

# Intellectual Property Forum

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Editor  
Fiona Rotstein



## Contents

Editorial • In Conversation with the Honourable Justice Mark Moshinsky • Articles • Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough? • Is There a Doctrine of Non-Literal Patent Infringement in Australia? A Survey of Modern Design-Around Cases • Professionals Beware: The Opportunities and Risks of Generative AI in Legal Practice • Brand Protection Snippets • Reports • Review of *Founding a Global Human Rights Culture for Trade Marks* • Review of *The Exploitation of Intellectual Property Rights: In Search of the Right Balance* • Current Developments • Australia • New Zealand • Asia • Europe • North America

# Intellectual Property Forum

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

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## Submission Dates for Contributions:

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June 2024	before 1 May 2024
September 2024	before 1 August 2024
December 2024	before 1 November 2024
March 2025	before 1 February 2025

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

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- 3 Editorial**  
Fiona Rotstein
- 6 In Conversation with the Honourable Justice Mark Moshinsky**  
Fiona Rotstein
- Articles**
- 9 Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?**  
James Lawrence and John Hogan
- 21 Is There a Doctrine of Non-Literal Patent Infringement in Australia? A Survey of Modern Design-Around Cases**  
Ali Ward, Odette Gourley, Grant Fisher, Rachelle Downie and Sarah Catania
- 33 Professionals Beware: The Opportunities and Risks of Generative AI in Legal Practice**  
Associate Professor Evana Wright
- 42 Brand Protection Snippets**  
Fiona McNeil
- Reports**
- 50 Review of *Founding a Global Human Rights Culture for Trade Marks***  
Alexandra Gassner
- 54 Review of *The Exploitation of Intellectual Property Rights: In Search of the Right Balance***  
Amy Tesoriero
- Current Developments**
- 61 Australia**
- 74 New Zealand**
- 76 Asia**  
China & Hong Kong SAR, Japan, Singapore
- 85 Europe**  
United Kingdom, European Union, France, Germany
- 94 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](mailto:editors@ipsanz.com.au).

## Editorial – Fiona Rotstein

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Photo by Harney Andrews

Fiona Rotstein, Editor

After a quick ocean dip and a refreshing summery break, I'm pleased to welcome readers for another year at *Intellectual Property Forum*. Gazing into a crystal ball, what IP developments are on the horizon? Twenty four hours after Steamboat Willie's copyright expired in the United States, some interesting iterations appeared online – casting the earliest Mickey Mouse in slasher flicks, dubstep remixes and non-fungible tokens. All eyes will be on Popeye when the spinach eating sailor enters the public domain in the US on 1 January 2025. The US lawsuit filed by *The New York Times* on the use of its copyright material in the training and operating of Microsoft and Open AI's generative AI tools has also caused a splash.<sup>1</sup> The shootout between the venerable news company and the two tech titans should be a showstopper. Locally, the Commonwealth Attorney-General's Department is currently considering mandatory safeguards for AI development and deployment in high-risk settings, whether by updating existing laws or creating new laws.<sup>2</sup> The Australian Government will be watching if other jurisdictions follow the lead of the European Union and Canada by proposing stand-alone AI legislation.<sup>3</sup>

Looking ahead, we also await various IP judgments by the Full Court of the Federal Court of Australia ("Full Court"). These include the latest *Australian Mud Company v Globaltech* appeal (heard by Justices Nicholas, Burley and Kennett on 22 and 23 May 2023) which concerns topics including common design and authorisation in the context of patent infringement among other issues;<sup>4</sup> and the *Motorola v Hytera* appeal (heard by Justices Beach, O'Bryan and Rofe from 27 to 30 November 2023) regarding questions of both patent infringement and validity, as well as copyright infringement.<sup>5</sup> In addition, it will be interesting to see what the future holds for an Australia-European Union Free Trade Agreement. Talks collapsed after the 15<sup>th</sup> round of negotiations in July 2023 and discussions are on hold until after the EU elections in June 2024. Thus, the reciprocal protection of geographical indications ("GIs") for foodstuffs and spirits between the EU and Australia remains to be resolved.

Across the ditch, the European Union Free Trade Agreement Legislation Amendment Bill was introduced to New Zealand Parliament in late January 2024 and the closing date for public submissions to the Bill was 16 February 2024. The Bill includes amendments to the *Geographical Indications (Wines and Spirits) Registration Act 2006* (NZ) to register nearly 2,000 EU GIs in New Zealand. The registration of these GIs was part of the New Zealand-European Union Free Trade Agreement negotiations. In other Kiwi IP news, although the *Therapeutic Products Act 2023* (NZ) received

Royal Assent on 26 July 2023 and is currently in force (but many of its provisions will only become effective in 2026), its future is in doubt following the formation of the new coalition Government.<sup>6</sup> There will no doubt be more thrills and spills for the IP profession as the year progresses.

This edition of the Journal canvasses IP issues of both local and international interest. Our authors expertly examine an assortment of recent IP decisions and developments. The topics of the four articles featured range from patent sufficiency and claim support to the challenges for copyright law raised by the development and use of generative AI. In addition, non-literal patent infringement is explored, as well as recent developments in brand protection litigation. There are also reviews of two recently released but very different IP texts. As usual, the Journal is also jampacked with IP updates that traverse Australia, New Zealand, Asia, Europe and North America.

We begin with my interview of the Honourable Justice Mark Moshinsky who was appointed to the Federal Court of Australia on 2 November 2015. In our conversation, Justice Moshinsky reflects on his career path and why he always had aspirations to be a judge. In addition, his Honour discusses the changes he has seen in IP matters since his appointment to the Federal Court and the IP cases that stand out as having been particularly memorable. When I ask what are the key issues in IP currently, his Honour replies:

... At present, IP cases (in particular, patent cases) often raise a multitude of issues, not all of which are pursued at the hearing. This creates significant legal cost and means that the cases take a long time to prepare. While the Federal Court can seek to exercise some control over this, there are limits to what the Court can do. As I see, it is in the interests of the profession to streamline the way in which cases are run, as this will make litigation more attractive as a method of resolving disputes, and lead to more cases being brought and resolved. I see this as a joint challenge for the Court, the Bar and solicitors.

If a new year's resolution could be made for the IP profession, Justice Moshinsky has perfectly put it into words.

In our first article, James Lawrence and John Hogan take a deep dive into *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178 (“*Rattlejack*”). The 13 November 2023 decision by the Full Court (Perram, Nicholas and McElwaine JJ) is Australia's first appellate judgment regarding the post-*Raising The Bar* amendments<sup>7</sup> to the support and sufficiency requirements in section 40 of the *Patents Act* 1990 (Cth). Jusand has applied to the High Court of Australia for special leave to appeal the Full Court's decision and the outcome of that application is expected soon – so the article's analysis is timely. The authors consider the background to the *Raising the Bar* amendments and the history of sufficiency in the United Kingdom. The decisions in the *Rattlejack* trial and appeal are explored in detail, as are the relevant legal principles and ramifications of the appeal judgment. The article thus illuminates a range of issues regarding the vexed topic of sufficiency and claim support in patent law.

Next, Ali Ward, Odette Gourley, Grant Fisher, Rachelle Downie and Sarah Catania consider whether there is a doctrine of non-literal patent infringement in Australia. The authors discuss a variety of design-around cases from both Australia and the UK. The authors use the phrase “design-around cases” to refer to cases where the allegedly infringing product was designed having regard to the patented invention. According to the authors, there is neither a literal nor a non-literal approach to claim construction in Australia. Instead, they contend, local courts must be convinced of infringement or non-infringement on the proper construction of the patent claims. The authors consider the current position in Australia regarding claim construction, as well as the UK doctrine of equivalents. They then present the findings of their detailed case review, providing a useful overview of the law at present in Australia.

On a completely different note, Associate Professor Evana Wright examines the risks and rewards of using generative AI in legal practice. Wright discusses the different definitions of generative AI and the hazards of generative AI tools “hallucinating”. Her article considers issues of copyright infringement and the copyright ownership of AI

generated outputs. Wright also reports on a range of recent copyright decisions and current cases involving generative AI. In addition, Wright explores the capacity of generative AI to produce biased or discriminatory content, the implications for privacy and confidential information, plus the professional responsibilities that should be taken into account when using generative AI in legal practice.

Then, Fiona McNeil analyses a variety of recent Australian judicial decisions to consider some topical issues relating to brand protection. McNeil spotlights three different subjects. First, interlocutory injunctions and the extent to which an alleged infringer's knowledge of existing IP rights may impact the weighing of the “balance of convenience”. Secondly, how to prepare evidence in chief of conversations and thirdly, party costs orders and litigation funding. McNeil reviews judgments by the High Court of Australia, Full Court and Federal Court of Australia. The wide-ranging decisions relate to patents, trade marks and unfair competition, registered designs, and applications seeking to enforce contractual restraints of trade. McNeil sews together the takeaways from these judgments to provide a valuable primer relating to recent developments in Australian IP litigation.

Next, Alexandra Gassner reviews *Founding a Global Human Rights Culture for Trade Marks* by Dr Genevieve Wilkinson of the Faculty of Law at the University of Technology Sydney. Dr Wilkinson's thesis is that countries are not responsive enough to the human rights implications of trade mark protection. The book has an international focus but includes analysis of Australian tobacco plain packaging laws that were the subject of High Court of Australia and World Trade Organization decisions<sup>8</sup> and Australian anti-counterfeiting measures. Then, Amy Tesoriero reviews *The Exploitation of Intellectual Property Rights: In Search of the Right Balance*. The book features contributions from respected IP scholars, including Australians Professor Leanne Wiseman and Associate Professor Kanchana Kariyawasam, who discuss different methods of ensuring that IP contractual and enforcement practices best support the aims of the IP system.

Finally, this edition features IP updates from around the world. Locally, there are reports on Federal Court of Australia and Full Court judgments, plus the successful leave application to the Supreme Court of New Zealand on the scope of the “issuing to the public” cause of action in copyright. There also updates from our correspondents in China and Hong Kong SAR, Japan, Singapore, the UK, EU, France, Germany and the US. These range from Japanese patent application trends to a recent decision by the Court of Justice of the European Union which held for the first time that certain criminal aspects of IP law come within the scope of EU law. In light of Associate Professor Wright's article in this issue, it is also interesting to read the contribution by our UK correspondents regarding Getty Images' UK claims against Stability AI, creator of the deep learning AI model

known as “Stable Diffusion”, which required the UK High Court to consider the question of jurisdiction in the context of AI. I thank all of the Journal’s regular contributors who continue to keep us up to date on the latest IP developments across the globe.

This edition marks my 25<sup>th</sup> issue and sixth year editing *Intellectual Property Forum*. In view of the past, I am confident that 2024 will be filled with interesting IP judgments and developments. As the official journal of IPSANZ – the leading organisation of IP professionals in Australasia – contributions are welcome on emerging and key issues across the entire IP spectrum. Indeed, the collegial sharing of knowledge about the evolving IP landscape is a notable feature of the IPSANZ and broader IP community. If inspiration strikes and you wish to contribute to a future issue of the Journal, please email me at [editors@ipsanz.com.au](mailto:editors@ipsanz.com.au). I look forward to hearing from you. Until then, enjoy the issue!

- 1 *The New York Times Company v Microsoft Corporation, OpenAI Inc and Ors* 2023 WL 8933610 (US S.D.N.Y. 1:23-cv-11195, 27 December 2023) Jury Trial Demand.
- 2 Australian Government: Department of Industry, Science and Resources: *Safe and responsible AI in Australia consultation: Australian Government’s interim response* (Report, 2024) 6 <[https://storage.googleapis.com/converlens-au-industry/industry/prj2452c8e24d7a400c72429/public\\_assets/safe-and-responsible-ai-in-australia-governments-interim-response.pdf](https://storage.googleapis.com/converlens-au-industry/industry/prj2452c8e24d7a400c72429/public_assets/safe-and-responsible-ai-in-australia-governments-interim-response.pdf)>.
- 3 On 8 December 2023, the European Parliament and Council reached a provisional agreement on the EU’s *Artificial Intelligence Act*. The agreed text will have to be formally adopted by both European Parliament and Council to become EU law. On 27 September 2023, the Canadian Minister of Innovation, Science and Industry released a voluntary code of conduct specific to generative AI. The voluntary code of conduct follows the proposed *Artificial Intelligence and Data Act* that was introduced to Canada’s House of Commons as part of Bill C-27 on 16 June 2022 but will not likely be in force until 2025.
- 4 *Globaltech Corporation Pty Ltd ACN 087 281 418 & Ors v Australian Mud Company Pty Ltd & Anor* NSD968/2022.
- 5 *Hytera Communications (Australia) Pty Ltd ACN 165 879 701 & Anor v Motorola Solutions, Inc.* NSD675/2023.
- 6 Both the Coalition Agreement between the National Party and the ACT Party, and the Coalition Agreement between the National Party and the New Zealand First Party include a promise to “repeal the Therapeutic Products Act 2023”. See *Coalition Agreement between the National Party and the ACT Party* (Web Page, 24 November 2023) 8 <[https://www.interest.co.nz/sites/default/files/2023-11/National\\_ACT\\_Agreement.pdf](https://www.interest.co.nz/sites/default/files/2023-11/National_ACT_Agreement.pdf)>; and *Coalition Agreement between the National Party and the New Zealand First Party* (Web Page, 24 November 2023) 8 <[https://assets.nationbuilder.com/nzfirst/pages/4462/attachments/original/1700784896/National\\_\\_\\_NZF\\_Coalition\\_Agreement\\_signed\\_-\\_24\\_Nov\\_2023.pdf?1700784896](https://assets.nationbuilder.com/nzfirst/pages/4462/attachments/original/1700784896/National___NZF_Coalition_Agreement_signed_-_24_Nov_2023.pdf?1700784896)>.
- 7 *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth).
- 8 *JT International SA v Commonwealth of Australia; British American Tobacco Australasia Limited v The Commonwealth* (2012) 250 CLR 1; Panel Reports, *Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Application to Tobacco Products and Packaging*, WTO Docs WT/DS435/R, WT/DS441/R, WT/DS458/R and WT/DS467/R (28 June 2018).



# In Conversation with the Honourable Justice Mark Moshinsky

Fiona Rotstein

Photo courtesy of the Federal Court of Australia



*The Honourable Justice Mark Moshinsky*

**O**n the third last day of 2023, Fiona Rotstein met with the Honourable Justice Mark Moshinsky of the Federal Court of Australia. What followed was an interesting discussion regarding Justice Moshinsky's career path, legal role models and his Honour's insights on the practice of IP law.

**Q:** After graduating as dux of Wesley College, you completed a Bachelor of Arts at the University of Melbourne in 1996. Two years later, you received a Bachelor of Laws with First Class Honours from the University of Melbourne and were awarded the Supreme Court of Victoria Prize (the top law student in your graduating year). What led you to study law?

**A:** At the time I decided to study law, I did not know whether I would want to be a lawyer. I had a number of other thoughts, such as management, public service, the diplomatic corps. Studying law (in addition to Arts) seemed like a good foundation for several different potential career paths. I was fortunate to have many great teachers in my law course at Melbourne University. They taught us to analyse legal problems in a logical way, skills that have been useful ever since. And they inspired me to pursue a career in the law.

**Q:** Your mother, Ada Moshinsky, practised law for 35 years and was the third woman to be appointed a Queen's Counsel in Victoria. What effect did your mother have on your career choice?

**A:** I grew up hearing about my mother's cases around the kitchen table. She was a successful commercial barrister, with an interest in trusts, tax, wills and probate. At the time she came to the Bar (reading with the late Neil Forsyth QC), there were very few women at the Bar, and fewer still who practised in commercial areas. As well as being a pathbreaker, she was a formidable advocate and adviser, prepared to look at things differently, and with a strong sense of the commercial context. She enjoyed her work, and the collegiality of the Bar. Undoubtedly, this was a strong influence on my career choice.

**Q:** During 1989 to 1991, you studied at the University of Oxford on a Rhodes Scholarship, completing a Bachelor of Civil Law with First Class Honours. You have also

lectured and been a Senior Fellow at Melbourne Law School. Why did you ultimately decide to pursue a career at the Bar rather than as a full time academic?

**A:** While I enjoyed my studies, I always leaned towards the practice of law. I was attracted by the challenge of arguing cases in court and the satisfaction of helping clients resolve their legal problems. That said, I love teaching and have enjoyed my involvement in the Masters program at the Melbourne Law School. Nothing beats a class discussion with interested and engaged students!

**Q:** You were called to the Victorian Bar in 1995 and read with Dr Susan Kenny, as her Honour then was. What was that experience like?

**A:** I have learned a great deal from Sue Kenny, both when I was reading with her and since then. At the time I went to the Bar, Sue was one of the leading – if not *the* leading – public law barrister in the country. She appeared regularly in the High Court of Australia and was in all the leading constitutional cases of the 1980s and 1990s. At the time she was appointed (to the Court of Appeal of the Supreme Court of Victoria in 1997) she was the first woman to be appointed to that court and there were very few female judges. She was appointed to the Federal Court about a year later, and served on that court for about 25 years, until her recent retirement. She was a model judge, and it was a privilege to sit with Sue on Full Courts.

**Q:** You practised at the Victorian Bar from 1995 to 2015, including as senior counsel from 2007. What were some of your highlights during your 20 years at the Bar?

**A:** I enjoyed the challenge of preparing cases for presentation in court and the pleasure of working with other barristers. When I was a junior barrister, this involved working with excellent Silks, from whom I learned a great deal. Later, after I was appointed senior

counsel, I worked with excellent juniors. I also enjoyed having four readers. Mentoring is a very enjoyable, as well as important, part of being in the legal profession. Some of the cases that are most memorable were pro bono cases. For example, one of the last cases I ran before I was appointed to the Federal Court was for the North Australian Aboriginal Justice Association and involved a constitutional challenge to laws that allowed the Northern Territory to detain people in custody for very minor offences. The Minister who introduced the laws called it a system of “catch and release”, where the police would hold someone in custody for several hours and then release them, for offences where jail time was not even an available penalty. Unfortunately, the plaintiffs, for whom I acted, were unsuccessful: see *North Australian Aboriginal Justice Agency Ltd v Northern Territory* [2015] HCA 41; 256 CLR 569.

I was fortunate to be briefed in a small number of IP cases in my last couple of years at the Bar. This introduced me to IP law, which was valuable when I came to hear cases in this area. In one of these cases, *Streetworx Pty Ltd v Artcraft Urban Group Pty Ltd (No 2)* [2015] FCA 140; 110 IPR 544, I first met Stephen Burley QC, a very experienced IP barrister who will be known to your readers. Not long afterwards, we were both appointed to the Court, where we have been colleagues for about eight years.

- Q:** As a Federal Court judge, you hear matters that span various National Practice Areas, including IP. What is your view of IP law?
- A:** The IP cases are interesting and well run. I always look forward to hearing them. There is the opportunity to learn about a new industry or area of technology, which brings enjoyment and challenge!
- Q:** You were a member of the Bar Council of the Victorian Bar from 2006 to 2011 and its Chairman from 2010 to 2011. What do you miss most about life at the Bar?
- A:** While I thoroughly enjoyed my time at the Bar, I tend not to look back and miss things about life as a barrister. There is more freedom as a barrister than as a judge. If you finish a big case, you may be able to take a few days off. You have a greater ability to regulate the amount of work you take on, to try to sustain some work/life balance (although this can be challenging also as a barrister). As a judge, there are constraints on socialising – for example, with lawyers while a case is reserved or in one’s docket – that do not exist as a barrister.
- Q:** Did you always have aspirations to be a judge?
- A:** Yes. I was always attracted to the public service aspect of being a judge. I was also attracted to the intellectual stimulation of the position. And through my work at the

Bar, I appeared before many judges who were inspiring role models.

- Q:** You were appointed to the Federal Court of Australia on 2 November 2015. How did you find your transition from the Bar to the Bench?
- A:** It was a big change in the way one worked, but the work environment – the courtroom – was familiar. Being able to make a change like this mid-way along one’s career is a tremendous opportunity. My colleagues were very supportive and there was always someone to ask if I had questions. This certainly smoothed the transition.
- Q:** What changes have you seen in IP matters since your appointment to the Federal Court over eight years ago?
- A:** I think there is now greater consistency in the way cases are run nationally. Of course, there is inevitable variation between one judge and another. But my sense is that regional differences in style and approach have diminished. Another development has been major cases involving new technology, including pharmaceutical products and smartphone technology.
- Q:** At the judicial level, are there any IP cases that stand out as having been particularly memorable for you?
- A:** Nearly all of the IP cases have been complex and interesting. One that stands out is the Full Court judgment in *Commissioner of Patents v Thaler* [2022] FCAFC 62; 289 FCR 45, with which your readers will be familiar. Although the case essentially involved a question of statutory construction, it inevitably caused one to reflect on the role of AI and the challenges it poses for our society.
- Q:** What, in your view, are the key issues in IP currently?
- A:** If I can answer this question from a litigation perspective, one of the key issues is how to make cases more affordable and efficient. At present, IP cases (in particular, patent cases) often raise a multitude of issues, not all of which are pursued at the hearing. This creates significant legal cost and means that the cases take a long time to prepare. While the Federal Court can seek to exercise some control over this, there are limits to what the Court can do. As I see, it is in the interests of the profession to streamline the way in which cases are run, as this will make litigation more attractive as a method of resolving disputes, and lead to more cases being brought and resolved. I see this as a joint challenge for the Court, the Bar and solicitors.
- Q:** Generally speaking, where do you think lie the future challenges of IP law?
- A:** I think recent changes in technology raise some important – indeed, profound – policy issues for IP law. As in many fields, it is difficult for legislators and policy-makers to keep up with the pace of change. However, it

is essential that there be some consideration of whether adjustments, or indeed more substantial changes, are necessary in light of the developments in technology (such as AI) and the way people access and use literary and artistic works (through the internet, where so much is accessible).

**Q:** You are also a Deputy President of the Australian Competition Tribunal. How do you view the interplay between IP law and competition law?

**A:** There is an important economic dimension to the policies underpinning IP laws. However, once the legislature has enacted those laws, the role of the Federal Court is to apply the legislation in accordance with well-established principles of statutory construction. As such, the overlap between the application of IP laws and the work of the Australian Competition Tribunal is limited.

**Q:** What advice would you offer a young practitioner in IP law?

**A:** I recommend seeking opportunities to observe experienced IP Silks in action (whether this be sitting in court or watching online). There is a great deal to be learned from the way in which good practitioners present their cases, often with the courage to dispense with weak arguments and focus on the best points.

# Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

James Lawrence<sup>1</sup> and John Hogan<sup>2</sup>

## Abstract

The recent decision of the Full Court of the Federal Court of Australia in *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178 (“*Rattlejack*”) confirms the need to ensure that a patent specification has sufficient disclosure to enable the skilled addressee, armed with the common general knowledge (“CGK”), to perform the invention across the entire scope of the claims. The decision does not embrace any radical change to the law of sufficiency in the post-*Raising The Bar* (“RTB”) patent landscape and we explore the ramifications from both a legal and patent drafting perspective.

## Introduction

In most countries, patent applications are required to “disclose the invention in a manner sufficiently clear and complete for the invention to be carried out by a person skilled in the art”. This language comes from the Agreement on Trade-Related Aspects of Intellectual Property Rights<sup>3</sup> which sets out the minimum standards for patent rights in World Trade Organization countries. The concept flows from a core principle of patent rights: that a proprietor gains a limited monopoly in exchange for disclosing the invention to the public.

Perhaps no area of patent law has created as much professional, academic and judicial division as sufficiency and claim support.

On 13 November 2023, the Full Court of the Federal Court of Australia delivered Australia’s first appellate judgment concerning the post-RTB amendments<sup>4</sup> to the support and sufficiency requirements in section 40 of the *Patents Act* 1990 (Cth) (“the Act”).<sup>5</sup> The lead judgment was given by Perram J, with whom Nicholas and McElwaine JJ agreed. Before analysing *Rattlejack*, it is necessary to revisit the RTB amendments and consider the UK authorities expressly cited in the extraneous materials accompanying the RTB Act.

## Background to RTB

Patent practitioners will be acutely aware that the old “fair basis” test was replaced with the current “support” requirement and the old sufficiency test was expanded to require a complete specification to “disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the art”. These requirements (often called “internal validity” requirements) are set out in sub-sections 40(2)(a) and 40(3) of the Act:

(2) *A complete specification must:*

(a) *disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the relevant art; and*

...

(3) *The claim or claims must be clear and succinct and supported by matter disclosed in the specification.*

Sub-section 40(2)(a) is commonly referred to as the “sufficiency requirement” and sub-section 40(3) is commonly referred to as the “support requirement”. As noted by Burley J in *Merck Sharp & Dohme Corporation v Wyeth LLC (No 3)* (“*Merck*”),<sup>6</sup> they are “two sides of the same coin”.

Two pre-RTB decisions of the High Court of Australia, namely *Kimberly-Clark v Arico* (“*Kimberly-Clark*”) <sup>7</sup> and *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (“*Lockwood*”),<sup>8</sup> caused what many commentators felt to be a significant departure from pre-existing authorities on the subject of sufficiency or fair basis. Those decisions made it clear that under the pre-RTB provisions, a specification need only disclose and enable a single embodiment falling within the claims for those claims to be fairly based on specification.

The RTB legislation sought to amend the Act to bring Australia’s law into line with European and UK authorities on sufficiency. Indeed, the Explanatory Memorandum, Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 (“RTB Explanatory Memorandum”) expressly references UK authorities and indicates an intention to neutralise, by Act of Parliament, the fallout from the *Kimberly-Clark* and *Lockwood* decisions.<sup>9</sup>

Given the references in the RTB Explanatory Memorandum to UK and European positions we must now engage in a short journey through the history of the law of sufficiency in the UK context. It is necessary not just because of those references, but because the post-RTB Australian position has been to a significant degree influenced by the judicial reasoning of recent UK decisions.

# Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

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## A brief history of sufficiency in the UK

In the UK, once claims were given the role of defining the subject matter scope of the invention, it was an organic step for patent law to develop a way which ensured a balance between disclosure and claims. This necessarily imposed some discipline on a patent applicant to claim no more than the disclosed invention. However, that development did not occur in the UK until 1932, when the requirement for a specification to conclude with claims was introduced, together with a new ground of revocation that a complete specification must “sufficiently and clearly ascertain the scope of the monopoly claimed”.

This concept, as later developed and coined “classical insufficiency”,<sup>10</sup> became enshrined in section 14(3) of the *Patents Act* 1977 (UK) (“1977 UK Act”). That section states that “the specification must disclose the invention clearly and completely enough for it to be performed by a person skilled in the art”.<sup>11</sup> This, of course, mirrors the language adopted by the Australian Parliament in the post-RTB section 40(2) (a) of the Act.

The 1977 UK Act is drafted to be consistent with the European Patent Convention (“EPC”), and one critical point of departure from the *Patents Act* 1949 (UK) was required by Article 138 of the EPC.<sup>12</sup> That is, the EPC (and, consequently, the 1977 UK Act) does not permit (at least textually) lack of fair basis to be a ground of opposition or revocation. This perceived “gap” in the 1977 UK Act was closed in *Biogen v Medeva* (“*Biogen*”).<sup>13</sup>

## *Biogen*

*Biogen* was concerned with whether or not a claim was entitled to priority from an earlier application and the question of sufficiency was central to that issue. The patent in suit primarily related to the exploitation of Hepatitis B virus (“HBV”) using recombinant DNA technology. Essentially, the claims related to a synthetic molecule of a naturally occurring virus, HBV, which enabled the construction of diagnostic kits for its detection.

Lord Hoffman, delivering the leading judgment in *Biogen*, stated that under the EPC the sufficiency requirement required the specification to “enable to invention to be performed to the full extent of the monopoly claimed”.<sup>14</sup> In other words, the House of Lords accepted that unless the claims in the patent specification correspond to the teachings of the patent, the patent will be invalid. This principle became known as “*Biogen* insufficiency”.

The *Biogen* sufficiency of claims is assessed internally by reference to the priority date. It is not an exercise to be undertaken by asking whether the specification enables the alleged infringement, or by some process of reasoning whereby a court considers the scope of the claims and sufficiency of description in the specification by reference to a particular alleged infringement.

Perhaps the most salient part of Lord Hoffman’s judgment in *Biogen* is the following:

*“In fact the Board in Genentech II/Polypeptide expression was doing no more than apply a principle of patent law which has long been established in the United Kingdom, namely, that the specification must enable the invention to be performed to the full extent of the monopoly claimed. If the invention discloses a principle capable of general application, the claims may be in correspondingly general terms. The patentee need not show that he has proved its application in every individual instance. On the other hand, if the claims include a number of discrete methods or products, the patentee must enable the invention to be performed in respect of each of them.”*<sup>15</sup> [Emphasis added]

So on one view, and perhaps a view not shared by some commentators immediately following the decision, *Biogen* did not radically alter the UK sufficiency landscape but rather augmented it in a way consistent with earlier authorities.

## *Lundbeck*

*Biogen* was re-visited in the *Lundbeck* series of decisions.<sup>16</sup>

The *Lundbeck* decisions concerned the anti-depressant molecule escitalopram. The prior art, citalopram (also an antidepressant), is a “racemate” which comprises equal quantities of two mirror-image molecules called optical isomers, or enantiomers. Escitalopram is the (+) enantiomer.

The trial judge, Kitchin J (as he then was) had found (to his mind, by applying *Biogen*) that, by the priority date, pharmaceutical chemists would routinely seek to resolve racemates to determine which (if either) enantiomer had more activity; consequently, the claim to escitalopram as isolated from the racemate could give no rights to escitalopram per se.

In the UK Court of Appeal, Jacob LJ set out a concise summary of Kitchin J’s reasoning on “*Biogen* insufficiency” as follows:

*He reasoned thus: That the (+) enantiomer existed was known. So all that Lundbeck “invented” – contributed to the art – was a particular way of making it. So its patent claim should be correspondingly limited. Were it otherwise, Lundbeck would effectively get a monopoly to any way of making the (+) enantiomer – ways which it had not invented. Hence the claim was insufficient.*<sup>17</sup>

Giving the leading judgment, Lord Hoffman (of *Biogen* fame and a House of Lords member unusually sitting in this case as part of the Court of Appeal) made it clear early on his belief that the trial judge’s finding of insufficiency was wrong. One can only assume Lord Hoffman elected to sit on the *Lundbeck* appeal in order to clarify precisely what his Lordship had previously said in *Biogen*.

## Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

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*Lundbeck* in effect qualifies *Biogen* as it applies to certain product claims. Lord Hoffman says that where a product itself is the invention it is “sufficiently enabled if the specification and common generally knowledge enables the skilled person to make it. One method is enough”.<sup>18</sup> It is settled law that a claim to a class of products is only “sufficient” if every member of the class is enabled – either by empirical demonstration, or by disclosing a principle which can reasonably be expected to work across the class. The *Biogen* patent only disclosed one process – therefore the class of products claimed in *Biogen* was insufficient.

In contrast, *Lundbeck*’s claim was to a single product. In assessing sufficiency, Lord Hoffman stressed that care is needed in distinguishing the “technical contribution” and the “inventive step” and found that the trial judge had wrongly equated the two – more on that below. *Biogen* had confirmed that the monopoly conferred by a patent must equate to its “technical contribution to the art”; but if the product satisfies the requirements of novelty and inventive step, the “technical contribution” is the product. Thus, he stated that *Biogen*:

*should therefore not be read as casting any doubt upon the proposition that an inventor who finds a way to make a new product is entitled to make a product claim, even if its properties could have been fully specified in advance and the desirability of making it was obvious.*<sup>19</sup>

Both Lord Hoffman and Jacob LJ observed the apparent injustice of being granted a product claim wider than the “real invention”. Jacob LJ noted, however, that this is not limited to cases of this type:

*[A]ny product claim is apt to give the patentee ‘more than he has invented’ – and in two ways. Firstly such a claim will have the effect of covering all ways of making the product including ways which may be inventive and quite different from the patentee’s route. Secondly it will give him a monopoly over all uses of the patented compound, including uses he has never thought of.*<sup>20</sup>

Hence, following *Lundbeck*, the UK law of sufficiency appeared at least on one view to have one rule for product claims with a method/processing element and one rule for strictly product claims. The former attracts a *Biogen* sufficiency requirement and the latter attracts a classical sufficiency requirement.<sup>21</sup>

### **Regeneron**

The UK Supreme Court provided comprehensive guidance on the UK position on sufficiency in *Regeneron v Kymab* (“*Regeneron*”),<sup>22</sup> some 11 years after the decision in *Lundbeck*. *Regeneron* represents the prevailing appellate authority on the law of sufficiency in the UK.

While all claims were in issue, claim 1, the broadest claim, was to:

*A transgenic mouse that produces hybrid antibodies containing human variable regions and mouse constant regions, wherein said mouse comprises an in situ replacement of mouse VDJ regions with human VDJ regions at a murine chromosomal immunoglobulin heavy chain locus and an in situ replacement of mouse VJ regions with human VJ regions at a murine chromosomal immunoglobulin light chain locus.*<sup>23</sup>

Broadly speaking, the claim was directed at transgenic mice containing a genetic region called the “variable region” which could produce human antibodies. The practical problem the patent sought to address was that the transgenic mice would often exhibit a decreased immune response, rendering them not particularly useful for the purpose of making human antibodies. At a very high level, the patent sought to solve that problem by claiming immune responsive mice which contained the entire human variable region and could therefore produce all human antibodies across that entire region.

However, in contrast to the breadth of the claim, the specification only taught the creation of mice which could produce such antibodies across *some* of the human variable region. To that end, the Court held that because *Regeneron* had not disclosed in its patent how to make mice which produce *the full range* of human antibodies (as had been claimed) it was not entitled to a monopoly for mice across the range; that is, the patent was invalid for lack of sufficiency.

The central question before the UK Supreme Court was:

*“[W]hether a product patent, the teaching of which enables the skilled person only to make some, but not all, of the types of product within the scope of the claim, passes the sufficiency test where the invention would contribute to the utility of all the products in the range, if and when they could be made.”*<sup>24</sup>

In *Regeneron*, the UK Supreme Court (Reed P, Hodge, Black, Briggs and Sales LJJ) considered the authorities relevant to sufficiency. Briggs LJ summarised eight key principles as follows (with Reed P, Hodge and Sales LJJ agreeing):<sup>25</sup>

- i) The requirement of sufficiency imposed by article 83 of the EPC exists to ensure that the extent of the monopoly conferred by the patent corresponds with the extent of the contribution which it makes to the art.*
- ii) In the case of a product claim, the contribution to the art is the ability of the skilled person to make the product itself, rather than (if different) the invention.*
- iii) Patentees are free to choose how widely to frame the range of products for which they claim protection. But they need to ensure that they make no broader claim than is enabled by their disclosure.*
- iv) The disclosure required of the patentee is such as will, coupled with the common general knowledge existing as at*

## Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

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*the priority date, be sufficient to enable the skilled person to make substantially all the types or embodiments of products within the scope of the claim. That is what, in the context of a product claim, enablement means.*

*v) A claim which seeks to protect products which cannot be made by the skilled person using the disclosure in the patent will, subject to **de minimis or wholly irrelevant exceptions**, be bound to exceed the contribution to the art made by the patent, measured as it must be at the priority date.*

*vi) This does not mean that the patentee has to demonstrate in the disclosure that every embodiment within the scope of the claim has been tried, tested and proved to have been enabled to be made. Patentees may rely, if they can, upon a principle of general application if it would appear reasonably likely to enable the whole range of products within the scope of the claim to be made. But they take the risk, if challenged, that the supposed general principle will be proved at trial not in fact to enable a significant, relevant, part of the claimed range to be made, as at the priority date.*

*vii) Nor will a claim which in substance passes the sufficiency test be defeated by dividing the product claim into a range denominated by some wholly irrelevant factor, such as the length of a mouse's tail. The requirement to show enablement across the whole scope of the claim applies only across a relevant range. **Put broadly, the range will be relevant if it is denominated by reference to a variable which significantly affects the value or utility of the product in achieving the purpose for which it is to be made.***

*viii) Enablement across the scope of a product claim is not established merely by showing that all products within the relevant range will, if and when they can be made, deliver the same general benefit intended to be generated by the invention, regardless how valuable and ground-breaking that invention may prove to be. [Emphasis added]*

The UK Supreme Court did not note any perceived inconsistency between *Biogen* and *Lundbeck*; rather it focused on the product versus method discussion. The Court acknowledged the result would confine a patentee with a ground-breaking invention to protection only over a range of products which the invention enabled to be made at the priority date, which may seem to give the patentee a “scant and short-lived reward for their efforts and ingenuity”.<sup>26</sup>

However, it concluded that offering the patentee protection for embodiments that could not be made at the priority date would:

*tilt the careful balance thereby established in favour of patentees and against the public in a way which is not warranted by the EPC, and which would exceed by a wide margin the scope for the development of the law by judicial decision-making in a particular Convention state.*<sup>27</sup>

That is, the Court would not grant to Regeneron a monopoly over the manufacture and exploitation of the gold standard chimeric mouse in the circumstances when its patent would not have enabled to make such a mouse at all. To allow such a claim would not be a fair bargain in light of how the Court had framed the relevant technical contribution of the patent.

While *Regeneron* had not been decided at the time the RTB Explanatory Memorandum had been drafted, it is plainly a decision consistent with *Biogen* and *Lundbeck*.

### *Illumina*

*Regeneron* was considered in detail by Birss J (as he then was)<sup>28</sup> by the High Court of England and Wales in *Illumina Cambridge Ltd v Latvia MGI Tech* (“*Illumina*”).<sup>29</sup> While the technology at issue in *Illumina* concerned a method of using different fluorescently labelled nucleotides to sequence DNA, Birss J’s reasoning is couched in terms such that it provides a very useful interpretation of *Regeneron* applicable to all areas of technology.

Birss J started out by confirming that whilst the case before the UK Supreme Court in *Regeneron* related to product claims, the same principles also apply to process claims. The judge then considered the concept of a “relevant range”, and emphasised that it is important to distinguish between ranges that are relevant in a *Regeneron* sense and ranges that are not. For ranges relevant in the *Regeneron* sense to be sufficient, there must be enablement across the whole scope of the claim within that relevant range (subject to *de minimis* or wholly irrelevant exceptions) as at the priority date.<sup>30</sup>

This means that a skilled person must be able to work the invention across the whole relevant range at that date without undue burden.<sup>31</sup> If an embodiment within a relevant range in the *Regeneron* sense is not enabled at that date, then the fact it could be made at a later date as a result of further technical advances will not save the claim from insufficiency. That is the case even if the later embodiment could never have been made without the teaching of the invention disclosed in the patent. An example of a range that is not relevant in the *Regeneron* sense is a descriptive feature in a claim which can cover a variety of things, but for which that variety does not significantly affect the value or utility of the claimed product or process in achieving its relevant purpose. The relevant purpose is judged in all the circumstances, starting from the terms of the claim itself but also, where appropriate, by reference to the “essence” or “core” of the invention.

By way of example, Birss J referred to a new type of teapot that was inventive and useful because its spout was shaped in a new way so as not to drip. A claim might be drawn to a teapot with the spout shaped in that special way. This claim would cover teapots made of different materials, including materials that had not been invented yet. The fact that teapots made of such novel materials could not be made at the effective filing date does not make the claim insufficient,

## Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

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because the “essence” of the invention lies in the spout shape, not the teapot’s material and the skilled person could choose, identify and test suitable materials at the priority date without an undue burden:

*To take an example mentioned in argument in this case, say an inventor invented a new teapot which was inventive and useful because its spout was shaped in a new way so as not to drip. The claim would be to a teapot with the spout shaped in that special way. The claim might well not say anything about the material from which to make the teapot, because it is irrelevant to the invention. Equally the claim might refer to “a tea pot made of any suitable material”. There would be no difference between a claim which expressly said that or one which was silent. Either way the claim can be said to encompass a range of teapots made of different materials. Now the patent needs to enable the skilled person to make the product. In the example I will assume the skilled person could choose, identify and test suitable materials at the priority date without an undue burden. China would work and chocolate would not. However the claim would be infringed later on even if a teapot was made using a new inventive form of Pyrex glass which had not been invented at the teapot patent’s priority date.<sup>32</sup>*

The teapot material is accordingly not a relevant range in the *Regeneron* sense. Thus, the correct test for sufficiency is to ascertain whether, at the priority date, a skilled person could, without undue burden, identify which were suitable materials from which to make the teapot (and which were not) and make the teapot from any of those materials. That is clearly the case with the teapot example (e.g., the skilled person would know china is suitable, but chocolate is not, and could make the teapot using china or any of the other suitable materials without undue burden) and so the claim is sufficient.<sup>33</sup>

Further, and on the issue of “essence or core” as discussed above, Birss J explained how a relevant range, which would engage the principles in *Regeneron*, could be distinguished from an irrelevant range. In his view, “relevance” in the *Regeneron* sense:

*depends on examining all the circumstances, and depends not simply on the invention (that is to say the claim as drafted) but also on what I can only think of calling the essence or core of that invention (closely related to the technical contribution and/or inventive concept).<sup>34</sup>*

Birss J considered that the range of different amounts of segments incorporated in each mouse in *Regeneron* was clearly relevant to the essence of the invention – generating high antibody diversity. In applying this test to other cases, Birss J added that one might need to examine the essence of the invention as well as the claim language itself, and that it would be an “unusual case” if ordinary descriptive or functional language would be viewed as a “relevant” range in the *Regeneron* sense.<sup>35</sup>

With the above in mind, Birss J went on to summarise the relevant principles at [279] as follows:

*i) When examining any aspect of claim scope for the purposes of the enablement it is necessary to distinguish between ranges relevant in the Regeneron sense and other ranges.*

*ii) For ranges relevant in the Regeneron sense, to be sufficient, there must be enablement across the whole scope of the claim within that relevant range (subject to de minimis exceptions) at the relevant date. If a type or embodiment within such a range is not enabled at that date then the fact it could be made later, as a result of further developments not enabled by the patent, even though it never could have been made without the invention, will not save the claim from insufficiency.*

*iii) Not all claims will necessarily contain a range relevant in the Regeneron sense but if they do, then this principle applies to that range.*

*iv) An example of another range, not relevant in the Regeneron sense, will be a descriptive feature in a claim (whether structural or functional) which can cover a variety of things, but for which that variety does not significantly affect the value or utility of the claimed product or process in achieving its relevant purpose. The relevant purpose is judged in all the circumstances, starting from the terms of the claim itself but also, where appropriate, by reference to the essence or core of the invention.*

*v) For a claim feature which amounts to a range in this other sense, the skilled person must still be able to make a suitable selection, without undue burden, in order for the claim to be sufficiently disclosed. However provided that is so at the relevant date, such a claim feature will not be insufficient simply because it is capable of also covering within its scope things which had not been invented at that relevant date.*

*vi) When examining enablement of any kind, the test is always about what the skilled person is able to do without undue burden. The patentee is entitled to expect that the skilled person, in seeking to make the invention work, will exercise that skill. If need be that exercise will involve testing and experiments, as long as it is not unduly burdensome.*

One final matter remains open for further discussion in a UK context: how one might identify the “core” or “essence” of an invention, particularly by reference to either the “inventive concept” or the “technical contribution” of the invention. These are not easy terms with which to grapple and the following speech of Lord Walker in *Lundbeck* provides some sensible commentary on the issue:

*The expressions are certainly connected, but I do not think it is helpful (either in considering Lord Hoffmann’s opinion, or generally) to treat them as having precisely the same meaning. “Inventive concept” is concerned with the identification of the core (or kernel, or essence) of the invention—the idea or principle, of more or less general*

## Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

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*application (see Kirin-Amgen [2005] RPC 169 paras 112-113) which entitles the inventor's achievement to be called inventive. The invention's technical contribution to the art is concerned with the evaluation of its inventive concept—how far forward has it carried the state of the art? The inventive concept and the technical contribution may command equal respect but that will not always be the case.*<sup>36</sup>

This question of seeking to identify the “core” or “essence” of the invention arises as a central issue in *Rattlejack*.

