. BBB had not established the ground of validity in section 25(1)(b) [176]. Notional fair use of both marks in the relevant market was likely to result and probably had resulted in some confusion among some customers as to the origins of the retail services being provided and goods supplied by BBB and BBT. However, the considerable similarity between the marks was largely a function of their incorporation of non-distinctive or descriptive words. So, some of the confusion arose as the price to be paid for BBB's choice of the words. Most reasonable customers were unlikely to see the similarities as signifying a connection between their respective proprietors and would pay attention to small differences between the marks: "&" and "N" and "Beyond" and "Table" [174]. When viewed in the context of all customer interaction, the examples of actual consumer confusion were relatively few [175].

Section 25(1)(c) Ground

14. Section 25(1)(c) was likely to be relied on where:
 - (a) The well-known trade mark (trade mark D) was unregistered but the brand was very well known; and/or
 - (b) The goods and services offered by party A were dissimilar to those offered by trade mark owner D.

Neither of these circumstances existed in this case and this ground added nothing useful or material to section

25(1)(b) ground. BBT's mark was similar to BBB's mark but the Court did not consider that it would reasonably be taken as indicating a connection between BBB's goods and services and those of BBT [180].

Honest Concurrent Use: Section 26 of the Trade Marks Act

15. The five principles (the *Pirie factors*) that have traditionally guided the assessment of honest concurrent use continue to provide a useful structure for assessing honest concurrent use under the Trade Marks Act [185]–[186].

In the matter of an Application by Alex Pirie & Son Limited (1933) 50 RPC 147 at 159 (HL) at 159–60 applied.

The extent of pre-existing use

16. The relevant period of honest concurrent use was logically focused primarily on the time before June 2014. Use since that date might be relevant to the exercise of the Court's discretion.

VB Distributors Limited v Matsushita Electric Industrial Co Ltd (1999) 53 IPR 466 (HC) applied.

17. The Court was prepared to accept that BBT had a limited but not significant reputation in New Zealand before its physical arrival in New Zealand as a result of use of its trade mark in Australia. That was not "use" for the purpose of honest concurrent use but had some relevance to the question of honesty [195].

Dominion Rent a Car Limited v Budget Rent a Car Systems (1970) Limited [1987] 2 NZLR 395 referred to.

Degree of confusion likely to ensue

18. As to the degree of confusion likely to ensue, there was always going to be some likelihood of confusion arising from use of the BBT mark [197].

Honesty of use

19. As to honesty of use, BBT had developed and used its BBT trade mark in Australia since 1976 and by 2000, when it entered the New Zealand market, BBT was undoubtedly an established brand with its own significant reputation in Australia [200]. There was no question that BBT had honestly developed and used its BBT mark for a period of more than 30 years before bringing it to New Zealand. The choice of using its own name, which already had a degree of recognition in New Zealand, was commercially obvious [201]. BBT had no intention of deceiving people. The risk of confusion was something that BBT itself faced. The risk of deception and confusion was one that seemed to have been borne equally and oppositely by both BBB and BBT [202].

20. Although BBT could fairly be taken to have corporate knowledge of BBB's 1994 trade mark and to have read correspondence referring to BBB having 22 stores in New Zealand [205], that knowledge was not dispositive of [dis]

honesty. The pre-June 2014 use by BBT of its trade mark was honest in the relevant and necessary sense [215] because:

- (a) BBT had its own brand in Australia and it made sense to use it in New Zealand. Any suggestion that the decision to use BBT involved some dishonest intention to deceive or confuse New Zealand consumers made no sense [207].
- (b) The negotiations between BBB and BBT in 2006–7 meant that BBB was well-aware in advance of BBT's intended entry into New Zealand. Yet there was no demur either then or in the next seven years [208].
- (c) BBB was operating more at the "budget" or "discount" end of the relevant market. Consumer confusion was likely to benefit the retailer of the lower quality goods and do harm to the retailer of higher quality goods [209].
- (d) The Court proceeded on the basis that BBT knew of the disclaimer of "Bed" and "Bath" in BBB's 1994 trade mark registration. This formed a basis on which BBT might reasonably have believed that it did not infringe the BBB marks [210].
- (e) By June 2014, the date of BBT's international application, BBT had opened nine stores in New Zealand, including some in close proximity to a BBB store [211].
- (f) The Court regarded statements by BBT's executive in Australia as to similarities between BBB US and BBT and its concerns as to confusion as being no more than a neutral factor. The scenario between BBB US and BBT in Australia was of a different order to that which existed in New Zealand in 2014 when BBT obtained registration of its trade mark in this country. BBT had been actively competing with BBB in the New Zealand market for seven years without objection.

Proof of confusion

21. BBB had established a degree of consumer confusion, although the Court declined to regard it as "substantial" [216].

Relative inconvenience

22. This factor favoured the exercise of discretion in favour of BBT because, by the time the proceedings were initiated, BBT had 15 outlets spread throughout New Zealand and the website generating extensive online sales [217]. The cost of rebranding and advertising to consumers would be significant [219]. The public inconvenience of rebranding would be substantial [220].

23. BBT had established honest concurrent use of its own trade mark as at 2014 and would have been able to successfully defend its application for registration [222].

Section 17(1)(a) Ground

Reputation of BBB as at June 2014

24. The Court was satisfied that the BBB mark had more than sufficient reputation in terms of section 17(1)(a) as at the relevant date [234].

Deception or confusion

25. It was necessary to consider (a) the market and the circumstances of trade in which BBT's mark was to be regarded as notionally and fairly in use, and (b) the likelihood of deception or confusion arising from such use, judged by reference to BBB's existing reputation [236].

Relevant market and circumstances of trade

26. The market in which the fair notional use was to be assessed (the 2014 market involving the retailing of manchester and other products for bedroom and bathroom) was one in which BBB had an established reputation. But BBT also had an established reputation in this market. The relevant market was one in which many consumers had already been exposed to BBT's mark [237].

Likelihood of deception or confusion by a substantial number of persons

27. BBB's use of descriptive terms in its trade mark necessarily diminished the reputation it could otherwise claim in those words [240].

28. The assessment of likely deception or confusion must take into account BBT's existing reputation in the same market at that date. BBT's existing use was not causing deception or confusion, or at least not at a level that was of any apparent concern to BBB [241]. Having regard to BBB's undoubted reputation in the existing market in 2014, the Court was unable to conclude that normal and fair use of BBT's trade mark after that date was likely to lead to substantial consumer confusion [245]. Therefore, the claim based on section 17(1)(a) failed [246].

Section 17(1)(b) Ground (Contrary to Law)

29. This pleading added little to BBB's claims – particularly in light of the Court's later findings that there had been neither passing off nor breach of the Fair Trading Act [247].

Is Honest Concurrent Use Available in Respect of the Section 17 Ground

30. A common law defence of honest concurrent use to the section 17 grounds did not survive the passing of the Trade Marks Act 2002 and its statutory scheme [251]–[253], [269], [276]. Obiter observations had been made by the Court of Appeal that the honest concurrent use defence did not apply to section 17 cases [270].

NV Sumatra Tobacco Trading Company v New Zealand Milk Brands Limited [2010] NZCA 24, (2010) 86 IPR

206 at [10]; *Pharmazen Limited v Anagenix IP Limited* [2020] NZCA 306, (2020) 157 IPR 198 referred to.

Trade Mark Infringement: Section 89(1)(c) of the Trade Marks Act

31. The claim to trade mark infringement failed:

- (a) The BBT sign was similar to the BBB mark;
 - (b) BBT was using its BBT sign in relation to goods and services that were similar to the services specified in the BBB 1994 trade mark registration;
- but
- (c) BBT's use was not likely to deceive or cause confusion to the requisite level or amongst the requisite number of people.

[289]–[290]

Section 93 of the Trade Marks Act precluded infringement action

32. The Court's earlier finding that BBT's 2014 trade mark was not invalid meant that section 93 of the Trade Marks Act precluded an infringement action under section 89(1)(c) [284].

Own Name defence section 95 of the Trade Marks Act not available to companies

33. The wording of section 91 of the Trade Marks Act meant that companies were excluded from the section 95 own name defence [301]–[302].

34. If this legal finding was wrong, the defence would have been made out as BBT's use of its name was in accordance with honest practices [306].

Passing Off and Breaches of Section 9 of the Fair Trading Act

Goodwill

35. It was unclear whether BBB was seeking to establish goodwill before 2014 [321]. There was no difficulty in establishing that BBB could establish goodwill as at that date [328].

Misrepresentation

36. The Court did not understand BBB to be claiming that the descriptive words used in its name had acquired a secondary meaning [336].

37. The respective logos were not especially similar and, if anything, detracted from any suggestion of a relationship between the two groups' operations [338].

38. There was no misrepresentation. BBT had done no more than represent that its own mark and get-up were associated with its own business [341].

Current Developments – New Zealand

Habib Bank Limited v Habib Bank AG Zurich [1981] 1 WLR 1265, 1275 referred to.

39. (Obiter) because BBT was honestly using its own mark to do no more than signify a connection with its own business, the Court would have found that it had made out the defence of honest concurrent use in respect of passing off [343]–[344]. Although honest concurrent use is not a defence to breach of the Fair Trading Act, this finding militated against any grant of relief under the Fair Trading Act [344].

Damage

40. As there was no misrepresentation, there was no damage to BBB's goodwill [345].

Current Developments – Asia

CHINA & HONG KONG SAR

Dan Plane, Grace Chen, and Jeremy Chiu

Simone Intellectual Property Services (SIPS), Hong Kong
Correspondents for China and Hong Kong SAR

PRC IP Enforcement – Recent Court Decisions Regarding Mass Litigation

Intellectual property enforcement is viewed by most brand owners as strictly a cost centre – an unavoidable expense for a grudging responsibility. In some cases, however, where the potential rewards of enforcement litigation equal or even exceed the cost of that litigation, the entire IP enforcement paradigm can shift. For this to occur, there is ideally a critical mass of high-quality potential targets as well as laws and practices that make it likely that substantial damages will be awarded – and can be collected. Such programs, if run properly, can partially or even fully fund a brand's IP enforcement.