### Australian authorities

At the time of writing, only four Australian cases resulting in final judgments have considered post-RTB sufficiency.

The only two decisions addressing post-RTB sufficiency rendered prior to the trial in *Rattlejack* were both decisions of Burley J; namely, *Merck* and *Cytec Industries Inc v Nalco Company* [2021] FCA 970 (“*Cytec*”). The ratio of each of those two decisions has been followed in all subsequent Australian decisions (including as applied and affirmed in *Rattlejack* at trial and on appeal).

#### *Merck*

Somewhat remarkably, having regard to the fact that the RTB Act was enacted in 2012, *Merck* was the first Australian judgment to address the “new” section 40 requirements of sufficiency and support.

The *Merck* decision was concerned with *Streptococcus pneumoniae*, a bacteria commonly referred to as “pneumococcus”, and Wyeth’s Plevnar 13 vaccine. Multiple patents were in issue, however the post-RTB sufficiency and support issues only related to one patent. The pneumococcus bacteria has a polysaccharide coating or “capsule” which contains an antigen that the human immune system responds to by producing antibodies. Variables in the polysaccharide capsule change the antigen, which creates different “serotypes” of pneumococci requiring a different antibody response. The patents in issue were composition patents concerned with protection against more than one serotype of pneumococci and are therefore considered to be “multivalent” immunogenic compositions.

The patents describe 13 distinct serotypes, whereby each capsular polysaccharide is conjugated (covalently bonded) separately to a carrier protein known as CRM197. Conjugation to a carrier protein creates a stronger antibody response to improve the immunogenicity of the vaccine. As the word “comprising” was found by his Honour to be inclusive, the claims therefore posed no upper limit on the number of serotypes that could be included in the composition. MSD argued that the patent only disclosed a composition directed to the 13 nominated serotypes, and that there was no real and reasonably clear disclosure of a composition that included more than the nominated 13 serotypes.

Justice Burley approved the approach taken by Aldous J in the UK decision of *Schering Biotech Corp's Application* [1993] RPC 249 (“*Schering Biotech*”):<sup>37</sup>

*[I]t is necessary to ascertain what is the invention which is specified in the claims and then compare that with the invention which has been described in the specification ... [the claim support obligation] requires the description to be the base which can fairly entitle the patentee to a monopoly of the width claimed.*<sup>38</sup>

Justice Burley added an additional requirement for the support obligation to be met, commenting that:

*To it may be added the requirement that the technical contribution to the art must be ascertained. Where it is a product, it is that which must be supported in the sense that the technical contribution to the art disclosed by the specification must justify the breath of the monopoly claimed.*<sup>39</sup>

After making the above observation, his Honour then concluded that:

*[Wyeth] has established in its specification that it has hit upon a new product which has a beneficial effect, but it has claimed a monopoly that includes compositions that are not the product of the technical contribution to the art provided by the specification. The inclusively- worded claims do not correspond to the technical contribution to the art. **The claims cover products that the specification does not enable, and the specification discloses no principle that would enable others to be made.***<sup>40</sup> [Emphasis added]

Hence, Burley J approved of, and applied, the principles set out in *Biogen*, as developed by *Lundbeck* and *Regeneron* (*Illumina* having been decided after Burley J handed down his decision in *Merck*).

#### *Cytec*

A decision which followed *Merck* in relatively swift succession was *Cytec*. *Nalco Company* (“*Nalco*”), part of the global chemical company *Ecolab*, obtained a patent for “reducing aluminosilicate scale in the Bayer process” (the “*Patent*”). As was the case with *Merck*, the judgment was handed down by Burley J.

The Bayer process is a well-known method used to extract alumina from bauxite to produce aluminium metal. Over time, a scale of aluminosilicate (an impurity in bauxite) can build up on the surfaces of equipment used in the Bayer process. The scale (known as “*DSP*”) can clog the equipment and reduce efficiency.

A standard method of removing *DSP* usually involves taking the equipment offline and carefully diluting it in acid which is a difficult and expensive process. An alternative cleaning process involves the use of chemicals in the bauxite which reduces the build-up of *DSP*. At the priority date of the

## Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

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Patent, various chemicals were available for this purpose, including those manufactured by Nalco's competitor, Cytec Industries Inc. ("Cytec"). The Patent claimed a method for reducing the build-up of the DSP by adding certain chemicals to the liquor.

In *Cytec*, Burley J (as his Honour had in *Merck*) said that the appropriate way to approach the section 40(3) requirement was that derived from the summary provided by Aldous J in *Schering Biotech* at [72] (and adopted by Dr Barker in *CSR Building Products* at [95]) with the addition of the requirement that the technical contribution to the art must be ascertained:<sup>41</sup>

- what is the invention which is specified in the claims;
- compare that with the invention which has been described in the specification; and
- the technical contribution to the art of the patent.

In finding that Nalco's patent was invalid, his Honour found that claim 1 not only included a mixture formed by the reaction of the compounds claimed, but also included a composition formed from the claimed reaction which consisted entirely of one type of small molecule. This was despite the fact that as one of the parties' expert witnesses put it:

*The probability of a single small molecule emerging within the reaction mixture would be like trying to win the lottery in every country in the world with the same six numbers on the same weekend.*<sup>42</sup>

Although the specification disclosed how to make a composition comprising a complex mixture of molecules, it did not teach how to make a mixture comprising of one small molecule. Consequently, the specification did not teach across the width of the claim.<sup>43</sup>

### **Rattlejack**

The Full Court's decision in *Rattlejack* concerned an appeal from *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2022] FCA 540. In addition to section 40 matters, the issues for determination at trial and on appeal included whether *Rattlejack* and others had infringed certain of *Jusand*'s patents (the "Asserted Patents") and whether an "experimental use" exception under section 119C of the Act applied in respect of some of the alleged infringing conduct. However, only the aspects relating to compliance with the support and sufficiency requirements in the Act are discussed here.

The Asserted Patents concerned a safety system for preventing a broken longhole drill rod from falling down the drill bore hole and injuring a person in the tunnels below. The claimed invention involved a plug-like product which was inserted into a bore hole containing a broken drill rod or rods (which could weigh many hundreds of kilograms) and was designed to operate in a manner that would arrest the fall of any drill rods that fell down.

### *Trial*

Whilst the parties agreed that no special principles regarding disclosure or support applied to patents for mechanical inventions, *Jusand* submitted that patents for mechanical inventions did not necessarily raise the same disclosure and support issues that have arisen in some of the chemical and biotechnological cases in which statements of principle have been made.

The parties' experts agreed that the claims of the patents were not limited to a safety system made from the materials expressly mentioned in the specification (i.e., steel and/or polymer foam) and that the skilled addressee would understand that the safety system could plausibly be made from a range of materials, including plastics and fibre-reinforced polymer materials.

The trial judge then turned to consider what the skilled addressee would need to do to construct the safety system from plausible materials other than steel and/or polymer foam. The principle focus of the expert evidence was on what the skilled addressee would need to do to make the safety system from plastics, being one of the materials from which the experts agreed it could plausibly be made, but applied equally to the other materials that the experts considered plausible.

The trial judge reasoned that to do so the skilled addressee would need to engage in two endeavours: firstly, to select a material which would be suitable for the safety system's construction having regard to the enormous forces to which it would be subjected during the impact event; and secondly, to design the safety system having regard to the physical qualities of the material thus selected. The trial judge noted (and the Full Court agreed) that despite the claims not being limited by material:

*... the specifications of the Patents fail to give any indication as to what materials other than steel, including plastics, might be suitable for making the system, or disclose what properties or characteristics such other materials would desirably have in order to be suitable.*<sup>44</sup>

Accordingly, and in the absence of any evidence of plastics being used to resist high-impact strikes of the nature that occur with falling broken drill rods, the trial judge noted that the skilled addressee would necessarily start the two endeavours "in the dark"<sup>45</sup>.

The trial judge noted at [464] Dr Fuller's (*Rattlejack*'s expert witness) evidence that the relationship between the questions of which material to select and how to design the safety system utilising that material gave rise to a catch-22 situation: the design would impact the material selected but the material selected would impact the design. The trial judge also noted at [465] Dr Fuller's evidence that the skilled addressee would need to exercise inventive skill to come up with ways to address the choice of a suitable material and

## Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

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the correlative task of fashioning the safety system from that material, without any guarantee of success.

Based on these findings of fact, the trial judge concluded that the skilled addressee would be unable to perform the invention across the full scope of the claims without undue experimentation and without needing inventive skill or ingenuity and, accordingly found the Asserted Patents invalid for want of sufficiency. For substantially equivalent reasons, the trial judge found the Asserted Patents invalid for want of support.<sup>46</sup>

### Appeal

The lead judgment in the *Rattlejack* appeal was given by Perram J, with whom Nicholas and McElwaine JJ agreed.

Although there were several patents in dispute at trial, by the time of the appeal the debate between the parties had narrowed to one patent, Australian Innovation Patent No. 2019100556 (the “556 Patent”). It is noted, however, that all of the Asserted Patents share substantially the same patent specification and the support and sufficiency issues impact all of the patents similarly.

### Issues in dispute

Where the claims of a patent encompass a range of ways of performing the invention, the parties agreed that two principles applicable when determining issues of sufficiency and support were:<sup>47</sup>

- (1) the specification must disclose how to perform the invention across the whole of that range without inventive skill or undue burden; and
- (2) this obligation does not apply unless the specified range is relevant to the invention.

They were in dispute, however, as to:<sup>48</sup>

- the correct criteria by which the relevance of a range to an invention was to be determined, including whether the relevance of the range of materials from which the safety system may be made is to be judged against the essence or core of the invention or by asking whether the range is denominated by a variable which significantly affects the value or utility of the invention for its purpose (and, as a result, whether the claims in suit involved a relevant range); and
- whether the identity of the essence or core of an invention is to be determined only by reference to the inventive concept of the invention or also by reference to the technical contribution the invention makes to the art (and, as a result, the true identity of the essence or core of the invention).

### Legal principles

In determining these issues, Perram J noted that “s 40(2) offers no guidance on how much disclosure will be ‘complete enough’ and s 40(3) does not explain the extent of the support which that disclosure requires”,<sup>49</sup> thereby rendering both provisions “ambiguous”<sup>50</sup> which, in turn, authorises the Court to consider certain extrinsic materials<sup>51</sup> to assist in ascertaining their meaning.

Perram J found that that these extrinsic materials, together with corresponding language between sections 40(2) and 40(3) of the Act and the equivalent provisions in the UK and Europe, indicated that the purpose of the RTB amendments in relation to sections 40(2) and 40(3) of the Act was to ensure that the Australian law of sufficiency and support developed along the same lines as the law of the UK and the members of the EU (each of which is a signatory to the EPC).

Accordingly, his Honour looked to the UK decisions in *Regeneron* and *Illumina* for guidance, along with the decision of Burley J in *Merck*, each of which is discussed above.

Relying on *Illumina*, Perram J found at [190] that the question of whether a claim includes a relevant range in the *Regeneron* sense:

*is to be judged in all the circumstances beginning (although not necessarily ending) with the terms of the claims and extending, where appropriate, to the essence or core of the invention ... [which] is distinct from the invention but is ‘closely related to the technical contribution and/or the inventive concept’.*<sup>52</sup>

Moreover, at [194] Perram J agreed that the concept of the product’s purpose advanced by Lord Briggs in *Regeneron*, carefully adapted so that it applies to inventions of all kinds and not just inventions which are products, must import an inquiry into the nature of the invention, noting:

*A good place to start is with the invention as it is claimed but the inquiry can extend into the invention’s essence or core. An assessment of that essence or core is likely to include a consideration of the patent’s technical contribution to the art and may involve an assessment of what it is that makes the invention inventive.*<sup>53</sup>

Adapting to a method claim the principle set out in *Regeneron* that (at least in relation to a product claim) the technical contribution of the patent to the art is the product, and noting the caution expressed in *Illumina* at [255] in relation to extending this principle beyond product claims, his Honour found at [205] that:

*In a method claim such as the present concerned with a mechanical apparatus I would accept that the technical contribution of the patent to the art is the explanation of how to perform the method disclosed in the specification.*<sup>54</sup>

# Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

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## **Sufficiency**

Having established the relevant principles, Perram J then set about determining whether claim 1 of the 556 Patent included a relevant range.

His Honour found that:<sup>55</sup>

- the innovative step or inventive concept was the idea of converting downward weight force into lateral braking forces using the interaction of an anchor member with a tapered impact reduction member; and
- the technical contribution to the art was taking that idea and explaining how to use it in a safety system utilising steel.

Taking the inventive concept and technical contribution into account, Perram J found that the range of materials from which the safety system may be made was part of its essence or core (in terms of *Illumina*) due to the substantial and non-trivial materials engineering involved in creating suitable anchor and impact reduction members (these being features of the claimed invention). Moreover, his Honour found that the material from which the safety system was made significantly affects the utility of the safety system for its purpose (adopting principle (vii) from Lord Briggs' statement in *Regeneron*), being to prevent falling drill rod sections falling into the chamber below. Accordingly, his Honour concluded that the range of materials from which the safety system may be made is a relevant range in the *Regeneron* sense.

Having found that the claims involved a relevant range, Perram J agreed with the trial judge that:<sup>56</sup>

- there were plausible materials other than steel and/or polymer foam in the range but the specification proffered no guidance on their selection (e.g., on the modulus, frictional coefficient, or shearing or galling qualities they should have) or on what design the SafetySpear would need to have if they were selected; and
- once a material other than steel was selected the skilled addressee would basically need to invent the safety system from scratch.

Perram J noted that this was the critical difference between the safety system of the 556 Patent and Birss J's teapot. In the case of the teapot, the skilled addressee could identify which materials were suitable for making the teapot (such as porcelain) and make the teapot from those materials without inventive skill or undue burden, but could not do so in the case of the safety system.<sup>57</sup>

## **Support**

For substantially the same reasons that the specification was found non-compliant with the sufficiency requirement, Perram J found that the claimed monopoly exceeded the

technical contribution made to the art and therefore lacked support.<sup>58</sup>

In effect, Perram J found the sufficiency and support issues in *Rattlejack* to be indistinguishable from those in *Regeneron*.<sup>59</sup>

## **Conclusion**

In summary, the claimed invention in *Rattlejack* was a safety system having certain features, including an anchor and an impact reduction member. Those features were unlimited by material. An important question, therefore, was whether the choice of material for those features might impact the efficacy or function of the product. If so, the specification must enable creation of the safety system using plausible materials without imposing undue burden on the skilled addressee. In *Rattlejack*, however, it was found that the specification only taught the skilled person how to make the safety system from steel, and that using other materials does (on the evidence) place undue burden on the skilled person.

In other words, the technical contribution to the art for Jusand's patents was the making of the claimed safety system out of steel. It cannot be more than that (for example, a safety system per se) because the specification simply does not provide a commensurately broad enabling disclosure.

On this issue, it is worth briefly re-visiting the claim in *Lockwood*. The claim in issue in *Lockwood* was directed at a door lock of the deadlock kind. The door lock in issue was said to address a safety problem arising from deadlocks sometimes not being openable from the inside in the event of an emergency. That problem was said to be addressed by one particular integer of the claim, namely, a "lock release means". The claim in *Lockwood* was a combination claim. Only the "lock release means" was new; all of the other integers were part of the common general knowledge. The High Court found that the specification did not teach any particular way of constructing a "lock release means", but that:

*No broad attack based on the failure of the Patent to say how a suitable lock release means could be constructed was made: that was [implied to be] within the knowledge of a skilled addressee, and, as the trial judge said, any allegation of that kind would have contradicted Doric's case on obviousness.*

There is some force to suggest that the outcome in *Lockwood* might have been no different if the patent in that case was to be considered under the current version of section 40. This is because the facts in *Lockwood* did not support a finding that the skilled addressee would not have difficulty, despite the limited teachings in the specification, in constructing substantially all plausible lock release means without undue burden.<sup>60</sup> While the RTB Explanatory Memorandum refers to the problems arising from *Lockwood*, it may be that those problems related to a misapplication of the *Lockwood* decision in subsequent cases rather than a problem with the *Lockwood* decision itself.<sup>61</sup>

## Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

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### **Ramifications**

The decision by the Full Court in *Rattlejack* may, at first glance, cause those who draft patent specifications concern that the level of disclosure required in patent specifications is higher than was previously understood, particularly when it comes to mechanical patents. Indeed, they may consider it to imply that, in order to avoid risk of invalidity for non-compliance with sections 40(2)(a) or 40(3), “the patentee has to demonstrate in the disclosure that every embodiment within the scope of the claim has been tried, tested and proved to have been enabled to be made.”<sup>62</sup> However, this is not a logical corollary of *Rattlejack* nor of any of the other authorities dealing with compliance with sections 40(2)(a) and 40(3).

Nonetheless, *Rattlejack* highlights the care that needs to be taken when drafting patent specifications, particularly in regard to discerning:

- the “essence or core” of the invention and the features relevant to that concept, including those that affect the value or utility of the invention in achieving its relevant purpose; and
- the degree of difficulty that may be involved in extrapolating beyond any embodiments or in working, across its whole range, any principle of general application disclosed in the specification.

Proper discernment of these issues reduces the risk of the claims encompassing “embodiments” that the skilled person could not, imbued with the CGK as at the priority date and the benefit of the disclosure provided in the specification, arrive at without undue burden, and thereby failing to comply with sections 40(2)(a) or 40(3).

A particular risk of non-compliance with sufficiency and support provisions arises in circumstances where the patent specification draftsman (or the person briefing them) is merely speculating on how the invention achieves its value or utility and/or the difficulty in extrapolating from identified preferred embodiments. In such circumstances, the draftsman may be tempted to:

- a. draft the claims more broadly in an attempt to encompass alternative “embodiments” that may achieve a similar result; and/or
- b. in an attempt to comply with support and sufficiency requirements, disclose in the specification:
  - (i) speculative alternative “embodiments” or speculative criteria via which purported alternative “embodiments” asserted to achieve a similar result may be arrived at; and/or
  - (ii) a speculative principle of general application via which the invention’s value or utility is purported to arise.

As a result, the claims may inadvertently encompass subject matter that the skilled person could not, imbued with the

CGK as at the priority date and the benefit of the disclosure provided in the specification, have arrived at without undue burden. Hence, in the words of Perram J, the scope of the claims would “exceed the technical contribution made to the art, ... confer a monopoly over a range ... which it has simply not invented”, which would “reward the patentee for something it has not [enabled].”<sup>63</sup>

In the particular case of the safety system invention in *Rattlejack*, it seems likely that the section 40<sup>64</sup> deficiencies in the Asserted Patents arose from an under-appreciation of:

- the non-trivial role that the material of the safety system plays in the invention achieving its value or utility; in other words, the substantial contribution that the material makes to the working of the invention;<sup>65</sup> and
- the degree of difficulty that may be (and, on the evidence, was) involved in making the safety system from plausible materials other than steel.

As a result, the specification was drafted without any information on how to make the safety system from any material other than steel (aside from disclosing one embodiment that was made from steel and polymer foam). Had this degree of difficulty been identified, it may have been possible to retain the broad scope claimed for the invention and avoid the section 40<sup>66</sup> deficiencies by undertaking the further inventive work required to determine how to make the safety system from other materials and disclosing the associated learnings in the specification *at the time of filing the relevant patent application*.

If further inventive work failed to determine how to make the safety system from substantially any plausible material without undue burden, then the claims should have been limited to those materials for which the patentee could provide an enabling disclosure. For example, the section 40<sup>67</sup> deficiencies in the Asserted Patents would have been avoided if the claims had been limited to a safety system made from steel (or, possibly, steel and polymer foam).<sup>68</sup>

Had learnings on how to make the claimed invention from other materials only become available after an initial patent application had been filed for the invention, it would *not* have been possible to amend the specification of the initial application to disclose the learnings. However, it would have been possible to file a new patent application with a specification disclosing the learnings and claims encompassing a safety system made from such materials as were enabled by the learnings (with a carve out in relation to safety systems made from steel or steel and polymer foam). The new patent application would not, however, be entitled to the priority date of the initial application.

*Rattlejack* also highlights the importance of crafting sensible dependent claims, especially in cases where there is a risk that the “essence or core” of the invention may not have

## Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

been accurately discerned or there is otherwise speculation involved. In such cases, it is wise to include dependent claims to subject matter for which there is greater confidence that the skilled person could work across their entire scope, and to which the patentee may retreat in the event that broader claims are found not to comply with sufficiency or support requirements.

In essence, the issues for the patent draftsman boil down to the following:

- Have I disclosed enough for the skilled person to do everything I am claiming a monopoly over?
- If not, I need to balance the scales by either claiming less or disclosing more.

*Jusand* has sought special leave to appeal the decision of the Full Court of the Federal Court to the High Court of Australia and the result of that application is expected in early to mid-March 2024.

- 1 James Lawrence is a partner at Addisons.
- 2 John Hogan is a partner at FB Rice.
- 3 *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*”).
- 4 *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth).
- 5 *Patents Act 1990* (Cth).
- 6 *Merck Sharp & Dohme Corporation v Wyeth LLC (No 3)* [2020] FCA 1477, [543].
- 7 *Kimberly-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1.
- 8 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd* (2004) 217 CLR 274.
- 9 Explanatory Memorandum, Intellectual Property Laws Amendment (Raising the Bar) Bill 2011, 47.
- 10 *Kirin-Amgen v Roche Diagnostics GmbH* [2002] RPC 1 per Neuberger J (as he then was).
- 11 *Eli Lilly v Human Genome Sciences* [2008] RPC 29 per Kitchen J (as he then was).
- 12 *Convention on the Grant of European Patents* opened for signature 5 October 1973, 1065 UNTS 199 (entered into force 7 October 1977) Art 138.
- 13 *Biogen Inc v Medeva Plc* [1996] UKHL 18.
- 14 *Biogen Inc v Medeva Plc* [1996] UKHL 18, [48], [53].
- 15 *Biogen Inc v Medeva Plc* [1996] UKHL 18, [53].
- 16 *Generics (UK) Ltd and ors v H. Lundbeck A/S* [2007] EWHC 1040 (Pat); *H. Lundbeck A/S v Generics (UK) Ltd* [2008] EWCA Civ 311; *Generics (UK) Ltd and ors v H. Lundbeck A/S* [2009] UKHL 12.
- 17 *H. Lundbeck A/S v Generics (UK) Ltd* [2008] EWCA Civ 311, [53].
- 18 *H. Lundbeck A/S v Generics (UK) Ltd* [2008] EWCA Civ 311, [27].
- 19 *Generics (UK) Ltd and ors v H. Lundbeck A/S* [2009] UKHL 12, [40].
- 20 *Generics (UK) Ltd and ors v H. Lundbeck A/S* [2009] UKHL 12, [54].
- 21 The Court of Appeal decision was affirmed by the House of Lords: *Generics (UK) Ltd and ors v H. Lundbeck A/S* [2009] UKHL 12.
- 22 *Regeneron Pharmaceuticals Inc v Kymab Ltd* [2020] UKSC 27.
- 23 *Regeneron Pharmaceuticals Inc v Kymab Ltd* [2020] UKSC 27, [14].
- 24 *Regeneron Pharmaceuticals Inc v Kymab Ltd* [2020] UKSC 27, [5].
- 25 *Regeneron Pharmaceuticals Inc v Kymab Ltd* [2020] UKSC 27, [56].
- 26 *Regeneron Pharmaceuticals Inc v Kymab Ltd* [2020] UKSC 27, [60].
- 27 *Regeneron Pharmaceuticals Inc v Kymab Ltd* [2020] UKSC 27, [59].
- 28 Birss LJ was elevated to the Court of Appeal of England and Wales shortly after handing down his decision in *Illumina Cambridge Limited v Latvia MGI Tech SIA and ors* [2021] EWHC 57 (Pat).
- 29 *Illumina Cambridge Limited v Latvia MGI Tech SIA and ors* [2021] EWHC 57 (Pat).
- 30 *Illumina Cambridge Limited v Latvia MGI Tech SIA and ors* [2021] EWHC 57 (Pat), [279].
- 31 *Illumina Cambridge Limited v Latvia MGI Tech SIA and ors* [2021] EWHC 57 (Pat), [279].
- 32 *Illumina Cambridge Limited v Latvia MGI Tech SIA and ors* [2021] EWHC 57 (Pat), [277].
- 33 *Illumina Cambridge Limited v Latvia MGI Tech SIA and ors* [2021] EWHC 57 (Pat), [277].
- 34 *Illumina Cambridge Limited v Latvia MGI Tech SIA and ors* [2021] EWHC 57 (Pat), [277].
- 35 *Illumina Cambridge Limited v Latvia MGI Tech SIA and ors* [2021] EWHC 57 (Pat), [277].
- 36 *Generics (UK) Ltd and ors v H. Lundbeck A/S* [2009] UKHL 12, [30].
- 37 *Schering Biotech Corp’s Application* [1993] RPC 249.
- 38 *Merck Sharp & Dohme Corporation v Wyeth LLC (No 3)* [2020] FCA 1477, [546].
- 39 *Merck Sharp & Dohme Corporation v Wyeth LLC (No 3)* [2020] FCA 1477, [547].
- 40 *Merck Sharp & Dohme Corporation v Wyeth LLC (No 3)* [2020] FCA 1477, [553].
- 41 *Merck Sharp & Dohme Corporation v Wyeth LLC (No 3)* [2020] FCA 1477, [547]; *Cytec Industries Inc v Nalco Company* [2021] FCA 970, [120].
- 42 *Cytec Industries Inc v Nalco Company* [2021] FCA 970, [110].
- 43 Another decision of Burley J, *TCT Group Pty Ltd v Polaris IP Pty Ltd* [2022] FCA 1493, approved of the principles which emerged in each of *Merck*, *Cytec* and the trial decision in *Rattlejack*.
- 44 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2022] FCA 540, [444].
- 45 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2022] FCA 540, [444].
- 46 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2022] FCA 540, [460]–[479].
- 47 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [157].
- 48 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [158]–[159].
- 49 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [161].
- 50 Within the meaning of s 15AB(1)(b)(i) of the *Acts Interpretation Act 1901* (Cth).
- 51 By ss 15AB(2)(e) and (f) of the *Acts Interpretation Act 1901* (Cth), these materials include both the Bill’s Explanatory Memorandum and any speech made by a Minister when the motion that the Bill be read a second time was moved in either Chamber.
- 52 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [190].
- 53 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [194].
- 54 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [2005].

## Sufficiency and the Patent Bargain Post-*Jusand v Rattlejack*: How Much Disclosure is Enough?

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- 55 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [215].
- 56 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2022] FCA 540, [218]-[219].
- 57 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [220].
- 58 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [222].
- 59 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [224].
- 60 This may in part have been because a key aspect of the invention was the identification of the problem itself (i.e., the safety concern of not being able to open the deadlock from the inside in the event of an emergency).
- 61 How this logic applies to inventions in cases like *Olin Corp v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236 is perhaps a more difficult question. On one view the approach taken by Stephen and Mason JJ is consistent with current case law. That is because one might characterise the “core or essence” of the invention as being not to a plastic shotgun casing per se (because it was well known that if such a product existed it would be useful) but rather the “core or essence” and teaching of the invention was the way to manufacture the cartridge as described in the specification or a cartridge with the physical characteristics which would enable it to perform the function of being a shotgun casing.
- 62 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [186].
- 63 *Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd* [2023] FCAFC 178, [222].
- 64 *Patents Act 1990* (Cth) ss 40(2)(a), 40(3).
- 65 Taking the language of innovative step in s 7(4) of the *Patents Act 1990* (Cth).
- 66 *Patents Act 1990* (Cth) ss 40(2)(a), 40(3).
- 67 *Patents Act 1990* (Cth) ss 40(2)(a), 40(3).
- 68 Being the only two materials mentioned in the specification.

# Is There a Doctrine of Non-Literal Patent Infringement in Australia? A Survey of Modern Design-Around Cases

Ali Ward,<sup>1</sup> Odette Gourley,<sup>2</sup> Grant Fisher,<sup>3</sup> Rachele Downie<sup>4</sup> and Sarah Catania<sup>5</sup>

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## Abstract

This article presents a survey of Australian design-around patent cases that consider claim construction, in light of the applicable principles. The cases show that there is no “literal” or “non-literal” approach to claim construction. Rather, the court must be satisfied as to infringement or non-infringement on the “proper” construction of the claims.

## Introduction

A survey of post-millennium design-around cases does not support the view that there is a doctrine of non-literal infringement in Australia, or equivalence as the doctrine is styled in the UK. Rather, the correct Australian approach to determining infringement remains a question of “proper” claim construction. By “design-around cases”, we mean cases where the allegedly infringing product was designed having regard to the patented invention.

## Design-around case review

The case survey is focused on contemporary cases, following the year 2000, with a few earlier cases that provide relevant background. At the outset, we highlight a handful of cases where it is possible to succinctly summarise the facts and outcome in a way that demonstrates the significance to the infringement outcome of the view taken on construction of the patent claim. Our table of cases is in an appendix at the end of our article, with facts and findings not repeated for cases discussed below.

### *Radiation Ltd v Galliers & Klaerr Pty Ltd* (1938) 60 CLR 36

Claim 1 described a gas oven with a partition, between a rear burner and a rear flue outlet, in the form of an inclined plate at the bottom of the rear of the oven, the upper edge of which merged into the rear surface of the oven with openings left at both ends of the partition for the exit of the air, allowing gas circulation and proper combustion. The defendant’s oven had a rear burner at the bottom with openings on each side of it near the edges of the stove. The wall of the stove was not formed with a lower recess, but the openings led into a rear chamber which was attached to the back of the stove by screws.

The defendant argued that protection should be limited to the particular construction illustrated and described in the specification<sup>6</sup> but the High Court of Australia (Dixon J as his Honour then was) held that the back wall of the defendant’s oven was, in fact, a partition which enabled the emission of gases. The oven therefore infringed notwithstanding that it did not fall within the claims on their strictest and most literal reading.<sup>7</sup> His Honour stated:

*To say that it is the oven wall, and not a partition, that the flue outlet is an aperture in a collection box and not in the oven or in the back wall of the oven, appears to me to make what may be a good verbal point but to ignore the substantial configuration resulting from the patentee’s invention and the character of the entire stove produced by its application to the relevant purposes of providing an escape for the gases through a rear aperture without interference with combustion and circulation.*<sup>8</sup>

### *Azuko Pty Ltd v Old Digger Pty Ltd* (2001) 52 IPR 75

The relevant patent concerned a “down hole reverse circulation percussive hammer incorporating a face sampling drill bit” used in mining exploration and a “transmission sleeve” for the passage of air.<sup>9</sup> The defendant argued that its “gauge sleeve” was not a “transmission sleeve” as claimed because it was not used to transmit air.

All Justices agreed that the transmission sleeve related to the passage of air. As to infringement of the relevant claim (SDS Patent, claim 1):

- (a) Beaumont J upheld the primary judge’s finding of infringement that, on the basis of the expert evidence, the differences between the defendant’s tool and the patented invention were “minor” and “trifling” variations of “no mechanical significance”.<sup>10</sup>
- (b) Heerey J found no infringement of the relevant claim. His Honour considered the transmission sleeve to be an essential integer of the claim. Although the differences in the defendant’s tool were “designed deliberately to fall outside” the claims and had no mechanical impact on the working of the invention,<sup>11</sup> the gauge sleeve in the defendant’s tool was not a transmission sleeve, as it did not transmit air.<sup>12</sup>
- (c) Gyles J agreed with Beaumont J that the primary judge’s finding of infringement of relevant claim should stand. It was not a requirement of the claim that air be able to be transmitted. Therefore, he rejected the argument that infringement was avoided because the gauge sleeve did not transmit air.<sup>13</sup> There was no “missing” integer, essential or otherwise.

# Is There a Doctrine of Non-Literal Patent Infringement in Australia? A Survey of Modern Design-Around Cases

## ***KD Kanopy Australasia Pty Ltd v Insta Image Pty Ltd* (2007) 71 IPR 615**

The patent concerned a collapsible canopy, claim 1 requiring that the canopy walls be parallel.<sup>14</sup> The defendant argued against infringement on the basis that the walls of its product were about 8 degrees from parallel.<sup>15</sup> Kiefel J found there was infringement, reasoning that the claim would have been understood by the skilled addressee to only require the walls to be “reasonably parallel” provided they were “consistent with the structure working as described”.<sup>16</sup>

## ***ITW AFC v Loi & Tran Pty Ltd* (2008) 76 IPR 129**

The patent concerned a type of fastening screw, known in the building industry as a Zips screw,<sup>17</sup> claim 1 requiring the “shank”, being the space between the head of the screw and the spiralled thread length, to be “tapered” towards the drilling tip.<sup>18</sup> The patentee argued that the infringer’s screw was, from a strict geometric perspective, tapered,<sup>19</sup> notwithstanding that the taper was not visible to the naked eye.<sup>20</sup> Reasoning that tapering of the screw was an essential feature of the patent<sup>21</sup> and the degree of taper in the defendant’s screw was insufficient to perform that function, Finkelstein J found no infringement.

## ***Dintel Constructions Systems Pty Ltd v AFS Systems Pty Ltd* (2018) 135 IPR 197**

The patent claimed an invention comprising hollow building elements connected by ramp surfaces that, when assembled, act as a permanent formwork onto which concrete can be poured. The defendant argued against infringement on the basis that its product did not feature any functional “ramp”, despite the presence of curved slopes in its grooved elements.<sup>22</sup>

The primary judge considered a dictionary definition of the word “ramp”, which cited examples including a ramp used to board a boat or an aircraft, or to load cattle onto a truck<sup>23</sup> and concluded that a ramp was a slope that reduced the amount of force required to achieve movement.<sup>24</sup> The Full Court of the Federal Court of Australia agreed with this analysis and the finding of no infringement.

With the inspiration of brief mention of some Australian cases above, we discuss the principles and cases in more detail below.

### **The starting point is construction**

The starting point in determining infringement is claim construction, as it is the claims which define the boundaries of the patented monopoly.<sup>25</sup> As identified by the House of Lords in *Electrical & Musical Industries Ltd v Lissen* (1939) 56 RPC 23 at 39:

*The function of the claims is to define clearly and with precision the monopoly claims, so that others may know the exact boundaries of the area within which they will be trespassers.*

The “correct” approach to claim construing has evolved over time, with courts framing the question in various ways – for example, by considering the “pith and marrow” or the “substance of the invention” or by applying *Improver Corporation v Remington Consumer Product Limited* [1990] FSR 181 (“*Improver*”) questions. While the notion of “literal” and “non-literal” infringement is often referred to, the key question is how the skilled addressee would have understood the claims.

### **“Pith and marrow”**

The “pith and marrow” test is an early doctrine that originates from the decision in *Clark v Adie*, a case relating to a patent for improved horse clippers. In the English High Court of Justice, Lord Justice James said:

*The patent is for the entire combination, but there is, or may be, an essence or substance of the invention underlying the mere accident of form; and that invention, like every other invention, may be pirated by a theft in a disguised or mutilated form, and it will be in every case a question of fact whether the alleged piracy is the same in substance and effect, or is a substantially new or different combination.*<sup>26</sup>

On appeal to the House of Lords, Lord Cairns went further:

*... the question would be, either for a jury or for any tribunal which was judging of the facts of the case, whether that which was done by the alleged infringer amounted to a colourable departure from the instrument patented, and whether in what he had done he had not really taken and adopted the substance of the instrument patented. And it might well be, that if the instrument patented consisted of twelve different steps, producing in the result the improved clipper, an infringer who took eight or nine of those steps might be held by the tribunal judging of the patent to have taken in substance the pith and marrow of the invention, although there were one, two, three, four or five steps which he might not actually have taken and represented upon his machine.*<sup>27</sup>

In *Olin Corporation Ltd v Super Cartridge Co Pty Ltd* (1977) 180 CLR 236, Gibbs J found that this statement was still good law.<sup>28</sup> However, his Honour clarified:

*... the principle that there may be infringement by taking the “pith and marrow” or the substance of an invention does not mean that there will be an infringement where the patentee has by the form of his claim left open that which the alleged infringer has done. And it does not affect the fundamental rule that there will be no infringement unless the alleged infringer has taken all of the essential features or integers of the patentee’s claim.*<sup>29</sup>

### **Contemporary Australian approach**

The current principles in Australia on claim construction were explained in *Jupiters Ltd v Neurizon Pty Ltd* (2005) 222 ALR 155:

# Is There a Doctrine of Non-Literal Patent Infringement in Australia? A Survey of Modern Design-Around Cases

(i) proper construction of a specification is a matter of law;

(ii) a patent specification should be given a purposive, not a purely literal, construction and it is not to be read in the abstract but is to be construed in the light of the common general knowledge and the art before the priority date;

(iii) the words used in a specification are to be given the meaning which the normal person skilled in the art would attach to them, having regard to his or her own general knowledge and to what is disclosed in the body of the specification;

(iv) while the claims are to be construed in the context of the specification as a whole, it is not legitimate to narrow or expand the boundaries of monopoly as fixed by the words of a claim by adding to those words glosses drawn from other parts of the specification, although terms in the claim which are unclear may be defined by reference to the body of the specification; the body of a specification cannot be used to change a clear claim for one subject matter into a claim for another and different subject matter;

(v) experts can give evidence on the meaning which those skilled in the art would give to technical or scientific terms and phrases and on unusual or special meanings to be given by skilled addressees to words which might otherwise bear their ordinary meaning; the court is to place itself in the position of some person acquainted with the surrounding circumstances as to the state of the art and manufacture at the time and

(vi) it is for the court, not for any witness however expert, to construe the specification.<sup>30</sup>

*Jupiters* is frequently quoted in Australia as stating correctly the relevant principles.<sup>31</sup>

## ***Improver, Actavis* and the doctrine of equivalents in the UK**

The 1990 House of Lords decision in *Improver* concerned a patent for a depilatory device comprising a “helical spring” driven by a motor.<sup>32</sup> In the design-around, the spring was replaced by a rubber rod with slits on its surface.<sup>33</sup> The House of Lords held that infringement could be established, even if the allegedly infringing product does not fall explicitly within the literal words of the claim, provided the following questions can be answered.

1. Does the variant have a material effect upon the way the invention works? If yes, the variant is outside the claim. If no –
2. Would this (i.e., that the variant had no material effect) have been obvious at the date of publication of the patent to a reader skilled in the art? If no, the variant is outside the claim. If yes –
3. Would the reader skilled in the art nevertheless have understood from the language of the claim that the patentee intended that strict compliance with the primary meaning

was an essential requirement of the invention? If yes, the variant is outside the claim.<sup>34</sup>

The House of Lords ultimately found that the rubber rod did not fall within the claims, failing on question 3.<sup>35</sup>

Later, in *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* (2004) 64 IPR 444, the House of Lords held that the *Improver* questions are not a substitute for the question of proper construction, being: what would a person skilled in the art understand the patentee to mean by the language of the claim.<sup>36</sup>

In *Actavis UK Limited v Eli Lilly and Company* (2017) 132 IPR 173 (“*Actavis*”), the patent claimed a combination therapy for the treatment of cancer, which involved use of an anti-cancer agent, pemetrexed (used in some chemotherapies), and vitamin B12.<sup>37</sup> The claims were limited to a specific salt of pemetrexed (pemetrexed disodium). *Actavis*’ proposed generic contained different pemetrexed salts (or the free acid).<sup>38</sup>

The UK Supreme Court held that the notional addressee would have understood the claim language to be limited to pemetrexed disodium only because that was the salt used in the experiments cited in the specification, not because the patentee intended the scope of protection to be limited to that salt.<sup>39</sup>

In arriving at this conclusion, the Court expressed doubt about the utility of the *Improver* questions and considered that the *Improver* approach placed too high a burden on patentees to show whether it would have been “obvious to the notional addressee that the variant would have no material effect on the way in which the invention works”.<sup>40</sup>

The Court explained that the following three questions should be considered.<sup>41</sup>

- (a) Notwithstanding that it is not within the literal meaning of the relevant claim(s) of the patent, does the variant achieve substantially the same result in substantially the same way as the invention (that is, the inventive concept revealed by the patent)?
- (b) Would it be obvious to the person skilled in the art, reading the patent at the priority date, but knowing that the variant achieves substantially the same result as the invention, that it does so in substantially the same way as the invention?
- (c) Would such a reader of the patent have concluded that the patentee none the less intended that strict compliance with the literal meaning of the relevant claim(s) of the patent was an essential requirement of the invention?

It is relevant to note that the Court was bound by the European Patent Convention 2000 (“EPC 2000”). Article 69 provided that “the extent of the protection conferred by a

# Is There a Doctrine of Non-Literal Patent Infringement in Australia? A Survey of Modern Design-Around Cases

European patent ... shall be determined by the claims”, but was shortly followed by another statement that “nevertheless, the description and drawings shall be used to interpret the claims”. The corresponding Protocol on the Interpretation of Article 69 (the “EPC Protocol”), provided that “for the purpose of determining the extent of protection conferred by a ... patent, due account shall be taken of any element which is equivalent to an element specified in the claims”.<sup>42</sup>

The Court acknowledged that, as a matter of ordinary language, the claims extend to a particular salt, pemetrexed disodium, and no other salt.<sup>43</sup> However, in light of the EPC Protocol, the Court was willing to find direct infringement of the claim.