In China, where damages awards have traditionally been quite low, and where it can be difficult to collect such awards (even with the increasing use of social credit penalties to force compliance), such programs usually rely on economies of scale, filing dozens or even hundreds of lawsuits, and counting on a large number of small successes to balance out likely failures, refusals by pirates to cooperate, etc. Normally, the sheer number of lawsuits filed necessarily entails empowering lawyers and their investigators to work on a contingency fee basis. These types of programs are generally referred to in China as “mass litigation” programs.

Whilst a number of brand owners have been able to run such programs effectively and efficiently in China, two recent cases from the Supreme People's Court (“SPC”) regarding mass litigation programs call into question their future viability.

This is true even though SPC precedent is not binding on lower courts throughout China, as it is becoming increasingly common for local courts to view such cases as pertinent and persuasive. This makes it quite likely that the SPC's “mass litigation” decisions will have a significant impact on such programs. Of particular concern however, are potential ambiguities in the SPC's decisions that may well result in the decisions being much more broadly applied, impacting even brand owners who are not running traditional mass litigation programs of the type discussed above.

This update will offer insights into mass litigation programs, examine the SPC decisions, and consider possible outcomes arising from the SPC's recent decisions. It will also provide brand owners and practitioners tips on addressing possible challenges arising from the same.

Mass Litigation Enforcement Programs

IP enforcement in China can be a costly and lengthy process,¹ and if IP owners are only pursuing a handful of enforcement matters, it is quite likely they may incur a net loss, with awarded/collected damages being far outpaced by expenses. Normally, that is viewed as an acceptable outcome, where the primary goal is obtaining orders against pirates, halting future infringement.

The expenses incurred in running Chinese IP enforcement programs have traditionally been exacerbated however, both by the notoriously low levels of compensation awarded by Chinese courts for IP infringements as well as the lack of effective mechanisms to force pirates to pay those awards. That said, over the last five to six years, legislative reforms (such as increases in minimum statutory damages awards in patent law and copyright law in China and the introduction of punitive damages) have seen increases in damages awards. Moreover, the assigning of social credit penalties to pirates for their failure to pay damages awarded against them has seen a steady increase in the likelihood that pirates will pay up, often voluntarily, to avoid the bite of such penalties.

As a result, and as the number of civil enforcement matters pursued by an IP owner increases, greater economies of scale can readily be achieved. In that fashion, and with enough even minor successes in enough cases, damages awarded and collected may well reach the point where an enforcement program becomes self-funding or even a profit centre (i.e., the compensation collectively awarded across all enforcement matters is more than sufficient to cover the enforcement costs shelled out by the IP owner).

Generally speaking, certain factors must exist for mass litigation enforcement programs to cross that threshold:

- **Scale of infringement:** Normally the sheer scale of infringement activity will have to be very high and should be widely spread across different provinces (thus involving a wider range of local courts).
- **Right business scale or business model:** Generally speaking, owners of megabrands that are endemically counterfeited are more likely to be sufficiently victimised to support mass litigation. Often, however, brands with large licensing programs covering a wide range of goods and services across a number of classes might be well situated to run such a program.
- **Contingency-fee arrangements:** Given the need to file dozens or even hundreds of lawsuits, IP owners will undoubtedly need to work with at least a few and sometimes many local litigators on a contingency-fee basis. Such arrangements mean that those litigators

themselves fund much, if not all, fees incurred in litigating. In return, they receive a significant portion of the fees eventually awarded in those actions. These arrangements incentivise local litigators to run their cases as effectively and efficiently as possible, keeping their costs low, and ideally, seek settlement early and often.

Recent Decisions on Mass Litigation in China

Proof of a pirate's infringement provides a near absolute right to sue for damages and to halt said infringement. That said, there is a concern that IP owners and their local lawyers running these types of programs might become focused primarily on profit, including by filing civil actions against infringers regardless of the scale of infringement or the financial situation of the pirate. In turn, the dockets of local courts might become clogged by such cases, unnecessarily increasing their workload to an untenable degree.

As a result of these concerns, the SPC recently issued two decisions clearly intended to discourage mass litigation. Below are summaries of those cases.

1. *Nature Republic Co., Ltd. v Huayang Store & Zhongzhuang Supply Chain Management Co., Ltd.*²

Background: The plaintiff is Korean cosmetics manufacturer Nature Republic. Nature Republic is best known for their aloe vera gels, and its products have been widely counterfeited throughout China.

The first defendant Huayang Store is a small offline shop located in the Hebei province. Huayang Store sold infringing "NATURE REPUBLIC" aloe vera gels manufactured by the second defendant Zhongzhuang Supply Chain Management Co., Ltd. ("Zhongzhuang"). The infringing aloe vera gels were being sold for about AU\$5 each.

The plaintiff conducted notarised purchases (required as evidentiary proof in support of PRC civil litigation) from Huayang Store and confirmed that the sample was counterfeit. Nature Republic filed a civil action against the defendants, claiming trade mark infringement and demanding compensation of RMB30,000 (about AU\$6,400) and legal fees of RMB10,000 (AU\$2,100).

In the first instance decision, the Court found that trade mark infringement had been established, and held both defendants jointly and severally liable, awarding RMB7,000 (AU\$1,500) in compensation (including legal fees). In the appeal of that decision, the Huayang Store was found not liable, as it was able to prove that it had purchased the products from a "legitimate source" – a quirk of PRC trade mark law that can basically absolve a party of damages liability if they can prove they purchased the products from a source they had no reason to suspect was supplying fakes. The manufacturer

Zhongzhuang, however, was still found liable for the awarded damages.

SPC Ruling: The SPC overturned the appellate court's decision, finding that even though trade mark infringement had been established, the plaintiff should not be awarded compensation due to its "misuse" of civil litigation in China as a means of turning a profit, wasting judicial resources in the process. In the SPC's view, such conduct should not be encouraged or promoted.

The key factors leading to the SPC's decision were as follows:

- **Excessive litigation:** Between 2019 and 2023, many small and medium sized cosmetics stores in nearly a dozen provinces across China had received judicial summonses for trade mark infringement actions launched by the plaintiff.

In total, more than 4,000 judgments were issued, and the total amount of compensation gained by the plaintiff's civil actions exceeded RMB100 million (AU\$21 million).

- **Unclear record of relevant legal expenditure:** Nature Republic had conducted notarised purchases from various sellers in batches, and as a result, it was unable to clearly demonstrate the precise legal expenditure related to the named defendants in this case.
- **Low price of products:** Lastly, the SPC was also influenced by the fact that the unit price of the defendants' infringing products was low (about AU\$5 only).

2. *Shenzhen Big Event Technology Co., Ltd. v Shenzhen Yijian Technology Co., Ltd.* ((2022) Supreme People's Court, Intellectual Property Division, Final Instance No. 2947)³

Background: The plaintiff operates a Shenzhen based business called BCASE & SOTHING selling small home appliances, mobile phone accessories, and car accessories.

The defendant operates two online stores and was responsible for nine listings that infringed upon the plaintiff's utility model patent. The infringing products were priced at around only AU\$1–2.

The plaintiff conducted notarised purchases of the infringing products from the defendant's online stores and confirmed they were likely infringing its utility model patent. As a result, the plaintiff filed a civil suit against the defendants claiming patent infringement and seeking damages of RMB200,000 (about AU\$42,000, inclusive of legal fees).

At trial, the Court found that patent infringement had been established, awarding RMB40,000 (AU\$8,500, inclusive of legal fees) to the plaintiff. This was upheld in the first round of appeals.

SPC Ruling: The SPC overturned the decision and held that although patent infringement had been established, only RMB2,000 (around AU\$425) should actually be awarded to the plaintiff.

The key factors leading to the SPC's decision were as follows:

- **Excessive litigation:** The plaintiff filed a number of related cases in Shenzhen (as well as a few hundred similar lawsuits across the country), and the SPC found that the total compensation awarded to the plaintiff across various cases in Shenzhen was already more than sufficient to compensate the plaintiff's likely economic losses and reasonable legal expenses in the Shenzhen area.
- **Seller, not manufacturer:** The defendant was only a seller, and not the manufacturer, of the infringing products.
- **Low price of products:** As in the Nature Republic case, the SPC noted that the unit prices of the infringing products were extremely low.
- **Lack of intentional infringement:** Lastly, the plaintiff did not successfully prove that the defendant intentionally infringed the plaintiff's patent, nor did it demonstrate any repeat infringements or other acts that would support a higher damages award.

Implications for Brand Owners

The above SPC decisions call into question the viability of mass litigation enforcement programs in China under their "traditional" form, even though brands running such programs are almost necessarily being endemically counterfeited across the country by thousands of pirates, potentially leading to "death by a thousand cuts" for the brand. In that regard, the most worrying aspect is the SPC's failure to clearly define just how many cases need to be filed before a plaintiff can be deemed a "mass litigator" and/or when the SPC's other prevailing factors in the two cases, particularly the "low sales cost" factor (where the price of the infringing products is very low – and likely significantly lower than genuine products) should be invoked by trial courts determining damages to be awarded and liability for the same.

This concern is not hypothetical: within weeks of the SPC decisions being issued, an infringer in a lawsuit being managed by SIPS specifically raised a "mass litigation defence". There, the accused pirate claimed that our client, a foreign cosmetics brand, was a "mass litigator" and should thus be deprived of any damages award. Fortunately, we were able to demonstrate that the plaintiff had only filed a total of five lawsuits against various infringers in the last five years, and that the defendant in this and the earlier-filed cases had all engaged in long-term, multi-channel infringements.

Hopefully, those two key factors will carry the day and ensure a reasonable amount of damages is imposed against

that infringer. Nevertheless, any brand owner filing multiple civil lawsuits in the preceding four to five years should absolutely anticipate infringers attempting to cast them as "mass litigators" in their ongoing actions.

Recommended Best Practices

As a result of these decisions, IP owners would be wise to insulate their enforcement programs from the impact of a mass litigation defence being raised. This entails carefully considering the impact of each of the factors raised by the SPC and putting their cases in the best possible light to minimise the risk that they might successfully be accused of abusing China's legal system through mass filings of civil lawsuits against sympathetic defendants.

To this end, the following should be kept in mind:

- **Target manufacturers and sellers with large sales amounts:** The SPC seems to have viewed the small-to medium-scale defendants in these cases in a very sympathetic light, particularly where the products being sold were low cost – and only shown to be sold in small quantities. As a result, IP owners would be wise to primarily focus on manufacturers of fakes and larger-scale sellers, ensuring as much as possible that efforts are made to demonstrate significant sales volumes. This might be accomplished by conducting administrative raids in advance of litigation, hoping that authorities will diligently seek out details of past sales, and/or notarising evidence of longer-term sales volumes from online sources tied to the infringers.
- **Alternatives to civil litigation:**⁴ Prior to filing civil actions, it is also recommended that IP owners consider employing other avenues of enforcement. Such efforts could very well lead to more detailed evidence of larger scale past sales and illegal profits, as well as better evidence of intentionality in those sales.

At a minimum, IP owners should consider issuing pre-litigation cease and desist letters to infringers, only issuing proceedings after obtaining notarised or time-stamped proof of sales or promotion of the infringing products post-dating the pirate's receipt of the letter. This will help IP owners to argue bad faith on the infringers' part in their continuous infringement conduct and make it impossible for infringers to plead ignorance of the IP infringement.

As well, and where cease and desist letters are sent, IP owners should ensure they have solid, admissible evidence of when and how those letters were delivered. Where possible, and besides delivering the letters via Express Mail Service ("EMS"), IP owners should send them through email as well, which will clearly indicate the time and date of sending (and may also confirm the pirate's opening of the email). Time stamping of the delivery process by EMS and/

or email to preserve such evidence, which is cheaper and easier than notarisations, can also be considered.

For online infringements, IP owners can consider filing take-down requests via the relevant e-commerce platform prior to civil litigation.

For offline infringements (mainly regarding trade mark infringement), consideration should also be given to filing complaints to the relevant Market Supervision Bureau (“MSB”). The MSB will be able to conduct raids against infringing operations, seize infringing products and tools used to make them, order cessation of infringing activity, and/or impose financial penalties (which are paid to the MSB, not to the impacted brand owners). If the value of the counterfeits traded by the infringer reaches relevant thresholds, the IP owner may also request the Public Security Bureau (“PSB”) to take over the case and conduct a criminal investigation against the infringers. In any event, evidence collected by the MSB or PSB of sales volumes, illegal profits, etc., will be viewed as admissible evidence of the infringer’s conduct, and help to counter the key factors in a mass litigation defence.

- **Evidence of legal expenses:** Lastly, it is prudent that IP owners maintain a clear record of their legal expenses in relation to each individual infringer. For notary fees, IP owners should ask assisting notaries public to issue separate invoices for each individual infringer (rather than one general invoice covering a batch of notary services).

1 For more information, see: Dan Plane and Grace Chen, ‘The Use of Civil Litigation in the PRC as an Effective Form of Dispute Resolution for IP owners’, *SIPS* (Web Page, 3 July 2020) <<https://sips.asia/knowledge/trademark-enforcement/civil-litigation-in-the-prc-for-ip-owners/>>.

2 See Liu Shan, ‘Use intellectual property rights protection and litigation as a means of making profits? This road is blocked!’, *China IP News* (Web Page, 12 September 2023) <http://www.iprchn.com/cipnews/news_content.aspx?newsId=138556/>.

3 See Huang Miaoyan, ‘The amount of compensation awarded was changed from 40,000 to 2,000, which fully reflects the attitude of the Supreme People’s Court in continuing to suppress the bulk rights protection of intellectual property rights’, *Guangdong Baijun Lawyer* (Web Page, 29 July 2023) <<https://mp.weixin.qq.com/s/ZDCAYKSLv2loEZmTR81PtA>>.

4 For more information about IP enforcement in China, see: Dan Plane and Grace Chen, ‘Enforcement of IP Rights in China – A Primer’, *SIPS* (Web Page, 31 March 2020) <<https://sips.asia/knowledge/trademark-enforcement/enforcement-of-ip-rights-in-china-a-primer/>>.

JAPAN

John A Tessensohn¹

Board Member, SHUSAKU-YAMAMOTO, Osaka, Japan
Correspondent for Japan

Japan confirms patent infringement of computer server related invention even though server was operating outside of Japan

The Grand Panel of the Intellectual Property High Court of Japan (the “Grand Panel”) in *Dwango K.K., v. FC2, Inc. et al.* Case 2022 (ne) No. 10046 dated 23 May 2023² (“*Dwango*”) found that the unauthorised production of a computer system that used a server located outside Japan and user terminals located within Japan constituted patent infringement of a Japanese computer implemented invention.

Many computer implemented inventions use distributed computing systems, because the servers implementing those systems may be located in multiple jurisdictions. Even though end users are located in a jurisdiction covered by a patent, the servers may be outside of that jurisdiction. It was this scenario that the Grand Panel had to address in *Dwango*. Japanese telecommunications and media company Dwango K.K. accused FC2 Inc., the third most popular video hosting service in Japan, and Homepage System K.K., of infringing claim 1 of its Japanese patent no. 6526304.

FC2 Inc., is a US-based video distribution company that provides a system in which a server installed in the US transmits a video file and comments on the video to a user terminal from which the comments are transmitted, whereby the video overlaid with the comments is displayed in the browser of the user terminal. The system allows inputs and outputs in Japanese and is accessible from user terminals in Japan.

The Tokyo District Court, in a first instance decision,³ held that the “production” of a patented invention that constitutes infringement, as set out in section 2(3)(i) of the Patent Law, requires that a product that satisfies all the elements of the patented invention be newly produced *in Japan*. The Court held that the accused conduct of FC2 and Homepage System K.K. did not satisfy this requirement since the server of FC2 was located outside of Japan. Dissatisfied with this Tokyo District Court decision, Dwango appealed to the IP High Court of Japan. In view of the novel question of patent law, the Grand Panel was convened to review the case.

Subsequently the Grand Panel overturned the District Court decision and held that it would be unreasonable and impede the proper protection of patent rights directed to computer implemented inventions if parties were able to avoid patent infringement merely by installing a server abroad.

The Grand Panel found that it is reasonable in the present case to regard the transmission and receipt of the files as having occurred in Japan, that the user terminals located in Japan constitute the main function of the system, and that the effect of enhancing the entertainment experience was

exhibited in Japan, concluding that the “production” of the appellee’s system was carried out in Japan.

Comments

The decision is pro-patentee and expressly protects owners of computer implemented patents, in terms of whether Japanese patents are enforceable when a part of the patented system is located outside of Japan. Nevertheless, it would appear that it is still an open question whether this extraterritorial reach can be expanded beyond computer implemented patents and cover inventions in other technological fields such as chemistry, biotechnology, mechanics or electronics.

In today’s global supply chains, many parts are made, assembled and finished in various countries and the same territorial requirement that every element of patent infringement has to occur in Japan could also arise. It is likely that this issue is ripe for litigation in the future. Lastly, according to press reports, the aggrieved parties have appealed to the Supreme Court of Japan and therefore the issue of extraterritorial patent infringement may not yet have been resolved.

- 1 Executive Director and Board Member, SHUSAKU-YAMAMOTO, Osaka, Japan. Any questions about this article should be e-mailed to John A Tessensohn at jtessensohn@shupat.gr.jp. This update reflects only the personal views of the author and should not be attributed to the author’s firm or to any of its present or future clients.
- 2 The judgment is available (in English) at <https://www.ip.courts.go.jp/eng/vc-files/eng/2023/r4ne10046-f.pdf>
- 3 *Dwango K.K., v. FC2, Inc. et al.* Case 2019 (wa) No. 25152 dated 24 March 2022 (Japanese Web Page) <https://www.ip.courts.go.jp/vc-files/ip/2023/1wa25152gennshin.pdf>.

SINGAPORE

Melvin Pang, Aaron Thng and Bryan Ong

Amica Law
Correspondents for Singapore

A Whovian trade mark tussle through time

***Dr Who Waterworks Pte Ltd v Dr Who (M) Sdn Bhd* [2023] SGHC**

What amounts to use of a trade mark? In *Dr. Who Waterworks Pte Ltd v Dr Who (M) Sdn Bhd* [2023] SGHC, the Singapore High Court examined this question. The High Court considered when a sign is used “in a trade mark sense”, how consumers would perceive domain names and meta-titles, and how that all connects to trade mark infringement.

Background

This case centred around a trade mark infringement claim between two parties previously in a commercial partnership. The plaintiff, Dr. Who Waterworks Pte Ltd, was a Singaporean company that registered the “DR.WHO” mark in 2004 in classes 32 and 39 in Singapore.

The defendant, Dr Who (M) Sdn Bhd, was a Malaysian company. They developed the DR. WHO quatrefoil mark **DR.WHO**® in 2012.

When the commercial partnership deteriorated, the parties agreed to divide the shareholding, directorships, and intellectual property between themselves. The plaintiff would own and use the mark “DR.WHO” in Singapore; same for the defendant in Malaysia.

Acting on information from one of the Dr Who Group’s customers, the plaintiff engaged private investigators to surveil the defendant’s activities in Singapore. The plaintiff subsequently commenced an action against the defendant on 3 July 2020, asserting that the defendant was liable for, amongst other claims, trade mark infringement and passing off.

Whether the defendant infringed the plaintiff’s registered trade marks

Section 27(2) of the *Trade Marks Act* (the “Act”) provides that an act amounts to infringement of a registered trade mark if there is:

- (i) use of an infringing sign within Singapore;
- (ii) in the course of trade;
- (iii) in a trade mark sense;
- (iv) without the consent of the proprietor;
- (v) a sign which is identical or similar to the registered mark;
- (vi) in relation to goods or services identical or similar to those for which the mark is registered; and
- (vii) a likelihood of confusion on the part of the public.