Since *Actavis*, in the UK, there have now been at least 30 cases in which the doctrine of equivalents has been considered. A 2022 review found that about half of the cases had led to a successful finding of equivalence, however less than a quarter of the cases could be considered to have turned on a finding of equivalence.<sup>44</sup>

## **Improver and the principles of construction in Australia**

In Australia, *Improver* has been regarded as a guide that courts can use to assess the proper construction where patent claims are not clearly infringed on a strict literal reading. In *Photocure ASA v Queen’s University at Kingston* (2005) 216 ALR 41, after noting Australian decisions referencing *Improver*, the Federal Court of Australia concluded:

... the questions posed by *Hoffmann J* in *Improver* do not constitute a novel test of infringement, but rather an application of the purposive approach adopted by Lord Diplock in *Catnic*, which is also reflected in the European Patent Convention and Protocol.<sup>45</sup>

The Court confirmed:

... there is, therefore, nothing controversial about the *Improver* questions. The questions do not supplant the purposive approach that was explained in *Catnic*. Rather, they are an application of that approach to the claims in question in *Improver*.<sup>46</sup>

In *Fresenius Medical Care Australia Pty Ltd v Gambro Pty Ltd* (2005) 224 ALR 168, the Full Court confirmed that the *Improver* questions are merely a guide and that “infringement is determined by the construction of the claim”, citing Bennett J’s comments in *Sachtler GMBH and Co KG v RE Miller Pty Ltd* (2005) 221 ALR 373.<sup>47</sup> In *Australian Mud Company Pty Ltd v Coretell Pty Ltd* (2011) 93 IPR 188, the Full Court stated:

The catch-cry of “purposive construction” purportedly based upon *Catnic* and the application of the “*Improver*” questions derived from *Improver Corporation v Remington Consumer Products Ltd* [1990] FSR 181 in the context of claim construction was comprehensively discussed by Bennett J in

*Sachtler GMBH and Co KG v RE Miller Pty Ltd* (2005) 221 ALR 373 at [43] – [67].<sup>48</sup>

In a formulation of the principles, often repeated and quoted with approval,<sup>49</sup> the Federal Court explained as follows in *Jupiters Ltd v Neurizon Pty Ltd* (2005) 222 ALR 155:

(i) proper construction of a specification is a matter of law;  
(ii) a patent specification should be given a purposive, not a purely literal, construction and it is not to be read in the abstract but is to be construed in the light of the common general knowledge and the art before the priority date;

(iii) the words used in a specification are to be given the meaning which the normal person skilled in the art would attach to them, having regard to his or her own general knowledge and to what is disclosed in the body of the specification;

(iv) while the claims are to be construed in the context of the specification as a whole, it is not legitimate to narrow or expand the boundaries of monopoly as fixed by the words of a claim by adding to those words glosses drawn from other parts of the specification, although terms in the claim which are unclear may be defined by reference to the body of the specification; the body of a specification cannot be used to change a clear claim for one subject matter into a claim for another and different subject matter;

(v) experts can give evidence on the meaning which those skilled in the art would give to technical or scientific terms and phrases and on unusual or special meanings to be given by skilled addressees to words which might otherwise bear their ordinary meaning; the court is to place itself in the position of some person acquainted with the surrounding circumstances as to the state of the art and manufacture at the time and

(vi) it is for the court, not for any witness however expert, to construe the specification.<sup>50</sup>

The design-around cases surveyed show that the *Improver* questions continue to be used as a tool for reaching a conclusion on how the claims would have been understood by the person skilled in the art. In *Root Quality Pty Ltd v Root Control Technologies Pty Ltd* (2000) (2000) 49 IPR 225, the Court asked and answered the *Improver* questions in determining whether a clear statement in the body of the specification rendered the corresponding claim essential.<sup>51</sup> In *Photocure*, Merkel J was not satisfied that *Improver* was appropriate to deal with “qualitative” differences in the effect resulting from features of the invention, in the same way it might assist in evaluating “quantitative” differences in a feature resulting in the same outcome.<sup>52</sup>

As to whether the function of integers is relevant to construing claims, the cases surveyed show that Australian courts have diverged on this point. In some instances, Australian courts have construed claims broadly with an eye to the mechanical purpose of integers and functional operation of the patented

## Is There a Doctrine of Non-Literal Patent Infringement in Australia? A Survey of Modern Design-Around Cases

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invention. For example, in *KD Kanopy Australasia Pty Ltd v Insta Image Pty Ltd*, the Court considered “parallel” to include “reasonably parallel”, provided the near-parallel component of the design-around was sufficiently parallel to serve the function of that integer.<sup>53</sup> In *ITW AFC Pty Ltd v Loi & Tran Pty Ltd*, however, the Court found that the skilled addressee would only consider the “tapering” of a screw to capture an angle that affected the function of the product.<sup>54</sup>

Further, Australian courts are prepared to consider the function of an integer in a variety of ways, provided they consider it would form part of the view of the skilled addressee. In *ITW AFC Pty Ltd v Loi & Tran Pty Ltd*, the function of the controversial integer was used to limit the meaning of the claims. Similarly, in *Dintel Constructions Systems Pty Ltd v AFS Systems Pty Ltd*, the Full Court upheld the finding that the claiming language of “ramp” could not be read to mean “slope”, as the term “ramp” connotes a particular function that provides mechanical advantage.<sup>55</sup>

There are examples of the relevance of functional aspects being disregarded in claim construction. In *Minnesota Mining & Manufacturing Co v Tyco*, Sackville J emphasised that the use of functionally equivalent features will not necessarily amount to infringement, and found that the skilled person would not have understood the patent to claim the functional equivalent used by the alleged infringer.<sup>56</sup> In *Baygol Pty Ltd v Foamex Polystyrene* (2005) 66 IPR 1,<sup>57</sup> the Court refused a finding of infringement, despite its satisfaction that the skilled addressee would not have considered the design-around to impact the function of the claimed method.

There are also many cases that do not consider *Improver* or where the functional aspects of the claims were not determinative of construction.<sup>58</sup> Even so, we do not regard these cases as a separate category of decisions. Indeed, the cases cannot neatly be organised into categories. Rather, the cases surveyed either explicitly consider, or reach a decision consistent with, how the person skilled in the art would have understood the claims.

### Conclusion

While, in practice, predicting the judicial view of a correctly construed claim will remain occasionally challenging for those seeking to enforce patents or avoid infringement by designing around them, there remains one single approach to assessing infringement or non-infringement in Australian patent law: construe the claims and determine whether the allegedly infringing product, design-around or not, falls within the scope of the claims. There are no separate doctrines of literal or non-literal infringement, nor does the UK doctrine of equivalents apply.

Appendix – Design-around Case Review Table

FACTS AND FINDINGS	COMMENTS
<b>Radiation Ltd v Galliers &amp; Klaerr Pty Ltd (1938) 60 CLR 36</b>	
<p>The facts and findings of this case, where infringement was found, are discussed above. Dixon J stated at 51:</p> <p><i>...on a question of infringement, the issue is not whether the words of the claim can be applied with verbal accuracy or felicity to the article or device alleged to infringe. It is whether the <b>substantial idea disclosed by the specification and made the subject of a definite claim has been taken and embodied in the infringing thing.</b></i><sup>59</sup> [Emphasis added]</p>	<p>In a discussion which included reference to <i>Radiation v Galliers</i>, the Full Court in <i>Fresenius Medical Care Australia Pty Limited v Gambro Pty Limited</i> (2005) 67 IPR 230 emphasised that the significance of whether the “substantial idea has been taken” is expressly limited to what has been “made the subject of a definite claim”.<sup>60</sup></p>
<b>Catnic Components Ltd v Hill &amp; Smith Ltd [1981] FSR 60</b>	
<p>The patent concerned a steel lintel, designed to provide structural support over an opening in a wall.<sup>61</sup> The patent claimed a lintel that used a “rigid support member extending vertically” from another part of the structure. The defendants sought to avoid infringement on the grounds that their support member was at least 6 degrees from vertical, therefore not vertical and falling outside the claims.<sup>62</sup></p> <p>Rejecting the defendant’s argument, Lord Diplock outlined the correct approach to construction:</p> <p><i>My Lords, a patent specification is a unilateral statement by the patentee, in words of his own choosing, addressed to those likely to have a practical interest in the subject matter of his invention (i.e. “skilled in the art”), by which he informs them what he claims to be the essential features of the new product or process for which the letters patent grant him a monopoly. It is those novel features only that he claims to be essential that constitute the so-called “pith and marrow” of the claim. A patent specification should be given a purposive construction ... The question in each case is: whether persons with a 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.</i></p> <p><i>The question, of course, does not arise where the variant would in fact have a material effect upon the way the invention worked. Nor does it arise unless at the date of publication of the specification it would be obvious to the informed reader that this was so.</i><sup>63</sup></p>	<p>This House of Lords decision represented a turning point in claim construction. The cited passage focuses the enquiry through the view of the person skilled in the art and directs the enquiry towards the claiming language within the context of the patent as a whole.</p> <p>The decision should not be taken to distinguish between a “literal” and “purposive” construction. Rather, it clarifies that consideration of purpose can be used to answer the question of the claims’ meaning, and that the answer might not always accord with the literal meaning of the words.</p>
<b>Improver Corporation v Remington Consumer Product Limited [1990] FSR 181</b>	
<p>The facts of the <i>Improver</i> case are discussed above, as are the “<i>Improver</i> questions”. The Court ultimately found that the design-around device did not fall within the claims with reference to the third question, which considers whether the skilled addressee would have understood the claim to require strict compliance with its literal, “primary” meaning.</p>	<p>This House of Lords decision built on the finding in <i>Catnic</i>, and distilled that decision into a series of questions to assist with construing claims where the alleged infringing product (or process) does not clearly fall within the literal claiming language.</p> <p>The <i>Improver</i> questions have been considered and applied by Australian courts, however, as confirmed by the Full Court in <i>Australian Mud Company</i>, the <i>Improver</i> questions are not a substitute for purposive construction.<sup>64</sup> <i>Improver</i> serve as a guide, but do not represent a separate doctrine of non-literal infringement.</p>
<b>Ramset Fasteners (Aust) Pty Ltd v Advanced Building Systems Pty Ltd (1999) 164 ALR 239</b>	
<p>The patent concerned a method of using a quick release hoisting attachment (a ring clutch) for tilt-up walls.</p> <p>The method included remotely operating the lever arm of the ring clutch by means of a release cable (rope) attached to the distal end of that arm. The design-around used a shortened lever arm, allowing the device to function in the same way, but not as successfully.</p> <p>The design-around was found to infringe, the Court stating:</p> <p><i>What Ramset has done, without eliminating an elongated lever arm, has made the ring clutch a little worse, in so far as the reduction in the length of the lever arm has lost a degree of mechanical advantage in the rope release operation .... However, Ramset could be confident that previous experience would enable contractors to remedy the former defect by the insertion of the extensions.</i><sup>65</sup></p>	<p>While this case has been cited and approved in Australian jurisprudence, the quoted comment has not received any direct consideration (whether positive or negative).</p>

FACTS AND FINDINGS	COMMENTS
<b><i>Root Quality Pty Ltd v Root Control Technologies Pty Ltd (2000) 49 IPR 225</i></b>	
<p>The patent concerned a container suitable for growing plants that will be transplanted at a later date. The invention addressed problems with root growth by including recesses in the container wall that allowed the plant's roots to pass through openings in the container wall and be "air pruned".</p> <p>Prior to amendment, Claim 1 had described, amongst other features, "a container for growing a plant comprised of a flexible strip of material ... having an inner and out surface, said inner surface being formed in part by a lattice of root guiding recesses, at least some of said recesses being of substantially truncated conical form having a wall which converges towards a hole through the strip".<sup>66</sup> However, at the relevant time for assessment of construction, the claim had been amended to remove the phrase "at least some of", supposedly requiring all of the recesses to converge towards a hole.</p> <p>The allegedly infringing product included recesses, some of which converged towards a hole through the strip. Finkelstein J found it was necessary to consider the intention of the claim in its unamended form, and discern what had changed when the claim was amended in order to reach proper construction.<sup>67</sup> His Honour held that, the mere fact that the literal words of the amended claim required each recess to end in a hole did not mean that the skilled addressee would conclude that this feature was essential.<sup>68</sup></p> <p>Applying the <i>Improver</i> questions as a guide, Finklestein J found that the skilled addressee would have considered the clear statement in the body of the specification that it was not essential that each recess end in a hole, and that the specification contemplated that some holes would be required for attaching a fastening device.<sup>69</sup> His Honour considered that the skilled addressee would be aware of the amendments of the specification, but would conclude, in the context of the specification as a whole, that the amendments were not intended to exclude the defendant's design-around from the claim.<sup>70</sup></p> <p>The design-around was found to have infringed.</p>	<p><i>Root Quality</i> demonstrates the compatibility between the <i>Improver</i> questions and the broader question of how the skilled addressee would understand the claiming language within the context of the patent.</p> <p>The finding that the skilled addressee would have been aware of the amendments has not been engaged with in subsequent cases.</p>
<b><i>Minnesota Mining &amp; Manufacturing Co v Tyco Electronics Pty Ltd (2001) 53 IPR 32</i></b>	
<p>The patent concerned a connector for insulated conductors such as cables, in particular for electrical communication cables.</p> <p>The allegedly infringed claim included an integer describing "flexible tongues" on the opposing walls of the connector. The claim described the tongues as being "... in a plane approximately perpendicular to said axis of said passageway".<sup>71</sup></p> <p>The tongues in the respondent's connector were increasingly flexed along their length.</p> <p>The expert evidence supported the finding that the tongues had to be sufficiently perpendicular to ensure that the tongue deflects in the right direction.<sup>72</sup> Sackville J ultimately found that the skilled addressee would have appreciated that the tongues did not have to be literally perpendicular in the precise geometric sense, but that any departure would have been a result "of imprecision inherent in the manufacturing process" and would probably not be "apparent to the naked eye".<sup>73</sup></p> <p>His Honour was confident that the skilled addressee would not have considered the respondents' product to have met this integer and found the design around did not infringe.<sup>74</sup></p>	<p>The approach in this case supports the view that construction is not a question of a "literal" or "non literal" approach. Rather, proper construction of the claims may lead to, geometrically speaking, a non-literal interpretation of the claims. This does not mean that functionally equivalent features will necessarily constitute infringement.</p>
<b><i>Azuko Pty Ltd v Old Digger Pty Ltd (2001) 52 IPR 75</i></b>	
<p>The facts and differing approaches of the Full Court Justices are outlined above.</p> <p>On the approach to construction, Beaumont J rejected the need to consider whether the Court should apply a "literal" or "purposive" approach, instead finding that it was open "on either approach" to find that the variation did not place the design-around outside the claims.<sup>75</sup></p> <p>Heerey J was adamant that the question before the Court was not a question of whether the infringer's tool was the functional equivalent of the patented product, but whether the tool infringed the patent.<sup>76</sup> Heerey J considered that, in lieu of literal infringement, the Court was bound to consider whether the relevant integer was essential to the invention.<sup>77</sup></p>	<p>This decision highlights the potential for varying approaches in applying the principles of claim construction and how this can result in different outcomes on the same facts.</p>

FACTS AND FINDINGS	COMMENTS
<b><i>Kirin-Amgen Inc v Hoechst Marion Roussel Ltd (2004) 64 IPR 444</i></b>	
<p>The patent in concerned a method of artificially making the EPO hormone, which stimulates red blood cell production by bone marrow.<sup>78</sup> The respondents' product was chemically identical to the patentee's, but was not produced in the same way.<sup>79</sup></p> <p>In construing their claim, Kirin-Amgen attempted to indirectly broaden the relevant claims to include a table contained in the specification. The UK House of Lords found that the table, while necessary to satisfy disclosure requirements, could not be considered to form part of the claim, especially given it ultimately disclosed a discovery relating to the EPO hormone, not the method claimed.<sup>80</sup></p> <p>Lord Hoffman held that purposive construction does not permit an exercise of extending or going beyond the definition of a technical matter for which the patentee seeks protection in the claims.<sup>81</sup> Rather, the question is always what the person skilled in the art would have understood the patentee claim using the language of the claim.<sup>82</sup> For this purpose, the actual language chosen is usually of critical importance.<sup>83</sup> Lord Hoffman emphasised that "the conventions of word meaning and syntax enable us to express our meanings with great accuracy and subtlety" and suggested that the skilled addressee will usually assume that the claim language was chosen accordingly.<sup>84</sup> Lord Hoffman noted that this assumption is available in the context that patents are generally drafted by patentees with words of their own choosing and upon skilled advice.<sup>85</sup></p>	<p>This case confirms the limits of purposive construction and the importance of the claiming language.</p>
<b><i>Baycol Pty Ltd v Foamex Polystyrene Pty Ltd (2005) 66 IPR 1</i></b>	
<p>The patent concerned a method for forming a building foundation. The claims required use of concrete spacers to form a waffle raft in a concrete slab.<sup>86</sup> The respondents used a similar method, but employed plastic spacers.<sup>87</sup> The repeated reference to use of concrete in the specification, amendment history and claims led the Court to find that the use of concrete spacers was a deliberate restriction imposed by the patentee, and would be understood as such by the skilled addressee.<sup>88</sup> This was despite the Court's satisfaction that the skilled addressee would not have considered the use of plastic spacers to impact the function of the claimed method.<sup>89</sup> No infringement was found.</p>	<p>In some circumstances, the function of certain integers may be relevant to construing the meaning of the claiming language. However, under Australian law, function is far from determinative.</p>
<b><i>PhotoCure ASA v Queen's University at Kingston (2005) 216 ALR 41</i></b>	
<p>The patent concerned the use of photodetection and photodynamic therapy for cancer detection.<sup>90</sup> The patented method worked by administering a chemical compound, 5-aminolevulinic acid ("ALA"), to a patient and involving photodetection and photodynamic therapy ("PDT").<sup>91</sup> ALA induced the accumulation in affected cells of photosensitising agents which fluoresced when exposed to light and destroyed the lesions.<sup>92</sup></p> <p>The alleged infringer's variation involved the use of a different active ingredient, methyl-ALA.<sup>93</sup> When administered, methyl-ALA reacts with the water inside the targeted cell and separates into methyl and ALA ions.<sup>94</sup> The patentee argued that the alternative method either fell squarely within the claims or, if not, fell within the substance of the claims and infringed the patent.<sup>95</sup></p> <p>This raised two key questions. First, did the claiming language, which referred to "administering" ALA "to the patient" capture a process inside the body by which ALA could be delivered to the cell, or did it only claim the substance as applied to the patient's body?<sup>96</sup> In light of the expert evidence, Merkel J found that the latter was the correct construction of the claim.<sup>97</sup></p> <p>Second, if the latter, did the reference to the ALA compound in the claims limit the patent monopoly to that precise compound without any appendages?<sup>98</sup> Similarly, Merkel J was not satisfied that the claims would have been understood in the relevant field at the priority date to include the methyl-ALA variation.<sup>99</sup></p> <p>Regarding the question of infringement "in substance", Merkle J considered the effect of the variation on the performance of the invention.<sup>100</sup> Merkle J was not satisfied that a "better" effect (in this case, a less painful procedure) equated to a "different" effect for the purpose of the <i>Improver</i> questions. His Honour found that quantitative questions of the degree to which something works can be distinguished from qualitative differences (such as the biological sequences of a product) that make a material difference to how the invention works.<sup>101</sup></p> <p>However, the Court found that there was no infringement of the substance of the patent, as it would not have been clear to the skilled addressee that the photosensitisers would have worked in the same way.<sup>102</sup></p>	<p>This decision highlights the limits of the <i>Improver</i> approach. Given that the differences between the inventions were qualitative, it was not appropriate to consider the <i>Improver</i> questions.</p> <p>Merkel J's comments contrasting quantitative and qualitative variations do not appear to have been addressed in subsequent decisions.</p>
<b><i>KD Kanopy Australasia Pty Ltd v Insta Image Pty Ltd (2007) 71 IPR 615</i></b>	
<p>The facts and findings in this case are discussed above.</p> <p>Kiefel J considered that the Court was bound by the then recent decision in <i>Fresenius Medical Care Australia Pty Ltd v Gambro Pty (2005) 67 IPR 230</i>, and regarded it as an error of principle to consider the "essence" of the invention, but that it was equally an error to consider the "pith and marrow" approach as a separate or competing approach to textual construction where the words of the claim are considered determinative.<sup>103</sup></p>	<p>Underlying Kiefel J's observations in relation to the correct principled approach, her Honour expressly acknowledges the need for application of common sense, albeit the common sense of the skilled addressee.<sup>104</sup></p>

FACTS AND FINDINGS	COMMENTS
<b><i>ITW AFC Pty Ltd v Loi &amp; Tran Pty Ltd (2008) 76 IPR 129</i></b>	
<p>For the facts and findings, see above. His Honour’s description of the critical reasoning was as follows.</p> <p><i>I return to the basic question which requires resolution—how the term “taper” found in claim 1 of the patent in suit should be construed—and approach it from first principles. For example, should taper be construed literally to mean a narrowing in the diameter of the shaft? Or should it be construed purposively to mean any narrowing, no matter how great or small, provided the narrowing has a function or purpose similar to that of the taper described in the claim and found in the Zips screw, that is, to draw the fastener into the wood?</i></p> <p><i>... it is clear that the term “tapered” in the patent must be understood by focusing on the purpose or function of the taper. In other words, if the purpose of the taper is to draw the screw into the wood, the term “tapered” in claim 1 must be construed to encompass any narrowing in the diameter of a fastener’s shaft, regardless of how great or how small, that serves to draw the fastener in. Because the microscopic narrowing in the diameter of the shaft of respondents’ fasteners does not serve that purpose, the respondents’ screws cannot be said to be “tapered” in the manner described in claim 1. Not possessing this “essential feature” of the claim, it follows that the respondents’ screws do not infringe.<sup>105</sup></i></p>	<p>His Honour’s account of what he considered to be the correct approach is captured in the following extract:</p> <p><i>... literalism as an approach to patent construction was long ago rejected in favour of the purposive approach: ... As explained by Lord Hoffman in Kirin-Amgen, the goal of the purposive approach outlined by Lord Diplock in Catnic and now followed in this country is to give “fair protection to the patentee” (by avoiding the result of a literal approach under which a potential infringer might copy the mechanism of an invention and yet escape liability by making an “immaterial variation”—for example, by making a small change in the taper of a screw that does not affect the screw’s function yet causes the variant to fall outside the literal meaning of the patent’s terms) on the one hand while still recognising some limits on the scope of the monopoly on the other: Kirin-Amgen at 682-683 (noting, in the course of describing the history of the judiciary’s struggle to police the boundaries of patent law, that “once the monopoly had been allowed to escape from the [literal] terms of the claims, it is not easy to know where its limits should be drawn”).<sup>106</sup></i></p>
<b><i>GlaxoSmithKline Consumer Healthcare Investments (Ireland) (No. 2) Limited v Apotex Pty Ltd (2016) 119 IPR 1</i></b>	
<p>The Patent concerned an invention for a sustained release paracetamol bilayer tablet with a specified in vitro dissolution profile.</p> <p>The patent claims defined the invention as having a dissolution profile defined by a particular dissolution test, being that determined by “the USP type III apparatus, reciprocating basket, with 250ml of 0.1M HCl at 37C set at a cycle speed of 15 strokes/min)” and certain constraints.<sup>107</sup></p> <p>Beach J found that the hypothetical skilled addressee was likely to have understood that a mistake was made in claim 1 in identifying the relevant dissolution apparatus and that “basket” should have read “cylinder”.<sup>108</sup></p> <p>The claims referred to “the USP type III apparatus. However, a reciprocating basket” and the fact that a reciprocating basket would have been a “non-compendial” apparatus for performing the dissolution test, meaning that it does not form part of the dissolution test covered by the United States Pharmacopeia (“USP”).<sup>109</sup> Beach J considered it is therefore not possible for to claim “the USP type III apparatus ... basket”, as no such apparatus exists.<sup>110</sup></p> <p>Meanwhile, having regard to various factors including expert witnesses, Beach J was satisfied that a cylinder was the appropriate compendial apparatus.<sup>111</sup> His Honour was satisfied that the person skilled in the art would have understood the word basket to have been a mistake.<sup>112</sup></p> <p>Despite this, Beach J was not willing to read the claims as meaning “cylinder” instead of “basket”.<sup>113</sup> In arriving at this decision, his Honour considered that the meaning of the claims, as actually written, were <i>clear</i>, despite being clearly a mistake.<sup>114</sup> There was no inconsistency between the body of the specification and the claiming language, and the invention still worked even if the word “basket” were taken at face value.<sup>115</sup> Beach J considered that it was not the role of the Court to so easily amend an obvious mistake in a patent, especially when patentees were entitled to do under sections 102(3) and 104(1)(b)(n) of the <i>Patents Act 1990</i> (Cth).<sup>116</sup> His Honour regarded the existence of the amendment power to be a “powerful indication of the limits of any construction exercise”.<sup>117</sup></p>	<p>This case demonstrates some of the implications claim drafting. On the one hand, the Court appears to be in a position to ultimately find that the language of the claim has been chosen in error. However, as Justice Beach observed, the Court is not in a position to cure that error through construction.</p>

FACTS AND FINDINGS	COMMENTS
<b><i>Actavis UK Limited v Eli Lilly and Company (2017) 132 IPR 173</i></b>	
<i>Actavis</i> is a significant UK decision. The facts and findings are discussed above in some detail.	
<b><i>Dintel Constructions Systems Pty Ltd v AFS Systems Pty Ltd (2018) 135 IPR 197</i></b>	
<p>The facts of this case are discussed above.</p> <p>The patentee argued that the ramp surface described could be understood as a sloped surface that did not need to offer any mechanical advantage by being sloped.<sup>118</sup></p> <p>On appeal, the Full Court found no error in the primary judge’s finding that some mechanical advantage was required for the surface to be considered a “ramp”. This was so despite the fact that the claiming language did not explicitly require any such advantage.<sup>119</sup></p>	<p>The approach of the primary judge, adopted by the Full Court, appears to be an orthodox example of purposive construction:</p> <p><i>The primary judge was well aware that neither the body of the specification nor the claims referred to “mechanical advantage”. His Honour explicitly states as such. However, in the process of construing claim 1 by determining what the ramp surface integer would convey to a person skilled in the relevant art ... Construing the claim, the primary judge was entitled to conclude that where “ramp” was used, it was intended, in context, to describe a surface performing the function of making it easier to move from one level to another level.</i><sup>120</sup></p>
<b><i>Airco Fasteners Pty Ltd v Illinois Tool Works Inc (2023) 170 IPR 225</i></b>	
<p>The patent concerned an in-can fuel cell metering valve for use in combustion power tools.<sup>121</sup> Claim 1 described a fuel cell that contained an in-cell metering valve positioned to allow metered dosing of fuel.<sup>122</sup> Claim 1 included two integers that were the subject of dispute.</p> <p><b><i>The “close proximity” integer</i></b></p> <p>One integer described a fuel metering valve associated with the main valve stem and included a “fuel metering chamber <i>disposed in close proximity to</i>” the open end housing enclosed by a closure (the close proximity integer).</p> <p>In the alleged infringer’s product, the fuel metering chamber was positioned at the end of the fuel metering valve furthest from the closure. Despite this, the Court found that its design-around included the close proximity integer. The Court found that, in the context of the patent, “close proximity” only required the components to be close enough for the invention to function effectively.<sup>123</sup></p> <p><i>The fuel metering chamber does not need to be positioned adjacent to, or as close as possible to, the closure in order for the internal valve fuel cell of the invention to be configured in a manner that operates more efficiently and effectively than the fuel cells described in the prior art incorporated by reference into the Patent. The words “in close proximity” do not require this. This was an appropriate functional consideration to take into account in construing the specification in the context of the construction of the claim.</i><sup>124</sup></p> <p>Further, the Court went on to dismiss Airco’s argument that the claims should be construed to reflect the preferred embodiments in the specification, which illustrated the fuel metering chamber and valve “next to” each other.<sup>125</sup> The Full Court considered that to do so would be to “place a gloss on the language of the claim”.<sup>126</sup></p> <p><b><i>The “second end opposite” integer</i></b></p> <p>Claim 1 also required that the “fuel metering valve is located within said housing and includes a valve body having a second end <i>opposite</i> said fuel metering chamber located within said container” (the second end opposite integer).<sup>127</sup></p> <p>In Airco’s product, the “second end” and the fuel metering chamber were adjacent.<sup>128</sup> The Full Court upheld the primary judge’s finding that it infringed on the basis that “opposite”, in this instance, meant “across from” or “facing” and not “the other end from”.<sup>129</sup></p> <p><i>The claim imposes the requirement that there is a relationship between the second end, which is the end of the valve body in the separate fuel container where the fuel is going to come from, and the fuel metering chamber, which is where the fuel must flow in order for the invention to work. Fuel flows from the container into the second end of the valve body, the cavity and the metering chamber prior to being emitted from the outlet of the valve stem. The words “second end opposite said fuel metering chamber” serve to align the second end with the fuel’s measured storage and dispensation component (the fuel metering chamber), thereby aligning the two co-axially.</i><sup>130</sup></p> <p>The Full Court therefore found that the design-around infringed the patent.</p>	<p>In this recent decision, the principles of construction, as stated in <i>Jupiter</i>, were referred to with approval. There was no reference to <i>Improver</i>. The Court also referred, with approval, to <i>Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd (2001) 207 CLR 1</i> at [15], <i>Welch Perrin &amp; Co Pty Ltd v Worrel (1961) 106 CLR 588</i> at 610 (Dixon CJ, Kitto and Windeyer JJ) and <i>Interlogo AG v Toltoys Pty Ltd (1973) HCA 1</i>; <i>130 CLR 461</i> at 478 (Barwick CJ and Mason J).<sup>131</sup></p>

# Is There a Doctrine of Non-Literal Patent Infringement in Australia? A Survey of Modern Design-Around Cases

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- 123 *Airco Fasteners Pty Ltd v Illinois Tool Works Inc* (2023) 170 IPR 225, 242 [53]–[54].
- 124 *Airco Fasteners Pty Ltd v Illinois Tool Works Inc* (2023) 170 IPR 225, 242 [55].
- 125 *Airco Fasteners Pty Ltd v Illinois Tool Works Inc* (2023) 170 IPR 225, 243 [58].
- 126 *Airco Fasteners Pty Ltd v Illinois Tool Works Inc* (2023) 170 IPR 225, 243 [58].
- 127 *Airco Fasteners Pty Ltd v Illinois Tool Works Inc* (2023) 170 IPR 225, 231 [13].
- 128 *Airco Fasteners Pty Ltd v Illinois Tool Works Inc* (2023) 170 IPR 225, 240 [47].
- 129 *Airco Fasteners Pty Ltd v Illinois Tool Works Inc* (2023) 170 IPR 225, 243 [60]–[61].
- 130 *Airco Fasteners Pty Ltd v Illinois Tool Works Inc* (2023) 170 IPR 225, 244 [66].
- 131 *Airco Fasteners Pty Ltd v Illinois Tool Works Inc* (2023) 170 IPR 225, 244 [58].

# Professionals Beware: The Opportunities and Risks of Generative AI in Legal Practice

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## Introduction

It has been a little over a year since ChatGPT controversially burst onto the scene in November 2022, promising users a human-like conversational experience that would change the way they live, learn and work. We have witnessed a rapid uptake of generative AI tools, including ChatGPT, Bing CoPilot, Dall-E and Midjourney, for a wide range of use cases: from the innocuous such as writing a poem or creating a recipe, to the more complex, such as drafting documents, reviewing contracts or providing legal advice. These tools have rapidly become more powerful and accurate. For example, the GPT-4 Technical Paper released by OpenAI reported that GPT-4 performed in the top 10 per cent of test takers in a simulated Bar exam compared to the performance of GPT-3.5 which fell into the bottom 10 per cent of test takers.<sup>2</sup> A proliferation of free and enterprise tools that have been released to the market, or incorporated into traditional products, perform a wide range of tasks, with some companies partnering with external service providers to create their own generative AI systems for specific internal use. Generative AI tools have been adopted in the legal profession, performing tasks such as legal research, contract review, and legal drafting.<sup>3</sup>

However, there are risks that come with the opportunities presented by these technologies, risks that legal practitioners and professionals must take into account when deciding whether or how to use them. Generative AI tools have been known to “hallucinate”, generating answers that are incorrect, inaccurate or completely fabricated and outputs may be biased or discriminate against a particular group. The development and use of generative AI tools may infringe copyright in works incorporated into training data sets. As the example of Mr Schwartz demonstrates below, not only is a practitioner’s reputation at risk, but misuse of generative AI may be in breach of a practitioner’s obligations under applicable professional conduct rules. It is critical that legal practitioners keep up with developments in technology and develop a working understanding of how generative AI tools operate before deploying them. This article will provide an overview of issues that legal practitioners and professionals should keep in mind when making the decision to adopt or use generative AI.

## What is generative AI?

There are many definitions of AI, with definitions shifting and changing as the technology develops. The OECD defines an “AI system” as:

*a machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations or decisions that can influence physical or virtual environments.*

*Different AI systems vary in their levels of autonomy and adaptiveness after deployment.*<sup>4</sup>

The Australian Government uses a somewhat similar definition and draws on the ISO Standard<sup>5</sup> to define AI as:

*an engineered system that generates predictive outputs such as content, forecasts, recommendations or decisions for a given set of human-defined objectives or parameters without explicit programming. AI systems are designed to operate with varying levels of automation.*<sup>6</sup>

Generative AI is a type of AI system based on large language models (“LLMs”) or multimodal foundational models (“MFM”) that use algorithms to make predictions based on inputs.<sup>7</sup> Commonly known examples of generative AI tools include ChatGPT, Bing CoPilot, Bard, Dall-E and Midjourney. These tools generate text or images in response to a text prompt. As set out in the Rapid Response Information Report on Generative AI:

*[w]hat all these models do is recognize patterns in data and produce sophisticated answers based on those patterns. The models are not intelligent or able to necessarily determine fact from fiction in their inputs or training data.*<sup>8</sup>

It is this last sentence that legal practitioners and professionals should pay attention to. Generative AI is not intelligent and it is this fact that contributes to some of the risks discussed in this article.

### Hallucinations

Many practitioners are now aware of the risk of generative AI tools “hallucinating”.<sup>9</sup> That is, generating output that may be inaccurate, fabricated or even nonsensical. This risk was made excruciatingly clear in the case of two lawyers representing the plaintiff in a personal injury case in the United States of America.<sup>10</sup> In this case, the lawyers relied on the content generated by ChatGPT to prepare a brief that was filed with the court. The brief contained references to six non-existent cases, and the error was brought to the court’s attention by opposing counsel who could not locate many of the authorities relied upon by the plaintiff. When questioned by the court and asked to produce further information on the cases, including case reports, the lawyers produced more content generated by ChatGPT, including extracts of case reports that had been essentially fabricated by the generative AI tool. When questioned by the Judge, it became apparent that the lawyer who prepared the brief, Mr Schwartz, had relied on ChatGPT as a legal research tool and did not conduct any independent checks as to the veracity or quality of the response generated by the tool. Responding to questioning from the court, Mr Schwartz stated that he did not believe that the tool would generate inaccurate or fabricated cases.<sup>11</sup> In finding that the lawyers acted in bad faith and issuing sanctions, the Judge observed that while there was nothing wrong with relying on databases and other tools to prepare submissions, it is the role of the lawyer to ensure that all filings are accurate.<sup>12</sup> The lawyers were fined US\$5,000 and required to contact their client and the judges who were referenced in the falsified case reports and inform them of the sanctions imposed by the court.<sup>13</sup> Of course, in addition to the official sanctions of the court, the lawyers involved must also suffer the humiliation and loss of reputation that must flow from the significant, international media attention paid to this case.

When testing the capacity of generative AI to hallucinate, in mid-2023 the author tested ChatGPT3.5’s response to the prompt “Give me the names of some cases dealing with inventorship and patents in Australia”. ChatGPT generated the following text in response:<sup>14</sup>

*Here are a few notable cases in Australia that have addressed issues related to inventorship and patents:*

1. *Commissioner of Patents v. Microcell Ltd. (1959)*: This case dealt with the question of who can be considered an inventor and the requirements for validly claiming inventorship in a patent. It established that the true inventor must be a person who contributes to the inventive concept and has a mental element in the formation of the invention.

2. *Northern Territory v. Collinsville Sawmillers Pty Ltd. (1976)*: This case examined the concept of inventive step and whether an invention was obvious to a person skilled in the art. It clarified the importance of the inventive

*step requirement in determining the patentability of an invention.*

3. *Pacific Enterprises (Aust) Pty Ltd. v. Rowlands (2002)*: This case focused on the ownership of an invention and the assignment of patent rights. It discussed the importance of properly documenting and establishing the chain of title for patents and highlighted the significance of clear contractual agreements in determining ownership.

4. *Meat and Livestock Australia Limited v. Cargill, Inc. (2006)*: This case involved the question of patentable subject matter and whether a method for selecting livestock based on genetic traits could be patented. It examined the criteria for patent eligibility and the boundaries of what can be considered a patentable invention.

5. *RPL Central Pty Ltd. v. Commissioner of Patents (2013)*: This case addressed the patentability of a computer-implemented invention related to the assessment of skills and recognition of prior learning. It explored the patentability of business methods and computer-implemented inventions and provided guidance on the patentability of software-based inventions.

*Please note that this is not an exhaustive list, and there may be other cases relevant to inventorship and patents in Australia. It is advisable to consult legal databases and seek guidance from a qualified intellectual property attorney for a comprehensive understanding of the current case law and its implications.*

The first case identified is *Commissioner of Patents v Microcell Ltd* (1959). Those readers who are familiar with patent law in Australia will immediately recognise this case. *Commissioner of Patents v Microcell Ltd* [1959] HCA 71 is a High Court of Australia decision dealing with issues relating to patenting new uses of known things. This case involved a patent application for a “self-propelled-rocket projector” made of reinforced plastic and dealt with the issue of whether a new use for a known material could be patentable. It does not deal with, as ChatGPT describes, issues relating to who may claim to be an inventor.

The second case, *Northern Territory v Collinsville Sawmillers Pty Ltd* (1976), appears to be entirely fabricated. A search of reputable sources fails to identify such a case. However, for those versed in patent law, the case name does seem somewhat familiar. Could ChatGPT have generated a perversion of the actual case, *Northern Territory v Collins* [2008] HCA 49, a case dealing with contributory infringement? When queried on the full citation for *Northern Territory v. Collinsville Sawmillers Pty Ltd* (1976) ChatGPT responded as follows:<sup>15</sup>

*I apologize for the confusion in my previous response. Upon further investigation, I could not find a specific case titled “Northern Territory v. Collinsville Sawmillers Pty Ltd. (1976)” in the Australian legal database. It’s possible that*

## Professionals Beware: The Opportunities and Risks of Generative AI in Legal Practice

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*the case may have been misattributed or the details provided were not accurate.*

*To ensure accuracy, it is recommended to consult legal databases or seek guidance from a qualified legal professional for the correct and complete citation of any specific case you are referring to. They will be able to assist you in finding the accurate case and relevant information associated with it.*

Two things are of interest in this response. First, ChatGPT immediately retracted the reference and advised the user to refer to legal databases or a qualified lawyer. Second, the tool responded in the first person and used the language of an apology further reinforcing the idea that the user is in a dialogue or conversation with an assistant rather than engaging with an artificially intelligent system.

The author was also unable to locate a case by the name *Pacific Enterprises (Aust) Pty Ltd v. Rowlands* (2002) although there are a number of cases that involved Pacific Enterprises. Again, when queried on the full citation, ChatGPT apologised for the confusion and stated that it could not find the case.<sup>16</sup> In regard to the fourth case on the list, *Meat and Livestock Australia Limited v Cargill, Inc* (2006), the citation and description of principles are almost correct, however, the year of the decision is incorrect. When questioned about the full citation for *Meat and Livestock Australia Limited v. Cargill, Inc* (2006), ChatGPT issued an apology almost identical to the one set out above.<sup>17</sup> The author questioned ChatGPT further, asking “Was Meat and Livestock Australia Limited v Cargill Inc actually a case in 2018?” Again, ChatGPT apologised and insisted that “I couldn’t find a specific case titled ‘Meat and Livestock Australia Limited v Cargill Inc’ in the Australian legal database for the year 2018 or any other year.”<sup>18</sup> This denial is instructive. When questioned on the veracity of information, ChatGPT tends to “apologise” and advise users to consult legal databases or seek advice from a lawyer even when prompted towards the correct answer.

Finally, we turn to the fifth case on our list, *RPL Central Pty Ltd v Commissioner of Patents* (2013). Here, ChatGPT has generated a reference to an existing case and describes the legal principles correctly.<sup>19</sup> However, this achievement must be viewed in the context of the whole response and glaring inaccuracies in the other answers. Four out of five references contained errors or were complete fabrications and none of the cases provided actually dealt with the issue of inventorship in Australia.

It is important to acknowledge that ChatGPT has improved somewhat in the year since it was publicly released. Repeating the task outlined above in early 2024, questioning ChatGPT-4 on notable cases on inventorship and patents in Australia, the tool produced a list of five cases with complete citations (including year and court report).<sup>20</sup> Generally speaking, the descriptions of each of the cases were largely correct with the exception of the description for *SNF (Australia) Pty*

*Ltd v Ciba Specialty Chemicals Water Treatments Limited* [2012] FCAFC 95 that referred to requirements for novelty and inventive step when the case actually dealt with the requirements for novelty and *innovative* step. Interestingly, none of the cases really dealt with the question of who can be considered an inventor, despite the request for “cases on inventorship”. This perhaps illustrates the importance of using highly specific prompts to elicit a useful response. Further questioning of ChatGPT-4 with specific questions as to who can be considered an inventor of a patent resulted in one case dealing with inventorship (along with three other hallucinations);<sup>21</sup> however, it took specific questioning as to the outcome in “Thaler and Commissioner of Patents” to get an answer dealing with AI inventorship.<sup>22</sup>

Practitioners are advised to exercise caution when using generative AI tools for legal research purposes. The responses generated by such tools should be verified using other methods such as searching reputable legal databases or drawing on professional experience and practice. Platform owners such as OpenAI even draw the attention of users to this fact. OpenAI makes it clear that responses generated by ChatGPT can be incorrect with a warning under the chat interface on ChatGPT-4 stating: “ChatGPT can make mistakes. Consider checking important information.” Furthermore, specific reference to the ability of ChatGPT to “hallucinate” is made in the service’s terms and conditions. The OpenAI “Terms of use” contain specific clauses dealing with “Accuracy” and advise users that “[g]iven the probabilistic nature of machine learning, use of our Services may, in some situations, result in Output that does not accurately reflect real people, places, or facts.”<sup>23</sup> Under the Terms of use, users agree not to rely on the content generated by the tool and to “evaluate Output for accuracy and appropriateness for your use case, including using human review as appropriate, before using or sharing Output from the Services.”<sup>24</sup>

The issue with hallucinations is not unique or limited to ChatGPT. Other generative AI tools acknowledge the risk that they may generate inaccurate or fabricated results. The “CoPilot AI Experiences Terms” include provisions similar to those in the OpenAI Terms of use, stating:

*The Online Services are for entertainment purposes; the Online Services are not error-free, may not work as expected and may generate incorrect information. You should not rely on the Online Services, and you should not use the Online Services for advice of any kind. Your use of the Online Services is at your own risk.*<sup>25</sup>

To avoid becoming a “teaching moment”, like Mr Schwartz in the case described above, users of generative AI are advised to review any output with a critical eye to validate the content and to ensure that they are not sharing inaccurate content or providing inaccurate or misleading advice to clients or the courts.

### Copyright and generative AI

AI has, and continues to, challenge the boundaries of intellectual property law. This is no different in the case of generative AI tools. The development and use of generative AI tools such as ChatGPT and Dall-E raise challenges for copyright law. Does the use of images or text in training data sets infringe copyright? Can the outputs of generative AI tools reproduce a substantial part of a copyright work? Can a work created by, or in collaboration with, generative AI be protected by copyright?

### Copyright infringement

Generative AI uses vast data sets to train its systems. These data sets may comprise millions of images or pages of text that have been scraped from the internet or otherwise obtained without the consent of the author or owner of the work and generative AI uses this data to make predictions and generate new outputs. Numerous court cases challenging the unauthorised use of content in training data sets are a testament to the outrage of creators and rights owners worldwide. For example, Stability AI and Midjourney are being sued by artists for copyright infringement claiming the use of their work in training sets amounts to unauthorised reproduction of copyright work and that outputs from generative AI are unauthorised derivative works.<sup>26</sup> Similarly, Getty Images is suing Stability AI in the US and UK for unauthorised copying of images, along with accompanying captions and metadata with Getty Images claiming that Stability AI has engaged in “brazen infringement of Getty Images’ intellectual property on a staggering scale”.<sup>27</sup> According to their complaint, more than 12 million Getty Images photographs have been copied by Stability AI to train their system.<sup>28</sup> Software developers are suing GitHub, Microsoft and OpenAI, alleging unauthorised copying of software code in breach of relevant open source licences for use in developing the CoPilot tool.<sup>29</sup> Thomson Reuters is suing Ross Intelligence, alleging unauthorised copying of Westlaw database content for training data.<sup>30</sup>

The most recent, and perhaps the most high-profile, case dealing with copyright infringement and generative AI is that brought by *The New York Times* against Microsoft and OpenAI, alleging that Microsoft and OpenAI have copied millions of copyright protected articles in the course of training their model and operating their products.<sup>31</sup> *The New York Times* filed their complaint on 27 December 2023, following attempts to settle with Microsoft and OpenAI, in an attempt to “ensure it received fair value for the use of its content, facilitate the continuation of a healthy news ecosystem, and help develop GenAI technology in a responsible way that benefits society and supports a well-informed public.”<sup>32</sup> The trial pleading outlines several claims for copyright infringement including: unauthorised reproduction of works during GPT model training; embodiment of unauthorised reproductions and derivatives

of works in GPT models; and unauthorised public display of works in GPT product outputs.<sup>33</sup>

Along with the expected claims relating to the incorporation of copyright works in training data and reproduction in derivative works, *The New York Times* claim also raises concerns regarding “memorization” by generative AI tools. This occurs when the tool generates content that is not only similar to, or derivative from, its training data; it is an almost complete reproduction of all or parts of the copyrighted work.<sup>34</sup> In documents filed with the court, *The New York Times* provides examples of outputs from ChatGPT and Bing Chat (now known as CoPilot) that allegedly copies *The New York Times* content, highlighting the similarity between passages as illustration.<sup>35</sup> In response, OpenAI has published an article titled “OpenAI and journalism” setting out how OpenAI believes the use of copyright content to be “fair use” under US copyright law and that the company is working to limit instances of memorization or regurgitation of content.<sup>36</sup> OpenAI also questions the prompts used by *The New York Times* to generate the examples included in the court documents and suggests that *The New York Times* manipulated prompts to generate examples of memorization or regurgitation that would not ordinarily be generated by ChatGPT in response to typical user inquiries.<sup>37</sup>

As identified by OpenAI in their response to *The New York Times* complaint, the application of exceptions to copyright protection, such as the doctrine of fair use in the United States and the text and data mining exceptions in the European Union, will be critical to the outcomes in these cases. Whether the use of copyright material is “fair use” is to be assessed against four fairness factors:

- (1) *the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes;*
- (2) *the nature of the copyrighted work;*
- (3) *the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and*
- (4) *the effect of the use upon the potential market for or value of the copyrighted work.*<sup>38</sup>

The application of these factors will depend on the specific facts of the case. Given the time it may take for these cases to progress through the courts, it may be some time before there is clarification as to whether the activities of generative AI companies and compilers of training data sets could be considered “fair use”. It is possible that the decision in *Thomson Reuters v ROSS Intelligence* may come first, with a tentative trial date set for May 2024.<sup>39</sup> The text and data mining exceptions under European Union law may also provide protections for some of the activities of generative AI companies and those that compile training data sets. The companies that market generative AI tools may not be responsible for compiling the training data set. For example,

the data set used by Stability AI was created by the Large-Scale Artificial Intelligence Open Network (“LAION”) based in Germany and it is likely that these activities would fall under the European Union text and data mining exceptions.<sup>40</sup> In the event that similar claims might be made in Australia, it is unlikely that the use of copyright works for these purposes will fall under the more limited fair dealing provisions under the *Copyright Act 1968* (Cth).<sup>41</sup>

Regardless of the outcome in these cases, it is significant to note that Microsoft is offering an indemnity for intellectual property infringement to commercial customers of Microsoft’s CoPilot and Azure OpenAI Service, provided the customers have implemented certain guardrails and content filters.<sup>42</sup> While this practice is common in the technology industry in relation to all kinds of technology including software, it is an important signal to customers that Microsoft is willing to take responsibility for intellectual property claims against paying customers and that their technology will operate in a way that minimises the risk of such claims.<sup>43</sup> The existence of such an indemnity may serve as an additional incentive to invest in subscriptions to enterprise versions of generative AI tools rather than rely on free or cheaper subscriptions. Users of generative AI tools are advised to confirm whether their specific tool provides such an indemnity. For example, both ChatGPT and CoPilot specifically disclaim responsibility for the infringement of intellectual property rights.<sup>44</sup> In fact, users may be required to indemnify the generative AI service from and against third-party claims relating to the use of the service or any output.<sup>45</sup>

In addition to issues of copyright infringement, consideration should also be given to the potential violation of an author’s or artist’s moral rights in the copyright work. In the Australian context, authors have the right of attribution of authorship, the right not to have authorship of a work falsely attributed and the right of integrity of authorship of a work.<sup>46</sup> It is unclear how the unauthorised copying of copyright works for inclusion in training data sets can be consistent with an author’s moral rights, in particular the right of attribution of authorship and the right of integrity of authorship. In what way does the training data set record or attribute authorship in relation to an included literary or artistic work? Could inclusion and use of literary or artistic work in a data set constitute derogatory treatment?

### Ownership of and rights in outputs

In addition to the issue of copyright infringement, there are concerns regarding the rights that may attach to content generated by, or in collaboration with, generative AI. This is important as it may have a significant impact on the way the creator of such content may use, or prevent others from using, the work. A number of recent cases in the United States can provide guidance on the attribution of authorship with respect to AI generated works. The United States Copyright Office has provided guidance on authorship stating that,

to be eligible for copyright protection, an author must be a human being.<sup>47</sup> According to the Copyright Office, the key question is:

*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 ... were actually conceived and executed not by a man but by a machine.*<sup>48</sup>

Decisions relating to copyright registration of AI generated works in the US provide guidance on the level of collaboration between an author and a generative AI tool that is necessary for a work to be eligible for copyright protection. The first example is the comic book *Zarya of the Dawn*, registered with the United States Copyright Office.<sup>49</sup> While the comic book cover named both the author and Midjourney, the application for registration did not specifically address the fact that Midjourney was used to create some of the content.<sup>50</sup> The Copyright Office became aware of the use of generative AI following social media posts by the author discussing the work and reviewed the registration looking at who was responsible for creating specific elements of the work.<sup>51</sup> In this case, the author created the text and arranged elements of the work while images were generated by Midjourney with some modifications made to the images by the author.<sup>52</sup> The Copyright Office cancelled the registration in relation to content generated by Midjourney and a more limited registration was issued covering those elements of the comic book that were created solely by the artist.<sup>53</sup>

A subsequent case involving the Copyright Office and Dr Thaler, the well-known litigant in various patent litigation around the world seeking recognition of an AI system known as DABUS as an inventor,<sup>54</sup> provides further guidance on the level of collaboration that may be necessary for a work to be eligible for copyright protection.<sup>55</sup> Dr Thaler is the creator and owner of the “Creativity Machine”, and sought to register an image generated by the Creativity Machine, “A Recent Entrance to Paradise” with the US Copyright Office. The application was denied, and Dr Thaler challenged the decision arguing that there is nothing in US Copyright Law that requires an author to be a human.<sup>56</sup> Instead, Dr Thaler argued that it was appropriate to view the issue within the context of the doctrine of “work for hire” allowing Dr Thaler to own the copyright as the owner of the Creativity Machine in a way similar to the way employers can own the copyright in works created by an employee.<sup>57</sup> The US District Court for the District of Columbia held that a human author was required and that while advances in technology “will prompt challenging questions regarding how much human input is necessary to qualify the user of an AI system as an ‘author’ of a generated work”, this is not one of the cases.<sup>58</sup>

The position of the US Copyright Office was confirmed in the more recent decision of the US Copyright Review Board in the artistic work “Théâtre D’opéra Spatial” produced by

Midjourney and modified by the artist Jason M Allen. The image was the result of more than 624 prompts from the artist to Midjourney and subsequent editing by the artist in Adobe Photoshop.<sup>59</sup> The Copyright Review Board affirmed the decision to refuse to register the artistic work stating that the work contains “more than a de minimis amount of content generated by artificial intelligence” as the Midjourney image “remains in substantial form in the final Work”<sup>60</sup> requiring that this work be disclaimed before the Copyright Office can proceed to register those elements of the work that are the human author’s contribution.<sup>61</sup> How these kinds of issues would be resolved in Australia is yet to be seen. Drawing on existing case law, it would appear that a human author exerting “independent intellectual effort” would be required in order for a work to be eligible for copyright protection under the *Copyright Act 1968* (Cth).<sup>62</sup>

In addition to issues surrounding authorship and whether a work may be eligible for copyright protection, users of generative AI should confirm the specific rights granted to them by the owner of the generative AI tool in question and the extent to which those terms grant them the right to use the resulting output. These terms vary and may limit the way that a user may use a particular work. For example, the current CoPilot AI Experiences Terms acknowledge that outputs generated by CoPilot may not be unique<sup>63</sup> and clearly state that “Microsoft does not claim ownership of Prompts, Creations, customizations, instructions, or any other content you provide, post, input, or submit to, or receive from the Online Services”.<sup>64</sup> In return, users grant Microsoft a broad licence to use “Prompts, Creations, customizations (including GPTs), and related content in connection with the operation of its businesses.”<sup>65</sup> Previous versions of the Bing Conversational Experiences and Image Creator Terms limited the right to use output generated by the service for “any legal personal, non-commercial purpose.”<sup>66</sup> The OpenAI Terms of Use also acknowledge that content created by OpenAI services may not be unique and grants to users ownership of any output, explicitly assigning to the user all “right, title, and interest, if any, in and to the Output”.<sup>67</sup> OpenAI retains the right to use both inputs and outputs to “provide, maintain, develop, and improve our Services” however, it does provide an option for users to opt-out of this, noting that if they do, “this may limit the ability of our Services to better address your specific use case.”<sup>68</sup> Users of generative AI tools are advised to check the terms of services to ensure that they have the rights (for example, an assignment or licence) to use any output for their specific, intended purpose.

### Bias

Generative AI tools such as ChatGPT generate content by drawing on the LLM or MFMs underpinning the tool. The training data incorporated into this large language model informs the quality and accuracy of the output. Where the training data has gaps or reflects certain biases, the

output may be flawed or biased. We shouldn’t be surprised by the capacity of generative AI to produce biased or discriminatory content. This is a known problem with AI generally. For example, in 2016, reporting by ProPublica uncovered significant bias in the COMPAS tool used in the criminal justice system in the United States to conduct risk assessments of defendants.<sup>69</sup> The tool was shown to be slightly more accurate than a coin toss in predicting future reoffending and there were “significant racial disparities” in outcomes.<sup>70</sup> Black defendants were more than twice as likely to be wrongly flagged as reoffenders than white defendants.<sup>71</sup> The Australian Human Rights Commission report on Human Rights and Technology, published in 2021, outlines the risk of “algorithmic bias” and recommends “greater guidance for government and non-governmental bodies in complying with anti-discrimination law in the context of AI-informed decision making.”<sup>72</sup> The issue of bias and discrimination is a key area of concern in numerous AI ethics frameworks including Australia’s AI Ethics Principles.<sup>73</sup>

Testing the capabilities of Dall-E in mid-2023, images generated in response to prompts regarding lawyers demonstrated some bias in representation. Images generated in response to the prompts “impressionist painting of lawyers” and “painting of lawyers digital art” showed little gender diversity with most of the images depicting men. A request asking for “lawyers practising in court” resulted in pictures showing greater diversity in terms of gender representation, whereas a prompt asking for pictures of “lawyers negotiating” resulted in four images depicting only men. Finally, the images generated in response to the prompt “lawyers stressed about new technology” depicted mostly women. To what extent do these images reflect existing bias? Is the technology responding to historical data regarding the gender make-up of the profession? Or are there more impressionist paintings of men? Are women more likely to be stressed by new technology? These observations relate to a very limited data set; however, research looking at more than 100 images generated by AI confirms the existence of bias across a wide range of characteristics, including sex, age, race, class and geographical location.<sup>74</sup>

Asking DALL-E 2 to generate images based on these prompts (in early 2024) resulted in a different set of images. There was still little gender diversity in the images generated in response to the prompts “impressionist painting of lawyers” and “painting of lawyers digital art” with the images depicting mostly men. However, when asking for images of “lawyers stressed about new technology” and “lawyers negotiating”, the generated images showed much greater gender diversity when compared to the images produced in 2023. Again, it is not possible to reach firm conclusions as to bias on the basis of such a limited data set. Given the nature of generative AI, the response to a prompt will likely be different every time. All users of generative AI should continue to be conscious of the potential bias that may be depicted or included in

content produced by generative AI and assess the suitability of content for their intended purpose. Particular care should be taken where the output of the generative AI may have an impact on a person's life such as where generative AI may be used to assist in legal decision making.

### Privacy and confidential information

As noted above, generative AI services may retain the right to keep and use any content you upload as prompts to the service. In addition to ensuring that they have the right to upload and share content from an intellectual property perspective, users should also ensure that any content shared with generative AI tools is consistent with privacy regulations and obligations of confidence. In particular, practitioners should ensure that they are not exposing personal or confidential information in breach of privacy legislation, terms of engagement with a client or professional obligations including legal professional privilege. This applies to the use of free and enterprise versions of generative AI, especially where firms may be managing conflicts.

The Italian privacy regulator blocked access to ChatGPT in early 2023, raising concerns about OpenAI's data collection practices and the extent to which these practices were consistent with requirements under the European *General Data Protection Regulation* ("GDPR").<sup>75</sup> In response, OpenAI implemented changes in practice, including processes allowing users to request that their information be removed from the service.<sup>76</sup> While privacy legislation in Australia is weaker in comparison to the GDPR, users should still exercise caution and ensure they comply with the *Privacy Act 1988* (Cth) and the Australian Privacy Principles, and, where necessary, make sure that any terms of service or privacy policies allow for use of personal information including disclosure of information to generative AI tools.

Generative AI tools may also generate or disclose information about a person and this information may not always be accurate. This is acknowledged by OpenAI in their Privacy Policy, stating that where someone wishes to correct an inaccuracy they may submit a correction request however "[g]iven the technical complexity of how our models work, we may not be able to correct the inaccuracy in every instance. In that case, you may request that we remove your personal information from ChatGPT's output".<sup>77</sup>

In addition to compliance with relevant privacy legislation, users should ensure that confidential information is not shared with generative AI services. This may include privileged or client information, customer lists, software code, or other trade secrets. In 2023, a number of large companies, such as Apple and Samsung, banned or limited the use of generative AI tools to ensure the protection of confidential information, including trade secrets.<sup>78</sup> The risk of disclosing confidential information may be mitigated by using versions of generative AI tools that do not collect or share data, including for training purposes. This may include

bespoke tools developed for a specific company or tools supplied under enterprise licences. Practitioners should take a cautious approach to sharing information until they have confirmed how the data shared with a generative AI service is collected and used.

### Professional responsibility

Legal practitioners have duties to the courts, to clients and to the public. These are set out in various conduct rules.<sup>79</sup> Other professionals, such as IP attorneys, have similar obligations under relevant codes of conduct.<sup>80</sup> Some professional bodies have issued guidance to members on the use of generative AI in practice.<sup>81</sup>

In addition to duties to the court and the administration of justice,<sup>82</sup> legal practitioners have duties to clients including acting in a client's best interest, as well as obligations to be honest and courteous; to act competently, diligently and promptly; and to avoid compromise to integrity and professional independence.<sup>83</sup> These duties should be kept in mind when using generative AI in legal practice, in particular, the duties to deliver services competently, diligently and promptly. There are two ways to look at these obligations with respect to the use of technology more broadly and generative AI specifically. First, keeping in mind the case of Mr Schwartz discussed above, would it be competent or diligent to rely on material generated by tools such as ChatGPT without conducting due diligence to confirm its accuracy? Second, would it be unprofessional to not use technology, such as generative AI or other tools, where it may result in a more cost-effective and timely provision of services? The Victorian Supreme Court has already ordered the use of technology-assisted review in a case involving, at a minimum, approximately 1.4 million documents on the grounds that "traditional manual discovery ... is not likely to be either cost effective or proportionate."<sup>84</sup> Practitioners are advised to consider how these tools may be used in the course of their practice, including by other legal practitioners and employees engaged in the provision of legal services for which they are responsible.

### Conclusion

This article outlines some of the risks involved in using generative AI tools, both generally and specifically in legal practice. It is now more important than ever for lawyers to take opportunities to understand new technologies and how to use them. The rapid adoption of generative AI raises the question of the kind of skills legal practitioners and other professionals need to effectively use these tools in compliance with their obligations under professional conduct rules. Understanding the risks associated with generative AI is the first step. However, legal practitioners and professionals must continue to engage in professional development to keep up with advances in technology and develop new skills in areas such as prompt engineering. Generative AI represents an opportunity for the profession, allowing practitioners and

# Professionals Beware: The Opportunities and Risks of Generative AI in Legal Practice

professionals to focus on higher-value tasks that leverage the higher-order skills that legal training provides such as critical thinking, advocacy and negotiation skills. However, it must be deployed effectively and responsibly to uphold obligations to the courts, the administration of justice, and to clients.

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## Professionals Beware: The Opportunities and Risks of Generative AI in Legal Practice

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# Brand Protection Snippets

Fiona McNeil<sup>1</sup>

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This article draws on recent Australian cases to highlight some new developments in intellectual property litigation.

It covers three distinct topics. The first concerns interlocutory injunctions and the extent to which an alleged infringer's knowledge of existing intellectual property rights may affect the weighing of the "balance of convenience". The second addresses the fraught issue of how to prepare evidence in chief of conversations (and how not to do it). The third relates to third party costs orders and litigation funding.

These topics might be easily overlooked when nestled within judicial reasons dealing with a range of issues. In this article, they are given special attention.

## Snippet 1 – Weighing the “balance of convenience” when the alleged infringer has acted with “eyes wide open”

### *A refresher on interlocutory injunctions*

The principles to be applied when seeking an interlocutory injunction are well established.

In *Australian Broadcasting Corporation v O'Neill* (2006) 227 CLR 57 at [65]<sup>2</sup> Gummow and Hayne JJ, confirmed that the relevant principles are those explained in *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618 (“*Beecham*”). On such occasions, the Court addresses itself to two main inquiries:

*The first is whether the plaintiff has made out a prima facie case, in the sense that if the evidence remains as it is there is a probability that at the trial of the action the plaintiff will be held entitled to relief ... The second inquiry is ... whether the inconvenience or injury which the plaintiff would be likely to suffer if an injunction were refused outweighs or is outweighed by the injury which the defendant would suffer if an injunction were granted.*<sup>3</sup>

The related nature of those two questions was explained in *Warner-Lambert Co LLC v Apotex Pty Ltd* (2014) 106 IPR 218 at [70]:

*Whether an applicant for an interlocutory injunction has made out a prima facie case and whether the balance of convenience favours the grant of such relief are related questions. It will often be necessary to give close attention to the strength of a party's case when assessing the risk of doing an injustice to either party by the granting or withholding of interlocutory relief especially if the outcome of the interlocutory application is likely to have the practical effect of determining the substance of the matter in issue or if other remedies, including an award of damages, or an award of compensation pursuant to the usual undertaking, are likely to be inadequate.*

In exercising the discretion as to whether to grant interlocutory injunctive relief, the Court is also guided by a broader set of principles, including the principles summarised in 10 short paragraphs in *GlaxoSmithKline Australia Pty Ltd v Reckitt Benckiser Healthcare (UK) Ltd* (2013) 305 ALR 363 at [81] (“*GlaxoSmithKline*”). Those pared back principles tell only part of the story. For example, in *GlaxoSmithKline*, the Court addressed the weighing the “balance of convenience” as follows:

*... the court should assess and compare the prejudice and hardship likely to be suffered by the respondent, third persons and the public generally if an injunction is granted, with that which is likely to be suffered by the applicant if no injunction is granted.*<sup>4</sup>

The decision in *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCAFC 200 (“*Star Track*”)<sup>5</sup> serves as a reminder that the task of weighing the balance of convenience, while expressed with elegant simplicity in the above paragraph from *GlaxoSmithKline*, involves a range of considerations including, relevantly, the knowledge of the alleged wrongdoer.

### **StarTrack**

#### *Overview*

StarTrack operates a business of providing parcel, freight and logistics services in Australia and overseas. As part of that business, StarTrack provides packaging consumables such as envelopes and satchels. In 2012, StarTrack entered into a contract with TMA under which TMA provided various services in connection with the consumables business. TMA went on to develop an online e-commerce platform (the “ST Portal”) through which customers could purchase StarTrack's products. In May 2023, StarTrack gave notice of its intention to cancel its contract with TMA. A dispute then arose between the parties as to the future operation of the ST Portal.

TMA repurposed the ST Portal to be used for the sale of TMA's own consumable products and did so in a way that enabled customers to access the website using unchanged login credentials. TMA claimed ownership of the repurposed ST Portal and invited StarTrack to buy it for a sum of AU\$25 million.<sup>6</sup>

StarTrack approached the Court seeking urgent injunctive relief to restrain TMA from continuing to operate the ST Portal (in its repurposed form) or otherwise “dealing with” nominated customers.

The application for interlocutory relief was advanced on the basis of four causes of action:

1. breach of contract;
2. misleading or deceptive conduct in contravention of sections 18 and 29(1) of the Australian Consumer Law (Schedule 2 to the *Competition and Consumer Act 2010* (Cth)) (the “ACL”);
3. the tort of passing off; and
4. unconscionable conduct in breach of section 21(1) of the ACL.

The primary judge was not persuaded that any of those causes of action presented a strong prima facie case. The primary judge further concluded that the balance of convenience did not call for an exercise of the Court's discretion to grant interlocutory relief to restrain TMA from operating the ST Portal or otherwise transacting as proposed.

On appeal, however, the Full Court found that the evidence disclosed a strong prima facie case for StarTrack's ACL and passing off claims. Having so found, the Full Court assessed the balance of convenience afresh.

### ***Strength of the prima facie case***

The Full Court outlined its approach in the following terms:

*We considered that the primary judge erred in his assessment of the prima facie case alleged by StarTrack. As we set out below, in the course of concluding that StarTrack's prima facie case was not “strong”, but was “weak” (J at [67]), the primary judge mistook certain of the facts, and also failed to apply the correct principle. These are errors within the well-known principles set out in *House v The King* (1936) 55 CLR 499 at 504-5 (Dixon, Evatt and McTiernan JJ), to which we return below. Accordingly, it falls to us to re-exercise the discretion.<sup>7</sup>*

The Full Court found that the prima facie case on the applicant's ACL and passing off claims was strong for the following reasons.

First, the Full Court referred to the applicant's continued use of the StarTrack URL which contained StarTrack's name and which appeared on the top of every page within the ST Portal. The Full Court agreed with the primary judge's observation that the respondent's continued use of a URL that contains

the applicant's name is “apt to mislead consumers into assuming an association that does not exist”.<sup>8</sup>

Second, the Full Court considered the evidence of Google search results which made clear that users who searched “startrack packaging” and clicked a link to the ST Portal with the StarTrack URL would think they arrived at a StarTrack website. The primary judge had *not* referred to that evidence in assessing the strength of the prima facie case.

Third, as the primary judge observed, there was an “obvious similarity” between the ST Portal as it appeared before and after 19 September 2023.<sup>9</sup> The Full Court did not agree however with the primary judge's view that the ST Portal had been “unambiguously rebranded”<sup>10</sup> and made the following observation about the similarity in look and feel or “getup” of the repurposed ST Portal and its contribution to misleading or deceptive conduct:

*[We do not accept] TMA's submission (advanced by reference to *Verrochi v Direct Chemist Outlet Pty Ltd* (2016) 247 FCR 570) that the similarity in the look and feel, or “getup” of the ST Portal did not contribute to the misleading or deceptive character of TMA's conduct unless StarTrack proved that consumers associated that “getup” with StarTrack. The facts, and issues, in *Verrocchi* were very different. What the Full Court (Nicholas, Murphy and Beach JJ) recognised in *Verrocchi* at 580-81 [63][64] was that a trader can acquire a reputation for goods or services by reason of the getup used, and where the misleading or deceptive conduct arises from a competitor using the same, or a similar, getup, it will usually be necessary to establish a relevant reputation in the market associated with that getup. The short point here is the similarity in the look and feel of the ST Portal contributed to the misleading or deceptive conduct, not because that getup was distinctive in the market and associated with StarTrack, but because, in the context of other elements of the conduct (and in particular the use of the StarTrack URL), TMA harnessing the same getup contributed to the impression that customers arriving at the ST Portal were continuing to deal as they previously had. At the very least, the similarity in the getup failed to alert customers to the change.<sup>11</sup>*

Fourth, although a disclaimer had been used by the respondent in a “pop-up” appearing on the website, that pop-up did not address the problem because the pop-up did not appear to a user until after they had logged into the ST Portal. This was after the point at which the consumer had been drawn into “the marketing web” (adopting a phrase used by the High Court of Australia in *Australian Competition and Consumer Commission v TPG Internet Pty Ltd* (2013) 250 CLR 640, per French CJ, Crennan, Bell and Keane at 655 [50]).

Finally, although TMA had sent a “promotional email” to registered users of the ST Portal advising of the end of the

association between TMA and StarTrack, 77.4 per cent of recipients did not open, and thus never saw, that email.

Having concluded that there was a strong prima facie case for StarTrack's ACL and passing off claims, the Court addressed the balance of convenience.

### *The balance of convenience*

StarTrack advanced four reasons as to why the balance of convenience favoured the grant of the injunction as follows.

First, if TMA was not restrained, it would continue to divert customers to its competing business. Not only would it be difficult to win those customers back, but the loss and damage would be difficult to quantify.

Second, if TMA was not restrained, its conduct was likely to continue to mislead or deceive consumers.

Third, senior counsel for StarTrack advanced the following in oral submissions:

*TMA can fairly be regarded as the author of its own misfortune. It had the option of setting up a competing portal at a URL that did not appropriate StarTrack's name and which did not deploy the existing customer registration details. In assessing the balance of convenience, it's relevant to consider that little weight should be given to harm that would have been caused by the grant of an injunction if that was a risk that the respondent took with its eyes wide open.*<sup>12</sup>

As to this submission, the Full Court observed:

*TMA's conduct in repurposing the ST Portal as it did, and promoting it to the customer base built up over years as customers buying StarTrack consumables on a website that continued to use the "startrack" name as part of its URL, was sufficiently brazen as to moderate the weight that might otherwise be given to the obvious effects of an interlocutory injunction on the fledgling consumables business TMA was establishing on the repurposed ST Portal. The risks of TMA's conduct resulting in an application of exactly the kind that StarTrack brought would have been obvious.*<sup>13</sup>

Finally, financial evidence before the Court supported a finding that, if TMA was not restrained, there was a prospect of StarTrack losing significant ground in the market suffering not insubstantial losses.

The four reasons advanced by the applicant were accepted by the Full Court and supported its overall conclusion that the lesser risk of injustice lay in granting interlocutory relief.

The Full Court's consideration of the risk that the alleged infringer took with its "eyes wide open" is of particular interest, coming as it did on the heels of *Boost Tel Pty Ltd v SingTel Optus Pty Ltd* [2023] FCA 213 ("Boost").

### **Boost**

This matter arose in the wake of an announcement by Singtel Optus Pty Ltd ("Optus") of new features for its product "the Living Network". The new features were identified by the names "Optus Internet Boost" and "Optus Mobile Boost".

At the time the announcement, Boost Tel Pty Ltd was already using the trade mark "Boost" in relation to telecommunication services. Boost was the registered owner of Australian registered trade marks including Australian Trade Mark No 2099306 for BOOST in classes 9, 25, 28 and 38 covering, among other things, telecommunications and communication services. Boost was also the owner of other trade marks including figurative trade marks containing the words BOOST MOBILE.

Optus and Boost had previously been in a commercial relationship from 2000 to 2013, with Boost providing telecommunications services via the mobile telephone network operated by Optus. On becoming aware that Optus was offering services under the "Boost", "Internet Boost" and "Mobile Boost" brands, Boost sought interlocutory relief to restrain Optus from promoting, advertising, supplying or selling internet or mobile telephone services under or by reference to a range of terms incorporating the word "Boost".

The nature and extent of Optus's knowledge was initially considered by the Court in the context of the good faith defence to infringement under section 122(1)(b)(i) of the *Trade Marks Act* 1995 (Cth). Thawley J observed that:

*The objective circumstances include that Optus knew of the existence of Boost, it being a significant participant in the telecommunications industry with which Optus had previously been in a commercial relationship and which is now a competitor. It is unlikely not to have occurred to a commercial entity like Optus that its use of the word Boost would, at the very least, attract the attention of Boost, but more probably, that it would result in some form of dispute. This conclusion finds some support from an examination of Exhibit 1 to which I will refer in more detail later.*<sup>14</sup>

While not expressing a final view on the issue of good faith, his Honour was not persuaded that section 122(1)(d) (i) provided a strong answer to Boost's prima facie case of infringement under section 120(1).

Turning to the balance of convenience, Thawley J addressed the role of knowledge in further detail. At [93]–[94] of the judgment, his Honour observed that:

*... Optus must have been aware of the risk in choosing – from the various words it says it considered to describe the services it was offering – the central trade mark of one of its competitors.*

*It would be commercially naïve to think that Optus did not closely consider the risks, if not even the eventuality, which is now playing out.*<sup>15</sup>

The evidence before the Court included a “Marketing Brief” (Exhibit 1). That document described the “creative task” as being the identification of new features which would bring the opportunity “to consider the ‘Boost’ products as a suite of names”.<sup>16</sup> It also described the “communications task”<sup>17</sup> and posed the question “What’s in it for the customer?”<sup>18</sup>

The Marketing Brief also squarely identified a key problem with using the word “Boost”. As Thawley J observed at [97]–[98]:<sup>19</sup>

*Optus knew there was an underlying issue with its plan. The Marketing Brief stated towards the end: “We can’t call the boost products ‘boost’ as this conflicts with Boost Mobile”. It is unlikely that Optus commenced its roll-out of the new features without investigating this issue closely.*

*When assessing balance of convenience and the fact that the respondent will suffer damage from the grant of an injunction, it is relevant to take into account that the steps taken by the respondent were taken with knowledge that there was a risk, that is “with its eyes open”: Beecham Group Ltd v Bristol Laboratories Pty Ltd [1968] HCA 1; 118 CLR 618 at 626.*

While the respondent’s knowledge of the risk they were taking in choosing the word “Boost” was but one of several factors taken into consideration in weighing the balance of convenience, the Court was ultimately satisfied that the balance of convenience weighed in favour of Boost and in favour of granting interlocutory relief.

### **Other examples of risks taken with “eyes wide open”**

The knowledge of an alleged wrongdoer when embarking on a course of conduct has long been established as a relevant consideration when assessing the balance of convenience. The proposition that the alleged wrongdoer engaged in such conduct with its “eyes wide open” to the risk that it may be later restrained was addressed in *Beecham* (a patent case) per Kitto, Taylor, Menzies and Owen JJ in the following terms.<sup>20</sup>

*The plaintiff...warned the defendant that if it began to [market hetacillin in Australia] proceedings for infringement of the patents would be taken. It was in the face of this warning that the defendant commenced the acts now complained of, and the action was thereafter instituted without delay. Any goodwill the defendant may since have built up for hetacillin would of course be destroyed or damaged by granting an injunction, but that was a risk the defendant took with its eyes open. If it be not restrained, it will presumably take advantage of the time before the hearing to subject the goodwill of the plaintiff’s established trade ... to the prejudice of competition ... In no meaningful sense could matters be said to be kept in statu quo if in these circumstances the defendant were left free to pursue its course, merely keeping an account of the profits it makes. [Emphasis added]*

The principle was considered more broadly by the Full Court in *Samsung Electronics Co. Limited v Apple Inc.* (2011) 217 FCR 238 (“Samsung”) (another patent case).<sup>21</sup> In *Samsung*, the Full Court observed:

*Certainly, the cases suggest that knowledge of the infringed right is relevant to the exercise of the discretion to enjoin conduct. Some of the cases, like Beecham, seem to involve alleged threats to an advantage acquired by the alleged infringer with relevant knowledge. Other cases suggest a wider relevance. Some of the cases have been cited earlier in these reasons. See, for example, Martin Engineering,<sup>22</sup> Sigma Pharmaceuticals,<sup>23</sup> Interpharma<sup>24</sup> and Tidy Tea.<sup>25</sup> Where, however, there is a finding that the alleged infringer should not reasonably have been expected to stop the relevant activity, knowledge seems to be irrelevant. In the course of argument on appeal, it was suggested that knowledge may have been relevant to Samsung’s failure to commence preparing for a final hearing at an earlier time. However we have already demonstrated that the state of Samsung’s preparation for trial was not raised for formal examination, and that there were other reasons for its refusal of an early final hearing of part of the case. Finally, in the present case, the most compelling features are the assessments of the strengths and weaknesses of the respective cases and the equality of likely detriment. Other considerations pale into insignificance beside those matters. [Citations and emphasis added]*

It is clear from the authorities identified in *Samsung*, and the emphasis noted above, that the “eyes wide open” principle is not a blunt instrument.

For example, it does not impose on a person who seeks to engage in allegedly infringing conduct an obligation to “clear the way” by commencing proceedings for removal or revocation of existing registrations.<sup>26</sup> As the Full Court observed in *Smith & Nephew Pty Ltd v Wake Forest University Health Sciences* (2009) 82 IPR 467 (“Smith & Nephew”) (a patent case) at [52]:

*... it would be an error in considering whether the grant of an interlocutory injunction, in the context of an infringement claim, where the validity of the patent is in issue, to impose on a person who seeks to launch an alleged infringing product, an obligation to ‘clear the way’ by revoking the patent. Equally, the fact that a new entrant is prepared to take the risk of being restrained with its eyes wide open, should not be elevated beyond being a factor in the assessment of the many factors relevant to whether to grant an injunction.<sup>27</sup>*

Further, where there is a finding that “the alleged infringer should not reasonably have been expected to stop the relevant activity, knowledge seems to be irrelevant”.<sup>28</sup> As Kenny J explained in *InterPharma Pty Ltd v Hospira, Inc* (No 3) [2017] FCA 1536 (a patent case) at [29]:

*It may be accepted that a willingness to enter a market with “eyes wide open” to the fact that the new entrant’s proposed conduct will infringe an existing Patent is a factor to be considered in assessing whether the balance of convenience favours the grant of an interlocutory injunction. This is the case, unless there is no reasonable expectation in the circumstances that the alleged infringer should have stopped its allegedly infringing activity. [Emphasis added]*

This echoes Heerey J’s discussion of the principle in *Permanent Promotions Pty Ltd v Independent Distillers (Aust) Pty Ltd* [2004] FCA 794 (a case involving a registered design) at [28]:

*It was submitted that the respondent has deliberately and with “eyes wide open” chosen to enter the Australian market and run the risk of an infringement action, and that this should weigh heavily against it. I do not accept this. Where a firm has a genuine belief on reasonable grounds that a rival’s intellectual property is invalid or that a rival’s product may be contested with a non-infringing product, there is no reason why that firm should not enter the rival’s market. Especially is that so when, as in the present case, the firm takes prompt legal action to challenge the validity of the rival’s intellectual property. Of course, the firm may be met with a successful injunction application and/or may fail at trial, but the bare fact of knowledge of the rival’s product is not to the point.*

The question of “eyes wide open” conduct has also featured in a series of recent cases involving applications seeking to enforce contractual restraints of trade. The discussion of whether the defendant/respondent is “the author of his or her own misfortune” has been a feature of many of those cases, including *HiTech Group Australia Ltd v Riachi* [2021] NSWSC 1212 per Ward CJ in Eq.<sup>29</sup>

### Conclusion

A respondent’s prior knowledge of rights that are alleged to be infringed will be just one consideration in the assessment of the balance of convenience. Nonetheless, the authorities noted above provide sobering reading for would-be infringers who, with “eyes wide open”, may be contemplating the choices before them.

## Snippet 2 – Evidence of conversations

### Background

Evidence of conversations – specifically the form in which evidence of conversations is expressed in evidence in chief – has historically presented particular challenges to practitioners in New South Wales.<sup>30</sup>

The recent decision of *Kane’s Hire Pty Ltd v Anderson Aviation Pty Ltd* [2023] FCA 381 (“*Kane’s Hire*”)<sup>31</sup> addresses the issue in detail and explains the way forward.

### *Kane’s Hire*

This proceeding arose as a dispute in connection with the purchase of a two-seat Bristell Aircraft. The purchaser brought claims against the seller of the aircraft in contract and for contravention of the statutory prohibition on misleading or deceptive conduct pursuant to section 18 of the *Australian Consumer Law*, being Schedule 2 to the *Competition and Consumer Act 2010* (Cth). Much of the evidence in the case concerned conversations between representatives of the parties to the contract for the sale and purchase of the aircraft.

As noted in the reasons of Jackman J, the applicant (represented by lawyers based in NSW) and the respondent (represented by lawyers based in Victoria) took markedly different approaches to the form in which evidence in chief of conversations was given.<sup>32</sup>

While making “no criticism at all of the legal practitioners involved in the case, in circumstances where they are merely following longstanding common practice”, Jackman J lamented the practice that had developed in New South Wales of expressing evidence of conversations in direct speech even when the witness cannot recollect the exact words used. In detailed reasons, Jackman J meticulously dismantled that practice then explained what should be done instead.

First, Jackman J addressed the existing law:<sup>33</sup>

*There is ample authority for the proposition that there is no rule of the law of evidence in Australia that evidence of conversations must be given in direct speech: Commonwealth v Riley (1984) 5 FCR 8 at 34 (Smithers, Sheppard and Wilcox JJ); R v Wright (1985) 19 A Crim R 17 at 19 (Mathews, McPherson and Vasta JJ); R v Noble [2000] QCA 523; [2002] 1 QdR 432 at [20] (Pincus JA, with whom McMurdo P and Mackenzie J agreed); LMI Australasia Pty Ltd v Baulderstone Hornibrook Pty Ltd [2001] NSWSC 688; (2001) 53 NSWLR 31 at [8] (Barrett J); Hamilton-Smith v George [2006] FCA 1551; (2006) 247 FCR 238 at [79]-[83] (Besanko J). Even as long ago as 1984, the Full Court said in Commonwealth v Riley at 34 that the practice of adducing evidence of conversations in direct speech was probably disregarded as often as it was followed. Evidence should be given in direct speech only if the witness can remember the actual words used: Noble at [20]; LMI Australasia at [8]; Hamilton-Smith at [83].*

Second, Jackman J articulated the reasons why the practice of lawyers, “working up” a version of a conversation in direct speech from the witness’s memory merely of the substance or gist of what was said, “is logically, ethically and grammatically wrong.”<sup>34</sup>

Finally, his Honour set out the following principles as to how things should be done (citations omitted):<sup>35</sup>

*Applying that reasoning, the following general principles apply to the form of evidence of conversations:*

- (1) *The form of the evidence should correspond to the nature of the actual memory the witness has of the conversation. ... There is no reason in the abstract to think that evidence in direct speech is more reliable or credible than evidence in indirect speech, or vice versa.*
- (2) *If the witness remembers only the gist or substance of what was said, and not the precise words, then the evidence should be given in indirect speech (also known as reported speech), in terms which reflect the witness's actual memory ...*
- (3) *If the witness claims to remember particular words or phrases being used, then those words or phrases should be put in quotation marks to indicate that they are verbatim quotations, even if the evidence is otherwise given in indirect speech ...*
- (4) *If the witness genuinely claims to recall the actual words used in a conversation, then the evidence should be given in direct speech; that is, quoting the words as actually spoken ... Apart from rare cases of photographic memory, this may well be the case where the witness has made a detailed contemporaneous note of the conversation, and has refreshed his or her memory from the note (in which case this should be expressly stated along with the tender of the note).*
- (5) *Evidence given in direct speech should not be prefaced by the phrase that the conversation occurred "in words to the following effect". That expression blurs the important distinction between verbatim memory and gist memory, and leaves the Court unable to ascertain which kind of recollection is being claimed by the witness. ...*
- (6) *Evidence of a witness who claims to remember the exact words of a conversation, but who is found after cross-examination to have exaggerated the nature and quality of his or her memory, may well suffer an adverse effect on his or her credibility (the weight of which will depend on all the circumstances). However, the inability to cross-examine in that manner a witness who gives evidence in indirect speech is not unfairly prejudicial within the meaning of s 135 of the Evidence Act 1995 (Cth): LMI Australasia at [9].*

His Honour noted that he had not drawn any conclusions, whether favourable or adverse, from the form of either party's evidence of conversations, taking the view that:

*... it would have been unfair to do so without having given the parties fair warning of the reservations which I hold about the longstanding practice in New South Wales of either compelling or encouraging witnesses to turn their memories of conversations into direct speech.<sup>36</sup>*

### **Conclusion**

Jackman J's reasoning in *Kane's Hire* on the form of evidence of conversations was approved by the NSW Court of Appeal in *Gan v Xie* [2023] NSWCA 163.<sup>37</sup> The principles expressed in *Kane's Hire* are of general application, including in IP litigation, and will no doubt be reflected in the conduct of future proceedings.

### **Snippet 3 – Third party costs orders and litigation funding**

#### **Background**

Litigation funding is now an established part of the Australian legal landscape.<sup>38</sup> While it is often associated with class actions, litigation funding is available in a range of fields, including intellectual property.<sup>39</sup>

The decision in *Court House Capital Pty Ltd v RP Data Pty Limited* [2023] FCAFC 192 ("*Court House*"),<sup>40</sup> dismissing an appeal from the judgment of Thawley J in *Hardingham v RP Data Pty Limited (Third Party Costs)* [2023] FCA 480, highlights the risk that commercial litigation funders face of being subject to a third party costs order.

#### **Court House**

##### *Procedural history*

The principal proceeding that gave rise to this costs dispute concerned claims of copyright infringement. The proceeding was commenced in 2018 by James Hardingham and Real Estate Marketing Australia Pty Ltd ("*REMA*") against RP Data Pty Ltd. RP Data Pty Ltd then brought a cross-claim against Realestate.com.au Pty Ltd. Before the commencement of the principal proceeding, Mr Hardingham and REMA (the "funded parties") entered into a funding agreement with Court House Capital Pty Ltd.