The plaintiff relied on five instances of alleged trade mark infringement:

1. use of the DR. WHO quatrefoil mark on commercial vehicles and the polo shirt of the driver and the use of the “www.drwho.com.my” sign and the “www.drwho.com” sign on the vehicles;
2. the use of the “www.drwho.asia” sign on cartons of water displayed for sale at IKEA stores;
3. the use of the DR. WHO quatrefoil mark, the copyright notice “© DR. WHO (S) PTE LTD” (“the Copyright Notice”), the meta-title “DR. WHO (M) SDN. BHD.” on the “www.drwho.com.my” website and the meta-title “DR. WHO (S) PTE LTD” on the “www.drwho.asia” website;
4. the use of the DR. WHO quatrefoil mark and the “Dr Who Malaysia” sign on the DR. WHO (M) Facebook page; and
5. the use of the corporate name “DR. WHO (S) Pte Ltd” by the defendant.

Use of the sign “in a trade mark sense”

The Court made the following observations in relation to the use of a sign “in a trade mark sense”:

- Evidence of the use of a sign outside of Singapore does not amount to an infringement under the Act.
- Use of signs in an incomprehensible manner or in a manner not visible to the members of the public does not amount to use “in a trade mark sense”. Hence the sign used on the back of the defendant’s driver’s polo shirt was not use “in a trade mark sense” while it was moving on the road as it would not be visible to members of the public viewing the truck then.
- A copyright notice “©” does not constitute use of the sign “in a trade mark sense” as it does not denote the trade origin of goods. It simply declares that ownership of the copyright in the website’s content belongs to the entity indicated.
- While the use of a company name solely to identify a company is not use of a sign “in a trade mark sense”, the defendant’s name was used on cartons of water offered to IKEA and this amounted to use “in a trade mark sense”. The use of the corporate name in the contract would also have constituted the sale of goods under the sign “DR. WHO (S) PTE LTD” pursuant to section 27(4)(b) of the Act.
- Evidence of the existence of the websites featuring allegedly infringing signs or mere access of the websites by consumers in Singapore is insufficient to show that consumers in Singapore have been targeted by the websites. However, direct encouragement or

advertisement constitutes “use” of the sign “in a trade mark sense”.

- Despite the top-level domain (“TLD”) of “.my” which may indicate that the websites targeted Malaysian consumers, the content of the home pages of websites referred to clientele in Singapore as it explicitly stated that the defendant was “providing OEM solutions for clientele around Malaysia and Singapore”.
- The TLD of “.asia” also suggests that the defendant operated in both Singapore and Malaysia and would be willing to provide their goods and services to Singaporean consumers.
- Unlike the “www.drwho.asia” website and the “www.drwho.com.my” website, there was no evidence that the DR. WHO (M) Facebook page targeted consumers in Singapore as only references to Malaysia were made. Similarly, there was no evidence that consumers in Singapore were being directed to this Facebook page. Therefore, the use of signs on the DR. WHO (M) Facebook page did not amount to infringement.

- Meta-titles serve as the titles of websites and are displayed on the internet browser’s “tab”. As they denote the trade origin of the goods or services provided by the website, this amounts to use “in a trade mark sense”.
- Customers would have also seen the DR. WHO quatrefoil mark headlining the home page when accessing the websites. Together, the DR. WHO quatrefoil mark and the meta-titles would have been understood by consumers as indicating the source of the goods offered on those websites, and thus constitutes use of the signs “in a trade mark sense”.

Identity/Similarity of the signs used

1. “DR. WHO” against www.drwho.com.my and www.drwho.asia

How the average consumer perceives a website address depends on the TLD and second-level domain (“SLD”). Here, the dominant component of the “www.drwho.com.my” sign is its SLD, “drwho”. The SLD identifies the “specific and unique administrative owner” associated with the address. Here, the Court found that the SLD is visually similar to the DR. WHO goods mark.

In terms of aural similarity, the SLD is aurally identical to the DR. WHO goods mark. While the TLD does add an aural component, it was not a significant difference and thus the sign is aurally similar to the DR. WHO goods mark. On conceptual similarity, the SLD and the DR. WHO goods

mark share the conceptual feature of the prefix “DR” which evokes the concepts of medical doctors or healthcare and thus are conceptually similar.

2. **DR.WHO[®]** against “DR. WHO”

The Court found that “DR.WHO” is a purely inventive term and thus distinctive. While there were slight differences in terms of the font as well as the presence of the quatrefoil device, such differences did not prevent a finding of similarity given that the dominant components of both the registered mark and the sign comprised the term “DR.WHO” in block letters. As such, the DR. WHO quatrefoil mark and the DR. WHO goods mark are similar.

3. “DR. WHO” against the meta-titles “DR. WHO (M) SDN. BHD.” and “DR. WHO (S) PTE LTD”

The dominant component of the sign (“DR. WHO”) is aurally and conceptually identical to the DR. WHO goods mark. Therefore, the presence of “(S) PTE LTD” and “(M) SDN. BHD.” did not detract from a finding of similarity.

Identity/similarity of the goods

The goods available on the website were identical to the goods for which the DR. WHO goods mark was registered in class 32. As the average consumer would have been exposed to some degree of transit advertising, they would understand that the placement of the URL of a website besides a sign directs consumers to access the website in order to gain information on the goods/services offered under the sign.

Likelihood of confusion

Given the similarity of the marks and the identity of the goods, the Court found that a substantial portion of the relevant public would have confused the plaintiff with the defendant and/or believed that they were related entities.

The fact that the home page of the “www.drwho.com.my” website also indicates that the defendant’s entity serves clientele in both Singapore and Malaysia would also lead to the relevant public being under the impression that the goods originate from the Malaysia instead of Singapore.

While the Court did acknowledge that traders are likely to pay a higher degree of attention and care towards their purchases as compared to consumers, this did not affect the outcome in this case as the average consumer would not likely be familiar with the full corporate name of the company, much less be aware of whether that company is the registered proprietor of the trade mark in Singapore.

Key takeaways

Dr. Who Waterworks Pte Ltd v Dr Who (M) Sdn Bhd [2023] SGHC is one of the few cases in Singapore where the Court comprehensively canvassed the plaintiff’s claims against every single element of section 27(2) of the Act. The Court examined how the average consumer would perceive the

various parts of a website address and whether meta-titles amount to use of a sign “in a trade mark sense”.

In brief, while copyright notices do not denote the trade origin of any goods as they simply declare that ownership of the copyright in the website’s content belongs to the indicated entity, meta-titles may be an infringement risk as they would be displayed to and viewed by consumers accessing the websites, indicating the source of the goods offered on the website.

Additionally, how consumers perceive website URLs depend on the TLD and SLD. The SLD identifies the “specific and unique administrative owner” associated with the website address and is thus likely to be the dominant component of the URL. The Court also noted that differences arising due to the functionality of the website address are insufficient to render a sign comprising a website address dissimilar to a registered mark if the SLD is similar to the mark.

Current Developments – Europe

UNITED KINGDOM

Lucie Fortune

Bristows LLP

Correspondents for the United Kingdom

Court of Appeal considers balancing act between confidentiality and open justice

J.C. Bamford Excavators Limited v Manitou UK Limited (1) and Manitou BF SA (2) [2023] EWCA Civ 840

In this decision, the UK Court of Appeal considered the balancing act that is necessary between the private interest of confidentiality and the public interest of open justice. Although the confidential information of parties to litigation, particularly in patent infringement cases, should be sufficiently protected to enable full disclosure so that the issues can be addressed wholly by the courts, there may be instances where the principle of open justice is more important than keeping that information confidential. However, in this case the Court of Appeal overturned the High Court's first instance decision that the defendant's confidential information should be published in a public judgment, instead ordering that it be redacted. In its judgment, the Court of Appeal runs through the principal authorities regarding confidentiality and trade secrets and provides a useful summary of the various considerations at play for practitioners tackling these issues.

Background

J.C. Bamford ("JCB") commenced High Court proceedings against its long-standing competitor Manitou, alleging that Manitou had infringed four of JCB's patents. These patents related to construction vehicles known as telehandlers, which feature a four-wheel chassis, a cab for the operator and an extendable arm which can be raised or lowered. Manitou denied infringement and counterclaimed for revocation of JCB's patents.

One of the allegations of infringement related to a control system which was currently in use on the majority of Manitou's telehandlers, known in the proceedings as "Configuration C". In the course of the first instance proceedings, Manitou served a product and process description (a "PPD"), as is common in patent infringement proceedings in the Courts of England and Wales, describing the relevant features of Configuration C (as well as four other configurations – A, B, D and E). Manitou claimed that large parts of the PPD were confidential, as were parts of other documents in the case, such as the statements of case, witness statements, expert reports and skeleton arguments. Before trial, the parties agreed to certain limited people on both sides having access

to Manitou's confidential information in the case through a "confidentiality club".

At trial, the Judge made an interim order under Civil Procedure Rules ("CPR") rule 31.22(2) to preserve the confidentiality of Manitou's information until after judgment. Most of the first instance trial hearing was public, but parts of the hearing took place in private.

In its substantive judgment, the High Court held that one of JCB's patents, EP 2 616 382, was valid and infringed by one of Manitou's telehandler control systems, Configuration D, but not by Configuration C or the other configurations. The Judge's reasons regarding infringement were set out in a confidential annex to the judgment ("the "Confidential Annex") due to Manitou's claim to confidentiality. At the form of order hearing after judgment, Manitou sought a permanent order under CPR 31.22 in respect of various documents, including the Confidential Annex, but JCB disputed that much of Manitou's information was confidential.

The main issue in dispute regarding confidentiality was how to deal with information concerning the way in which Configuration C works, and in particular the key criterion it uses (referred to as "Criterion X"). The first instance Judge decided that, although this information was confidential, the principle of open justice trumped Manitou's claim to confidentiality, and therefore the relevant information should be published in unredacted form in the public version of the judgment. Manitou appealed and this publication was stayed pending determination of the appeals.

Issues

The issues raised by this case involve a balancing act between Manitou's private interest in protecting its allegedly confidential information and the public interest in open justice.

Is the information confidential and/or a trade secret?