An order was made in the principal proceeding that Mr Hardingham and REMA pay the costs of the successful parties. Mr Hardingham and REMA failed to satisfy that costs order. RP Data Pty Ltd then sought costs against the third party litigation funder, Court House Capital Pty Ltd.

##### *Principles*

Section 43 of the *Federal Court of Australia Act 1976 (Cth)*, gives the Court a broad, discretionary power to award costs. As noted by Thawley J (and confirmed by the Full Court):

*It is not in dispute that the power under s 43 extends to making costs orders against non-parties: Knight v FP Special Assets Limited [1992] HCA 28; 174 CLR 178. Plainly enough, the power to order costs against a third party would only be exercised in circumstances where a non-party has a connection to the litigation which is sufficient to warrant the exercise of the power.<sup>41</sup>*

The nature and extent of the relevant “connection” will be informed by the character of the non-party.<sup>42</sup>

Unlike a supportive family member who provides financial support to an applicant but has no commercial interest in the outcome of the proceedings, the commercial litigation funder seeks to profit from the litigation. The primary judge described the litigation funder’s profit motive in the following terms:

*Court House is a commercial litigation funder which sought to profit from the principal proceedings. It funded the principal proceedings (but not the appeals) in return for 15% of any damages plus repayment of the funding it provided. Whilst it rather grandly submitted that its activities promoted access to justice, this is but a consequence of its commercial activities. I do not infer that Courts House’s activities were motivated by any concern for access to justice.*<sup>43</sup>

The primary judge also observed that it is not exceptional to order costs against a litigation funder who facilitates litigation for their own commercial gain, noting that there are many cases which recognise the fairness in ordering a party who funds litigation for their own commercial benefit to pay the successful party’s costs, irrespective of whether the funder has given an indemnity for the costs ordered against an unsuccessful applicant.<sup>44</sup>

In exercise of the Court’s broad discretionary power under section 43 of the Federal Court of Australia Act, the primary judge found that Court House and its activities had a sufficient connection with the principal proceedings for it to be appropriate that a costs order be made against it.

The Full Court dismissed the appeal from the decision of the primary judge, noting that they could discern no error in his Honour’s reasons. The Full Court concluded that there had been no miscarriage of the discretion to award costs against the commercial litigation funder.

### Conclusion

Where a litigation funder has a commercial interest in proceedings, even if it has no control over the proceedings, an adverse costs order may be made against the funder on the basis that they have a sufficient connection to the litigation to warrant the exercise of the Court’s power under section 43 of the Federal Court of Australia Act.<sup>45</sup>

Whether the *Court House* decision dulls the appetite of commercial litigation funders to fund future intellectual property proceedings remains to be seen.

- 1 Barrister, 5 Selborne Chambers.
- 2 *Australian Broadcasting Corporation v O’Neill* (2006) 227 CLR 57, [65]. See also [19] per Gleeson CJ and Crennan J.
- 3 *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618, 622–23 per Kitto, Taylor, Menzies and Owen JJ.
- 4 *GlaxoSmithKline Australia Pty Ltd v Reckitt Benckiser Healthcare (UK) Ltd* (2013) 305 ALR 363, [81] drew upon the reasoning in *Samsung Electronics Co. Limited v Apple Inc.* (2011) 217 FCR 238, [44]–[74].
- 5 On appeal from *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCA 1271.
- 6 *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCA 1271, [5].
- 7 *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCAFC 200, [6].
- 8 *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCAFC 200, [66]. *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCA 1271, [66].
- 9 This is illustrated in the screenshots appearing in the judgment at [25] and [26].
- 10 *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCAFC 200, [68]. *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCA 1271 at [64].
- 11 *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCAFC 200, [69].
- 12 *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCAFC 200, [80].
- 13 *StarTrack Express Pty Ltd v TMA Australia Pty Ltd* [2023] FCAFC 200, [81].
- 14 *Boost Tel Pty Ltd v Singtel Optus Pty Ltd* (2023) 170 IPR 246, [76].
- 15 *Boost Tel Pty Ltd v Singtel Optus Pty Ltd* (2023) 170 IPR 246, [94].
- 16 *Boost Tel Pty Ltd v Singtel Optus Pty Ltd* (2023) 170 IPR 246, [94].
- 17 *Boost Tel Pty Ltd v Singtel Optus Pty Ltd* (2023) 170 IPR 246, [95].
- 18 *Boost Tel Pty Ltd v Singtel Optus Pty Ltd* (2023) 170 IPR 246, [96].
- 19 *Boost Tel Pty Ltd v Singtel Optus Pty Ltd* (2023) 170 IPR 246, [97]–[98].
- 20 *Beecham Group Ltd v Bristol Laboratories Pty Ltd* (1968) 118 CLR 618, 626.
- 21 *Samsung Electronics Co. Limited v Apple Inc.* (2011) 217 FCR 238, [191]–[196].
- 22 *Martin Engineering Co v Trison Holdings Pty Ltd* (1988) 81 ALR 543.
- 23 *Sigma Pharmaceuticals (Australia) Pty Ltd v Wyeth* (2009) 81 IPR 339.
- 24 *Interpharma Pty Ltd v Commissioner of Patents* (2008) 79 IPR 261.
- 25 *Tidy Tea v Unilever Australia Ltd* (1995) 32 IPR 405.
- 26 *Smith & Nephew Pty Ltd v Wake Forest University Health Sciences* (2009) 82 IPR 467, [51]–[52]; *InterPharma Pty Ltd v Hospira, Inc (No 3)* [2017] FCA 1536, [28].
- 27 See also *A Nelson & Co Limited v Martin & Pleasance Pty Ltd* [2021] FCA 228 involving a contest between the applicant’s “Rescue” brand and the respondent’s “RestQ” brand. In that case at [62], Flick J noted the significance of the caution expressed by the Full Court in *Smith & Nephew* to not “elevate” any finding that a party has entered the market with its “eyes wide open” beyond being a factor in the assessment of the many factors relevant to whether to grant an injunction. Flick J’s decision was upheld on appeal to the Full Court albeit without explicit consideration of the “eyes open” principle.
- 28 *Samsung Electronics Co. Limited v Apple Inc.* (2011) 217 FCR 238, [196].
- 29 See *Breedon v Oosthuizen* [2023] NSWSC 859, [57] and [161], *KPW Lau Pty Ltd v Patel* [2023] NSWSC 617, [42]–[43], *Janala Pty Ltd v Hardaker* [2022] NSWSC 822, *Narellan Franchise Pty Ltd v RBME Pty Ltd* [2022] NSWSC 988, [101]. See also *John Fairfax Publications Pty Ltd v Birt* [2006] NSWSC 995, [49] per Breerton J.
- 30 Even intellectual property lawyers with friends from Melbourne.
- 31 *Kane’s Hire Pty Ltd v Anderson Aviation Pty Ltd* [2023] FCA 381, [118]–[130].
- 32 *Kane’s Hire Pty Ltd v Anderson Aviation Pty Ltd* [2023] FCA 381, [118].
- 33 *Kane’s Hire Pty Ltd v Anderson Aviation Pty Ltd* [2023] FCA 381, [123].

## Brand Protection Snippets

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- 34 *Kane's Hire Pty Ltd v Anderson Aviation Pty Ltd* [2023] FCA 381, [127].
- 35 *Kane's Hire Pty Ltd v Anderson Aviation Pty Ltd* [2023] FCA 381, [129].
- 36 *Kane's Hire Pty Ltd v Anderson Aviation Pty Ltd* [2023] FCA 381, [129].
- 37 *Gan v Xie* [2023] NSWCA 162 per White JA at [119] and [122], with whom Simpson AJA and Basten AJA agreed. The NSW Court of Appeal also observed at [122] that: "Any objection that evidence in indirect speech of the substance or gist of what was said is inadmissible as opinion evidence, being the witness' inference drawn from observed and communicable data, is met by s 78 of the Evidence Act ...".
- 38 By way of background, see *Campbell's Cash and Carry Pty Ltd v Postif Pty Ltd* (2006), 229 CLR 386, especially [90]-[97] per Gummow, Hayne and Crennan JJ.
- 39 See, for example, *Taylor v Killer Queen, LLC* (No 5) [2023] FCA 364, [258]-[265].
- 40 The Full Court dismissed the appeal from *Hardingham v RP Data Pty Limited (Third Party Costs)* [2023] FCA 480.
- 41 *Hardingham v RP Data Pty Limited (Third Party Costs)* [2023] FCA 480, [19], *Court House Capital Pty Ltd v RP Data Pty Limited* [2023] FCAFC 192, [12].
- 42 *Court House Capital Pty Ltd v RP Data Pty Limited* [2023] FCAFC 192, [11].
- 43 *Hardingham v RP Data Pty Limited (Third Party Costs)* [2023] FCA 480, [25], *Court House Capital Pty Ltd v RP Data Pty Limited* [2023] FCAFC 192, [12].
- 44 *Hardingham v RP Data Pty Limited (Third Party Costs)* [2023] FCA 480, [21]-[22].
- 45 *Court House Capital Pty Ltd v RP Data Pty Limited* [2023] FCAFC 192, [35], citing *Gore v Justice Corporation Pty Ltd* (2002) 119 FCR 429.

# Book review: *Founding a Global Human Rights Culture for Trade Marks*

Alexandra Gassner<sup>1</sup>

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Genevieve Wilkinson

[Edward Elgar 2023 pp 274. The e-book version is priced from UK£25/AUS\$48 from eBook vendors while in print the book can be ordered from the Edward Elgar Publishing website <[www.e-elgar.com](http://www.e-elgar.com)>.]

The fragmentation between human rights and intellectual property is an issue as pertinent as ever. Dr Genevieve Wilkinson in her book *Founding a Global Human Rights Culture for Trade Marks* offers a step forward towards harmonising these fields, advocating for a human rights culture for trade marks and exploring how trade marks can both protect and restrict human rights. Wilkinson is a Senior Lecturer at the Faculty of Law, University of Technology Sydney. Her book is a timely call for greater consideration of how trade marks can impact human rights, as we see a continuing trend towards expanding trade mark owners' rights without consideration of human rights. Wilkinson's book is a major contribution to the evolving literature on human rights and intellectual property. It is thought provoking and an important read for those seeking to understand the human rights implications of trade marks.

Wilkinson's book contains three parts. Part I explores the existing relationship between trade marks and human rights and introduces Wilkinson's Human Rights Assessment for Trade Marks ("HRATM") framework. Part II uses the HRATM framework to consider a number of human rights implications that arise in three detailed case studies:

1. tobacco plain packaging,
2. contrary marks, and
3. counterfeiting measures.

These case studies demonstrate the important and often unexplored human rights issues that occur when expanding trade mark holders' rights. Part III draws on the case studies to offer an alternative solution to trade mark enforcement that centres around technology and rights based principles.

Chapter 1 succinctly provides the necessary background required to understand the fragmentation between human rights and intellectual property. The chapter clearly details the complexity of the fragmentation, explaining and contrasting the separate and underlying enforcement mechanisms that underpin both intellectual property and human rights. Wilkinson explains that this fragmentation can become problematic when states are required to reconcile competing obligations internally and in their dealings with other states.<sup>2</sup> Wilkinson notes that human rights is often described as "lacking teeth", and this perception of toothlessness may influence states that are required to choose between competing obligations in international human rights law and international intellectual property law.<sup>3</sup>

The chapter also considers the role of bilateral and plurilateral trade and investment agreements that expand protection for trade mark owners in contributing to further fragmentation. The chapter lastly identifies normative justifications for both human rights and trade marks, and the issues that are created when the expansion of intellectual property rights does not reflect normative values important to both human rights and intellectual property.

In chapter 2, Wilkinson introduces her own conceptual framework through which to analyse human rights and intellectual property. First, Wilkinson briefly critiques the original perceptions of the conceptual relationship between human rights and intellectual property as one of conflict or co-existence, and then considers a number of conceptual frameworks that recognise some conflict between the two fields but propose to harmonise the conflict through differing nuanced approaches.

The prescriptive models considered by Wilkinson in Chapter 2 are those developed by Professor Peter K Yu, Professor Christophe Geiger and Professor Laurence R Helfer and Professor Graeme Austin.<sup>4</sup> Wilkinson critiques how these pre-existing frameworks are focused on copyright and patents, and the subsequent impact that this has in relation to using the models to analyse human rights and trade marks.<sup>5</sup> Wilkinson is also critical of the limited scope for these frameworks to adequately protect economic, social and cultural rights, which is important given the potential for trademarks to impact these rights.<sup>6</sup> In deriving her own framework, Wilkinson successfully closes both of these gaps, first developing a framework for trade marks, and second by creating a framework that provokes consideration of all rights.

Wilkinson goes on to explain how to develop a human rights culture for trade marks, which is the underlying premise of the book, as indicated by the title. Wilkinson suggests that the first necessary step is to understand the human rights implications of trade marks.<sup>7</sup> Wilkinson also suggests that there needs to be proactive engagement with the fact that there is insufficient recognition of the impact that intellectual property rights have on human rights.<sup>8</sup>

The framework developed by Wilkinson builds on frameworks developed to assess economic, social and cultural rights, and Wilkinson typically focuses on the right to health. The right

to health is topical due to the COVID-19 pandemic and constant tensions between divergent standards of health in the eastern and western worlds. However, it is also topical from the perspective of recent developments in the realm of human rights and trade marks, that are discussed through case studies in later chapters. In light of this focus, Wilkinson explains a human rights culture for the right to health, considering public health, and how this complements the human right to individual health.

It is at this point that Wilkinson's HRATM framework is introduced. The HRATM framework is a rights based approach that explores questions including what human rights are implicated by the particular trade mark laws in question, what mechanisms for monitoring and accountability are in place to ensure that human rights standards are met, and whether the relevant rights and interests can be balanced.<sup>9</sup> This final question includes consideration of whether any restriction on human rights are permissible.<sup>10</sup> The framework importantly values the interdependent and interrelated nature of human rights.

This is a significant original contribution by Wilkinson, as she adapts analytical frameworks that promote the realisation of the right to health to analyse the human rights implications of trade marks. In doing so, Wilkinson offers a new lens through which to harmonise potential conflicts between human rights and trade marks. This framework has the potential to support a human rights culture for trade marks that preserves the dominant economic paradigm, while simultaneously benefiting human rights.<sup>11</sup>

Chapter 3 marks the beginning of Part II in which the HRATM framework is utilised for analysis, and the human rights implications of a number of contentious and well known trade mark issues are considered through comparative case studies. The first of these is the analysis of the Australian plain packaging laws and subsequent High Court of Australia and WTO decisions.<sup>12</sup> Australia introduced plain packaging laws in 2011, and what ensued was a number of contentions regarding the impact this had on various rights. Wilkinson explains how the tobacco companies were quick to argue that their trade mark rights were impaired, mainly because their ability to use their trade marks as a badge of origin was restricted.

This was met with counter arguments, such as that made in the WTO disputes, that this legislation would result in the restriction of tobacco consumption in Australia. Wilkinson explains the link between brand advertising, including on packaging, and initiation of tobacco consumption.<sup>13</sup> It is this link that invites the engagement of the right to health, which Wilkinson explains has been interpreted to include an obligation to protect individuals from the harmful impact of tobacco consumption.

Wilkinson then dives into the core analysis of this issue through the HRATM framework, identifying relevant human rights considerations and assessing the consistency of the legislation with rights-based principles such as monitoring, accountability and transparency. Wilkinson demonstrates the importance of engaging in a human rights analysis by showing that this issue transcends not only the obvious right to health with a specific focus on public health, but also questions of children's human rights, creators' rights, rights to freedom of expression and property and development.<sup>14</sup> Wilkinson analyses how all of these rights are effected by plain packaging legislation. In doing this, Wilkinson shows how engaging in such analysis can further justify restrictions on trade mark laws, and the ability of the laws to protect a number of human rights. This demonstrates the relevance of this framework not only to lawyers, but also policy makers pursuing human rights agendas.

The analysis of the WTO decisions regarding the Australian plain packaging laws indicates that there are greater opportunities for human rights obligations to be used when legislative justification is required. In these disputes, it was contended that the laws breached Article 20 of TRIPS, which requires that trade marks "not be unjustifiably encumbered by special requirements".<sup>15</sup> While the WTO dispute bodies recognised the justifiability of the legislation, they fell short of explicitly considering human rights, as did all parties in their submissions. Wilkinson is hopeful that this decision provides scope for recognition of human rights in future WTO disputes, largely due to the decision panel's consideration of Articles 7 and 8 of TRIPS and their recognition that societal interests include public health.<sup>16</sup> Wilkinson suggests that inviting human rights arguments, would have strengthened Australia's arguments justifying the restrictions on trade marks. In drawing this conclusion, Wilkinson demonstrates how human rights can practically be used to further arguments in trade mark disputes, transgressing conceptual frameworks and analysis of laws and policy.

Through the comparative component of the case study, Wilkinson indicates the limitations in Australia in regard to the protection of human rights as a result of a lack of constitutionally enshrined fundamental rights. Unlike Australia, the constitution of Uruguay protects some economic, social and cultural rights, including some components of the right to health. Wilkinson considers a plain packaging dispute emerging from Uruguay, the facts of which differ greatly from the Australian plain packaging decisions.<sup>17</sup> Wilkinson explains that the lack of extensive human rights considerations in both decisions suggests that a human rights culture for trade marks is not yet established. This demonstrates the utility of the HRATM framework, that prompts consideration of all relevant human rights, and rights based principles, in establishing a human rights culture for trade marks.

In Chapter 4 Wilkinson considers the issue of contrary marks in the United States and European Union. The analysis particularly focuses on two cases from the United States. First, the rejection by the United States Patent and Trade Mark Office (“USPTO”) of the mark “The Slants” by a music group on the basis that the mark is disparaging to Asian people.<sup>18</sup> Second, the USPTO’s rejection of the mark “FUCT” on the basis that the mark was immoral or scandalous.<sup>19</sup> Wilkinson explains how the United States Supreme Court in both cases ultimately concluded that the provision restricting registration of the marks by the USPTO was inconsistent with free speech. The approach in the United States is inconsistent with the approach in the European Union where Wilkinson states that protection of freedom of expression is consistent with international standards.

Wilkinson concludes that the approach in the United States has “concerning implications for the human rights of freedom of expression, protection from hate speech, non-discrimination and rights to participation in culture”, and that the removal of registration restriction for contrary marks is not essential for the protection of freedom of expression.<sup>20</sup> The analysis through the HRATM framework demonstrates that restricting registration of contrary marks actually protects human rights, and that freedom of expression may be proportionately restricted in some cases where the protection of other human rights is justified. Wilkinson’s analysis also identified that there is a difference between the constitutional right to free speech as recognised in the aforementioned cases, and the human right to freedom of expression. This is an important distinction drawn out as a result of considerations in the HRATM framework.

This chapter reinforces the importance of Wilkinson’s framework, as it encourages consideration of multiple human rights and demonstrates how rights can, and should, be justifiably restricted in favour of other rights. Through this analysis it becomes apparent that contrary marks can be used to promote a human rights culture for trade marks, and are particularly important in countries like Australia with less protection of human rights and accountability for the exercise of institutional power inconsistent with human rights.

Chapter 5 explores counterfeit medical products in Kenya and Australia, specifically counterfeit PPE and COVID vaccines during the COVID-19 pandemic. It goes without saying that ineffective counterfeit medical products can be a large risk to the health of both healthcare workers and the population at large, particularly when individuals rely on falsely applied trade marks to indicate a particular quality standard. From a human rights perspective, Wilkinson explains that unsafe and substandard health products engage states’ human rights obligations to comply with the right to health. She also explains how the right to access applications of scientific progress may be impacted as widespread

counterfeiting can discourage dissemination of intellectual property, as well as a number of other rights including the right to life.

This chapter illustrates the potential damage of exclusively expanding intellectual property rights to address the issue of counterfeit goods, as for example in Kenya, this allowed the government to seize generic drugs in transit. As was argued in Kenya, citizens may then be forced to rely on branded drugs that they cannot afford, which thereby inhibits their access to medicine and their right to health.<sup>21</sup> However, the other side of the same coin is that allowing the rampant distribution of counterfeit products that are actually ineffective simultaneously can negatively impact individual health, inhibiting the right to health. This is why Wilkinson’s human rights analysis is important, it allows us to appreciate both sides of this coin.

Wilkinson suggests that a global inhibitor to understanding the full impact that this issue has on human rights is the lack of comprehensive data on the seized goods in both developed and developing countries. Wilkinson therefore advocates for better data collection in relation to identifying counterfeit goods in order to trace the origin of goods, and better understand the health threat. Wilkinson’s call for better data collection begs the question, whether countries like Kenya have sufficient resources and technical capabilities to undergo such data collection. This question is particularly pertinent when the true extent of counterfeit goods is unknown and, as Wilkinson notes, this data collection has proven to be a significant burden in Australia, a developed country. Therefore, it is unclear whether developing countries have the resources for this data collection. Wilkinson notes that resourcing is a critical consideration for developing and least developed countries in improving data collection.

Wilkinson does not just advocate for further data collection in relation to counterfeit goods, but in Chapter 6 she develops the “Framework Convention on Goods Provenance”. This framework establishes reporting mechanisms, which allow states to better understand the prevalence of counterfeit goods, the quality of these goods and the impact that this has on human rights.<sup>22</sup> Wilkinson suggests using blockchain technology to securely provide information about provenance and intellectual property rights, delivered to consumers through mobile phone technology.<sup>23</sup> She contends that self-verification of supply chain information using accessible mobile technology can result in better reporting of counterfeit goods while also allowing individuals to protect their own human rights.<sup>24</sup> Therefore, Wilkinson’s proposed solution allows consumers to protect their own human rights, particularly the right to health in counterfeit goods, by allowing them to access important information about the standards of the goods. However, this raises the question of whether individuals have the means to interpret and understand the ramifications of the information.

This chapter also proposes a new international agreement that calls for the adoption of technology to trace the provenance of the goods and is explicit about embedding human rights principles from the outset, including monitoring the human rights impacts of the measures in the agreement.<sup>25</sup> Ultimately, Wilkinson suggests a rights based approach that will better protect public health and the threat to health posed by counterfeit goods. While protecting human rights, Wilkinson's approach also simultaneously encourages deterring trade in counterfeit goods, demonstrating its potential to refocus trade marks to their core function as badges of origin.

Chapter 7 is aptly titled "Founding a global human rights culture for trade marks: planning for success", as Wilkinson draws on the case studies to bring together the foundations for a human rights culture which harmonises human rights and intellectual property. Wilkinson reiterates the importance of appreciating the multiple human rights that may be engaged when analysing a particular trade mark issue, the interrelated and independent nature of the rights and the impact of local conditions on a human rights analysis. Wilkinson illustrates how the HRATM framework may be used in transforming trade and investment agreements.

Wilkinson's book illustrates how intellectual property can be used to protect human rights and the multitude of human rights that may be implicated when expanding trade mark holder's rights without considering human rights concerns. Through the case studies, Wilkinson successfully illustrates the complexity of the fragmented relationship between human rights and intellectual property. However, it is the HRATM framework that leads to the Framework Convention on Goods Provenance through which Wilkinson practically illustrates that there is hope of harmonising the two different fields. This is just one mechanism through which Wilkinson compellingly advocates for a broader human rights culture for trade marks.

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- 5 Genevieve Wilkinson, *Founding a Global Human Rights Culture for Trade Marks* (Edward Elgar Publishing, 2023) 33 and 49.
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- 9 Genevieve Wilkinson, *Founding a Global Human Rights Culture for Trade Marks* (Edward Elgar Publishing, 2023) 57–9.
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- 11 Genevieve Wilkinson, *Founding a Global Human Rights Culture for Trade Marks* (Edward Elgar Publishing, 2023) 58.
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- 16 Genevieve Wilkinson, *Founding a Global Human Rights Culture for Trade Marks* (Edward Elgar Publishing, 2023) 89–90.
- 17 *Philip Morris Brands Sarl v Uruguay* (Award, ICSID Arbitral Tribunal, Case No ARB/10/7, 8 July 2016).
- 18 *Matal v Tam*, 137 S Ct 1744, 1747 (2017).
- 19 *Iancu v Brunetti*, 139 S Ct 2294, 2297 (2019).
- 20 Genevieve Wilkinson, *Founding a Global Human Rights Culture for Trade Marks* (Edward Elgar Publishing, 2023) 109–110.
- 21 *PA Ochieng, M Atieno and J Munjo v Attorney-General* (Petition No. 409 of 2009, Judgment of the Kenyan High Court, 20 April 2012).
- 22 Genevieve Wilkinson, *Founding a Global Human Rights Culture for Trade Marks* (Edward Elgar Publishing, 2023) 198, 216.
- 23 Genevieve Wilkinson, *Founding a Global Human Rights Culture for Trade Marks* (Edward Elgar Publishing, 2023) 198–199, 221–24.
- 24 Genevieve Wilkinson, *Founding a Global Human Rights Culture for Trade Marks* (Edward Elgar Publishing, 2023) 199.
- 25 Genevieve Wilkinson, *Founding a Global Human Rights Culture for Trade Marks* (Edward Elgar Publishing, 2023) 198, 225, 228.

# Book Review: *The Exploitation of Intellectual Property Rights: In Search of the Right Balance*

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Edited by Jens Schovsbo

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*The Exploitation of IP Rights: In Search of the Right Balance*<sup>2</sup> is the latest International Association for the Advancement of Teaching and Research in Intellectual Property (“ATRIP”) series which presents the fruits of the 39<sup>th</sup> ATRIP Congress, held online and hosted by the University of Copenhagen in May 2022. I had the pleasure of presenting at this thought-provoking Congress and am pleased to report that the book has effectively communicated the nuanced and novel approaches proposed by the Congress’ contributors to achieve greater balance in IP legal systems at the national, regional and international levels.

The need to achieve “the right balance” is called out by the editor, Professor Jens Schovsbo, as the result of a discord between the way substantive provisions of IP rights appear and the reality in how IP rights are exploited through enforcement and contractual practices. The book’s mandate is to present methods to ensure that the exercise of IP by enforcement and contractual practices support the goals of the IP system.

The book chapters cover various forms of IP including copyright, patents, know-how and trade secrets. There is a strong focus on copyright law and copyright contracts with five out of nine chapters discussing copyright issues. The book is highly recommended for its unique insights on a wide range of topical IP issues. Its attempt to inspire recalibration of the execution of IP rights through enforcement and contractual practices with the intended goals of the international IP system is refreshing and inspiring. The remainder of this review will deal with each chapter separately followed by an overall assessment of the book.

In Chapter 1, “Regulating online content moderation: Taking stock and moving ahead with procedural justice and due process rights”, Professor Orit Fischman-Afori explores how private corporations employ content moderation practices to remove online content, usually because it either breaks the law or the policy and terms of use of online platforms. Whilst such practices are necessary to deal with insidious content such as misinformation, fake news or illegal content that pose a threat to democracies globally, Fischman-Afori argues that these enforcement procedures have imbued private corporations with the power to govern online environments and control digital speech. She therefore contends that the question we must deal with is “whether and how private power in the digital sphere should be regulated and whether

content moderation practices should be restrained to protect users’ fundamental rights [to freedom of digital speech]”.<sup>3</sup>

Fischman-Afori reflects on the legislative efforts of the EU to regulate content moderation practices including through the *Directive on Copyright in the Digital Single Market*<sup>4</sup> adopted in 2019 (concerning the removal of material that infringes copyright), the *Digital Services Act*<sup>5</sup> adopted in 2022 (regulating online services to achieve a trustworthy digital sphere) and the *Artificial Intelligence Act* proposal<sup>6</sup> (regulating the use of AI online and offline).

After reviewing each of these initiatives, Fischman-Afori concludes that “although the EU intended to enshrine human rights guarantees in the digital sphere, it has failed to provide individual end users with procedural justice rights to protect them vis-à-vis online platforms”.<sup>7</sup> She therefore proposes that EU Member States should implement procedural justice rights to provide adequate guarantees for individuals’ rights to digital free speech.

Fischman-Afori emphasises that three basic procedural principles which are embedded in administrative law should be followed when content has been removed to provide individuals with protection. First, that the individual should be given all relevant information that was used by the decision-maker to arrive at the decision to remove the content. Secondly, that the individual should be given a reasoned explanation of why the decision was arrived at, in a manner that can be understood by the individual. Thirdly, that there should be a dispute mechanism process managed by an objective, external and independent entity where the individual can have the decision reviewed.

Fischman-Afori justifies her proposal by stating that given civic life is now conducted in the digital sphere, underlying human rights protections and procedural justice guarantees should be replicated to the digital arena. Whilst implementing due process rights that can be enforced by individuals is a theoretically sound proposal that would provide individuals with a mechanism to correct overreach by private companies, the chapter lacks engagement with the practical difficulties of establishing external and independent review bodies, including how these bodies would operate and be funded. Ultimately, this proposal is a significant undertaking which would benefit from greater justification, particularly as the types of information removed have usually

## Book Review: *The Exploitation of Intellectual Property Rights: In Search of the Right Balance*

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been deemed either illegal or in contravention of the policy and terms of use of online platforms.

In Chapter 2, “Transparency of algorithmic decision-making: Limits posed by IPRs and trade secrets”, Dr Olga Kokoulina explores how trade secrets protection poses a challenge to the imperative of transparency, accountability and public scrutiny of algorithmic decision making. Kokoulina points out that whilst algorithms were intended to create greater efficiency and achieve a more objective and evidence-based outcome than subjective human-driven decisions, the use of algorithms to process big data has resulted in a myriad of ethical issues. First, algorithms are innately attended with privacy issues and embedded architectural biases which can produce skewed and distorted results far from the objective outcomes desired. Secondly, algorithms have been used as a tool to manipulate public opinion and reinforce political biases posing a threat to democracy.

Due to these negative impacts, Kokoulina explains that there has been a growing interest in the idea of ethical and accountable automated decision making which is based on the requirement of transparency. By “transparency” she means the practice of demonstrating and inspecting a program code, data and control flow. However, Kokoulina points out that a tension exists between transparency for the benefit of individuals and the public, and the private right of companies to trade secrets protection which can be used to uphold the opaqueness of complex algorithms to preserve business interests.

Kokoulina surveys the EU’s legislative landscape governing the constituents of machine learning algorithms. In particular, she identifies how “inputs” such as data and features used in a training set as well as “outputs” such as actual decisions of machine learning might qualify for protection as a trade secret under Art. 2(1) of the EU Secret Directive.<sup>8</sup> She highlights problematic areas of IP and trade secrecy laws where she argues there needs to be a better understanding of the boundaries of protection. In particular, she focuses on the *General Data Protection Regulation*<sup>9</sup> (“GDPR”) which includes transparency requirements when processing personal data. Under the *GDPR*, data subjects have a right of access (Art. 15), a right of portability (Art. 20) and a right “not to be subject to a decision based solely on automated processing, including profiling, which produces legal effects concerning him or her or similarly affects him or her” (Art. 22).<sup>10</sup>

Kokoulina reveals that currently EU case law does not provide adequate guidance to understand how algorithms deemed to be trade secrets interact with the transparency requirements under the *GDPR*. Accordingly, until such guidance is provided these issues remain persistent obstructions to much needed transparency. Overall, Kokoulina provides an excellently researched and thought-provoking chapter which exposes the potential power of trade secrets protections to undermine individual rights enshrined in the *GDPR*.

In Chapter 3, “Rebalancing intellectual property rights: A reflection on Australian IPRs, consumer and environmental rights”, Professor Leanne Wiseman and Associate Professor Kanchana Kariyawasam investigate the international right to repair movement and highlight some regulatory responses in Australia that can be used to strike a greater balance between owners of IPRs to profit from their invention and consumers’ desires to reduce e-waste and practice sustainable consumption of goods.

Wiseman and Kariyawasam focus on Australian IP law and the barriers that exists for consumers to the right to repair goods. The authors draw on the recent *Right to Repair Report* prepared by the Australian Productivity Commission.<sup>11</sup> The Productivity Commission reported concern that IP owners were unduly restricting repairs through IP enforcement including in relation to copyright, patents, trade marks, technological protection measures (“TPMs”) and end-user licensing agreements that restrict access to technology and repair information in service manuals.

The authors then focus on rebalancing patent and copyright law as these were identified as being the most significant IP-related barriers to repair. Regarding patent law, there is considerable discussion of the recent High Court of Australia judgment *Calidad Pty Ltd v Seiko Epson Corporation* (2020) 272 CLR 351 which clarified the uncertainty surrounding the right to repair patented goods in Australia, with the High Court finding that the doctrine of exhaustion applies. The authors contend that whilst this case has clarified the position at law, it is still unclear “what kind of contractual restrictions a patentee can place on the sale of a product and how patent claims can be drafted to bring repurposed products within their scope for infringement”.<sup>12</sup>

Regarding copyright, the authors draw on two changes to the *Copyright Act 1968* (Cth) proposed by the Productivity Commission which are aimed at increasing access to reproductions of repair instruction manuals. The first amendment is to introduce a new fair dealing exception which is “a specific copyright exception for the reproduction and sharing of information for the purpose of repair”.<sup>13</sup>

The second proposal is two amendments to the TPMs regime in the *Copyright Act*. The Productivity Commission recognises that the TPMs regime creates barriers to repair by permitting manufacturers to use “digital locks” that protect embedded software and computer code in smart goods and machines. These locks prevent third parties from accessing embedded repair data such as diagnostic data and product use information that are important for troubleshooting and debugging. Accordingly, the Productivity Commission proposes that the TPM regime should be amended to permit circumvention in order to access information necessary to perform repairs to products in which the TPM is installed.

## Book Review: *The Exploitation of Intellectual Property Rights: In Search of the Right Balance*

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Overall, Wiseman and Kariyawasam's chapter explores ways to achieve environmentally sustainable IP rights by proposing legislative amendments aimed at emboldening a consumer's right to repair. The right to repair movement is just one example of the need for a greater rights-based approach to IPRs in dealing with the challenges of climate change and environmental sustainability in the production of goods and provides encouragement for future IP reform.

In Chapter 4, "Use requirements of patent laws during pandemic – 'litmus test'?", Professor Manchikanti Padmavati argues that imposing governmental use requirements on patent owners during a pandemic is a measured response by governments to strike an appropriate balance between incentivising innovation of IP owners and the right to health of the public to access critical inventions such as medicines and vaccines. She explains the "government use exception" as providing flexibility for the government to acquire the IP of pharmaceutical companies without the approval of the rights holder. In most jurisdictions the governmental use exception is referred to as compulsory licensing and in Australia as crown use.

Padmavati undertakes a cross-country analysis of governmental use exceptions employed by different states, including amendments to patent legislation arising from the COVID-19 pandemic. She analyses and provides a helpful summary table of relevant legislation in Canada, France, Germany, Israel, Chile, Australia, Indonesia, Brazil and India. Furthermore, she summarises other WTO law in support of government use including the *Doha Declaration on the TRIPS Agreement and Public Health*,<sup>14</sup> and the recent *Declaration on the TRIPS Agreement*.<sup>15</sup>

Padmavati's central argument is that the current regimes do not go far enough and increasing the government use scope under patent law is required to improve access to patented medicines. Whilst her thesis is agreeable, the chapter would have benefitted from a broader discussion of substantive recommendations or proposals on how the scope of this exception should be increased. Suggestions include whether the scope should be increased by providing greater discretion not to require governments to first attempt to secure a voluntary licence with pharmaceutical companies before authorising a compulsory licence, or providing that no compensation is required to be paid by governments to the patent owner when a compulsory licence is imposed.

In Chapter 5, "Access to undisclosed know-how", Associate Professor Joy Xiang explores the tension of balancing the interests between creators and users of information, where the information is undisclosed know-how protected by trade secret laws. Xiang points out that undisclosed know-how is often essential for implementing and using complex technologies as it complements patent disclosures. Accordingly, she focuses on the need to strike an adequate balance so that cross-border technology transfer can occur to

enable states to effectively deal with public health issues such as the manufacture of medicines and vaccines, as well as in developing clean energy products to address climate change.

Xiang reflects on the successes and challenges in existing approaches to accessing undisclosed know-how before suggesting a proposal for improving access in the future. In reflecting on what has been successful, Xiang argues that a collaborative approach including through means of "joint ventures, private-public partnerships, industrial cooperation agreements, international exchanges and international governance"<sup>16</sup> is most effective. On the other hand, regarding unsuccessful approaches, Xiang reflects on the recent rejection by WTO Members for a trade secret waiver as part of the broader COVID-19 TRIPS Agreement Waiver.<sup>17</sup> Accordingly, she argues that disclosure of know-how through non-voluntary mechanisms such as waivers or compulsory licenses is challenging and likely will not improve access.

Finally, Xiang proposes that to improve access to undisclosed know-how, the legal concept of know-how should be expanded to include "any information and knowledge that enables practising an invention (e.g. generating or using a particular product or service)."<sup>18</sup> She explains that this definition is broader than the current concept of know-how and acknowledges that know-how can be both disclosed know-how such as patents and copyrighted content as well as undisclosed know-how such as trade secrets, confidential information and tacit knowledge.

It is Xiang's hope that in providing an expanded definition of know-how, this will promote a holistic approach to accessing needed know-how, whether trade secret protected or not. The "holistic approach" includes three key principles which are to expand mandatory disclosure, build a trusting and collaborative relationship with the know-how owner and practice packaged bargaining.

Regarding expanding mandatory disclosure, Xiang suggests that states should consider making the best mode for carrying out the invention a mandatory requirement in all patent applications. Further, states should consider implementing "dynamic patent disclosure" which requires the patent owner to continually disclose up to date know-how regarding the patented invention.

Regarding building a trusting and collaborative relationship, Xiang suggests that know-how licences should outline how the collaboration will be conducted in concrete detail including frequency of in-person onsite visits, training and meeting of collaborators to transfer undisclosed know-how effectively, particularly tactical knowledge.

Finally, regarding "packed bargaining" this means including all relevant know-how to perform an invention and could include licensing agreements including a condition that the

## Book Review: *The Exploitation of Intellectual Property Rights: In Search of the Right Balance*

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successful transfer of know-how is measured by the successful production of the associated product or service.

Overall, Xiang's chapter is thought-provoking and worthy of close attention. She effectively identifies and proposes solutions to a key issue stifling effective technology transfer that is necessary for combatting public health and climate change threats. Her expanded definition of know-how is sound and could potentially address the piecemeal approach currently taken to know-how information which acts as a barrier to effective cross-border technology transfer.

In Chapter 6, "Sampling the 'soul of music' in a post-Pelham world: an interdisciplinary perspective", Assistant Professor Kalpana Tyagi argues that whilst strong copyright protection laws further the objective of creativity, the recent decision of the Court of Justice of the European Union ("CJEU") in *Pelham GmbH v Hutter* ("*Pelham*")<sup>19</sup> calls into question the imbalance between original creators and downstream innovators, including those who use music samples in their works. Tyagi understands sampling as "the taking of a segment of a copyright-protected sounds or a sound recording and employing it, in order to make a new composition".<sup>20</sup> She argues that a restrictive view of copyright in the context of sampling may stifle downstream innovation and creativity in the music industry and that the current copyright regime is out of touch with the modern reality of composers who regularly use sample music in their works or who employ AI-driven sampling.

Tyagi reviews landmark sampling cases in the EU and focuses on the 2019 opinion of the CJEU in *Pelham*. She explains how the CJEU raised concern amongst EU copyright lawyers due to the restrictive interpretation of the right to reproduction, the right to free use and that the exceptions and limitations in Art. 5 of the 2001/29 InfoSoc Directive<sup>21</sup> were exhaustive, meaning that EU Member States could not extend the scope of exclusive economic rights.

Accordingly, Tyagi investigates the need for a more flexible reading of limitations and exceptions and draws on competition law to propose some new solutions to effectively address the competitive and anti-competitive effects of sampling within the framework of copyright law. First, she proposes introducing a *de minimis* exception in EU law through legislation. *De minimis* means that when "the sample is small and negligible, it does not constitute infringement".<sup>22</sup> Secondly, she proposes either a sampling specific exception and limitation or, alternatively, a more open-ended fair use exception grounded in the freedom of expression in the EU Charter of Fundamental Rights.<sup>23</sup> Tyagi argues that these exceptions are necessary to redress the imbalance between different stakeholders in the creative field and avoid anti-competitive outcomes that result from the rigid interpretation of the law.

Overall, Tyagi summarises the current position in EU copyright law through her analysis of landmark EU case law and proposes sound solutions to deal with the issue of copyright infringement of samples used in modern music. However, her proposal would have benefited from a textual example of the proposed legislation to effectively understand how she would ground an open-ended fair use exception in the freedom of expression in the EU Charter of Fundamental Rights.

In Chapter 7, "Copyright reservation: Debates, data, and directions", Dr Joshua Yuvaraj explores how copyright contracts that shift the balance of power too far in favour of assignees or licensees of copyright, including publishers and record labels, can detrimentally limit public access to copyrighted works and disincentivise ongoing creativity of artists. Accordingly, Yuvaraj argues that "reversion" or "termination" rights which permit copyright creators to unilaterally end copyright grants are an effective means to strike a better balance between the rights of creators and assignees/licensees of copyright.

Yuvaraj explains that reversion rights enable creators of copyright to pursue different exploitation avenues to generate further revenue and further disseminate their works and are important mechanism to deal with unremunerative copyright contracts. Yuvaraj reviews the use of termination and reversion rights in different jurisdictions over the course of time and focuses on the current US termination right. Under the *Copyright Act 1976* (US) ("*US Copyright Act*"), creators and other statutorily specified parties (e.g., heirs) have termination rights which permit termination of copyright grants after various periods of time (e.g., 35 years after the grants, if the grant was made after 1978).

Yuvaraj uses the publicly available records of termination notices available through the US Copyright Office Catalogue to present new empirical research on the use of these rights, including who is filing and receiving termination notices, how parties respond to such notices (i.e., permit termination or commence litigation) and the types of works that are subject to these notices (i.e. music, artworks, films). He analyses the data alongside a survey of recent US case law involving assignees and licensee disputing the filing of termination notices.

Ultimately, he concludes that the process to terminate copyright grants under the US Copyright Act is unduly complex for creators and as there is a significant appetite for copyright assignees to challenge the termination notices this may dissuade creators from filing such notices where they do not have significant financial means. On this issue, Yuvaraj observes that several cases have now be brought as class actions by creators, suggesting that artists are recognising the importance of grouping together to enforce their rights.

## Book Review: *The Exploitation of Intellectual Property Rights: In Search of the Right Balance*

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Finally, he draws on the findings of his empirical research to highlight issues to consider when engaging in reversion law reform. According to Yuvaraj, it is key that any reversion law reform involves robust impact analysis, including of stakeholders across different subsets of creative industries so that laws do not assist creators without unduly impacting on investment incentives of publishers and record labels. He reminds readers that reaching a balance is important and a nuanced approach is key as what that balance may look like in one creative sub-industry may be different to another sub-industry.

Overall, Yuvaraj effectively maps out the current use of reversion rights in the US and his empirical research provides insight into the effectiveness of the US statutory scheme. His empirical research elicits many interesting findings about the US system and helps readers understand the nuanced balancing mechanism that needs to take place with legislative reform.

In Chapter 8, “Remunerating authors and performers: Are statutory fair compensation provisions sufficient?”, Associate Professor Irina Eidsvold-Tøien looks at how copyright law can be used to ensure fair compensation for authors and performers. She reflects on the efforts of the EU legislature to deal with the widening value gap between performing artists and publishers and platforms through the *EU Directive on the Digital Single Market*<sup>24</sup> and concludes that the current provisions in the Directive are insufficient to protect creators in the digital economy. Accordingly, she recommends that EU Member States should introduce additional measures in their implementation of the Directive to safeguard fair remuneration for creatives in the streaming economy.

First, Eidsvold-Tøien suggests that legislatures should establish mandated collective management organisations (“CMOs”) and unions to handle streaming market rights on behalf of authors and performers. CMOs are defined in Art. 3 of the *EU CMO Directive* to be “any organisation which is authorised by law or by way of assignment, license, or any other contractual arrangement to manage copyright or rights related to copyright on behalf of one or more of the copyright holders, as its sole or main purpose.”<sup>25</sup> Eidsvold-Tøien argues that CMOs or unions should be given new or extended mandates to negotiate contracts with big platforms and streaming services regarding licenses and payment for performers’ and authors’ streaming rights. She believes that this would likely result in artists and authors securing higher revenue and a greater degree of transparency as unions and CMPs have more expertise, experience and stronger bargaining power than individual creators.

Secondly, she recommends that EU Member States should establish a dispute settlement body to decide on the fair remuneration of creators. She argues that this would likely result in creators having increased transparency of the rates paid for their content and would help resolve conflicts faster

and in a more cost-effective way. Ultimately, Eidsvold-Tøien reflects that enacting these two changes to better protect creators will not only benefit them but will increase the sustainability of the digital streaming economy.

Overall, Eidsvold-Tøien’s chapter explores ways to achieve a greater balance between creators of copyright materials and owners of streaming platforms which make copyright content available in the digital market. Her two proposals are sound and supported by literature from WIPO and the European Copyright Society which anticipate beneficial outcomes if effectively implemented by states.

In Chapter 9, “Limiting freedom of contract: Next step for copyright treaties?”, Professor David Felipe Alvarez-Amezquita and Professor Florelia Vallejo-Trujillo argue that states should amend international copyright treaties to include contractual limitations aimed at protecting the rights of creators from unfair contract terms that unfairly benefit licensees and assignees of copyright. The authors investigate “supply side contracts” between creators of works and those who play an important role in the dissemination of such works (i.e. publishers, recording labels, streaming platforms). They acknowledge the need for legal systems to recognise the weaker position of creators, the complexities of such contracts and the possible asymmetries between the parties in order to better protect authors’ rights in the future.

By surveying different contractual limitations in various national regulations, the authors conclude that fragmentation of contract law governing supply side contracts is exacerbating the imbalance for creators, as it allows assignees/licensee to choose legal systems lenient to contractual freedoms rather than protective regulations. Accordingly, they argue that an international instrument regulating contractual freedoms in copyright should be further explored by states.

The authors identify two main mechanisms to achieve greater harmonisation of contract law governing copyright transfers and licences. First, introducing mandatory regulations on copyright contracts that define the minimum level of protection of creator’s rights within a multilateral instrument. Secondly, greater harmonisation can be addressed via private international law and choice of law for copyright contracts.

The authors then propose three potential clauses: an aggressive, mild and weak approach, which could form part of an international copyright treaty that would provide a foundation to improve the creator’s weaker position in international contracts. The “aggressive proposal” includes giving courts the power to reverse unfair contract terms in circumstances where there is a severe affectation of the creator’s dignity or in cases where there is a severe disproportion between the financial gains obtained by the licensee/assignees vis-à-vis the creator’s remuneration. The “mild proposal” includes enacting national legal mechanisms that limit the contractual freedom of the licensee/assignees

## Book Review: *The Exploitation of Intellectual Property Rights: In Search of the Right Balance*

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in order to protect the author's material and moral interests. Such mechanisms would be mandatory under private international law and courts would be given the power to determine the governing law of the contract, taking into consideration the impact on the creator. Finally, the "weak proposal" includes an aspirational statement for states to have the ability to establish reasonable limits to protect the interests of the creator, with the national law stipulating whether such reasonable limits are of public order.

The three proposals are not mutually exclusive, and states could benefit from implementing all of them. The aggressive proposal resembles unfair contracts regimes that govern consumer contracts in some jurisdictions and in my view would serve to deter licensees/assignees from going too far at the cost of creators' rights when negotiating contracts. The possibility that an assignment of copyright could be deemed unfair and void ab initio by a court would, in my view, be a powerful deterrent that could help preserve creators' rights. It would have been interesting for the authors to investigate this further, as well as whether penalties that serve a pecuniary purpose could also be beneficial. These sorts of reforms have been successful in consumer contract law and such success could be replicated in supply side contracts.

Overall, the book is an excellent publication and testament to the benefits of conferences such as the annual ATRIP Congress which bring together talented IP scholars to investigate and present fresh solutions to emerging issues in IP. The chapters cover a diverse range of IP issues which require urgent attention in order to recalibrate the implementation of IP with its intended purpose.

- 1 Associate to Justice Nicholas of the Federal Court of Australia.
- 2 Jen Schovsbo (ed), *The Exploitation of IP Rights: In search of the right balance* (Edward Elgar Publishing, Inc, 2023) ("*The Exploitation of IP Rights*").
- 3 *The Exploitation of IP Rights*, 6.
- 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* [2019] OJ L 130/92 ("*EU Directive of DSM*").
- 5 *Regulation (EU) 2022/2065 of the European Parliament and of the Council of 19 October 2022 on a Single Market For Digital Services and amending Directive 2000/31/EC* [2022] OJ L 277/1.
- 6 European Commission, '*Proposal for a Regulation of the European Parliament and of the Council laying Down Harmonised Rules on Artificial Intelligence*' COM/2021/206 Final.
- 7 *The Exploitation of IP Rights*, 7.
- 8 *Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure* [2016] OJ L157/1.
- 9 *Regulation EU 2016/679 of the European Parliament and of the Council of 7 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC* [2016] OJ L 119 ("*GDPR*").
- 10 *GDPR Art 22*.
- 11 Productivity Commission 2021, 'Right to Repair, Inquiry Report no 97', Right to Repair (Report) 17 <<https://www.pc.gov.au/inquiries/completed/repair#report>>.
- 12 *The Exploitation of IP Rights*, 74.
- 13 *The Exploitation of IP Rights*, 75.
- 14 *Declaration on the TRIPS Agreement and Public Health*, WTO Doc WT/MIN(01)/DEC/2 (20 November 2001, adopted 14 November 2001).
- 15 *Ministerial Declaration on the TRIPS Agreement*, WTO Doc WT/MIN(22)/30 (22 June 2022, adopted 17 June 2022) ("*Ministerial Declaration on TRIPS*").
- 16 *The Exploitation of IP Rights*, 117.
- 17 *Ministerial Declaration on TRIPS*.
- 18 *The Exploitation of IP Rights*, 129.
- 19 *Pelham GmbH v Hutter* (Court of Justice of the European Union, C476/17, 29 July 2019).
- 20 *The Exploitation of IP Rights*, 138.
- 21 *Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society* [2001] OJ L 167/10.
- 22 *The Exploitation of IP Rights*, 155.
- 23 *Charter of Fundamental Rights of the European Union* OJ C. 326/391.
- 24 *EU Directive of DSM*.
- 25 *Directive 2014/26/EU of the European Parliament and of the Council of 26 February 2014 on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market Text with EEA relevance* [2014] OJ L 84/72.



# The John McLaren Emerson QC Essay Prize 2024



The Intellectual Property Society of Australia and New Zealand Inc. is pleased to announce its 2024 competition for an essay on a topic of the author's choice regarding intellectual property.

**1st Prize** of the *John McLaren Emerson QC Essay Prize* will comprise the sum of AU\$5,000 plus complimentary registration at the IPSANZ 37<sup>th</sup> **Annual Conference** scheduled to be held over the weekend of **30 August to 1 September 2024** including two nights' accommodation at the Hilton Queenstown Resort & Spa, New Zealand, and a return economy airfare from within Australia or New Zealand to the Conference.

**2nd Prize** will comprise the sum of AU\$3,000 plus complimentary registration at the IPSANZ 37<sup>th</sup> Annual Conference, including two nights' accommodation at the Hilton Queenstown Resort & Spa, New Zealand.

**3rd Prize** will comprise the sum of AU\$2,000 plus complimentary registration at the IPSANZ 37<sup>th</sup> Annual Conference, including two nights' accommodation at the Hilton Queenstown Resort & Spa, New Zealand.

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

## COMPETITION RULES

- Entries must be unpublished essays, which are the original work of the author. Entries should be between 5,000 and 10,000 words (including endnotes).
- Entries should be substantive works displaying original thinking in an area of intellectual property of the author's choice. A maximum of two co-authors is permitted for entries. In the case of co-authors, the prize is to be shared between the authors. A maximum of two entries per author or pair of co-authors is allowed.
- Endnotes must appear at the end of the essay. Entries should include a summary of the essay (50-100 words). Authors should keep a copy of the entry, as no entries will be returned.
- A copy of each entry should be submitted electronically (in Word format).
- Each entry should be accompanied by a separate detached page giving the author's name and contact details and a short biography. No identification of the author should appear on the entry itself.
- Upon entry, each author warrants and represents that it agrees to accept and abide by the Competition Rules, that it is the author of the original work, and that the author is of good repute.
- The decision of the judging panel will be final and no correspondence will be entered into. The judging panel will retain the discretion not to award the Prize and, in any year, may decline to award the first, second and/or third prize as it sees fit. No feedback or reasons will be provided. Non-compliance with the Competition Rules will result in automatic disqualification.
- Airfares, accommodation and entry to the IPSANZ Conference are non-transferable and not redeemable for cash. In the case of a winning entry from a country other than Australia or New Zealand a monetary contribution representing the cost of a return economy airfare from Sydney to Queenstown, New Zealand where the Conference is being held, will be made.
- No extensions of the closing date for entries will be granted to anyone under any circumstances.
- Closing date for entries is **Monday, 13 May 2024, 11.59pm AEST.**

### Entries should be sent to:

The Intellectual Property Society of  
Australia and New Zealand Inc.  
GPO Box 2491  
Melbourne VIC 3001 Australia

Telephone: (61 3) 9761 2833

Email: [ipsanz@ipsanz.com.au](mailto:ipsanz@ipsanz.com.au)

# Current Developments — Australia

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## IP AUSTRALIA

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

### Bringing Industry and Universities Together

IP commercialisation involves transforming innovative ideas and research outcomes into tangible products, services, or technologies for market deployment. Collaborations between researchers and businesses may provide opportunity to leverage resources, expertise, and networks to expedite the development and commercialisation of IP. IP Australia provides a range of resources to support parties entering into collaborations to consider how new and existing intellectual property will be managed. To facilitate successful collaborations between businesses and universities, the Higher Education Research Commercialisation Intellectual Property Framework offers information and templates for navigating the complexities of IP management in collaborative projects. Links to the Framework and other resources can be found via the IP Australia website.

### IP Australia Annual Report

The *IP Australia Annual Report* for 2022–23 was tabled in Parliament last October and is now available to download or view online via the IP Australia website. The report highlights key achievements of IP Australia in areas such as influence and contribution across the IP ecosystem, customer experience and workforce capabilities.

### New Year, New Patent Cooperation Treaty (“PCT”) Fees

Directives adopted by the PCT Assembly in October 2023 see a small increase in some PCT filing-related fees, including for Electronic filings in PDF and XML format via ePCT, excess pages, and international preliminary handling.

### Scams Awareness

“Scams Awareness Week” took place from 27 November to 1 December 2023. IP Australia published a guide on what to look for in correspondence and invoices to identify a scam. Guidance was also provided on what official IP Australia invoices and correspondence look like, to help IP right holders avoid being taken advantage of by third parties pretending to represent the Government. IP Australia warns to be especially wary of invoices, and to carefully check that the email address ends in “ipaustrialia.gov.au”. The full guide can be found on the IP Australia website.

### IP Australia: Inclusive Employer

IP Australia’s recognition that inclusion and diversity are key to innovation, as well as their commitment to increasing diverse representation, visible leadership and engagement and accountability have resulted in IP Australia receiving “Inclusive Employer” status by the Diversity Council Australia. The IP Australia “Diversity and Inclusion Strategy 2023–2026” can be found on the IP Australia website.

### IP Australia Draft Cost Recovery Statement

IP Australia has prepared a draft Cost Recovery Implementation Statement outlining the proposed fee changes for proposed cost awards in patent, trade mark and design proceedings. The Statement informs on fee use and cost recovery in areas of IP rights administration, Trans-Tasman Attorney administration, and awards for costs in IP proceedings.

The proposed changes do not raise the levels to party/party costs but take into account the rise in actual costs of the parties involved.

Feedback on the draft statement has now closed and any changes will take effect in October 2024. The draft Statement and current costs awarded can be viewed on the IP Australia website.

### IP Australia is Adopting the Madrid Goods and Services list in 2024

The WIPO Madrid Goods and Services (“MGS”) list is a comprehensive database of classification terms used in the Madrid System. The current IP Australia Trade Marks Goods and Services list (also known as the “picklist”) is expected to be replaced with the MGS list in March 2024.

A semantic search function will also be introduced to assist with the transition from the present picklist terms. The new system aims to reduce the number of issues encountered by Australian applicants filing internationally by aligning the Australian classification standards with international best practice.

### Integration of IP Australia APIs

IP Australia is offering and promoting its application programming interfaces (“APIs”) to third party businesses and firms for integration into their system’s software. While the service is available to everyone, it will likely benefit high volume filers and IP software developers most.

CASES

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

Barristers

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

***The Agency Group Australia Ltd v H.A.S. Real Estate Pty Ltd***

[2023] FCAFC 203

19 December 2023 – Yates, Markovic and Kennett JJ

*Trade mark infringement – deceptive similarity – appeal*

In *Agency Group Australia Ltd v H.A.S. Real Estate Pty Ltd* (2023) 174 IPR 153 (the “primary judgment”) Justice Jackman held that the word mark THE NORTH AGENCY used by the respondent was not deceptively similar to the second appellant’s registered trade mark. In this decision, the Full Court (Yates, Markovic and Kennett JJ) upheld that decision.

The first appellant, the Agency Group Australia Limited, has two wholly owned subsidiaries, being the second appellant (Ausnet Real Estate Services Pty Ltd), and the third appellant (The Agency Sales NSW Pty Ltd) (collectively, the “Agency Group”). The Agency Group carries on a real estate business providing services in residential sales, project marketing, property management, and finance to customers across Australia. It has more than 400 agents Australia-wide, including 26 offices in New South Wales operating from 21 physical locations, with the Northern Beaches region of Sydney specifically serviced by offices in Manly and Neutral Bay. The second appellant is the owner of the following registered trade marks, which are registered in relation to a range of real estate services in class 36:



(the “Agency Mark”)



(the “Logo Mark”).

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

The respondent also carries on a real estate business, located in Dee Why, in the Northern Beaches region of Sydney. This business commenced operation in March 2023 under the name THE NORTH AGENCY. The respondent’s directors decided upon, and adopted, a particular stylised rendering of the name of THE NORTH AGENCY and a logo comprising the stylised letter N and a degree symbol (referred to as the “N Logo”), shown below.



In the proceeding below, the appellants alleged that the respondent’s use of THE NORTH AGENCY in its real estate business infringed the AGENCY Mark, and that its use of the N Logo infringed the Logo Mark. In the primary judgment, Justice Jackman was satisfied that the respondent had used THE NORTH AGENCY and the N Logo as trade marks. His Honour was not satisfied, however, that THE NORTH AGENCY, when used as a trade mark, is deceptively similar to the AGENCY Mark or that the N Logo is deceptively similar to the Logo Mark. Accordingly, the infringement case failed. Justice Jackman referred to the principles in *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd* (2023) 408 ALR 195 (“*Self Care*”).

At [60] of the primary judgment, Justice Jackman observed that aspects of [70] and [71] of *Self Care* are impossible to reconcile with the Court’s approval of earlier authorities which state that, when assessing deceptive similarity, material extraneous to the mark used by the respondent is irrelevant to the issue of trade mark infringement. His Honour resolved the dilemma by “simply disregarding the passages quoted above from [70] and [71], as unfortunate errors”. In *McD Asia Pacific LLC v Hungry Jack’s Pty Ltd* [2023] FCA 1412 (analysed below), Justice Burley endorsed Justice Jackman’s summary of the relevant principles but read the relevant parts of [70] and [71] in *Self Care* as obiter dicta rather than an error. Justice Burley did not expressly comment on [60] of Justice Jackman’s judgment. The Full Court in this appeal also did not refer to [60].

With respect to the AGENCY Mark and the respondent’s use of THE NORTH AGENCY as a trade mark, the primary judge reasoned that the insertion of the word “NORTH” in THE NORTH AGENCY was a substantial feature which differentiated THE NORTH AGENCY from the AGENCY Mark. His Honour found this word would remain in the minds of ordinary consumers with imperfect

recollection and was “a striking aspect of the mark which points strongly against any real likelihood of confusion”, which alone was sufficient to undermine the appellants’ argument for infringement. The primary judge considered the aural impression of THE NORTH AGENCY and was satisfied that aural use of the word “NORTH” was just as striking when spoken as it was in its written form. Even so, his Honour did not regard aural resemblance as being particularly significant in the present case given the evidence before him as to the manner in which real estate services are typically acquired.

In reaching his decision, the primary judge stressed that the AGENCY Mark is not a word mark but a composite mark in which the stylised “A” cannot be ignored. It is an element of the composite mark which the ordinary consumer would not fail to recall, representing a stylised roof or house device.

His Honour also said that it was relevant that the words “THE AGENCY” have a strongly descriptive element in referring to the nature of the real estate business. His Honour said that the ordinary consumer would expect the word “AGENCY” to be commonly used in the names of real estate businesses in Australia. His Honour noted that both the word “AGENCY” and a stylised roof or house device representing the letter “A” are commonly used in business names and marks in the real estate industry.

Further, the primary judge considered the importance of context in analysing trade mark use. His Honour said that the buying, selling, and leasing of real property are among the most important transactions which ordinary consumers engage in during their lives and reasoned that there would be a heightened sense of awareness and concentration amongst consumers in that context.

The primary judge was not persuaded by the submission that an ordinary consumer might wonder whether the services provided by THE NORTH AGENCY might be a commercial extension, franchise or sub-brand of the business identified by the AGENCY Mark.

### ***The Application to Adduce New Evidence***

In the appeal, the respondent sought leave pursuant to section 27 of the *Federal Court of Australia Act 1976* (Cth) to rely on evidence not adduced in the proceeding below on the basis that the evidence was not available to be tendered in that proceeding. The evidence is a submission made by the second appellant to the Registrar of Trade Marks (the “Registrar”) at the time of prosecuting the application for the AGENCY Mark. That submission advanced the particular form of the AGENCY Mark—and especially the stylised “A”—as a reason why the application for registration of the mark should be accepted under section 33 of *Trade Marks Act 1995* (Cth).

The respondent argued that the second appellant’s submission only became available to it as a result of the response by IP Australia on 29 May 2023 to a Freedom of Information (“FOI”) request made by it on 28 March 2023. The proceeding below was commenced on 21 March 2023. The appellants applied for interlocutory relief. However, the primary judge was able to offer the parties an expedited final hearing, which both parties agreed to accept. On 14 April 2023, the proceeding was set down for a final hearing on 10 and 11 May 2023. The hearing proceeded on those dates and the primary judge gave judgment on 17 May 2023 before the response to the FOI request was received.

The Full Court observed that at the time the parties agreed to an expedited final hearing, when the appellants were pressing for interlocutory relief, it must have been apparent to the respondent that a response to its FOI request might not be forthcoming before the final hearing. From the respondent’s perspective, the final hearing could only have been conducted on the basis that it would defend the claims made against it regardless of whether it had received a response to the request. On this basis, the Court denied the respondent’s application to adduce the second appellant’s submission to the Registrar in this appeal. The Full Court noted that there were other reasons to refuse the request – including that the respondent could have issued a notice to produce on the second appellant, that the second appellant’s submission to the Registrar was simply a submission, and the submission could not have changed the outcome.

### ***The Grounds of Appeal***

The appellants advanced three grounds of appeal. Ground 1 alleged error on the part of the primary judge in relation to his Honour’s application of the well-established principles relating to deceptive similarity to which we have alluded and involves various aspects of his Honour’s reasoning.

In particular, the appellants contended that Justice Jackman erred:

First, by “effectively attributing” to the notional consumer a “perfect photographic recollection” of the AGENCY Mark, and failed to consider the possibility that at least a number of persons might not share his Honour’s specific perception of the idea conveyed by the AGENCY Mark (and in particular, his perception of the A as a House).

Secondly, by advertent to whether the second appellant would have an “unwarranted monopoly” if rival businesses were unable to use the definite article “THE” and the word “AGENCY” in their business names, the primary judge did not focus on the question whether there is a real risk that a number of consumers with imperfect recollection of the AGENCY Mark would confuse that mark with THE NORTH AGENCY.

Thirdly, by discounting the words “THE AGENCY” and the stylised “A” in the AGENCY Mark as being descriptive and common in the trade (and that, even so, his Honour’s approach should have led him to appreciate the likelihood of confusion was increased because the only element of the AGENCY Mark not present in THE NORTH AGENCY is the stylised “A”).

Fourthly, in identifying the word “NORTH” as the distinctive feature of THE NORTH AGENCY, and thereby excluding the possibility that at least a number of other persons might perceive that mark “as a combined whole” without particular emphasis on any single word. In this connection, the appellants submitted that the word “NORTH” simply functions as an adjectival identifier that the respondent’s business has a northern location.

Fifthly, by excluding any risk of confusion arising from the aural use of the two marks.

Sixthly, by rejecting any risk that an ordinary consumer might wonder whether the services provided by THE NORTH AGENCY might be a commercial extension, franchise or sub-brand of the owner of the AGENCY Mark.

Ground 2 alleged that, by reason of the errors referred to in Ground 1, the primary judge’s “discretion” miscarried in finding that infringement under section 120(1) of the Trade Marks Act was not established.

Ground 3 of the appeal alleged that, on a proper application of the established principles on deceptive similarity under section 120(1) of the Trade Marks Act, the primary judge should have found that (in substance) THE NORTH AGENCY is deceptively similar to the AGENCY Mark for the reason that there is a real likelihood that consumers for real estate services “are at a risk of wondering, or being perplexed or mixed up, as to whether it might not be the case that real estate services provided by THE NORTH AGENCY might be a commercial extension, franchise or sub-brand” of the AGENCY Mark.

### ***The Full Court’s Reasoning***

The Full Court did not accept that the primary judge had made the asserted errors. In their reasons, the Full Court made some important observations of principle.

The Full Court observed that understanding the scope of the registered mark, as a sign, is fundamental to the infringement question. In this respect, the Full Court noted that the AGENCY Mark is not simply the words “THE AGENCY” but those words represented in a particular stylised form. Therefore, they observed, the exclusive right to use the AGENCY Mark in respect of the designated services that is conferred on the second appellant, as owner of the mark, by section 20 of the Trade Marks Act, is not the right to use the words “THE AGENCY”; but the exclusive right to use

those words represented in the particular stylised form of the mark as registered.

The Full Court also noted that the infringement question posed by section 120(1) of the Trade Marks Act is answered objectively by reference to a construct. The Full Court noted that, insofar as the infringement question concerns whether an alleged infringer has used a mark that is deceptively similar to the registered mark, the construct to which the High Court referred in *Self Care* proceeds on the basis that notional acquirers of the goods or services have knowledge of the registered mark. Thus, consideration of the question of deceptive similarity proceeds from a premise that is hypothetical rather than actual, but, importantly, the hypothesis is knowledge of the mark *as registered* (even though in undertaking the analysis, allowance must be made for imperfect recollection of that mark).

The Full Court synthesised these observations, noting that in the present case, the hypothesis is that the intending acquirers of the designated services know, but may have an imperfect recollection of, the particular stylised form of the AGENCY Mark, not just knowledge of, and an imperfect recollection of, the words “THE AGENCY”.

The Full Court observed that the comparison of trade marks for the purpose of considering whether one mark is deceptively similar to another mark is a process of judicial estimation. Minds may well differ as to the outcome of such a process, and in the evaluative findings that are steps along the way to reaching that outcome. Where, on appeal, they do, the fact of difference does not alone warrant appellate intervention; nor does the fact that differences can be posited by way of argument. The threshold for appellate intervention is the demonstration of error in the outcome or in the carrying out of the evaluation. The task of the appellate court is not simply to carry out afresh the evaluative task that the primary judge carried out with a view to supplanting the primary judge’s findings with its own, should it happen to come to a different view.

The Full Court observed that the primary judge reached his conclusion that the marks used by the respondent were not deceptively similar to the AGENCY Mark by having regard to a range of considerations, not just one consideration. It was the combination of considerations that led to his Honour’s conclusion, although his Honour assessed some matters to be more significant than others in his evaluation.

The Full Court observed that a consistent theme in the appellants’ submissions was the contention that, while the primary judge had a view about what the AGENCY Mark conveyed to the notional consumer, he failed to consider that his view was no more than an idiosyncratic perception that might not be shared by others. Based on the contention that there is reason to think that others would not share the primary judge’s perception of the two marks, the appellants

then developed an argument that, by not taking into account that asserted fact, his Honour failed to apply the standard articulated in *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1954) 91 CLR 592 at 608, namely that, in order to establish trade mark confusion, it is *sufficient* “that a number of persons will be caused to wonder whether it might not be the case that the two products come from the same source” (emphasis added).

The Full Court summarised the appellants’ argument as being:

- (a) because, in their contention, a number of persons – “some people” – would not share Justice Jackman’s perception or impression of the two marks, trade mark confusion is inevitably present; and
- (b) his Honour should have recognised that fact and given effect to it by finding that THE NORTH AGENCY is deceptively similar to the AGENCY Mark, even though that was not his Honour’s objective assessment.

The Full Court rejected this argument.

The Court observed that the task that confronted the primary judge is one of judicial estimation – a process in which minds might well differ as to both the outcome, and the evaluative findings that are steps along the way to reaching that outcome. They observed it cannot be a criticism, much less a demonstration of appealable error, to point to the possibility that others might have a perception or impression of the marks in suit that is different to the primary judge’s perception or impression, and argue that the primary judge erred by not giving effect to that possibility.

In considering the aural use of the mark, the Full Court cautioned that the aural use of a logo mark cannot be given equal or greater significance than its visual form. Their Honours observed that if it were otherwise, the boundaries fixed by the visual form of the mark, as registered, would be effectively ignored, thus conferring on the registered owner an unwarranted monopoly in the simple use of descriptive words in relation to the designated goods or services.

### **Conclusion**

This decision demonstrates why it can be very difficult to successfully challenge a trade mark decision on appeal where the complaint is directed to the way in which the relevant principles were applied rather than as to the underlying principles. Where a process of judicial estimation is under review, absent clear error, the conclusion of the primary judge is likely to be upheld.

### ***McD Asia Pacific LLC v Hungry Jack’s Pty Ltd*** **[2023] FCA 1412**

**15 November 2023 – Burley J**

*Trade mark infringement – deceptive similarity – consideration of intention to mislead or deceive – removal of trade marks – non-use application – misleading or deceptive conduct*

What are the takeaways from McDonald’s’ bunfight with Hungry Jack’s? Justice Burley held that:

- (1) reputation continues to be irrelevant to assessing trade mark infringement under section 120(1) of the Trade Marks Act, following *Self Care*;
- (2) Hungry Jack’s use of BIG JACK and MEGA JACK did not infringe McDonald’s BIG MAC or MEGA MAC trade marks, respectively;
- (3) the BIG JACK mark was not liable to removal, providing an extra defence to infringement;
- (4) McDonald’s MEGA MAC mark was not liable for removal, although the registration should be amended; but
- (5) Hungry Jack’s claim that its burgers had 25 per cent more Aussie beef than McDonald’s burgers was misleading or deceptive.

It’s not clear whether the judgment has settled the beef between Australia’s two biggest burger suppliers.

McD Asia Pacific LLC and McDonald’s Australia Limited (collectively, “McDonald’s”) are respectively the licensor and authorised user of the branding associated with the McDonald’s chain of quick service restaurants. Hungry Jack’s Pty Ltd is a franchisee of Burger King Corporation, which trades under the name HUNGRY JACK’S and associated branding. Since 1971, Hungry Jack’s has competed with McDonald’s in provision of fast food in Australia.

Since 1968, McDonald’s restaurants in the USA have been selling the BIG MAC hamburger, which has been sold in Australia since operations commenced here in 1971. By 2020, there were 890 outlets operating in Australia.

McD Asia is the registered owner of word trade marks for:

- BIG MAC (271329 for meat, poultry and game, including hamburger patties, meat extracts; preserved, dried and cooked fruits and vegetables, eggs, milk and other dairy products; edible oils and fats, preserves, pickles in class 30 and 271330 for hamburgers; coffee, tea, cocoa, rice, coffee substitutes; flour and preparations made from cereals; bread, biscuits; yeast, baking powder; salt, mustard, pepper, vinegar, sauces, spices in class 30); and
- MEGA MAC (1539657 in respect of class 30 for edible sandwiches, meat sandwiches, pork sandwiches, fish sandwiches, chicken sandwiches, biscuits, bread, cakes, cookies, chocolate, coffee,

coffee substitutes, tea, mustard, oatmeal, pastries, sauces, seasonings, sugar – which for the authors raises the question of which sandwiches are not “edible sandwiches”).

In early 2020, Hungry Jack’s began to sell hamburgers by reference to the names BIG JACK and MEGA JACK. McDonald’s sued Hungry Jack’s, contending that Hungry Jack’s use of BIG JACK and MEGA MAC was an infringement of its BIG MAC and MEGA MAC trade marks under section 120(1), that the BIG JACK mark should be removed from the Trade Marks Register and that Hungry Jack’s had misrepresented to consumers that its BIG JACK hamburger contains 25 per cent more Aussie beef than the BIG MAC hamburger (the “25 per cent more Aussie beef representation”) in breach of the provisions of the *Australian Consumer Law* (“ACL”).

McDonald’s argued that its trade mark 271330 for BIG MAC for “hamburgers” in class 30 was infringed by Hungry Jack’s use of the BIG JACK name because BIG JACK is a sign that is deceptively similar to the BIG MAC mark and that Hungry Jack’s use of the words MEGA JACK was an infringement of its registered trade mark No 1539657 for MEGA MAC for “edible sandwiches, meat sandwiches” in class 30 because MEGA JACK is a sign that is deceptively similar to the MEGA MAC mark.

McDonald’s argued that Hungry Jack’s deliberately adopted the BIG JACK and MEGA JACK marks for the purpose of promoting in the mind of consumers a connection or affiliation between BIG MAC and MEGA MAC hamburgers and those respectively marked BIG JACK and MEGA MAC.

Hungry Jack’s did not dispute its use of the impugned marks was use as a trade mark, so the only issue was whether the competing marks were deceptively similar.

### ***Are Other Aspects of the Alleged Infringer’s Packaging Relevant to Trade Mark Infringement?***

Hungry Jack’s argued that, following *Self Care*, it was appropriate to consider other aspects of the use of the impugned mark, including other aspects of the packaging. Hungry Jack’s argument was based on the bolded sentence below, which appears at [29] of *Self Care* (emboldening by Justice Burley):

*[29] The issue is not abstract similarity, but deceptive similarity. The marks are not to be looked at side by side. Instead, the notional buyer’s imperfect recollection of the registered mark lies at the centre of the test for deceptive similarity. The test assumes that the notional buyer has an imperfect recollection of the mark as registered. The notional buyer is assumed to have seen the registered mark used in relation to the full range of goods to which the registration extends. **The correct approach is to compare the impression (allowing for imperfect recollection) that the notional buyer would have of the registered mark***

*(as notionally used on all of the goods covered by the registration), with the impression that the notional buyer would have of the alleged infringer’s mark (as actually used). As has been explained by the Full Federal Court, “[t]hat degree of artificiality can be justified on the ground that it is necessary in order to provide protection to the proprietor’s statutory monopoly to its full extent”.*

Justice Burley did not accept Hungry Jack’s submission. His Honour concluded that the Court was referring to the actual use of the impugned trade mark in the sense of the use of the impugned sign alone, rather than the broader context of use. His Honour reached this view because first, the focal point of the High Court’s consideration was on the relevance of reputation within the statutory test for deceptive similarity under section 120(1). In reaching its conclusions on that subject, the High Court provided a succinct review of about a century of law on the subject of deceptive similarity. His Honour considered that it would be surprising if the Court intended to overrule or change well-established principle in the manner Hungry Jack’s contended without addressing it squarely and in such short form, and that the better view is that it did not do so.

Secondly, the three cases cited in support of the proposition made in [29] meant use of the impugned mark when they referred to actual use.

Thirdly, Justice Burley considered Hungry Jack’s approach could not be reconciled with [33] of *Self Care*, which states (emboldening by Justice Burley):

*In considering the likelihood of confusion or deception, “the court is not looking to the totality of the conduct of the defendant in the same way as in a passing off suit”. In addition to the degree of similarity between the marks, the assessment takes account of the effect of that similarity considered in relation to the alleged infringer’s **actual use of the mark**, as well as the circumstances of the goods, the character of the likely customers, and the market covered by the monopoly attached to the registered trade mark. Consideration of the context of those surrounding circumstances does not “open the door” for examination of the actual use of the registered mark, or, as will be explained, any consideration of the reputation associated with the mark.*

Fourthly, Hungry Jack’s relied on [69]–[71] of *Self Care*. Justice Burley accepted that [70] of that judgment includes parts that might suggest that the High Court took into account factors that went beyond a comparison of the marks and had regard to extraneous features of the packaging. Nevertheless, since [71] of *Self Care* commences with the statement that the High Court is applying the “applicable principles”, his Honour concluded that the relevant reasoning on the facts was to be found in the third and fourth sentences of [71] as follows:

... As explained, the marks are sufficiently distinctive such that there is no real danger that the notional buyer would confuse the marks or products. The similarities between the marks, considered in the circumstances, are not such that the notional buyer nevertheless is likely to wonder whether the products come from the same trade source....

That conclusion picks up the comparison of the marks. Having reached that conclusion, Justice Burley held that the statement in *Self Care* that the conclusion is “reinforced” by the proximity of the impugned use to another mark may be regarded as obiter dicta, the legal conclusion having already been provided to the effect that, regardless of the presence of the other mark, the impugned mark was not deceptively similar to the registered mark. With respect, these authors agree, and consider that Justice Burley has neatly resolved an apparent difficulty in reconciling *Self Care* with the existing jurisprudence. Justice Burley referred with approval to Justice Jackman’s treatment of the same issue in *The Agency Group Australia Limited v H.A.S. Real Estate Pty Ltd* (2023) 174 IPR 153 at [56]–[59] (but does not mention [60], in which Justice Jackman suggests that passages from [70] and [71] of *Self Care* should be disregarded).

### ***Were the Marks Deceptively Similar?***

Justice Burley noted that the trade mark registrations for BIG MAC and MEGA MAC relevantly concern hamburgers, and that the notional buyer is a person interested in acquiring a product from a quick service restaurant, purchased in store, from a drive-through outlet, or online. The hamburgers may be taken to be lower cost items that are cooked and sold for the convenience of consumers who are cost conscious, short of time, or both. Justice Burley accepted that because people will eat hamburgers, they are likely to pay some attention to make sure that they get the right product and are not likely to be particularly careless or inattentive. The goods the subject of the registration appeal to a broad range of consumers, from the youthful to the elderly.

His Honour noted that *Self Care* confirms that the reputation that McDonald’s has garnered in its trade marks is irrelevant as is any reputation that Hungry Jack’s has in its trade marks, meaning the notional consumer would not approach either of the trade marks with preconceptions based on their experience with McDonald’s or Hungry Jack’s or any of their branding.

In relation to the BIG MAC mark, Justice Burley noted that the trade mark is of two words of one syllable each. The word BIG is descriptive, and a person unfamiliar with McDonald’s would understand the word to convey something about the product promoted for sale, namely a hamburger that is large (big) as opposed to a small one. His Honour considered that the word BIG may be regarded laudatory as well as descriptive, and that it was a common adjective. His Honour observed MAC is a one-syllable word. It has a soft beginning

(“m” sound) and a hard end, most likely pronounced “ack”. Although McDonald’s submitted that many would see the word as the familiar or colloquial abbreviation of a person’s name, Justice Burley considered it more likely that “Mac” may be understood to be a coined or unusual forename or surname, which may be Scottish or Irish, an abbreviation of a longer name or a word conveying no particular meaning. His Honour considered the BIG MAC as a whole to be a short, snappy, two-word mark, which draws attention to something that is large, namely a large “Mac”, “Mac” being the name of the product. The words together would be separately pronounced and read with the strong “b” providing a point of contrast to the softer “m” of the second word.

In the BIG JACK mark, Justice Burley considered the word “big” would have the same descriptive and laudatory connotations. The word “big” will be understood to identify a characteristic of the word that follows. Unlike MAC, his Honour concluded that the word JACK is an easily recognised forename and would be understood as such by most consumers, although it could also have other meanings which are unlikely to be considered. His Honour considered that consumers will more likely consider BIG JACK to be some sort of personified hamburger that is large. The word Jack has a strong “j” sound and finishes with a hard “ack”.

Based on the consumer’s imperfect recollection and noting that consumers of hamburgers within the class of goods of McDonald’s trade mark registration are likely to pay reasonable attention to a sign that denotes what it is that they will be eating, Justice Burley concluded that the notional consumer will recognise that BIG is a descriptive and possibly laudatory term that is commonly used and likely give this lesser emphasis as a point of recollection than the word MAC, which would be identified an important and distinctive part of the mark. The same is true for BIG JACK. Justice Burley considered consumers are likely to note several similarities: both contain two short monosyllabic words, both begin with BIG, both finish with an “ack” sound.

Allowing for imperfect recollection, Justice Burley did not think it likely that typical consumers will confuse JACK for MAC or BIG JACK for BIG MAC or be caused to wonder whether hamburger products sold under and by reference to BIG JACK come from the same source or are affiliated with the trader who sells the BIG MAC. His Honour observed that Jack is a very recognisable forename and that MAC is an unusual name or abbreviation, and that although both are BIG, the idea conveyed by JACK and MAC is different. The words look and sound different, the “j” being quite distinctive of “m” both visually and phonetically. Justice Burley reasoned that whilst there is a similar rhyme to the conclusion of the two marks when said aloud, there is a phonetic difference between the spoken aspect of “Mac” and “Jack”, and people are likely to be attuned to noticing differences in forenames and more likely to remember the different look and sound

of the words MAC and JACK as points of distinction. His Honour concluded that BIG JACK is not deceptively similar to BIG MAC and, for the same reasons, MEGA JACK is not deceptively similar to MEGA MAC.

### ***Hungry Jack's did not Intend to appropriate McDonald's Reputation***

There was written evidence from the Chief Marketing Officer of Hungry Jack's, Mr Baird, that there was an element of cheekiness in naming the product BIG JACK, due to the rhyming of "Jack" and "Mac" in BIG MAC and that Mr Baird was aware that the name would likely be perceived as a deliberate taunt of McDonald's. In his oral evidence, Mr Baird made it clear that his view was that there would be no consumer confusion as a result of the choice of BIG JACK for several reasons: the established level of competition between McDonald's and Hungry Jack's; the fact that both businesses use distinctive branding, such as their logos and names; and the differences in the word marks. Mr Baird denied that Hungry Jack's intended to cause consumers to wonder whether the BIG JACK came from McDonald's.

Justice Burley accepted that evidence, and rejected McDonald's submission that Hungry Jack's fashioned the names for the purpose of misleading consumers – the "element of cheekiness" was intended to invite a comparison and contrast, not to confuse. In this respect, his Honour observed that while reputation is not relevant to the assessment of whether two marks are deceptively similar, a trader's knowledge or perception of reputation may be relevant to the assessment of whether they had an intention to mislead or deceive in using a particular trade mark. Parenthetically, the authors note that a subjective intention to fashion a mark to mislead consumers is self-evidently not going to be conducted as an abstract notional assessment by the putative infringer. The proposition that the infringer's intention is relevant to the question of deceptive similarity is based on the adoption of a mark or get-up "for the purpose of appropriating part of the trade or reputation of a rival". If that is still relevant to the assessment of whether the use of a mark is "fitted for the purpose and therefore likely to deceive or confuse" (that is, deceptively similar), then it is difficult to understand how reputation can be put aside altogether. Nonetheless, that is clearly the current state of the law. In this case, Mr Baird's knowledge of each of McDonald's and Hungry Jack's reputation led him to the view that it was inconceivable that there would be confusion.

### ***Why McDonald's Validity Challenge to the BIG JACK Registration Failed***

McDonald's relied on three grounds of cancellation of the BIG JACK mark pursuant to sections 88(1)(a) and 88(2)(a), and in the alternative section 88(2)(c), of the Trade Marks Act. His Honour accepted that McDonald's was an aggrieved person.

First, pursuant to section 44(1), that before the priority date for the BIG JACK mark, McDonald's submitted that the McDonald's BIG MAC marks had been registered in respect of similar goods and the BIG JACK mark is deceptively similar to the BIG MAC mark. This ground failed, given Justice Burley's decision that BIG JACK is not deceptively similar to BIG MAC.

Secondly, pursuant to section 60, that before the priority date for the BIG JACK mark, McDonald's submitted that the BIG MAC mark had acquired a reputation in Australia and because of that reputation the use of the BIG JACK mark would be likely to deceive or cause confusion. This ground failed because Justice Burley found that the notional person, familiar with the enormous reputation of BIG MAC, would be likely to remember the entirety of the BIG MAC mark and immediately perceive the differences between it and BIG JACK. Justice Burley did not consider that the notional consumer would have cause to wonder whether products displayed and sold under the BIG JACK mark are from a common source with those displayed and sold under the BIG MAC mark, given the differences between the marks and the strong reputation attaching to the BIG MAC mark. His Honour concluded it was most unlikely that consumers would be likely to be confused or deceived.

Thirdly, pursuant to section 88(1)(a) and (2)(c), McDonald's argued that because of the circumstances applying at the time of the application for rectification (being 28 August 2020), the use of the BIG JACK mark is likely to deceive or cause confusion. His Honour rejected this argument for the same reason as the section 60 argument.