JCB appealed against the finding at first instance that Manitou's information was confidential. In considering this question, the Court of Appeal started with the elements necessary for a breach of confidence claim:

*First, the information itself ... must 'have the necessary quality of confidence about it'. Secondly, that information must have been communicated in circumstances importing an obligation of confidence. Thirdly, there must have been an unauthorised use of the information to the detriment of the party communicating it.'*¹

The Court then outlined that no claim of confidentiality can be maintained if information contained in a document can be readily obtained by inspecting a publicly accessible article. However, “relative” confidentiality can be claimed if the information can only be obtained from the article by a process of reverse engineering which takes time, effort and skill. The significance of this confidentiality being “relative” is that it affects remedies – in particular, any injunction granted should only last for a period corresponding to the advantage the defendant obtained by taking a short cut (often known as a “springboard” injunction).²

The Court of Appeal commented that, although the parties used the term “confidential information”, the more accurate term in these circumstances was “trade secrets” and therefore the Court should have regard to both the Trade Secrets Directive³ and the Trade Secrets Regulations⁴ (which implement the Trade Secrets Directive in the UK), even though neither were strictly applicable in this case as there was not any claim of unlawful acquisition, disclosure or use of a trade secret.⁵

Manitou argued that the design and implementation of Configuration C (particularly Criterion X) was commercially sensitive and that disclosure of it to competitors would risk unjustifiably eroding a competitive advantage that Manitou currently possesses. On the other side, JCB argued that Criterion X was not confidential because it could be deduced by a process described by their expert at trial, Professor Plumber. Professor Plumber stated that a skilled person would know that the Configuration C system has a threshold which varies with the angle of the arm, and that there are a number of parameters which vary arm angle. It would be very clear from a detailed inspection of Manitou’s machine that certain parameters can be ruled out after which, Professor Plumber claimed, it would occur to the skilled engineer what the further parameter would be, i.e. Criterion X. Therefore JCB claimed that Criterion X could not amount to confidential information because either:

- (a) it could be deduced simply from a detailed inspection of the relevant telehandlers as described by Professor Plumber; or
- (b) it could be deduced by the same process which might be more accurately described as “reverse engineering”.

The Court of Appeal rejected this argument. The Court agreed with Manitou that the information about Criterion X contained in documents has relative confidentiality, even though it could be deduced by someone who undertook the process described, because it was commercially sensitive information and the possession of the documents provides a short cut to that information. Even if any injunction granted to prevent a defendant from using this information might only last a number of days or weeks, the information was still confidential.

This conclusion is also consistent with the Trade Secrets Directive and Trade Secrets Regulation which make clear that although it may be lawful to acquire trade secrets by reverse engineering, it is not lawful to acquire trade secrets through unauthorised access to confidential information recording them (Article 4 of the Trade Secrets Directive).

Therefore the Court of Appeal dismissed JCB’s appeal and affirmed that the information was confidential.

Should the confidential information be published in the public judgment?

The Court of Appeal next turned to whether, notwithstanding the confidentiality of Manitou’s information, it should be published in unredacted form in a public judgment. The Court reiterated that open justice is a fundamental principle of English law. As set out in the Supreme Court case *Dring v Cape Intermediate Holdings Ltd* [2019] UKSC 38 at [42]–[43], there are two main purposes of the open justice principle:

The first is to enable public scrutiny of the way in which courts decide cases—to hold the judges to account for the decisions they make and to enable the public to have confidence that they are doing their job properly. ... the second goes beyond the policing of individual courts and judges. It is to enable the public to understand how the justice system works and why decisions are taken. For this they have to be in a position to understand the issues and the evidence adduced in support of the parties’ cases.

The open justice principle also applies to judgments. In *R (on the application of Mohamed) v Secretary of State for Foreign and Commonwealth Affairs (No. 2)* [2010] EWCA Civ 65, Judge CJ said at [41]:

... where litigation has taken place and judgment given, any disapplication of the principle of open justice must be rigidly contained, and even within the small number of permissible exceptions, it should be rare indeed for the court to order that any part of the reasoning in the judgment which has led it to its conclusion should be redacted.

However, under CPR 31.22(2) the Court may make an order restricting or prohibiting the use of a document which has been disclosed, even where the document has been read to or by the court, or referred to, at a hearing which has been held in public. CPR 31.22 is particularly relevant in patent infringement proceedings, where one or both parties typically disclose important details about their technology which are often highly commercially sensitive. Usually, the party seeking to establish confidentiality must give specific reasons why it would be damaged by the publication of the information it seeks to protect.

Manitou's appeal

On appeal, Manitou argued that the first instance Judge erred in principle by wrongly finding that the public's need to understand the Judge's reasoning on the issue of infringement was more important than Manitou's right to protect their confidential information.

The Court of Appeal stated that the starting point should be, as identified by the Judge at first instance, the open justice principle, which applies with particular force to judgments explaining the reasons for a decision. The Court of Appeal rejected arguments made by Manitou that they were in effect more deserving of a confidential information designation – namely because they were found not to have infringed a patent by the machines to which the confidential information relates and because they were the defendants to litigation – the Court holding that both of these considerations were irrelevant.

However, the Court of Appeal said that the crucial point was to correctly characterise Manitou's claim. Taking all the facts into account, the information which Manitou sought to protect as confidential was technical information devised by a skilled engineer which on the evidence:

- (i) is not public knowledge,
- (ii) complies with relevant standards, and
- (iii) has been devised to avoid infringement of JCB's patent, and therefore
- (iv) is reasonably considered by Manitou to give them competitive advantage against third parties.

Although counsel for Manitou had not argued the application involved a claim for trade secrets, the Court of Appeal was satisfied that it did.

The Court of Appeal explained:

... open justice must only give way to the protection of trade secrets when, and to the extent that, this is necessary. Where it is necessary to protect trade secrets, however, open justice must give way to a still greater principle, which is justice itself.

Accordingly, the Court allowed Manitou's appeal and made a permanent CPR 31.22(2) order in respect of the parts of the relevant documents, including the Confidential Annex to the Court's judgment, which include Criterion X.

Comment

This decision will come as a great relief to Manitou who will not have their confidential information published in a public judgment after all. More generally, it confirms the need for parties to think carefully about the information which they claim to be confidential during court proceedings. Not only

will a party need to satisfy the court that their information has the relevant qualities that render it confidential or a trade secret, in order to avoid the information's disclosure the court will also need to be satisfied that the private interest in keeping it confidential trumps the public interest in open justice, which is a high bar.

- 1 *Coco v A.N. Clark (Engineers) Ltd* [1969] RPC 41, 47, approved in many subsequent cases including by the House of Lords (now the Supreme Court) in *Douglas v Hello! Ltd* (No 3) [2007] UKHL 21.
- 2 *Terrapin v Builders Supply Co (Hayes)* [1967] RPC 37 as analysed in *Vestergaard Frandsen A/S v Bestnet Europe Ltd* (No 2) [2009] EWHC 1456 (Ch).
- 3 European Parliament and Council Directive 2016/943/EU of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure.
- 4 Trade Secrets (Enforcement, etc.) Regulations 2018 (SI 2018/597).
- 5 A "trade secret" is defined in the Trade Secrets Directive, Article 2 as: "information which meets all of the following requirements: (a) it is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (b) it has commercial value because it is secret; (c) it has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret".

EUROPEAN UNION

Professor Phillip Johnson

Professor of Commercial Law, Cardiff University
Correspondent for the European Union

TV on demand and private copying ... both are back before the Court of Justice of the European Union

***C-426/21 Ocilion IPTV Technologies GmbH v Seven.One Entertainment Group GmbH & Co. KG*,
EU:C:2023:564 (Court), EU:C:2022:999 (AG)**

Introduction

The scope of the communication to the public right under the Information Society Directive¹ is something that has come before the Court of Justice of the European Union many times,² as has the scope of the private copying exception also found in that Directive.³ The recent decision in *C-426 Ocilion IPTV Technologies GmbH v Seven.One Entertainment Group GmbH & Co. KG* (“*Ocilion*”)⁴ takes the law further in relation to both and while it relates to a very specific technical product, there are certain important issues it raises and resolves. To understand the decision, however, it is first necessary to explain the product.

The product

The technology behind *Ocilion* is a little esoteric. It provided an internet television service in a closed network to commercial customers. These customers or network operators⁵ represented a wide range of businesses from stadiums to electricity companies.⁶ The product offered was an on-premise product whereby *Ocilion* made the necessary hardware and software available to its customers (the network providers), but once it was made available it was for the network providers to manage.⁷ These providers in turn offered their own (end user) customers access to television over the internet.⁸ *Ocilion*’s services were such that once its product was installed, the original broadcast programmes were received simultaneously and unchanged without it being involved.⁹ The Court of Justice was asked to consider whether the provision of this product would constitute communicating to the public the television channels which were received using the product.

The other question the Court was asked related to an additional “add-on”¹⁰ service provided by *Ocilion*.¹¹ This involved the recording of a particular programme using an online video recorder so that it could be watched at any time by an end user up to seven days later.¹² This is what is commonly called a “catch-up” service.¹³ A significant feature of this “delayed” viewing was that one copy was made and all the end users who wished to record the particular programme would be given access to this single recording.¹⁴ It was argued by *Ocilion* that this process was little more than private copying and so was permitted under the Directive.¹⁵

When is the provision of a service a communication to the public?

The question that will be examined first is whether the product *Ocilion* was providing was communicating the works to the public.¹⁶ The decision of the Court does not include much detail, it reiterates its standard position on what amounts to a communication to the public and summarised it as follows: a “service provider makes an action of communication when it intervenes, in full knowledge of the consequences of its action, to give its customers access to a protected work, particularly where, in the absence of that intervention those customers would not, in principle, be able to enjoy the ... work”.¹⁷ It then largely agreed with the Advocate General’s view that *Ocilion* was not liable because it was providing physical facilities.¹⁸ It is therefore his reasoning which must be examined.