### ***Why Hungry Jack's Non-use Ground Failed***

Hungry Jack's sought an order directing the Registrar to remove the MEGA MAC trade mark from the Register pursuant to section 92(4)(b) for non-use. It was agreed that MEGA MAC had not been used in respect of some of the specified goods (pork sandwiches, fish sandwiches, chicken sandwiches, biscuits, bread, cakes, cookies, chocolate, coffee, coffee substitutes, tea, mustard, oatmeal, pastries, sauces, seasonings, sugar). The issue was whether it had been used in respect of hamburgers. Hungry Jack's accepted that if the mark had been used, the discretion under section 101(3) of the Trade Marks Act should be favourably exercised so as to permit not only edible sandwiches and meat sandwiches, but also "pork sandwiches, fish sandwiches and chicken sandwiches" to remain on the Register.

McDonald's led evidence that MEGA MAC had been used at six stores during the non-use period to describe a Big Mac with four, rather than two, patties (some of the authors observe that this seems like too much Big Mac; others are interested). "Non-trivial" volumes of sales were made in respect to it. In light of this evidence, Justice Burley concluded that at least for the six identified stores,

McDonald's made substantial bona fide use of the MEGA MAC mark in connection with the double sized BIG MAC style hamburger and that McDonald's had discharged the onus upon it to establish that it has used the MEGA MAC mark in relation to hamburgers during the non-use period, with the consequence that the registration in respect of edible sandwiches and meat sandwiches may remain on the Register, but that biscuits, cakes, cookies, chocolate, coffee, coffee substitutes, tea, mustard, oatmeal, pastries, sauces, seasonings, sugar must be removed from the registration. Given McDonald's business, the authors assume the loss of those designated goods would not be of any great import to the business.

### *The ACL Claim*

There is one respect in which McDonald's succeeded substantively. Hungry Jack's ran two advertisements referring to the litigation and stating that the BIG JACK had "25% more Aussie Beef". Hungry Jack's accepted it had made the representation, that the unnamed comparator was the Big Mac, and that the representation was made in trade or commerce.

There were only two issues to be resolved:

- first, whether the advertisements convey the representation to consumers that the BIG JACK contains 25 per cent more Aussie beef by cooked weight or uncooked weight; and
- secondly, if by cooked weight, whether the evidence of cooked weight adduced by McDonald's was sufficiently reliable for it to discharge its onus. If it was, then there was no dispute that the representation is false.

Justice Burley reasoned that the viewer is unlikely to pay close attention to every aspect of the advertisements, but will form a general impression of its message, which is that the BIG JACK has 25 per cent more Australian beef in it than the McDonald's equivalent, the BIG MAC. His Honour did not think that the consumer will pay much regard to the distinction between cooked and pre-cooked weight. To the extent that they did, his Honour considered many are likely to form an impression that it is cooked weight. That impression is supported by the images of the patties being at an advanced stage of cooking, and the concluding image of a ready to eat hamburger meal. His Honour concluded that the message is that, when you eat a BIG JACK, you will be eating 25 per cent more Aussie beef than when you eat the BIG MAC.

Justice Burley accepted McDonald's evidence of weight, from an analytical chemist and from a food chemist who each bought multiple BIG MACs at multiple stores and multiple BIG JACKs at multiple stores, in each case without cheese and condiments, and weighed them using a NATA accredited balance (the authors observe that the analytical

chemist might well have been bemused by the nature of the task that was set for them).

Hungry Jack's levelled a series of criticisms at this evidence. However, his Honour did not consider that any of those criticisms were likely to have a material bearing on the results recorded which indicated that the meat in the BIG JACK is far short of being 25 per cent greater than the meat in the BIG MAC (it was between 12.5 per cent and 15.3 per cent greater). Justice Burley concluded that the results demonstrated, with a very considerable margin of error, that the weight difference is significantly less than 25 per cent.

### *Conclusion*

This decision reinforces the need to tread carefully with comparative claims. Make sure you have the data to support any claim of superiority before you make it, particularly where your claim is quantified, and consider how the claim might be variously understood and, if there is ambiguity, either ensure the claim covers all possibilities or address the ambiguity.

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### *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited*

[2023] FCAFC 175

2 November 2023 – Nicholas, Burley and Cheeseman JJ

Halal Certification Authority Pty Ltd ("HCA") brought claims for infringement, statutory misleading and deceptive conduct and passing off against Flujo Sanguineo Holdings Pty Limited and its subsidiaries (collectively "Flujo Group"), for allegedly unauthorised use of the device below (the "Trade Mark"):



Bromwich J dismissed those claims in *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399 and HCA appealed that decision.

### Background

HCA is a private company that certifies the goods and services of third party businesses and individuals as halal – i.e. compliant with Islamic law relating to the preparation and handling of food and beverage products. Part of HCA's services are to permit use of its Trade Mark to evidence that halal certification had taken place, noting that the Arabic script in the device transliterates as "halal".

HCA has held a registration for the Trade Mark since June 2004, covering the following services:

Class 42: Scientific and technical services; issuing halal certification to businesses and individuals for goods and services if religious and technical requirements are met.

Class 45: Personal and social services rendered by others to meet the needs of individuals.

As reflected by the range of services covered, this was *not* filed as a certification trade mark under s.169 of the *Trade Marks Act 1995* (Cth) (the "Act").

HCA certified various halal manufactured products, including those sold by Flujo Group, who develop and market sweeteners. With some small interruptions, the producers of those had obtained halal certification from HCA since 2010, and Flujo Group had used the Trade Mark to evidence the certification since that time. Examples of Flujo Group's use can be seen below, where a sign substantially identical to the Trade Mark, referred to as the "Packaging Logo", appears on the bottom left of the side panel of the packaging:



Both parties agreed that Flujo Group's products were in fact halal, and that HCA had been paid by the manufacturers to certify the products as such.

However, HCA claimed that Flujo Group were not authorised to use the Packaging Logo in this manner because they did not themselves obtain certification. Third party "toll" manufacturers, who blended and packaged the products for Flujo Group, had obtained certification of the products on its behalf.

HCA became aware that one of Flujo Group's products bore the Packaging Logo without corresponding certification being obtained by any party in August 2018, and

subsequently issued a letter of demand to Flujo Group. When Flujo Group did not agree to HCA's demands for payment and destruction of offending packing, and instead sought to remedy the issue by obtaining certification for the relevant product, HCA filed suit against Flujo Group.

### First Instance Decision

At first instance, HCA failed in each of its claims that Flujo Group's conduct constituted infringement, misleading or deceptive conduct, or passing off.

The key issue was that Bromwich J did not consider Flujo Group's use of the Packaging Logo would be viewed as a trade mark or understood as anything other than a description of the products as halal.<sup>1</sup> The reasoning placed particular emphasis on the size and position of the Packaging Logo on Flujo Group's packaging, which was considered to reduce the likelihood that consumers would be able to read the words "Halal Certification Authority Australia" and understand HCA as the source of the halal certification, assuming they noticed those words at all.<sup>2</sup> This led Bromwich J to find that there was no use "as a trade mark", and that use of the Packaging Logo would not reasonably convey that HCA had certified the products as halal or that there were certification services being provided with the sponsorship or approval of HCA.<sup>3</sup>

Even if use "as a trade mark" had been found, Bromwich J held that Flujo Group would not have infringed HCA's registration as:

- use of the Packaging Logo in relation to sweeteners was not use in relation to the same, similar or closely related goods or services as HCA's registered halal certification services;<sup>4</sup> and
- the exception under s.122(1)(b)(i) (descriptive use in good faith) would have been available. The facts showed that HCA would have known the Trade Mark would be used both by the toll manufacturers obtaining certification as well as the retailer for whom it produced the goods, in this case Flujo Group.<sup>5</sup> In the circumstances, the lack of any objections raised by HCA reasonably led Flujo Group to believe it had permission to use the Packaging Logo to indicate its products were halal.<sup>6</sup> Although there were periods where multiple products went uncertified due to oversights by Flujo Group, Bromwich J did not consider this was conscious or deliberate conduct that would otherwise undermine the availability of the exception.<sup>7</sup>

Further, Flujo Group successfully cross-claimed to cancel HCA's registration under s.88(2)(c) of the Act on two different grounds:

- the Trade Mark was likely to deceive or cause confusion due to the presence of the word "Authority", as this word incorrectly indicates HCA

is an official organisation or government department certifying goods as halal;<sup>8</sup> and

- the Trade Mark was not capable of distinguishing certification services, being composed of commonplace or descriptive elements which do not distinguish HCA's services from those of other businesses providing the same services.<sup>9</sup>

Bromwich J did not exercise his discretion not to grant the application for rectification of the Register, finding that there was not a sufficient public interest basis for doing so.<sup>10</sup>

Although ultimately inconsequential, Bromwich J rejected Flujo Group's cross-claim that HCA's Registration should be cancelled because it was likely to confuse that the Trade Mark was used for certification services, but not registered as a Certification Trade Mark under the Act. Bromwich J confirmed that there is no requirement for a trade mark for certification services to be registered as such.<sup>11</sup> Further, HCA's provision of certification services under the Trade Mark in the relevant period meant the Registration could not be removed under s.92(4)(b).<sup>12</sup>

### **Grounds of Appeal**

HCA sought to appeal on the following grounds:

#### *Trade Mark Use and Infringement*

HCA submitted that Bromwich J ought to have found the Packaging Logo was being used "as a trade mark" to denote a connection between HCA and Flujo Group's products or that their certification had been performed by HCA, not merely that the goods were halal. Their Honours agreed and found that while the Packaging Logo did have a predominantly descriptive function, it still simultaneously indicated that the goods were certified halal by the entity that applied, or authorised the application of, that sign.<sup>13</sup> Bromwich J had erred in overlooking this second function, as well as in attaching significance to the size or location of the Packaging Logo or the presence of other trade marks on the packaging, which their Honours considered irrelevant to whether the Packaging Logo would be perceived as a badge of origin.<sup>14</sup> On this basis, their Honours confirmed that the Packaging Logo has been used "as a trade mark" for the purposes of s.120 of the Act.

Nevertheless, they confirmed that Bromwich J did not err in failing to consider Flujo Group's subjective intention in applying the Packaging Logo, holding that this was only relevant to questions of deceptive similarity, not to whether there was use "as a trade mark".<sup>15</sup> This latter question is to be determined objectively and only by reference to the perspective of a person viewing the purported use.<sup>16</sup>

However, their Honours held that Flujo Group's use did not constitute infringement because it was not in relation to similar or closely related goods or services to HCA's registered halal certification services. While the Packaging

logo indicated Flujo Group's sweeteners had been certified halal, it did not follow that there was use in relation to any services provided in connection with the preparation of those products; the use made by Flujo Group was only in relation to goods.<sup>17</sup> HCA sought to argue that goods specifically identified as having had a service performed on them, as here, would be closely related to those services, but their Honours disagreed, reasoning:

*[t]he limitations imposed by the words "closely related" is deprived of all effect if any goods to which the mark is applied are ipso facto considered to be closely related to the registered services.*<sup>18</sup>

There were other issues with HCA's arguments insofar as the class of goods that would otherwise be considered closely related could not be confined to halal or non-halal goods, as "the very same goods may be halal or non-halal depending on whether they contain particular ingredients or how they have been prepared or processed."<sup>19</sup> Further, there was no evidence that sweeteners were closely related to halal certification services, although their Honours indicated their findings may have been different if the relevant goods were meat products.<sup>20</sup>

#### *Good Faith Exception*

HCA were partially successful in appealing Bromwich J's finding that Flujo Group could have relied on the "good faith" exception available under s.122(1)(b)(i) of the Act, had infringement been established. Their Honours held that prior to HCA's letter of demand, Flujo Group had used the Packaging Logo in good faith to indicate their goods had been certified as halal by HCA, in the honest belief they had permission to do so.<sup>21</sup> However, once HCA issued their letter of demand, Flujo Group should have appreciated that it did not have permission to use the Packaging Logo for this purpose.<sup>22</sup> Hence, Flujo Group's conduct after this point could not have enjoyed the benefit of the good faith exception.<sup>23</sup>

#### *Cancellation of the Trade Mark – "Authority" Likely to Deceive or Confuse*

Following an initial discussion confirming it was open to Bromwich J to make his initial finding on this issue given the scope of the parties' pleadings at first instance,<sup>24</sup> their Honours rejected HCA's submissions that this reasoning was affected by errors. Bromwich J did not err by disregarding the existence of other halal certification providers with the word "Authority" in their name, but appropriately based his determination on a consideration of the inherent features of the Trade Mark that conveyed the impression of an official seal or stamp,<sup>25</sup> and the likely impact of the manner of its use on certificates and goods alike.<sup>26</sup> Both factors suggested HCA sought to convey that it was not merely a "knowledge authority" in the field of halal certification, but a body having official status as a halal certifier.<sup>27</sup>

While HCA was the holder of an “Approved Arrangement” for the certification of halal meat for export with the Commonwealth Department of Agriculture and Water Resources,<sup>28</sup> this status was closely prescribed and applied only to meat products.<sup>29</sup> Hence, use of the Trade Mark in relation to the halal certification of goods *other than meat* would be likely to deceive or confuse a significant number of consumers into believing certification was provided by an official or authoritative body authorised by government, and HCA’s registration was vulnerable to cancellation on this basis.<sup>30</sup>

### *Cancellation of the Trade Mark – Trade Mark Not Capable of Distinguishing*

Quickly rejecting HCA’s submissions that Bromwich J had conflated the statutory language of ss.41(2) and 41(3) of the Act, as they existed at the time, and not given due weight to the Trade Mark as a whole,<sup>31</sup> their Honours agreed that the Trade Mark was not capable of distinguishing halal certification services.<sup>32</sup>

Acknowledging that the majority cases concerning s.41 relate to word rather than figurative marks, their Honours considered case law confirming that figurative trade marks will lack distinctiveness where their figurative elements do not make a significant contribution to the descriptive message conveyed by the word elements of a sign, or the distinctiveness of the sign as a whole.<sup>33</sup> As the English words “Halal Certification Authority Australia” and Arabic script meaning “halal” were held to be descriptive,<sup>34</sup> the non-distinctive annulus in the Trade Mark did not contribute significantly to the distinctiveness of the mark as a whole.<sup>35</sup>

It is worth noting that their Honours’ reasoning on the distinctive capacity of the Arabic script was that it would be understood by “many people within the target audience” as meaning halal. This can be contrasted with the test confirmed in *Cantarella Bros Pty Ltd v Modena Trading Pty Ltd* [2014] HCA 48, and recently reiterated in *Cantarella Bros Pty Ltd v Lavazza Australia Pty Ltd* (No 3) [2023] FCA 1258, that the ordinary signification must be *generally* understood within Australia. This suggests a significant distinction between the treatment of foreign words represented in Latin and non-Latin script based on the relevant “target audience”.

### *Discretion Not to Rectify the Register*

Their Honours upheld Bromwich J’s decision that there was not a sufficient basis for exercise of the discretion not to rectify the Register in this case.<sup>36</sup> In particular, HCA claimed that the Trade Mark was recognised by the Australian Government, foreign governments and overseas entities as having an important role in assisting consumers to accurately identify halal products.<sup>37</sup> However, this and the other factors HCA sought to rely on for exercise of the discretion did not depend on the continuation of the Trade Mark’s registration, as they did not affect HCA’s ability to rely on actions under

the Australian Consumer Law to prevent other traders from using the Trade Mark in a false or misleading manner.<sup>38</sup> Further, their Honours confirmed it was appropriate for Bromwich J to consider HCA’s blameworthy conduct, which contributed to the likelihood of deception or confusion arising, in deciding whether to exercise his discretion.<sup>39</sup>

### **Key Takeaways**

While this like other cases has been determined on its specific facts, it provides helpful guidance for practitioners in assessing use “as a trade mark” in a post-*Self Care v Allergan*<sup>40</sup> world, particularly regarding the significance of the size and position of a sign. It also illustrates how using words that inaccurately imply some official approval or authority can render trade marks deceptive or confusing where consumers have a resulting expectation of official oversight. Finally, the decision is interesting in its consideration of the inherent registrability of a trade mark incorporating foreign words in non-Latin script.

- 1 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [114].
- 2 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [112].
- 3 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [148].
- 4 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [116]–[118].
- 5 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [61].
- 6 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [142].
- 7 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [123]–[124].
- 8 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [160]–[162].
- 9 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [185].
- 10 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [197].
- 11 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [170].
- 12 *Halal Certification Authority Pty Ltd v Flujo Sanguineo Holdings Pty Ltd* [2021] FCA 1399, [199].
- 13 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [85].
- 14 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [79], [83].
- 15 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [70].
- 16 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [72].
- 17 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [90].
- 18 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [103].

## Current Developments – Australia

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- 19 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [101].
- 20 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [104].
- 21 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [129].
- 22 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [128].
- 23 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [129].
- 24 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [131]–[144].
- 25 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [151].
- 26 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [150].
- 27 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [148].
- 28 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [153].
- 29 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [158].
- 30 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [159].
- 31 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [163].
- 32 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [162].
- 33 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [166].
- 34 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [168].
- 35 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [169].
- 36 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [180].
- 37 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [175].
- 38 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [178].
- 39 *Halal Certification Authority Pty Limited v Flujo Sanguineo Holdings Pty Limited* [2023] FCAFC 175, [179].
- 40 *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd* [2023] HCA 8

# Current Developments – New Zealand

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## *Burden & Others v ESR Group (NZ) Limited*

Application for leave to Supreme Court of New Zealand

Leave granted: 7 December 2023

[2023] NZSC 159

*New Zealand Supreme Court gives leave to appeal in copyright case – Issuing copies to the public*

The litigation between these parties has been reviewed in *Intellectual Property Forum* a number of times. Three decisions have been issued by the New Zealand Court of Appeal on issues of liability, on adding a new cause of action at the remedies hearing and lastly on the scope of the “issuing to the public” cause of action in copyright.

The most recent decision of the Court of Appeal, *ESR Group (NZ) Limited v Burden* [2023] NZCA 335, significantly narrowed the availability of the issuing to the public cause of action in s.31 of the *Copyright Act 1994* (NZ). The Court of Appeal held that:

- (a) infringing copies of a work could be treated as already in circulation (so that sale or distribution of these was not actionable as primary infringement under s.31) even though the copyright owner had never licensed or authorised the issuing of those copies; and
- (b) infringing copies sold outside New Zealand were to be treated as being in circulation. Accordingly, the copyright owner had no cause of action for primary infringement under s.31 in respect of the subsequent sale of those copies in New Zealand.

On 7 December 2023, the Supreme Court gave leave to the Burden/PGT parties to appeal against two aspects of the Court of Appeal’s decision. The two approved questions are:

- (a) was the Court of Appeal correct to include, for the purposes of s.9(1) of the Copyright Act, that a copyright holder’s consent is not necessary for work to be “in circulation”?; and
- (b) was the Court of Appeal correct to conclude, for the purposes of s.9(1) of the Copyright Act that circulation outside of New Zealand could constitute “circulation”.

The case will be heard in late April 2024.

## *Inguran, LLC & Others v CRV Limited & Others*

High Court of New Zealand

Jagose J

Judgment: 22 December 2023

[2023] NZHC 3692

*Interim injunction – patent infringement – serious question and balance of convenience factors favouring interim injunction – lengthy delay not disqualifying – plaintiffs not entitled to obtain extended period of injunction resulting from defendants having secured a considerable bridgehead position*

Both the plaintiffs and the defendants produced straws of bull semen largely sorted into respective sexes, for sale to farmers for sex-selected herd management. The issue in the litigation was whether the defendants’ actions infringed the plaintiffs’ New Zealand registered patents for the provision of sex-sorted animal sperm using technology which sorted the sperm in fluid suspension (flow cytometry) according to its X or Y chromosome characteristics.

The plaintiffs sought an interim injunction to prevent the defendants’ continued deployment of technology allegedly infringing their New Zealand patents *and* for this injunction to continue for 16 months after two of the earlier patents’ expiry [13]. This was claimed to reflect the defendants’ infringements to date.

The defendants sought dismissal of the application on the Court’s lack of jurisdiction either as a result of an agreement between the parties dated 27 December 2022 (the “Wisconsin Agreement”) or to the particular parties’ lack of connection to the proceeding or, alternatively or in addition, a stay pending a decision from a Court in Wisconsin. The defendants also opposed the extended period of injunction sought.

### *Interim injunction*

Expert evidence from each of the parties was in dispute over the construction and application of the patents [26] and [27].

Jagose J adopted a conventional approach to the first injunction factor as to whether there was a serious question to be tried. None of the disputes raised by the experts could be determined on a summary basis. The Court held that the plaintiffs had a tenable basis for success at trial [28].

The Court was not able to determine the scope of the Wisconsin Agreement at a summary hearing. This meant that there was a tenable basis for the plaintiffs’ success in overcoming the jurisdictional challenge based on that Agreement [33].

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

Two of the New Zealand patents were due to expire four months following the issue of the decision. Jagose J noted that patent cases carried a particular weight in favour of the grant of an injunction [35]. This was because of the patents' conferral of a statutory monopoly and the opportunity this gave for the patentee to create its own market (which may to a greater or lesser extent survive the expiry of the patent). Because the defendants had set up commercial activities in New Zealand from January 2021 to May 2022, they had obtained "a structural head start in competition" [36].

The Court was satisfied the damages would be more than adequate compensation for the defendants if the injunction were granted (but subsequently overturned at trial) [38]. The Court held that "complaint of the plaintiffs' monopoly conduct did not carry significant weight given the New Zealand patents" [38].

An interesting aspect of the balance of convenience considerations was the delay on the part of the plaintiffs in seeking injunctive relief. The Court found that the plaintiffs would likely have known of the defendants' activity since February 2022 but did not issue proceedings until 21 July 2023, some 17 months later.

Jagose J relied on the 1979 patent decision *Congoleum Corporation Limited v Poly-Flor Products (NZ) Limited* [1979] 2 NZLR 560 (CA). The Court of Appeal in that decision did not consider that a delay of six years disqualified the granting of an interlocutory injunction.

Jagose J did not consider that the plaintiffs' delay in issuing proceedings in the present case materially weighted the balance of convenience in the defendants' favour. The Court was influenced in that assessment by the short remaining life of two of the New Zealand patents. Nor was there convincing evidence that the defendants' substantial investment in New Zealand was truly put at risk if there were to be a short deferral of its competitive activities [49].

### ***Overall justice – no extended injunction to account for length of competing activities by defendants***

The Court was not prepared to countenance the granting of an injunction *beyond* the expiry date of the two early New Zealand patents. Jagose J held that an interlocutory injunction was "protective and ancillary to the substantive claim and not remedial ..." [54]. The Court noted that the plaintiffs only had themselves to blame for delay and for losing the patent bridgehead to the extent they had.

The plaintiffs could not, on an interim basis, seek to extend their patents' effective lives. The plaintiffs were limited to substantive relief in respect of any springboard losses only if ultimately successful on their contended infringement [54].

### ***Recorded Music New Zealand Limited trade mark application AOTEAROA MUSIC AWARDS***

#### **Trade Mark Office of New Zealand**

#### **Assistant Commissioner Aldred**

#### **[2023] NZIPOTM 39**

*Trade Mark – acquired distinctiveness as a result of "any other circumstances" – s.18(2) Trade Marks Act 2002 (NZ) – applicant previously proved acquired distinctiveness for NEW ZEALAND MUSIC AWARDS – applicant applying for AOTEAROA MUSIC AWARDS*

The applicant Recorded Music New Zealand Ltd ("Recorded Music") was the music industry body in New Zealand for recorded music. It had hosted and presented the New Zealand Music Awards since 1965 as the premier music industry awards for recorded music. In 2014 Recorded Music applied for registration of NEW ZEALAND MUSIC AWARDS in various classes. Evidence filed in support showed that the trade mark had acquired distinctiveness through use and it was allowed to be registered on that evidence.

In 2000 Recorded Music decided to strongly promote te reo Māori as the first language of New Zealand and to recognise the contribution by Māori to music in New Zealand by adopting 'Aotearoa' instead of 'New Zealand'. The IPONZ examiner accepted that New Zealanders tended to regard AOTEAROA and NEW ZEALAND as interchangeable. However, the examiner objected to the application on the basis that Aotearoa and New Zealand were visually and phonetically different and conveyed different meanings in different languages.

At a hearing, Assistant Commissioner Aldred took little time to overrule the examiner and apply s.18(2) which provides that a trade mark may have acquired a distinctive character as a result of "any other circumstances". The Assistant Commissioner considered that the examiner's acknowledgement of the interchangeability of the only non-identical elements of the two marks "provides a strong basis for attributing the acquired distinctiveness through use of NEW ZEALAND MUSIC AWARDS to the AOTEAROA MUSIC AWARDS mark". The application could therefore be accepted for registration.

# Current Developments – Asia

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## CHINA & HONG KONG SAR

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### **Increasingly Stricter Examination Criteria for Registrability of Trade Marks in the People’s Republic of China (“PRC”)**

In China, the substantive examination of trade mark applications is overseen by the Trade Mark Office (“TMO”) of the China National Intellectual Property Administration (“CNIPA”).

In recent years, CNIPA has become increasingly – and in many cases, unreasonably – strict in its examination of trade mark applications for registrability issues. It is widely suspected that this is, in part, an attempt to reduce the vast number of trade mark filings filed in China yearly, and/or an attempt to raise the threshold for market entry at a national level. Regardless of the motivation behind this shift, CNIPA’s increasingly strict interpretation of registrability criteria has made it more and more difficult to register trade marks in China.

This update will examine the legal basis for such refusals based on absolute grounds, recent changes in CNIPA’s examination practices on these issues, and the risks of using unregistered marks previously refused by CNIPA on absolute grounds. The impact of CNIPA’s stricter examination practice on existing registrations and doing business in China will also be discussed.

### ***Legal Background***

Articles 10 and 11 of the PRC Trade Mark Law list out the various absolute grounds of refusal for trade mark applications.

Article 10 prohibits the registration and use of trade marks that damage, or could potentially damage, national dignity, public interests, public order, national unity, religious beliefs, etc., or trade marks that violate good social customs or have other adverse effects. Such trade marks include:

- (a) trade marks consisting of specific signs, such as national flags, national emblems, etc.; and
- (b) trade marks that are harmful to public order, good social customs, and public interests, e.g., marks that are ethnically discriminatory, deceptive, political, liable to create unhealthy social effects, etc.

Article 11, on the other hand, prohibits the registration of trade marks that lack distinctiveness and cannot serve the source-identifying function of trade marks. Generally speaking, and under current practice, if the word portion of a composite trade mark lacks distinctiveness, then the trade mark as a whole will be deemed non-distinctive unless the additional elements of the trade mark are themselves highly distinctive.

### ***Recent Changes in Practice***

As mentioned, CNIPA has become increasingly strict in its examination of trade mark applications for registrability issues. Not only has the TMO been ever stricter in examining trade mark applications for these issues; the Trade Mark Review and Adjudication Department (“TRAD”) and to a large degree, even the courts, seem to be fully behind this approach, with both increasingly unwilling to overturn suspect TMO refusals based on absolute grounds.

The following types of trade marks have been particular victims of this tightening in examination standards:

### ***Suggestive Trade Marks***

From a commercial perspective, a “good” trade mark generally reflects or infer some characteristics of the goods/services, making it easy for consumers to associate the mark with the goods/services. At the same time, it should also be distinctive enough to distinguish the mark from other trade marks. In this regard, suggestive trade marks strike a solid balance between those two considerations.

Examples of previously acceptable suggestive trade marks include “Safeguard” for soap, “Bang Bao Shi (帮宝适)”, the Chinese mark for “Pampers” literally meaning “help / children/comfortable”, and “Tai Zi” (汰渍), “Tide” in Chinese, literally meaning “eliminate stains”.

Recently, however, the TMO has been increasingly reluctant to allow suggestive trade marks to be registered in China, holding them to be either descriptive (and therefore lacking distinctiveness) or deceptive (depending on whether the characteristics of the relevant goods/services might possibly be deemed inconsistent with the words appearing in the mark).

The following marks are some notable examples of creative suggestive marks, that most trade mark offices would waive through, that have recently been refused on this basis in China:

	Mark	Designated Goods	Ruling
1	EARUP	Physiotherapy apparatus, etc. in Class 10	Refused on the grounds of being misleading because it “suggests the goods improve the performance of ears.”
2	夜安士 “Ye An Shi” in Chinese (Night / Comfortable / Scholar)	Nutritional products in Class 5	Refused as misleading because it “suggests the goods could make people comfortable at night.”
3	干霸 “Gan Ba” in Chinese (Dry / Overlords)	Desiccant, in Class 1	Refused as misleading because it “suggests the goods have a strong effect.”
4	智泽童康 “Zhi Ze Tong Kang” in Chinese (Intelligence / Moist / Child / Health)	Medical instruments in Class 10	Refused as misleading because it “suggests the goods are helpful for children’s health.”
5	康齿家 “Kang Chi Jia” in Chinese (Healthy / Teeth House (or Family)	Toothpaste in Class 3	Refused as misleading because it “suggests the goods’ function of keeping teeth healthy.”

There is also now a clear risk that any mark containing:

- a product name, colour or any other characteristics of the goods/services, or
- advertising or promotional words etc., even loosely related to the goods/services

could be refused regardless of whether there are other distinctive elements contained in the trade mark or whether the words are at most indirectly related to the designated goods/services.

Below are a few more notable examples of recent refusals for marks that would almost undoubtedly have made it through examination in China in the past:

	Mark	Designated Goods	Rulings
1	北纬四十七度 “Bei Wei 47 Du” in Chinese (47 Degrees / North Latitude)	Disinfectant; vitamin preparations, etc.	Refused because it is a location, even though this location has no direct connection or relationship to the goods.
2	椰子知道 “Ye Zi Zhi Dao” in Chinese (Coconut / Knows)	Fruit jellies; canned fruit, etc.	Refused on the grounds that the goods may not necessarily have coconut in them as a raw material and this would be liable to cause confusion if they do not.
3	艾拓氪 “Ai Tuo Ke” in Chinese (a herb / Develop / Krypton, a chemical element)	Hand tools, etc.	Refused on the grounds that the mark is liable to cause misidentification as to the raw materials of the products because of inclusion of the name of the element “Krypton”, which is actually not directly related to the designated goods.
4	仙女杯 “Xian Nv Bei” in Chinese (Fairy / Cups)	Advertising, sales promotion for others, etc.	Refused because it contains “cups” which is the name for a goods item that has no direct relationship with the designated services.

**Trade Marks with “Unhealthy Social Effects”**

The TMO has also become increasingly willing to refuse trade mark applications on the blanket assertion that the marks might be deemed to have “unhealthy social effects”. Unsurprisingly, such a vague term has led to numerous decisions that seem to defy logic (making arguing against such decisions difficult, particularly when there is no explanation at all provided for the reasoning behind the alleged unhealth effect). Here are a few examples of strange rejections tied to this basis for refusal:

Mark	Designated Goods	Ruling
1 FALL GUYS	Toys in Class 28 and education, etc. in Class 41	Refused on the grounds that it can mean “scapegoat”, which is against the social moral values of integrity and friendliness promoted in China.
2 边境线 “Bian Jing Xian” in Chinese (direct meaning “border line”)	Kitchen utensils in Class 21	Refused because “border line” has political connotations as a term related to national sovereignty, which could cause unhealthy social effect if it were to be put into commercial use.
3 DAILY CLEAR-UP	Yogurt and milk in Class 30	Refused because this term was used in China during the COVID-19 pandemic.
4 桃花运 “Tao Hua Yun” in Chinese (Peach / Blossom / Fortune)	Restaurants in Class 43	Refused because this mark refers to luck/good fortune in romance and the TMO was of the view that this was inappropriately suggestive in respect of restaurant services provided under the mark, thereby negatively impacting the public interest.
5 恶魔角 “E Mo Jiao” in Chinese (Bad / Devil / Horn)	Wines in Class 33	Refused because the mark contains “E Mo” which means “evil devil”.

Notably, the TMO is also believed to have an internal blacklist of words and characters that are blanketly prohibited from being registered as trade marks. This list has not been made public, but from past experience, it appears near certain that the characters for at least “Guo” (“national” or “nation” in Chinese), “Hua” (“China” or “Chinese” in Chinese) and the Chinese characters for “center/middle” are on the list.

Meanwhile, uncommon meanings, homonyms, and other aspects of examined trade marks may also be considered by the TMO during its substantive review. This often results in rejections where the TMO decides there are undesirable connotations to be drawn, even where any such connections are exceedingly tenuous, if not wholly illusory or opaque. Here are a few such examples:


Mark	Designated Goods	Rulings
1 浪 “Lang” in Chinese (Waves or Unrestrained)	Advertising, sales promotion in Class 35	Refused because the character can mean “unrestrained” or “wild”, in spite of the fact that the character is most commonly used to mean “waves.”
2 GUNPLA	Stationery in Class 16	Refused because it could be split into “GUN” and “PLA”, which is the abbreviation of People’s Liberation Army.
3 NATUREZEN	Baby food, nutritional products, etc. in Class 5	Refused because it contains “ZEN”, a religious term.
4 鑫疆 “Xin Jiang” in Chinese (Prosperity / Boundary)	Electric cables, etc. in Class 9	Refused because it has the same Pinyin pronunciation as Xinjiang Province, though not the same meaning.
5 呼孤 “Hu Gu” in Chinese (Breath or Call / Orphan)	Antibiotics, medicines for veterinary purposes, etc. in Class 5	Refused because when another character “肠 (Chang, means ‘intestines’)” is added between “Hu” and “Gu”, the term refers to “reovirus”, which is an infectious virus.

It is exceedingly difficult to analyse potential trade marks for susceptibility to rejections where logic plays little if any role in their examination. This is particularly the case if ulterior administrative or political motives are what is actually driving the use of these absolute ground refusals. Given the risks triggered when such a refusal is issued, however, it is now vital to brainstorm

## Current Developments – Asia

and give at least some thought to such refusals prior to filing new applications and/or rolling out a new product in the Chinese market.

Positively, and in some rare cases, refusals based on the grounds of “unhealthy social effects” have been overcome on appeal at the courts (with several examples as below), indicating they may still offer some relief from obtuse rejections. Here are a few limited examples where successful appeals of refusals due to “unhealthy social influences” have been granted by the Beijing IP Court.

	Mark	Designated Goods	Rulings
1	Red Titan	Toys in Class 28	Refused by the CNIPA on the grounds that “red titan” was a term used to refer to “former Soviet Union”. This refusal, handled by SIPS, was overturned by the Beijing IP Court on the grounds that the meaning is no longer used nor publicly known. Notably, neither the TMO nor the TRAD explained the precise reasoning behind the rejection until the court appeal stage, leaving us to guess blindly as to why the mark had been rejected and how we might be able to argue for its approval.
2	Parsons	Ropes, wrapping or binding bands, not of metal, in Class 21	Refused by the CNIPA because “parsons” is a religious term in Christianity. The Beijing IP Court overturned the refusal on the grounds that when used with the applicant’s Chinese mark “Pa Sen Si” the mark would not be associated with the Christian term.
3	ORISMATIC	Sensors, etc. in Class 9	Refused by the CNIPA on the grounds that “ORISMATIC” has a meaning referring to “Christianity” and its component “MATIC” has the meaning “automatic”. The Beijing IP Court found nothing to support the view that the mark could refer to “Christianity” and overturned the rejection.
4		Education, training etc. in Class 41	Refused by the CNIPA on the grounds that the mark contains an image of a monk and therefore has an unhealthy religious impact. The Beijing IP Court overturned the refusal claiming it is dissimilar to an image of a monk.

Notably, successful appeals of refusals due to misleading/deceptiveness grounds have been extremely rare at all stages.

### Risks in Using Unregistered Marks

#### *Marks Refused Based on Article 11 Due to Lack of Distinctiveness*

Legally speaking, marks that are rejected due to non-distinctiveness pursuant to Article 11 could, in theory, still be used as unregistered trade marks. They might also eventually be approved for registration on the basis of acquired distinctiveness. That said, the standard for claiming acquired distinctiveness in China is extremely high. To meet that standard, an applicant needs to provide a large volume of evidence to prove its use of the mark over a long period of time across China.

Evidence of the mark's generation of a reputation amongst Chinese consumers sufficient to create a direct correlation between the mark and the applicant in their minds should also be submitted. A notable case where acquired distinctiveness was successfully claimed is in relation to the US cosmetics brand "FRESH". The applicant, Fresh, Inc. submitted voluminous evidence relating to sales of its products in cities throughout China, as well as advertisements in magazines, etc., in Chinese publications, thereby successfully proving the widespread and long-term use and promotion of its products in China.

That said, while the owner/user of the unregistered mark is working to generate sufficient reputation through use, possible infringement risks must always be kept in mind. This not only includes such risks from owners of similar already-registered marks. There is always the possibility that identical pirate marks may slip through to registration, despite the prior absolute refusal of the true owner's original application. This is not uncommon in China, where examination can vary wildly from application to application – even applications for identical marks. This is due to the CNIPA's "case-by-case" rule, which permits examiners to ignore contrary decisions or outcomes in highly similar cases, permitting them to decide individual cases in a de facto vacuum.

#### *Marks Refused Based on Article 10 Due to Marks Being Misleading or Deceptive*

Unlike Article 11, Article 10 prohibits not only the registration, but also even the *use* of trade marks falling under its ambit. Indeed, any use of such marks could result in administrative penalties starting from RMB10,000 (about AU\$2,100) up to a fifth of the turnover generated by said mark.

Historically, authorities have not been overly proactive in policing the market for use of such marks. Ominously, however, in May 2023 CNIPA released its two-year work plan, which specifically noted that at some point in the near future, authorities will begin actively monitoring to see whether trade marks refused by CNIPA on registrability grounds are being actively used in the market. This is especially

the case for those marks deemed likely to be deceptive and those creating "unhealthy social effects". Naturally, the risks in this regard will undoubtedly be increased where in appealing the TMO's Article 10 refusal of their trade mark, the trade mark owner appeals the refusal to the TRAD (or further to the courts) and submits evidence of use in China intended to prove the fame of the mark in question.

CNIPA's work plan does not set out a concrete timeline for the implementation of these measures or otherwise clarify the method of detection. But if experience is any guide, CNIPA could implement a broad enforcement campaign at any time, pursuing a substantial number of cases right out of the blocks to encourage voluntary compliance.

Given the high stakes involved here, and in cases where there is a concrete fear that a given mark might somehow be vulnerable to an Article 10 rejection, strong consideration should be given to adopting alternative strategies for the mark and/or the China market. For example, redesigning the mark altogether (e.g., adopting a Chinese brand specifically for China); filing the initial application in the name of an unrelated third party; avoiding trade mark use (not framing it as a trade mark in any way); and limiting its use as trade name or a slogan (if applicable) are all possible strategies.

#### *Impacts on Existing Registrations?*

Over the last three to five years, the CNIPA and the courts have taken a more active and aggressive approach to trade mark piracy. As a result, pirates have begun to eschew their historically docile approach of merely defending their pirated portfolios and are now regularly adopting much more aggressive tactics. As a result, it is now common for trade mark squatters to file retaliatory non-use actions, for example, against vulnerable trade mark registrations held by their victims as a means of forcing a settlement.

With that in mind, there is also a real risk that CNIPA's stricter interpretation of registrability requirements may embolden trade mark squatters and bad-faith actors to also begin filing retaliatory invalidation actions against rights-holders' existing trade mark registrations, claiming those registrations are void ab initio due to Article 10 and/or 11 defects.

So far, it appears that the TRAD and the courts have been generally sympathetic to rights holders in such cases, dismissing the invalidation petitions and (eventually) maintaining the rights-holders' registrations. This is particularly the case where:

- (a) the trade mark has certain distinctive features and does not fall into an extreme situation where it should have rightly been refused for registration;
- (b) the trade mark has been used and/or has acquired certain reputation in China; and

(c) there is proof that the other party bore malicious intent in filing the invalidation action.

Two notable examples in this context are recent invalidations against the marks “CELLFOOD” (covering nutritional preparation in Class 5) and “HEATSTICKS” (covering electronic cigarettes in accessories in Class 34), filed by trademark squatters/rival business operators. Both invalidations were based on absolute grounds. In both cases, the TRAD decided to maintain registrations of the marks, holding that they were each coined words (despite the meanings of their individual components) and not generic names or a universal expression/direct description of any characteristics of the respective designated goods. It also noted that the marks had achieved a certain degree of reputation via their continuous use and promotion. In the decision for “CELLFOOD”, the TRAD also specifically criticised the bad faith of the appellant, which had clearly maliciously filed the invalidation action in support of its own corresponding pirate applications for very similar marks.

In light of these risks, consideration should always be given to potential vulnerabilities in any company’s portfolio, particularly when striking out hard against larger-scale pirates who are likely more desperate to see a return on their “investment” in their ill-gotten portfolios as the tide turns against them.

**Conclusion**

There have been a range of efforts from various channels campaigning for a change in CNIPA’s examination practices relating to refusals on absolute grounds. Up until now, however, feedback received has been negative. CNIPA’s attitude appears to suggest that they are not considering any change in the short term. Given that, these issues must remain front of mind for businesses in China, particularly multinationals looking to extend offshore products and their trade marks into the China market – where those trade marks could eventually be deemed unregistrable, and perhaps even unusable – in China. This requires broader and deeper examination of possible Article 10 and 11 issues during the clearance process for new trade mark applications in China.

**JAPAN**

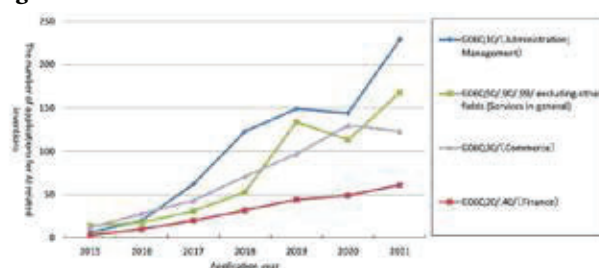
John A Tessensohn<sup>1</sup>

Board Member, SHUSAKU·YAMAMOTO, Osaka, Japan  
Correspondent for Japan

**Recent Japanese AI-related Patent Application Trends and Issues**

In November 2023, the Japan Patent Office (“JPO”) reported a steady growth in the number of AI-related patent filings from 2015 to 2021 (as shown in Fig.1 below).<sup>2</sup>

*Fig. 1*



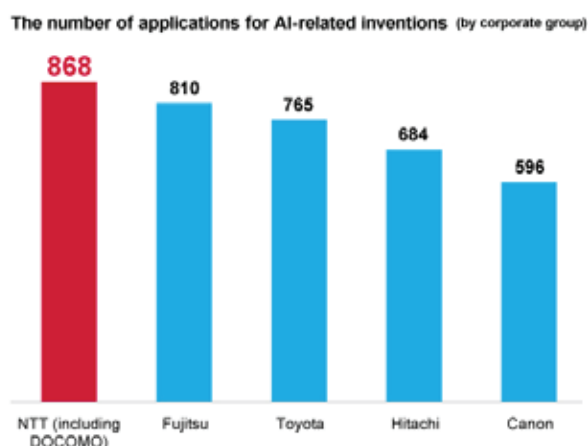
**The number of patent applications for AI-related inventions by field**

Source: JPO

These Japanese business-related inventions are highly compatible with AI (especially large language models that are trained on massive data sets) and the statistics demonstrate that there were an increasing number of patent applications directed to business problem-solving using AI. Additionally, the number of applications for AI-related inventions in the top four fields shown in Fig. 1 above has been climbing since 2015. The most prominent field is “Administration; Management”, which demonstrates that a number of inventions realising prediction or optimisation of targets by using AI are emerging in the lucrative area of software offerings to businesses.