It is clear that the provision of any physical facilities which enable a communication to the public does not in itself amount to such a communication.¹⁹ The key issue is whether the supplier of the facilities played an *active* role in the communication or not. It was opinion by the Advocate General, and accepted without much demur from the Court, that *Ocilion* had no active role and so was merely providing physical facilities.²⁰

Critically, the Advocate General took the view that “physical facilities” includes both *software* and hardware²¹ even though the software itself was not “physical”. This was because, he said, it would be anachronistic to treat software otherwise as almost all technical equipment intended to make or receive a communication now has a processor and requires software to function.²² The Court accepted this and fitted it with the language of earlier case law. So it held that the software and hardware necessary to access the broadcast did not play an “indispensable role” as *Ocilion* had not “take[n] action” to give end users access.²³ This is an important distinction. While *Ocilion*’s product was *necessary* to give access to the works, the company itself did not take action to provide access to those works. The access was given by the network providers. Indeed, as the Court emphasised once more, knowledge that a product may be used for communicating a work to the public is not the same as actually communicating that work.²⁴ This makes sense if one takes a very simple example. A computer might be necessary to upload works to the internet, but it would be very strange to suggest that the computer manufacturer is actually responsible for communicating the works uploaded.

The second significant aspect of the judgment (and the Advocate General’s opinion) is that the provision of physical facilities can extend to technical support.²⁵ The Advocate General took this view because technical support – including software updates and other technical improvements – are a “standard ancillary service” and they are necessary for the end user to take full advantage of the facilities in question.²⁶

To the extent that there was no evidence before the Court that these updates and improvements affected what programmes would be watched by the end user, the Court was content to agree with the Advocate General.²⁷ This once more highlights the need for passivity. So, for instance, if the software creates a system recommending programmes based on an end user's earlier choices, it may be that the software is no longer passive. Its provision is therefore not merely providing physical facilities. While the extent of the permitted passivity in this context is unclear, the starting point must be right.

Modern electronic devices routinely need to update the software to fix bugs and to avoid security risks. As the ongoing updating and improvement of the software is something which must be encouraged, it would have been very unfortunate if this was undermined because a rule was introduced that providing updates would lead to copyright infringement.

In the end, what the decision made clear is that it is the network operators who gave the end users access to the copyright works, whether live or in delayed replay mode, and not the provider of the hardware and software.²⁸ This made sense as the end user is unlikely to even be aware of Ocilion's role in the provision of the service.²⁹ Accordingly, the private copying question was not relevant to Ocilion's liability. But the Court addressed it in any event.

Private copying

The second part of the reference considered whether the catch-up service was covered by the private copying exception. Once more, the key feature of this service was that the end user requests a programme to be recorded. But it is recorded by the network operator on hardware provided by Ocilion as part of its product,³⁰ and it is recorded only once, and all users who ask to record the programme get access to the same copy.

It was once more reiterated that the private copying exception is part of ensuring the fair balance between right holders and users.³¹ It was immediately clear that delayed access service did not provide the necessary balance between these interests.³² An immediate problem was the copy of the work was not made by the end user, but by the network operator.³³ The private copying exception applies to individuals and not to legal persons;³⁴ and so a copy made by a company automatically falls outside the exception. To avoid this problem, Ocilion claimed it was merely providing a *tool* to make the copy.

The difficulty with this argument was that, as the Advocate General noted, the copying was not even initiated by the end user.³⁵ This was because the catch-up service was not to enable the end user to make additional use of a work to which they have been given access, but to provide an alternative means of access to the transmission of the original television

programme.³⁶ In simple terms, the catch-up service was adding value to the original broadcast.³⁷ It therefore can be contrasted with services where copies are made by the user themselves using online services.³⁸

Critically, the Advocate General noted that the single copy made as part of the catch-up service is not made in the *private* sphere of the end user at all, rather it is made as part of the public exploitation of the work so as to make it available to an indeterminate number of end users.³⁹ Indeed, as the Court noted, the main interest of the catch-up service was to provide content at a different time to that when it was transmitted live.⁴⁰ Thus, even if multiple copies had been made of the same programme it would still not have been a private copy.

As already explained, this was not how the software worked. Instead, it created one recording and gave anyone requesting it access to the same recording. Clearly, this technical approach could not improve the case for it being private copying. In fact, it made it worse. It was said that making only one copy for use by multiple end users was making a copy for a "collective (public) use".⁴¹ Furthermore, the service provided did not actually involve making a copy, but giving access to an existing copy.⁴² In other words, the network operators were not making a reproduction of a work, but communicating an existing work to the public.⁴³ While neither the Advocate General nor the Court cited it, this had been established a decade ago in *C-607/11 TV Broadcasting Ltd v TVCatchup*.⁴⁴ Nevertheless, what was emphasised again in *Ocilion* is that there is a difference between simultaneously making a television programme available online in accordance with the broadcaster's own schedule and making it available at other times.⁴⁵

Unsurprisingly, therefore, the Court dismissed any claim that allowing the single copy to be used many times was a matter of technical neutrality. It held that the system was nothing to do with a new technology being introduced, but rather it was nothing more than giving an indeterminate number of people access to a single copy for commercial purposes.⁴⁶ In short, the Court was objecting to the service provided and not the technology used to provide it. Accordingly, the private copying exception did not apply.

Importantly, it is worth noting that the Advocate General highlighted various things as important for private copying. The overarching point is the copy made should be for the user's exclusive use⁴⁷ but, more interestingly, he suggested that there must be some *cost* to the user making the copy. This might be the cost of the hardware, the reproduction material (e.g. the CD) or the storage service or simply the effort to make the reproduction.⁴⁸ Thus, where something makes a single copy available to many it does so with minimal fixed cost and so is clearly outside the exception.⁴⁹ This "cost" requirement appears to be in addition to the requirement to provide "fair compensation" for any copy made.⁵⁰ This idea

a user must incur some form of “cost” is strange. Copyright exceptions are not usually based on cost and, indeed, surely the requirement to pay the fair compensation *is* the cost. The Court neither endorsed nor distanced itself from this cost requirement, but it is suggested that a requirement for user costs should not be a precondition for any exception.⁵¹

Conclusion

It is not the decision in *Ocilion* itself which is likely to be of significant interest. The decision is but another case in an increasingly long line of new technologies being assessed in terms of the scope of rights and exceptions. But what the case highlights is that the passive provision of facilities can evolve as technology evolves and can go beyond the physical and so extend beyond apparatus. The inclusion of software (and indeed technical support) as physical facilities may have significant ramifications for developers of software for third party devices. The case also makes it clear that private copying will be viewed narrowly. It must actually involve a copy and – critically – that copy cannot be made available to people other than the copier and those in the copier’s private sphere. Whether other suggestions, such as copying must involve a cost to fall within exception, will stand the test of time is less clear. Nevertheless, statements such as these indicate a very restrictive view of the exception’s scope.

1 Directive 2002/19/EC on copyright in the information society, Art 3.

2 Indeed, it was the subject of an earlier case comment in this journal: Phillip Johnson, ‘User Generated Content and Intermediary liability’ (2021) 126 *Intellectual Property Forum* 101.

3 The subject of another case comment: Phillip Johnson, ‘A copy of a cloud: private copying levies ... again’ (2022) 128 *Intellectual Property Forum* 86.

4 EU:C:2023:564 (Court), EU:C:2022:999 (AG).

5 As they were called: AG, [12].

6 AG, [12]; Court, [12].

7 *Ocilion* also offered a cloud-based system, and while this technology was discussed it was not relevant to the questions asked: see AG, [16]; Court, [15].

8 AG, [13].

9 AG, [27].

10 AG, [36].

11 The questions were actually answered the other way around.

12 AG, [14] and [29]; Court, [13].

13 However, it was not called this by the Court of the Advocate General.

14 AG, [15]; Court, [14].

15 Directive 2001/29/EC, Art 5(2)(b).

16 The Court was not asked about the second product.

17 Court, [59] also see AG, [68].

18 Court, [62] adopting AG, [68] to [70].

19 AG, [61] referring to Directive 2001/29/EC, recital (27) and C-527/15 *Stichting Brein*, EU:C:2017:300.

20 AG, [65] and Court, [64].

21 AG, [65].

22 AG, [65].

23 Court, [64].

24 Court, [64].

25 Court, [66] and AG, [66].

26 AG, [66] (the Commission took the contrary view in its submissions).

27 Court, [66].

28 AG, [69].

29 AG, [70].

30 AG, [29].

31 AG, [34]; Court, [33] and [34].

32 AG, [35].

33 AG, [37].

34 Court, [39].

35 AG, [37].

36 AG, [37].

37 Court, [43].

38 See C-433/20 *Austro-Mechana*, EU:C:2022:2017; and Phillip Johnson, ‘A copy of a cloud: private copying levies ... again’ (2022) 128 *Intellectual Property Forum* 86; also see C-265/16 *VCAST*, EU:C:2017:913, [35].

39 Court, [45].

40 Court, [44].

41 AG, [41].

42 AG, [42].

43 AG, [45].

44 EU:C:2013:147, [40].

45 AG, [47].

46 Court, [49].

47 AG, [43].

48 AG, [50].

49 AG, [50] and its application to the three-step test: AG, [54].

50 AG, [51].

51 Indeed, *removing* transaction costs has been suggested as a reason to *create* copyright exceptions: see for instance, Wendy Gordon, ‘Fair Use as Market Failure: A Structural and Economic Analysis of the *Betamax* Case and its Predecessors’ (1992) 82 *Columbia Law Review* 1600.

FRANCE

Emmanuel Baud and Philippe Marchiset¹

Jones Day

Correspondents for France

A French judicial saga of bread and trade marks: “Poilâne”

For almost a century, the name “Poilâne” has been one of the most renowned trade marks for bread in the world. Created by Pierre Poilâne during the 1930s in Paris, the “Poilâne bread”, as it is often referred, designates a round shaped bread made with grey flour. Pierre had two sons, Lionel and Max, who each started their own bakery business in Paris and followed their father’s recipe for bread.

In the 1970s Pierre and Lionel created an eponymous company which filed a corresponding trade mark. Upon their father’s death, Lionel and Max engaged in endless disputes regarding their father’s estate, its value and the alleged manoeuvres from Pierre to favour Lionel. The rights to use the name “Poilâne” then became the subject of multiple legal disputes. Max argued that his father had clearly favoured his youngest brother by granting him the rights to the mark “Poilâne”, while this name could be regarded as a sort of collective family property.

In a decision handed down in 1992 (4th Chamber, Section A, 9 December 1992, n°91/008936) and confirmed by the Cassation Court (13 June 1995, n°93-15.084):

- the trade mark “Poilâne” filed by the company held by Lionel was considered valid, and
- the rights of Max Poilâne to use his legal name in the course of trade were also acknowledged.

The Cassation Court however required that Max always use his first name and last name on the same line, in the same characters and colours. The name “Max Poilâne” was also always to be associated with the addresses of the points of sale.

In a nutshell, the Cassation Court considered that Max Poilâne had the right to use a homonymous sign corresponding to his legal (patronymic) name, including through his company, given that he was acting in good faith. The ruling derived from an exception provided under French trade mark law and benefiting the bearer of a patronymic name. This exception still exists today, however, it has been limited under the latest EU Directive. Article 14.1 of Directive 2015/2436 which provides:

A trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade: (a) the name or address of the third party, where that third party is a natural person.

The former Directive did not mention that this was limited to natural persons and it was often held that as long as the name bearer occupied a leadership position within the company, the latter could use his name, including as a trade mark.

Following that dispute, Max Poilâne successfully filed the trade mark “Max Poilâne” in France which was considered as valid by the courts. The courts also held that the company Poilâne acquiesced to the trade mark; with the result that the filing and use of the trade mark could no longer be challenged.

Lionel passed away in 2002 but this has not put an end to the legal disputes surrounding the use of the name “Poilâne”. His daughter Apolonia took over the fight against Max and obtained damages due to breaches of the rules imposed by the Court in 1992 regarding Max Poilâne for using his trade mark “Max Poilâne” in the course of trade. However, despite those decisions (rendered in 2009 and 2011), the trade mark “Max Poilâne” could still be used, provided that the strict rules laid down in 1992 were respected.

Recently, with Max Poilâne retiring in favour of his son, Julien, the “Max Poilâne” trade mark became exploited by various licensees and new points of sale opened in France. Julien also incorporated his own company in Lyon. He opened a bakery in Lyon and was granted the right to include his name in his company name by the Lyon Court of Appeal in a decision dated 29 November 2018.

In 2019, the company holding the trade mark “Max Poilâne” initiated a suit against the Poilâne company before the Paris Court of First Instance with the aim to revise the strict rules laid down by the 1992 decision, notably in the digital environment.

The first difficulty for the “Max Poilâne” side was that the 1992 decision from the Court Appeal enjoys *res judicata*. Therefore, this decision is irrevocable and binding upon the users of the “Max Poilâne” name. To overcome this burden, it was alleged that the increase of the number of Max Poilâne points of sale was a new circumstance allowing revision of the ruling. On 27 June 2023, the Paris Court of first instance disagreed with this view and recalled that the 1992 decision applied whatever the number of points of sale were at stake.

The development of digital marketing was also used as a new circumstance that the 1992 judges could not have foreseen. However, and again, the Court dismissed this argument, holding that nothing evidenced that the online sale or presentation of “Max Poilâne” bread was impossible. In particular, the Court indicated that none of the parties disputed the current use of the domain name “max-poilane.fr” and its direction to a website comprising a list of all points of sale.

It was also argued by Max and Julien Poilâne that such rules constituted an abuse of the dominant market position. However, the Court ruled that the relevant market is bakeries in general and is not limited to the “Poilâne” bread.

Though the Court did not grant Max and Julien Poilâne any of their claims, it indicated that the obligation to mention the point of sales did not apply to places of manufacture. The Court also validated the use of the domain name “max-poilane.fr”. Regardless of whether this decision will be appealed, it is more than probable that the Poilâne saga is not over.

¹ This contribution reflects the personal views of the authors and should not be attributed to the authors’ firm or to any of its present and future clients.

GERMANY

Christopher Weber and Sören Dahm

Kather Augenstein

Correspondents for Germany

How to use a bike? The protectability of a design for the bottom of a saddle

Federal Court of Justice decision of 15 June 2023, docket number I ZB 31/20

Introduction

In Germany, an applicant can obtain a registered design for the external appearance or design of a product under the German Design Act (“Designgesetz”). The German Design Act is based on a European Union Regulation. To be eligible for protection, the design must have novelty and an individual character. According to section 2 of the German Design Act, a design is considered new if no identical design has been disclosed before the filing date. Also, a design has individual character if the overall impression it produces on the informed user differs from the overall impression produced on that user by another design disclosed before the filing date.

In addition, there is the special rule of section 4 of the German Design Act for the construction elements of complex products.

Section 4 Components of complex products

A design which is used in or incorporated into a product which is a component part of a complex product shall be considered to be new and to have individual character only if the component part incorporated into a complex product remains visible when the complex product is used as intended and these visible features of the component part itself fulfil the requirements of novelty and individual character.

This means that a design lacks novelty and individual character if it concerns a component that is part of a complex product and is not visible during the intended use. However, it is vague how the terms “visible” and “intended use” are to be interpreted.

Facts of the case

The present case concerns the protectability of a design for “saddles for bicycles or motorbikes”. The illustration of the design shows only the underside of a saddle:



It was therefore a question of whether and to what extent the bottom of the saddle is visible during the intended use.

The applicant had applied for a declaration of invalidity of the design. It claimed that the design lacked the requirements for protection of novelty and individual character. It argued that the design should be excluded from protection by the German Patent and Trade Mark Office under section 4 of the German Design Act because it was not visible as a component of the complex products “bicycle” and “motorbike” when used as intended.

On appeal by the applicant, the Federal Patent Court (“FPC”) found the design to be invalid. During the intended use of the bicycle by the end-user, the underside of a bicycle saddle, which is the subject-matter of the design, is not visible. The intended use only comprises riding the bicycle as well as getting on/off. Therefore, the design lacked novelty and individual character when applying section 4 of the German Design Act.

The applicant appealed the decision of the FPC and the Federal Court of Justice (“FCJ”) had to decide the appeal. During these proceedings, the FCJ referred some questions on the interpretation of section 4 of the German Design Act to the European Court of Justice (“ECJ”) for a preliminary ruling. The ECJ then clarified that the requirement of “visibility” must be examined in regard to the normal use of that complex product, whereby it is important that the component in question remains visible even after its incorporation into that product in relation to such use. For this purpose, the visibility of a component part of a complex product during its “intended use” by the end-user shall be assessed from the point of view of that user as well as from the point of view of an outside observer. Intended use, in turn, includes the actions performed during the principal use of a complex product and the actions normally required to be performed by the end-user in connection with such use. This, however, does not include maintenance, servicing and repair.

The decision of the FCJ

The appeal by the owner of the contested design was successful. The FCJ referred the case back to the FPC for a new decision as the FPC had based its decision on incorrect considerations. The FCJ therefore did not decide the case on the merits but instead found the reasoning of the FPC was not convincing and sufficient to invalidate the contested design.

The FCJ first found that the FPC had correctly assumed that a bicycle is a complex product and that a bicycle saddle is a component part of this complex product.

However, the FCJ subsequently stated that the FPC used the wrong arguments in denying the visibility of the bottom of a saddle.

When assessing this question, one must only consider the contested design in its installed state, as section 4 of the German Design Act speaks of an “inserted” component. This was correctly stated by the FPC.

However, the FPC erred in restricting the interpretation of the term “intended use” to acts of the end-user in direct connection with the pursuit of the main purpose of use of the complex product, as defined by the manufacturer. In fact, a broad understanding of the term must be assumed, which is not limited to the manufacturer’s definition of purpose alone but includes all usual uses except for maintenance, servicing and repair. Accordingly, in this case, actions connected with the transport or storage of a bicycle were held to fall under its intended use.

The FPC stated that the “intended” use of a bicycle (from the manufacturer’s point of view) was its use as a means of moving around. This included riding as well as getting on/off the bicycle. During these actions, the bottom of the saddle was completely covered by the top and the side parts of the saddle. It could only be seen by looking “from below”, which was completely unusual. Further intended uses could not be determined.

According to the FCJ, one cannot rely solely on the manufacturer of the component or complex product to define intended use, because it is precisely the customary use of the complex product by the end-user that matters. Since the concept of intended use is to be understood broadly, it also includes acts that may be performed before or after the product has fulfilled its main function, such as storage or transport of the product.

The FCJ therefore annulled the decision of the FPC and referred proceedings back for a new decision.

Conclusion

The FCJ’s decision is to be commended. It is refreshingly practical and well reasoned. The intended use of a bicycle naturally includes numerous other actions apart from just riding or getting on and off. In addition to transport and storage, one could possibly also cite the use of the saddle in the context of sports competitions where participants jump over obstacles with their bikes. Further, it is not unusual to transport a bike on a car roof or in other elevated positions. In these cases, the bottom would be visible to the spectators of the competition or other road users, who are part of the group relevant when considering the visibility of the product.

Current Developments – North America

UNITED STATES OF AMERICA

Guy Yonay

Pearl Cohen Zedek Latzer Baratz LLP

Correspondent for the United States of America

Lanham Act Limited to “Use In Commerce” in United States

In *Abitron Austria GmbH v Hetronic Int’l, Inc.* 600 U.S. 412 (2023), the Supreme Court of the United States clarified that the *Lanham Act*, the federal law that governs trade mark, trade dress, and certain types of false advertising, has no extraterritorial reach, and is limited to a defendant’s “use in commerce” in the US. Under the facts at issue, the defendant Abitron (the plaintiff’s former licensee) reverse engineered the plaintiff Hetronic’s products and sold the imitation products in Hetronic’s distinctive black and yellow trade dress. Although most sales were in Europe, Abitron made some direct and indirect sales into the US. The trial court awarded US\$96 million in damages based on Abitron’s worldwide sales and issued a worldwide injunction, on the basis that the US sales sufficed for the Lanham Act to apply to all sales. The Tenth Circuit limited the countries in which the injunction applied, but otherwise affirmed the ruling.

The Supreme Court reversed. The Court started with the presumption against extraterritoriality, that is, the presumption against application to conduct in the territory of another sovereign. The Court found nothing in the Lanham Act that overcame the presumption that Congress did not intend for its extraterritorial reach beyond the US borders. Next, the Court considered what conduct needed to occur in the US, and found that the required act in the US was the “use in commerce”, and not the likelihood of confusion by consumers. Therefore, because damages were awarded based largely on Abitron’s use in commerce abroad, the District Court judgment was vacated.

Two Patent Cases On Joint Inventorship

The Court of Appeals for the Federal Circuit recently considered two appeals from District Court judgments finding joint inventorship – one was reversed, the other affirmed.

In *HIP, Inc. v Hormel Food Corporation*, 66 F.4th 1346 (Fed. Cir. 2023), Hormel’s patent claimed a two-step method of precooking bacon: first, preheating the meat using a microwave oven, infrared oven, or hot air; and then cooking the meat at a second, higher temperature. The first step creates a layer of melted fat around the meat pieces, which protects the meat from condensation that may wash away salt and flavour during cooking. The second step prevents

the charred, off flavour associated with cooking the meat pieces at higher temperatures. Hormel, a large producer of meat products for retail outlets, and HIP, a producer of food safety and thermal processing equipment, collaborated on improving Hormel’s precooked bacon for microwave heating. Hormel’s patent resulting from the collaboration named four Hormel employees as inventors. HIP filed legal proceedings to correct inventorship to name David Howard, one of its employees, as a co-inventor. The District Court found that Howard should have been named as a co-inventor for his conception of using an infrared oven for the preheating step.

The Federal Circuit reversed. In order to be a joint inventor, the court must find that the individual:

1. contributed in some significant manner to the conception of the invention;
2. made a contribution to the claimed invention that is not insignificant in quality, when that contribution is measured against the dimension of the full invention; and
3. did more than merely explain to the real inventors well known concepts and/or the current state of the art.

The Court held that an analysis of the patent showed that precooking in a microwave oven was by far the more significant method of precooking, relative to an infrared oven. Therefore, even though precooking in an infrared oven was expressly recited in one of the claims, the Court found that Howard’s contribution was insignificant, and did not merit being named as co-inventor. HIP has filed a petition for certiorari to the Supreme Court.

In *Blue Gentian, LLC v Tristar Products, Inc.*, 70 F.4th 1351 (Fed. Cir. 2023), Blue Gentian, sued Tristar for patent infringement, and Tristar counterclaimed to correct inventorship. The patent at issue named Blue Gentian’s principal, Michael Berardi, as sole inventor on all its patents relating to an expandable garden hose. According to an exemplary claim, the hose comprised a flexible elongated outer tube constructed from a fabric material, and a flexible elongated inner tube formed of an elastic material.

The District Court found that Ragner was a joint inventor on all of Berardi’s patents based on a single meeting between them, in which Ragner communicated elements of the invention to Berardi. Specifically, those elements included a fabric outer tube and an elastic inner tube that provides a retracting force without a metal spring, which Blue Gentian relied upon at the USPTO to distinguish its claims from the prior art. Blue Gentian appealed the finding on two principal grounds:

- (a) insufficient evidence of collaboration, insofar as contributions from a joint inventor must arise from some element of joint behaviour, such as working under common direction with the named inventors; and
- (b) lack of corroboration of Ragner’s evidence of joint inventorship, as it is well settled that an alleged joint inventor’s testimony standing alone is insufficient to establish inventorship.

The Court of Appeals affirmed the finding on all counts. For collaboration, the Court held that people may be joint inventors even though they do not physically work on the invention together or at the same time, so long as each co-inventor engages with the other co-inventors to contribute to a joint conception. On the facts, Ragner’s open communication of the inventive elements at the meeting (showing confidential graphics and photographs, demonstrating prototype of the MicroHose) was an indication of collaboration.

For corroboration, the Court held that corroborating evidence of joint inventorship may take many forms, including contemporaneous documents, physical evidence, circumstantial evidence, or oral testimony of someone other than the alleged inventor. In this case, Ragner pointed to a document displayed during the meeting that detailed the manufacturing process for the MicroHose and showed its inner elastomer layer and a reinforcement layer made of polyester yarn. Berardi further admitted that Ragner “might have mentioned elastomer” at the meeting. Within hours after the meeting, Berardi bought supplies to build a hose prototype using an inner elastic tube for biasing and an outer tube the water ran through, and tested it the next day. His first patent application was filed three months later. The Court found this evidence sufficed to corroborate Ragner’s claim of joint inventorship.

No Copyright Registration for AI Generated Artwork

A Review Board of the US Copyright Office has issued a final rejection of artwork that included contributions by artificial intelligence (“AI”) software because the applicant refused to disclaim the portions generated by the AI. Jason M Allen’s piece entitled “Théâtre D’opéra Spatial”, won the 2022 Colorado State Fair’s artwork competition, achieving notoriety as the first AI assisted artwork to do so. Upon filing for copyright registration for the work, the Copyright Office requested that Mr Allen disclaim portions generated by the AI, but he refused.

The Review Board ruled that a registrable “original work of authorship” must be created by a human author, and non-humans cannot be recognised by the Copyright Office as authors. This was the case with the refusal of copyright for divine scripture in *Urantia Found. v Kristen Maaherra*, 114 F.3d 955 (9th Cir. 1997) holding that “some element of human creativity must have occurred in order for the Book to be copyrightable” because “it is not creations of divine beings that the copyright laws were intended to protect” and observed in obiter dictum with *Naruto*, the crested macaque photographer in *Naruto v Slater*, 888 F.3d 418 (9th Cir. 2018) ruling that certain terms in the Copyright Act “all imply humanity and necessarily exclude animals”.

As described in the Copyright Office’s AI Registration Guidance, the Office will determine when a human can be considered the “creator” of AI generated output. In doing so, the Office asks “whether the ‘work’ is basically one of human authorship, with the computer [or other device] merely being an assisting instrument, or whether the traditional elements of authorship in the work (literary, artistic, or musical expression or elements of selection, arrangement, etc.) were actually conceived and executed not by man but by a machine”: *Copyright Registration Guidance: Works Containing Material Generated by Artificial Intelligence*, 88 Fed. Reg. 16,190, 16,192 (16 March 2023).

Mr Allen argued for copyright registration based on his creative input to the AI software (Midjourney), including 624 rounds of iterative text prompts relating to the image’s genre and category, tone, degree of realism, use of colours, style, all using “a writing technique that Mr Allen has established from extensive testing” that would make the image “pop”. Ultimately, the Review Board found these labour intensive efforts unavailing, and compared the AI generated image to the final work:



Midjourney Image



The Work

Current Developments – North America

The Board concluded that because the image created by the Midjourney AI software (top) remains in substantial form in the final work (bottom), the piece was not the product of human authorship. The Board left open whether Mr Allen's later adjustments made in Adobe Photoshop would be copyrightable on their own.¹

¹ The Review Board's decision is available at (Online PDF) <<https://www.copyright.gov/rulings-filings/review-board/docs/Theatre-Dopera-Spatial.pdf>>.

The Intellectual Property Society of Australia and New Zealand Inc

Trans Tasman National Committee of Management

President: Clare Cunliffe

Vice Presidents: Ian Horak KC and
Thomas Huthwaite

Secretary: Robynne Sanders

Treasurer: Katrina Crooks

Members

Jade Andrews, Amy Bishop*, Victoria Bell, Nadia Braad, Georgia Campbell*, Louise Buckingham, Lucy Davis*, Kate Duckworth*, Shelley Einfeld, Megan Evetts, Dean Gerakiteys, Lauren John, Tim Mahood, Alexia Mayer, Melissa McGrath, Nicole Murdoch, Rebecca Pereira, Rebecca Simpson*, Natalie Shoolman, Lauren Gore/David Stewart*, Chris Williams and Jason Yau.

Past President

Shelley Einfeld

New South Wales Committee

Chairperson: Rebecca Simpson

Louise Buckingham, Robert Clark, Rebecca De Stoop, Giulia Fimmano, Dean Gerakiteys, Stuart Green, Korina Hui, Alison Jones, Nicholas Kraegen, Tracy Lu, Melissa McGrath, Connie Merlino, Shauna Ross, Natalie Shoolman, Anna Spies, and Aparna Watal

New Zealand Committee

Chairperson: Kate Duckworth

Sarah Chapman, Clive Elliott KC, Earl Gray, Caitlin Hadlee, Sonya Hill, Thomas Huthwaite, Tim Mahood, Hamish Selby, Christian Tucker, Jason Wach and Richard Watts

Queensland Committee

Chairperson: Georgia Campbell

Kate Baumann, James Beckett, Nadia Braad, Taryn Lovegrove, Nicole Murdoch, Edward Quinn, and Taylor Smallwood

South Australia Committee

Chairperson: Amy Bishop

Niomi Abeywardena, Luke Dale, Alastair Donaldson, Louise Emmett, Daniel Kiley, William Mellor, Eugene Reinboth, Adam Rosser, and Greg Tye

Victorian Committee

Chairperson: Lucy Davis

Emina Besirevic, Tim Burn-Francis, Sarah Catania, Jacob Flynn, Susan Gatford, Ian Horak KC, Artemis Kirkinis, Ben Mawby, Alexandra Moloney, Rhys Munzel, Rebecca Pereira, Amy Surkis and Robert Vienet

Western Australian Committee

Chairpersons: Lauren Gore and David Stewart

Simon Davey, Bronte English, Sam Fiddian, Michelle Hankey, Kristine Hodgson, Alan Jacques, Angela Mi So Kang, Clare Mould, Grace Ng, Barry Padman, Ebony Sweetnam, Laura Tatchell and David Wilson

Executive Secretary

Caroline Reznik

Assistant Executive Secretary

Moya Carroll

*State Chairperson



INTELLECTUAL PROPERTY FORUM