The commercial interest in AI-related technologies is also apparent as Japan’s largest telecommunications solutions company, the NTT group (which includes its wireless mobile carrier unit “NTT DOCOMO”) proudly noted that it was ranked first amongst other Japanese technology titans such as Fujitsu, Toyota, Hitachi and Canon, in terms of the number of patent applications for AI-related inventions (see Fig.2 below).<sup>3</sup>

**Fig. 2**



Source: NTT DOCOMO

It is noteworthy that these trends for AI-related patent applications capture filing activities that pre-date the technological breakthrough of generative AI such as ChatGPT in 2023.<sup>4</sup> ChatGPT has “managed to grow faster than TikTok or Instagram”, as reported by *TIME* magazine.<sup>5</sup> It is therefore not surprising that Japanese industry has also wholeheartedly embraced ChatGPT and other generative AI tools.<sup>6</sup> It is thus foreseeable that there will be an increase in AI-related innovations for businesses that will translate into patent application filings. It is helpful to consider the relevant patentability requirements in Japan.

### ***JPO Examination Guidelines of AI-related Patent Applications***

Under current Japanese patent practice, all inventions involving AI are generally considered to be computer implemented inventions. To better understand the relevant standards for examination involving patent applications for such inventions, the JPO has produced a 72 page document titled *Case Examples pertinent to AI-related technology*.<sup>7</sup> The document discusses 10 case examples of AI-related inventions. Six case examples are relevant to description requirements and four are pertinent to inventive step.

### ***Conclusion***

The attractiveness of enhanced productivity from generative AI services such as ChatGPT has spurred many Japanese companies to harness these tools to create innovative business solutions or inventions. However, such patenting endeavours will be subject to the established patent examination framework as established by the JPO. It will be worthwhile to be kept abreast of new legislative or regulatory developments and trends, and court decisions in this field.

- 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 Japan Patent Office, ‘Recent Trends in Business-related Inventions’ (Web Page, November 2023) <[https://www.jpo.go.jp/e/system/patent/gaiyo/recent\\_trends\\_biz\\_inv.html](https://www.jpo.go.jp/e/system/patent/gaiyo/recent_trends_biz_inv.html)>.
- 3 NTT DOCOMO, ‘Intellectual Property’ (Web Page) <<https://www.docomo.ne.jp/english/corporate/technology/ipr/>>.
- 4 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/>>.
- 5 Andrew R. Chow, ‘How ChatGPT Managed to Grow Faster Than TikTok or Instagram’, *TIME* (Web Page, 8 February 2023) <<https://time.com/6253615/chatgpt-fastest-growing/>> reports that ChatGPT had reached 100 million users in two months after its launch in November 2022 whereas it took “Instagram two and a half years to get to 100 million. TikTok got there in nine months.”
- 6 ‘Survey: Japan Inc. bullish on AI, already in use at 41% of companies’, *Asahi Shimbun* (Web Page, 26 July 2023) <<https://www.asahi.com/ajw/articles/14966290>>.
- 7 Japan Patent Office, ‘Case Examples pertinent to AI-related technology’ (Web Page, November 2023) <[https://www.jpo.go.jp/e/system/laws/rule/guideline/patent/document/ai\\_jirei\\_e/jirei\\_e.pdf](https://www.jpo.go.jp/e/system/laws/rule/guideline/patent/document/ai_jirei_e/jirei_e.pdf)>.

SINGAPORE

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**Resisting the Rampage: Winning Tips from Monster Energy’s Losing Streak**

*Monster Energy Company v IICOMBINED Co., Ltd.*  
[2023] SGIPOS 13


*Monster Energy Company v YG Entertainment Inc*  
[2023] SGIPOS 14


In the final days of 2023, the Intellectual Property Office of Singapore (“IPOS”) handed Monster Energy Company (“MEC”) two opposition losses in quick succession. Typically, the ordinary Singaporean barely notices a trade mark opposition. However, the public sat up for this news: the applicant in one of the oppositions was K-pop giant YG Entertainment, and the opposed mark was the name of their newest girl group BabyMonster, which debuted in November 2023.

Social media, K-pop websites, and traditional news outlets buzzed with news of the BabyMonster opposition. The sudden interest in trade mark procedure led the national newspaper *The Straits Times* to publish an article titled, “What is a trademark opposition, and can anyone file one?”. We delved into the legal decisions and online chatter to pull out three threads which can help weave a solid brand protection strategy.

**How Much Enforcement is Too Much?**

MEC’s approach to brand protection is no secret. Recent IPOS decisions involving MEC recount their numerous trade mark oppositions, often including pithy quotes like “not the Opponent’s first rodeo” and “frequent user of this tribunal’s services”. In summary, MEC have filed 52 notices of opposition in Singapore since 2012, with a full hearing held in eight cases:

OPPOSED MARK(S)	OPPOSITION OUTCOME
GENTLE MONSTER	Unsuccessful
BABYMONSTER BABYMONSTERS	Unsuccessful
	Unsuccessful

	Unsuccessful
	Unsuccessful
SWEET MONSTER	Unsuccessful
	Unsuccessful
MONSTER STRIKE	Unsuccessful

Consumers too are aware of MEC’s attempts to prevent others from using the word “monster” or beastly imagery. On Reddit threads in response to the BabyMonster opposition, users cited reports of MEC’s actions against Ubisoft’s game previously known as “Gods and Monsters”, Capcom’s “Monster Hunter”, and “Pokémon” (short for “Pocket Monsters”).

The online sentiment is that MEC is over-zealous. However, as the Hearing Officer in the GENTLE MONSTER opposition pointed out, MEC is well within its legal rights (at least in Singapore). The issue therefore is not strictly legal in nature. Rather, can trade mark owners hurt themselves by being too aggressive?

The answer probably depends on the target consumer. Groups that tend to be fiercely loyal to their brands of choice or their community, such as K-pop fans and gamers, may be more upset by oppositions they perceive as unreasonable, and more ready to take their views to the market. Consumers in less litigious jurisdictions, also, may find such behaviour unsettling. On the flip side, if the ardent enforcer itself has strong brand equity, it may be more confident that its customer base will not be rattled and may even view it as welcome publicity.

All of this brings us to **Tip #1:** Consumer characteristics matter in planning trade mark enforcement strategies. A strong global policy will be flexible enough to adapt to different consumer sensibilities in different cases and countries. For this, local counsel can often provide valuable insight into the perspective of the relevant consumer.

**Are Deep Pockets Needed to Win?**

The negative sentiment surrounding MEC’s enforcement strategy stems from the impression that it is weaponising the system against smaller players. In the BabyMonster decision, the IP Adjudicator noted that MEC won 32 of their oppositions in Singapore simply because the applicants

did not defend them. We are left to wonder whether these applicants would have won if the merits of their cases had been heard.

Legal costs to defend an opposition can be high in jurisdictions such as the United States and Singapore, where detailed written submissions and oral arguments are involved. Government fees are also payable for participating in opposition proceedings. On the other hand, the winner of an opposition in Singapore may recover only about a third of the costs it incurred.

Some might say that this is just the cost of doing business. From a legal standpoint, they would be correct (whether the law should be different is beyond the scope of this commentary). The good news is that there are other ways to narrow the resource gap.

Hence, **Tip #2:** Thorough clearance searches can identify potential roadblocks early on. A good lawyer can analyse the legal strength of those obstacles and estimate the real-world costs and risks of a conflict. Trade mark owners can then plan ahead and make an informed decision whether to budget for a potential fight or tweak their branding before too much time and money has been spent. Skipping these searches might seem tempting, but they are a worthy investment in a long-term brand protection plan.

### **Can We Talk About Coopetition?**

On social media, a recurring idea stands out: would MEC have done better to collaborate with YG Entertainment instead? Netizens highlighted the hit collaboration between South Korean eyewear brand Gentle Monster (also a target of an MEC opposition) and Blackpink star Jennie Kim (also a YG Entertainment personality) to illustrate a missed opportunity for MEC.

Brand collaborations are everywhere in today's world, from Supreme Oreos<sup>1</sup> and McDonald's Crocs<sup>2</sup> to Louis Vuitton x Riot Games<sup>3</sup> and Dior x Nike<sup>4</sup> campaigns. MEC itself is familiar with the concept – in the GENTLE MONSTER opposition, it submitted evidence of co-branding with eyewear brands D.Franklin and Woodzee. Many companies now see collaborations as channels to reach new audiences and opportunities to showcase their brand values. This appeals to consumers who are increasingly brand-savvy and value-conscious, and a successful collaboration can significantly boost a brand's equity and goodwill in the market.

This is why we suggest **Tip #3:** Think of collaboration as another tool in a trade mark enforcement kit. Enforcement is typically associated with aggression and conflict. Yet its main goal – maintaining the strength and value of a trade mark – can sometimes be achieved by co-operation instead.

Speaking of co-operation, a brand's creative and legal experts will need to work together to design an effective collaboration campaign that represents both parties without diluting either's trade marks.

In conclusion, a winning brand protection strategy balances proactive planning with nimble adaptation, playing both offence and defence in a collaborative world. The right tools, expertly wielded, hold the key to victory.

- 1 See 'Supreme\*/OREO Cookies (Pack of 3)', *Supreme* (Web Page) <<https://supreme.com/previews/springsummer2020/accessories/supreme-oreo-cookies-pack-of-3>>.
- 2 See 'McDonald's Collection', *Crocs* (Web Page) <<https://www.crocs.com.sg/c/collab/mcdonald>>.
- 3 See Lolesports Staff, 'Louis Vuitton and Riot Games Partner starting with the 2019 League of Legends World Championship' (Web Page) <<https://nexus.leagueoflegends.com/en-us/2019/09/louis-vuitton-joins-worlds-2019/>>.
- 4 See 'AIR DIOR: BEHIND THE SCENES', *Dior* (Web Page) <[https://www.dior.com/en\\_sg/fashion/news-fashion-shows/folder-news-and-events/air-dior-behind-the-scenes](https://www.dior.com/en_sg/fashion/news-fashion-shows/folder-news-and-events/air-dior-behind-the-scenes)>.

# Current Developments – Europe

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## UNITED KINGDOM

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**Getty Images UK claims against Stability AI to proceed to full trial**

***Getty Images (US) Inc & Ors v Stability AI Ltd***  
**[2023] EWHC 3090 (Ch)**

On 3 December 2023, an application for summary judgment required the UK High Court to consider the question of jurisdiction in the context of AI. After examining the parties' evidence on this point, the judge, Smith J, dismissed the defendant's application, citing "unanswered questions and inconsistencies" in the defendant's evidence.

### ***The Background***

Earlier this year, Getty Images ("Getty"), a well-known provider of stock images, initiated proceedings against Stability AI, creator of the deep learning AI model and automatic image generator "Stable Diffusion", for copyright infringement, database right infringement, trade mark infringement and passing off. In short, Getty alleges that Stability AI scraped millions of images from Getty's websites, without their consent, and used those images to train and develop Stable Diffusion. Additionally, Getty maintains that the images created by Stable Diffusion (i.e., the outputs) reproduce its copyright works and/or trade marks. (Getty has filed parallel proceedings against Stability AI in the Delaware federal court and Stability AI is also the subject of other pending lawsuits in the US).

Stability AI has yet to file its defence to Getty's claim. Instead, it sought to strike out various aspects of Getty's claim, namely:

- copyright and database right infringement claims relating to works being downloaded on servers/computers in the UK during the development and training of Stable Diffusion (the "Training and Development Claim");
- secondary copyright infringement claims as a result of the importation of pre-trained Stable Diffusion software into the UK (the "Secondary Infringement Claim"); and
- trade mark infringement and passing off claims in relation to the synthetic image outputs generated by Stable Diffusion (the "Trade Mark and Passing Off Claims").

Stable Diffusion had also sought further information from Getty about the particular copyright works they allege to have been infringed, for which no particulars had been provided. This request was resolved during the course of the hearing. Following clarifications to Getty's case, Stability AI agreed not to pursue its application for summary judgment in relation to the Trade Mark and Passing Off Claims.

As a result, the Court was left to consider whether Getty had a real prospect of succeeding on the Training and Development Claim and the Secondary Infringement Claim.

### ***Principles of Summary Judgment and Strike Out***

Under Civil Procedure Rule 24.3(a), the court may grant summary judgment on the whole or part of a claim or an issue if it considers that, as noted above, the party has no real prospect of succeeding on it. In this respect:

- The court considers whether the claimant has a realistic, rather than fanciful, prospect of success (i.e., the claim is more than merely arguable). The overall burden of proof rests on the party applying for summary judgment (in this case Stability AI).
- The court must not conduct a "mini-trial". In reaching its conclusion, the court must take into account the evidence placed before it as well as any evidence which can reasonably be expected to be available at trial.
- The court should hesitate to make a final decision in the absence of a full factual investigation, which can only take place at trial, even if the case does not seem complicated. That said, if a case is likely to fail on a point of law or construction, and the court has the necessary evidence before it, it should consider granting summary judgment.

Under Civil Procedure Rule 3.4(2)(a), the court may strike out a statement of case (such as the Particulars of Claim) or part of it on the grounds that it discloses no reasonable grounds for bringing the claim. The court is required to assume that the facts as pleaded in the statement of case are true and then ask itself whether the claim advanced on those facts has any real prospect of success. As with summary judgment, the court must not conduct a mini-trial. The court will typically accept what the claimant states at face-value unless its factual assertions are demonstrably unsupported. Importantly, it is not usually appropriate to strike out a claim on assumed facts in a developing area of law (which is clearly applicable in this case).

### ***The Training and Development Claim***

Before considering the evidence, Smith J reiterated that “copyright (like database right) is a territorial right which confers protection on its holder only within the territory of the United Kingdom”. The key question before the Court was therefore whether there was any *prima facie* evidence that the training and development of Stable Diffusion took place in the UK, thereby conferring jurisdiction on the UK court.

Getty’s case for infringement was based on an inference that its copyright works were downloaded on servers and/or computers in the UK. Stability AI refuted this in two main ways:

- First, it noted that Getty had alleged in parallel proceedings in Delaware that Stability AI maintained cloud computing and physical servers in the US, trained Stable Diffusion in the US, and therefore engaged in infringing conduct in the US. Stability AI argued that this position contradicted Getty’s resistance to its application for summary judgment here, which was based on the training of Stable Diffusion taking place in the UK. Smith J disagreed; she reasoned that it was not inconsistent to allege that training occurred in the US and that, during this process, copyright works were also downloaded on servers and/or computers in the UK.
- Secondly, Stability AI contended that its evidence established that all computing resources used for the training of Stable Diffusion were located in two US datacentres operated by Amazon Web Services (“AWS”), that any services provided to it by AWS in the UK did not relate to the training and development of Stable Diffusion, and that none of its UK-based employees had ever worked on the development or training of Stable Diffusion.

Smith J considered that, had this been the trial, this evidence “would (on its face) provide strong support for a finding that, on the balance of probabilities, no development or training of Stable Diffusion” had taken place in the UK. That said, she was not satisfied that Getty had no real prospect of being able to refute this evidence or that there were no reasonable grounds for believing that a fuller investigation into the facts (following disclosure) would add to or alter the evidence available on where the training and development occurred. In particular, she identified evidence pointing away from Stability AI’s proposed factual conclusion, as well as several “unanswered questions and inconsistencies”. This supported the proposition that the Training and Development Claim had a real prospect of success and should therefore be allowed to proceed to trial.

In reaching this conclusion, Smith J, referred to: (i) human resources, and (ii) computer resources. Her analysis is underpinned by a general distrust of the evidence given by

Mr Mostaque, Stability AI’s founder and CEO, which she categorised as “either inaccurate or incomplete”.

#### *(i) Human resources*

Mr Mostaque gave evidence that none of the UK-based employees in the company’s development team had worked on the training and development of Stable Diffusion. However, screenshots from interviews with Mr Mostaque suggested that individuals worked on Stable Diffusion in the UK and further evidence suggested that Mr Mostaque, who resides in the UK, was personally involved in developing the AI model. Additionally, Smith J was not convinced by Mr Mostaque’s evidence that he was confident that none of his UK-based employees had worked on the development and training of Stable Diffusion. Indeed, he had not contacted any of the employees directly (only via his HR team or lawyers), did not confirm that responses were received from each employee, nor how exactly they responded. Smith J further stressed that none of the evidence had sought to explain what the training and development of Stable Diffusion had actually involved.

#### *(ii) Computer resources*

Getty’s expert witness noted that, although he could not definitively say where Stable Diffusion was developed, it may have been developed using AWS services, which may have included using and evaluating data in the UK and moving data into the UK on desktops or via other cloud services. He added that it would have been possible to train the open-source version of the AI model on a desktop computer and therefore it was likely that a combination of local laptop/desktop devices and AWS cloud services were used to develop the model. Additionally, Smith J remained unconvinced by Mr Mostaque’s assertion that any employees who accessed the AWS cluster to work on Stable Diffusion from local devices would have done so from outside the UK. Between that and unexplained evidence of data transfers to London from AWS in the US, Smith J found there was a prospect, which was more than merely fanciful, that local devices were used during the development process in the UK.

Bearing all this in mind, and considering the conflicts of fact identified by Getty, Smith J concluded that Getty had a real prospect of success on the Training and Development Claim at trial and therefore rejected Stability AI’s application for summary judgment on the Training and Development Claim.

### ***The Secondary Infringement Claim***

Stability AI accepted that its arguments in relation to this claim would stand or fall on one point of law; namely, whether the meaning of the word “article” in sections 22, 23 and 27 of the *Copyright, Designs and Patents Act 1988* (UK) encompasses only tangible items or extends to intangible items such as when software is made available on a website. Stability AI argued that it only covered tangible items and

so Getty had no real prospect of succeeding in its Secondary Infringement Claim, which concerned pre-trained Stable Diffusion software.

Smith J declined to adopt Stability AI's suggested approach for three main reasons. Firstly, she was not satisfied that Getty was bound to fail on this point, considering the relevant case law and statutory context. Secondly, she decided that the issue raised a novel question, which would be resolved once all the facts had been ascertained at trial. Indeed, this point had not previously been argued in any detail or decided by the court, especially in the novel context of secondary infringement involving internet downloading. Thirdly, there was a policy consideration as to whether an "article" should include both tangible and intangible items. For example, on Stability AI's view, there would be an infringing copy and secondary infringement if a copy of Stable Diffusion had been imported into the UK on a memory stick, but not if it were accessed via a cloud-based service. Thus, Stability AI's application for summary judgment in relation to the Secondary Infringement Claim was also dismissed.

### **Concluding Remarks**

Getty's claims against Stability AI will now proceed to a full trial (unless the parties resolve the dispute beforehand). Given the subject matter, this case is being monitored closely by lawyers as well as so-called Big Tech, other text-to-image machine learning models (such as DALL-E, Midjourney and Imagen), and start-ups built around generative AI.

As is the case with many other countries, there is presently some uncertainty in the UK regarding the extent to which using scraped data to train machine learning models infringes copyright and database rights. The UK also has a very narrow set of copyright exceptions in comparison to other countries, so one can see why Getty launched an action here.

At the end of 2022, the UK Intellectual Property Office ("UKIPO") sought to introduce a very broad exception to permit copying for the purpose of text and data mining generally. However, this proposal was met with trenchant criticism from the creative sectors and, ultimately, was dropped. Instead, the UKIPO has convened a series of meetings with interested stakeholders to try and establish an agreed "Code of Practice" built around a licensing solution. Anecdotally, these discussions have not been particularly fruitful thus far.

## EUROPEAN UNION

### **Professor Phillip Johnson**

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### **Criminal Sanctions, Counterfeiting and Piracy and European Union Competence**

**C-655/21 G.ST.T, EU:C:2023:791 (Court);  
EU:C:2023:356 (AG)**

### **Introduction**

The niceties of European Union constitutional law rarely concern intellectual property lawyers. Even so, the Court of Justice of the European Union sometimes hands down what might seem to be an obscure decision, but one which may well turn out to be significant. The Court of Justice's decision in *G.ST.T*<sup>1</sup> might be such a case as, for the first time, the Court held that certain *criminal* aspects of intellectual property law (counterfeiting and piracy) fall within the scope of EU law. This is significant as nearly 20 years ago the Commission of the European Communities tried to use criminal enforcement, by way of proposing a Directive,<sup>2</sup> as a "Trojan Horse" to move EU competence into the area of criminal law.<sup>3</sup> However, the project ultimately failed<sup>4</sup> and was withdrawn. This happened in large part because Member States did not want EU competence to creep into criminal law. Now, through the *G.ST.T* case, this competence has been acknowledged and developed.<sup>5</sup>

### **Background**

In 2016, *G.ST.T*<sup>6</sup> was accused of committing several counterfeiting offences to the value of BGN 1,404,590 (about AU\$1,184,000, priced as original clothing) or BGN 80,201 (about AU\$68,000, priced as counterfeit clothing).<sup>7</sup> The goods were seized and destroyed. The trader was charged with criminal offences under the Criminal Code<sup>8</sup> and these offences were largely complimented by administrative offences.<sup>9</sup> The minimum sentence under the relevant provision of the Code was five years imprisonment (and a maximum of eight years imprisonment) and a fine between BGN 5,000 and BGN 8,000 (about AU\$4,200 and AU\$6,700). The referring court asked the Court of Justice various questions about this regime.

### **Relationship to the Enforcement Directive**

The first two questions related to the relationship between criminal sanctions and Directive 2004/48/EC on the enforcement of intellectual property rights. By way of background, this Directive relates to civil enforcement and the proposed Directive on criminal enforcement was introduced largely because Directive 2004/48/EC did not extend to criminal matters.<sup>10</sup> Unsurprisingly, the Court of Justice was able to deal with this aspect of the case quite quickly.<sup>11</sup> The Civil Enforcement Directive has nothing to do with criminal enforcement, as is made clear in a number

of its provisions,<sup>12</sup> and thus that Directive has no role in determining how criminal sanctions are imposed.

### ***The application of the Charter of Fundamental Rights***

The Charter of Fundamental Rights of the European Union sets out various rights which must be guaranteed when Member States are implementing EU law.<sup>13</sup> However, it is not possible for the Court of Justice to consider the infringement of one of those rights where it does not fall within the scope of EU law.<sup>14</sup> Accordingly, the Charter is only relevant to criminal sanctions imposed by Member States if they can be tied to an aspect of EU law. In *G.S.T.T* this link was made out through the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”).<sup>15</sup> The Court has previously held that obligations on Member States resulting from the EU’s membership of an international treaty makes those obligations fall within the scope of implementing EU law.<sup>16</sup> It has also accepted that WTO Agreements, including TRIPS, form an integral part of EU law.<sup>17</sup> Accordingly, when Member States are giving effect to their obligations under TRIPS they are considered to be implementing EU law.<sup>18</sup> Also TRIPS includes Article 61 which reads as follows:

*Members shall provide for criminal procedures and penalties to be applied at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Remedies available shall include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. In appropriate cases, remedies available shall also include the seizure, forfeiture and destruction of the infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence. Members may provide for criminal procedures and penalties to be applied in other cases of infringement of intellectual property rights, in particular where they are committed wilfully and on a commercial scale.*

Accordingly, the obligations under Article 61 form part of EU law irrespective of the lack of harmonisation in the field of criminal sanctions (or the failure of the proposed Directive<sup>19</sup>). So the Charter of Fundamental Rights applies to the implementation of this Article,<sup>20</sup> and in turn the relevant provisions of the Bulgarian Criminal Code and the administrative offences in its Trade Mark Law.<sup>21</sup> This in turn meant the Principle of Legality and Proportionality applied to these laws.

### ***Principle of legality***

The Court of Justice moved on to consider the Principle of Legality enshrined in Article 49(1) of the Charter. This requires offences and penalties to be accessible and predictable,<sup>22</sup> and so clearly they must be clearly defined.<sup>23</sup> This requirement is discharged “where the individual is in a position, on the basis of the wording of the relevant provision and if necessary with the help of the interpretation

made by the courts and a legal opinion, to know which acts or omissions will make him or her criminally liable”.<sup>24</sup> There was nothing in the definition of the Bulgarian offences which were found to offend this principle. The Court went on to conclude that there was nothing in the Principle of Legality that prevented the same acts constituting both an administrative and criminal offence<sup>25</sup> or prohibited forfeiture or destruction being imposed as well as other punishments.<sup>26</sup> There is therefore no need to have some distinguishing element between administrative and criminal offences.<sup>27</sup>

### ***Proportionality***

The Court of Justice moved on to consider whether the sanction under the Bulgarian Criminal Code was proportionate to the crime as required by Article 49(3) of the Charter.<sup>28</sup> It accepted that in the absence of harmonisation, the nature and level of the offences is a matter for Member States.<sup>29</sup> Nevertheless, the sanctions must be commensurate with the seriousness of the infringement and ensure there is a genuine deterrent.<sup>30</sup> The (Bulgarian) referring court’s view of the minimum sentence was clear – describing it as “extremely long” – likewise it had concerns about the imposing a “high” fine in addition to imprisonment.<sup>31</sup> In relation to the latter concern, this was dealt with quite quickly by the Court of Justice on the basis that Article 69 of TRIPS provides that the sanction must include imprisonment “and/or” monetary fines. But the Court stated that where the sanction is both imprisonment and a fine then the *combined* penalty must not be disproportionate to the seriousness of the offence.<sup>32</sup>

The reason the Bulgarian Criminal Code failed the proportionality test was the law’s failure to allow the individual circumstances of the case to be taken into account.<sup>33</sup> The very nature of mandatory sentences makes this impossible. So, even though the Court accepted that a sentence of five to eight years and a fine of BGN 5,000 to BGN 8,000 (about AU\$4,200 to AU\$6,700) was appropriate to attain the objectives of Article 61 of TRIPS,<sup>34</sup> it also took the view that in some cases the penalty might be too severe because the individual circumstances of case could not be taken into account.<sup>35</sup> In short, this suggests that any mandatory minimum penalty<sup>36</sup> (whether imprisonment or a financial penalty) would not be compliant with EU law.<sup>37</sup>

### ***Concluding thoughts***

The implications of *G.S.T.T* could, in theory, be profound. The decision opens up the possibility of courts in Member States reading down or disapplying<sup>38</sup> counterfeiting and piracy offences where they are insufficiently clear or certain, or require excessive punishment. Whether this will happen or whether it will lead to further references to the Court of Justice is unclear. As individuals cannot bring claims before the Court of Justice that their rights under the Charter have been infringed, and domestic courts (other than final courts) have a discretion as to whether to refer questions to the

Court of Justice, it might be some time before any further clarity is achieved at the EU level. The important point is it is now clear that this could have happened. However, it is probably not the impact on individual cases that is most significant, but the creeping competence the decision gives to the EU institutions. In the future, it will be easier for the Commission to issue guidance, to negotiate treaties or even attempt another proposal for a harmonising directive covering piracy and counterfeiting.

- 1 C-655/21 *G.S.T.T.*, EU:C:2023:356 (AG), EU:C:2023:356 (Court).
- 2 Proposal for a Directive on Criminal Measures aimed at ensuring the enforcement of intellectual property rights (COM (2005) 276 final).
- 3 See Johanna Gibson, ‘The Directive Proposal on Criminal Sanctions’, in Christopher Geiger (ed), *Criminal Enforcement of Intellectual Property* (Elgar, 2012), 245.
- 4 It was withdrawn in 2010: see Withdrawal of Obsolete Commission Proposals [2010] OJ C252, 7.
- 5 Only the Austrians intervened to argue that the EU should not have competence. It is also the case that the criminal competence in other areas has been developed.
- 6 It is common practice in many countries in Europe for courts not to name criminal defendants in case names.
- 7 Court, [5].
- 8 Nakazatelenkodeks (NK), Art 172b (note the names are transliterations as Bulgaria uses the Cyrillic alphabet).
- 9 Zakon za Markie I geografskite oznacheniya (Law of Trade Marks) (ZMGO), Art 81.
- 10 The text of much of this Directive has made it into many of the Free Trade Agreements between the EU (and the UK) and third countries: see Phillip Johnson, *Intellectual Property, Free Trade Agreements, and the United Kingdom* (Elgar, 2021), ch 8.
- 11 Court, [25] to [32].
- 12 See Directive 2004/48/EC, Art 2(3)(b) and (c), Art 16 and recital 28.
- 13 Charter, Art 51(1).
- 14 C-617/10 *Åkerberg Fransson*, EU:C:2013:105, [17] and [19]; C-83/20 *BPC Lux 2*, EU:C:2022:346, [25] and [26] and Court, [37].
- 15 *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*”).
- 16 C-66/18 *Commission v Hungary*, EU:C:2020:792, [69] and [213]; Court, [38].
- 17 C-135/10 *SCF*, EU:C:2012:140, [39] and [40]; C-414/11 *Daiichi Sankyo and Sanofi-Aventis Deutschland*, EU:C:2013:520.
- 18 Court, [42]; AG, [30].
- 19 AG, [33].
- 20 Court, [44].
- 21 Court, [45].
- 22 Court, [49]; also see C-634/18 *J.I.*, EU:C:2020:455, [48].
- 23 Court, [50]; also C-205/20 *Hartberg-Fürstfeld*, EU:C:2022:168; Court, [50].
- 24 Court, [51]; C-42/17 *MAS and MB*, EU:C:2017:936, [56]; C-570/20 *BV*, EU:C:2022:348, [38]. This accepted the position of the Advocate-General that the scope of a criminal offence can be affected by case law: AG, [43].
- 25 Court, [55]. The overall penalty (that combined administrative and criminal penalty) would still have to be proportionate. It is also the case that the criminal conduct can create civil liability, but this is not contentious: see Court, [79]; but in the United Kingdom, see *R v Johnstone* [2003] UKHL 28, [2003] 1 WLR 1736, [33], [34], [73].
- 26 Court, [75].
- 27 Court, [58].
- 28 It reads “The severity of penalties must not be disproportionate to the criminal offence.”
- 29 Court, [64]; AG, [46]; also see C-77/20 *K.M (Master of a Vessel)*, EU:C:2021:112, [36].
- 30 Court, [65]; C-77/20 *K.M (Master of a Vessel)*, EU:C:2021:112, [37] and [38].
- 31 See Court, [72].
- 32 Court, [66] and [74].
- 33 Court, [67].
- 34 Court, [70]. The Court did not consider what “five” or “eight” years imprisonment meant. The severity of the sentence can depend on things such as earlier release and parole (and also matters such as whether it is with labour or the nature of the prisons themselves): see Johanna Gibson, ‘The Directive Proposal on Criminal Sanctions’, in Christopher Geiger (ed), *Criminal Enforcement of Intellectual Property* (Elgar, 2012), 257 (and her discussion of varying “jail” time when prison terms were mandated by the proposed Directive).
- 35 Court, [81].
- 36 The Court being allowed to dis-apply the mandatory minimum where there were mitigating circumstances which were exceptional or numerous was not sufficient to be taking into account the individual circumstances: Court, [86].
- 37 Unless there was no possible case where the offence would not warrant the minimum term, but it is difficult to imagine this in relation to counterfeiting and piracy cases.
- 38 By way of the *Marleasing* Principle (C-106/89 *Marleasing SA v La Comercial Internacional de Alimentacion SA* [1990] ECR I-4135 and the disapplication principle (C-213/89 *R. v Secretary of State for Transport Ex p. Factortame Ltd* [1990] ECR-2433) both resulting from the Supremacy of EU law over the law of Member States.

### FRANCE

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#### Can Trade Mark Exhaustion Apply to Free Perfume Samples?

In a decision rendered on 6 December 2023,<sup>2</sup> the Cassation Court, the highest judicial court in France, confirmed that the unauthorised sale of free perfume samples amounted to trade mark infringement.

The case involved a trader specialised in the sale of second-hand goods having acquired various Chanel perfume samples from an individual. The individual obtained the perfume samples directly from a Chanel authorised reseller. Those perfume samples were distributed by the reseller and handed out free to perfume customers. Such samples all bore the phrase “to be only sold by Chanel agreed resellers”.

The main question raised by this matter was to assess whether the trade mark exhaustion principle would apply, therefore preventing the trade mark owner from opposing its trade mark in relation to goods already put on the market with its consent. Article 15 of the EU Directive 2015/2436 of 16 December 2015 on trade mark law provides:

*1. A trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Union under that trade mark by the proprietor or with the proprietor's consent.*

This provision is provided in the French Intellectual Property Code as well, and applies to all goods put on the market in the European Union by the proprietor or with the proprietor's consent.

At the appeal stage, the Rennes Court<sup>3</sup> ruled that the resale of the samples by the trader amounted to infringement. Interestingly, the Rennes Court considered that the individual who first obtained them from the authorised reseller and then sold them to the trader was not infringing the trade mark. The Court held that such acts, committed by a mere individual, did not take place “within the course of trade”. This latter finding on the dismissal of the action against the individual was not questioned before the Cassation Court.

The petition before the Cassation Court therefore mostly criticised the appeal judgment for having ruled that the samples were not put on the market, despite the fact that the samples were handed to consumers by a representative of the trade mark owner.

To assess this issue, the Cassation Court began by stating the rationale of the exhaustion of rights doctrine and rules, as provided by EU and French law. In most circumstances, a finding that goods have been put on the market requires that the goods have been sold by the trade mark owner or with its consent.

However, in the present matter, the Cassation Court confirmed the Court of Appeal's finding that the mere distribution of free samples does not imply that those samples have been put on the market. The Cassation Court therefore approved the Court of Appeal finding that the samples comprised indications that they were free samples and could not be sold.

This decision is interesting as it emphasises that the mere transfer of the physical possession of goods does not imply that the goods have been put on the market. It also draws attention to the importance of the labelling and the nature of the goods to assess whether the proprietor consented to the goods being put on the market.

This decision appears to be in line with several precedents from various jurisdictions.

In 2008, French courts ruled that there was no trade mark exhaustion where the trade mark owner only granted the buyer the right to resell the goods provided that they no longer bear the trade mark.<sup>4</sup> The European Court of Justice also ruled that the disposal of perfume testing bottles, without any transfer of ownership and with a prohibition on sale, was amounting to trade mark exhaustion.<sup>5</sup>

Those solutions are also in line with an important European Court of Justice decision, *Peak Holding*, which held that all preparatory acts or internal sales within a group of companies could not amount to a good being put on the EU market.<sup>6</sup>

In addition to the status of those free samples, the Court also had to rule on various genuine perfume bottles that appeared to be sold by the alleged infringer. For those products, it was not disputed that they were legitimately put on the market as they were sold to clients and later acquired by the trader.

The matter was however to determine whether trade mark exhaustion could still apply in light of the modifications made to the packaging by the reseller.

Indeed, the abovementioned Article 15 of the EU Directive 2015/2436 and mirror provisions of French law provide that the provisions on trade mark exhaustion:

*shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.*

In this case, the Court ruled that the sale of bottles, the packaging of which was altered or modified, constituted a legitimate ground to oppose the trade mark exhaustion. Some of the perfumes were either lacking their initial packaging or were already opened and used by prior acquirers. The Court said these circumstances were all the more important as perfumes were luxury products.

- 1 This contribution reflects the personal views of the authors and should not be attributed to the authors' firm or to any of its present and future clients.
- 2 Case n° 20-18.653.
- 3 Case dated 25 February 2020, 3rd Chamber.
- 4 Cassation Court, 26 March 2008, Case n° 06-20828.
- 5 European Court of Justice, 3 June 2010 Case C-127/09, *Coty Prestige*.
- 6 European Court of Justice, 30 November 2004, C-16/03.

## GERMANY

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**Liability Risks for Patent Proprietors Due to the Enforcement of Preliminary Injunctions and the Sending of Warning Letters in Generics Cases**

**Düsseldorf Higher Regional Court, decision dated 12 October 2023, docket number 2 U 124/22**

### *Introduction*

Under German law, in urgent cases a patent proprietor can apply for a preliminary injunction in order to obtain legal protection faster than in proceedings on the merits. Preliminary injunctions are often used in cases involving generics, as the German courts are more inclined to grant them in such cases. This is usually justified by the fact that the price of the drug in question falls sharply once generics enter the market.

In order to obtain an ex parte preliminary injunction (without an oral hearing and without an opportunity for the generics company to comment), the patent proprietor (original manufacturer) must first warn the generics company. In principle, this already happens if the generics company has announced its intention to launch a generic product on the market. If the generics company and the patent proprietor conclude a cease-and-desist agreement as a result of the warning letter, the patent proprietor does not have to apply for an injunction.

In view of the fact that in the vast majority of cases third- and fourth-generation pharmaceutical patents are declared invalid sooner or later, the question arises as to whether the patent proprietor is liable if it has previously warned generics companies about the patent, or even obtained a preliminary injunction.

### *Background*

In principle, the patent proprietor is liable under German law if they enforce a preliminary injunction that turns out to be unjustified from the outset, or issues an unjustified warning letter. However, liability differs in the two cases. Liability if a preliminary injunction turns out to be unjustified from the outset is specifically regulated in section 945 of the German Code of Civil Procedure. This rule only requires that the preliminary injunction proves to be unjustified from the outset or is repealed. This rule is therefore worded purely as a liability for risk and according to the wording of the rule, fault is not a requirement.

However, according to case law, the liability of the patent proprietor if they issue an unjustified warning letter is based on the general liability rule in section 823 of the German Code of Civil Procedure ("Interference with established

and exercised business enterprise”). This rule expressly requires fault on the part of the patent proprietor issuing the warning letter. In addition, an interference with established and exercised business enterprises only exists if the patent proprietor issues a warning letter that specifically threatens legal action (a “hard warning letter”). A soft warning letter, in which the patent proprietor does not demand a cease-and-desist declaration and does not threaten specific legal action, does not generally trigger liability under German law.

In the case of an unjustified (hard) warning, the decisive question is therefore whether the patent proprietor issuing the warning is liable for the damage caused because they should not have issued the warning letter. In the case of liability for a preliminary injunction under section 945 of the German Code of Civil Procedure, this question has not arisen so far, due to the wording of the rule.

### ***Judgment of the Düsseldorf Higher Regional Court***

In its judgment of 12 October 2023, the Düsseldorf Higher Regional Court had to clarify, among other matters, the question of which standard of liability is to be applied if a preliminary injunction proves to be unjustified from the outset because the patent on which it is based has been revoked.

### ***Facts of the Case***

The European Patent in suit relates to a low-frequency glatiramer acetate therapy. Several oppositions were filed against the patent in suit at the European Patent Office (“EPO”) after it was granted. In a decision dated 28 March 2019, the Opposition Division upheld the patent in suit with restrictions.

The patent proprietor then obtained a preliminary injunction against a generics company in a judgment dated 14 June 2019, prohibiting the generics company from offering and selling the attacked product. After depositing a bank guarantee, the patent proprietor enforced the preliminary injunction on 26 June 2019, forcing the generics company to cease distribution.

In the appeal proceedings against the decision of the Opposition Division of the EPO, the Board of Appeal revoked the patent in a decision dated 10 September 2020. The patent proprietor subsequently waived its claims under the preliminary injunction and surrendered the title to the generics company.

The generics company then asserted claims for damages against the patent proprietor and filed a statement of claim with the Düsseldorf Regional Court. In its statement of claim, the generics company demanded approximately EU€8.5 million (AU\$14 million) in lost profits and the additional profits of the original manufacturer. The Düsseldorf Regional Court awarded the generic company slightly over EU€5 million (AU\$8.2 million) in damages from the original manufacturer.

### ***Decision***

In the judgment dated 12 October 2023, the Düsseldorf Higher Regional Court awarded the generics company just over EU€3 million (AU\$4.9 million) in damages.

Although section 945 of the Code of German Civil Procedure is worded as strict liability, the Düsseldorf Higher Regional Court examined the fault of the applicant for a preliminary injunction (the patent proprietor) for the first time against the background of the Court of Justice of the European Union (“CJEU”) decision, *Bayer v Richter* (C-688/17). Although the *Bayer v Richter* judgment was given in 2019, in the CJEU decision *Mylan v Gilead* (C-473/22) dated 11 January 2024, the Advocate General expressed the opinion that pure risk liability was not compatible with Directive 2004/48/EC (the “IP Enforcement Directive”) basing his opinion on *Bayer v Richter*. For this reason, the Düsseldorf Higher Regional Court may have felt compelled to examine whether the applicant for the preliminary injunction was at fault on the basis of *Bayer v Richter*.

However, the Düsseldorf Higher Regional Court left it open in this case whether there must actually be fault in accordance with the CJEU case law in *Bayer v Richter* because it assumed fault in the specific case. The latter is somewhat surprising in light of the specific facts of the case. After all, the patent proprietor had obtained a favourable decision from the Opposition Division of the EPO, against which the generics companies filed an appeal, as is customary. With the decision that the patent proprietor cannot rely on the validity of a patent as long as opposition proceedings are pending, the Düsseldorf Higher Regional Court places high demands on the patent proprietor’s duty of care.

The Düsseldorf Higher Regional Court has allowed a further legal appeal to the German Federal Court of Justice.

### ***Outlook for German Case Law Following CJEU Judgment***

Following the decision of the Düsseldorf Higher Regional Court, the CJEU ruled in its *Mylan v Gilead* judgment of 11 January 2024 that the IP Enforcement Directive does not require the claim for compensation under Articles 9(1) and 9(2) of the Directive to be linked to fault. Accordingly, it is compatible with the IP Enforcement Directive if liability following the enforcement of a preliminary injunction, which subsequently proves to be unjustified, is structured as pure risk liability.

According to this judgment, section 945 of the German Code of Civil Procedure does not have to be adapted in accordance with European law to the effect that, in addition to the wording of section 945 of the Code of German Civil Procedure, there must be fault on the part of the patent proprietor.

Other courts in Germany (and Europe) are therefore unlikely to follow the judgment of the Düsseldorf Higher Regional Court. It is also likely that, following the CJEU ruling, the Düsseldorf Higher Regional Court will no longer examine whether the patent proprietor has caused damage with fault by enforcing a preliminary injunction. In future, it will also be sufficient for the patent proprietor to have caused the damage by enforcing a preliminary injunction.

However, it is unclear how the case law on liability for warning letters will develop. Now that the Düsseldorf Higher Regional Court has set high standards for the patent proprietor's duty of care when examining the validity of its patent, stricter liability is likely to be assumed in future if a patent is revoked or declared invalid following a warning letter. In these cases, the patent proprietor is likely to have acted with fault and thus be liable if opposition or nullity proceedings were pending against the patent at the time of the warning letter, which occurs regularly in generics cases.

### ***Impact on Practice***

Patent proprietors will continue to rely on preliminary injunctions, especially in generics cases, to protect prices on the market. However, patent proprietors must be aware that they will have to pay for the damages caused by the enforcement of an injunction if the patent is revoked or declared invalid. Due to the high margin for original manufacturers, this risk is likely to be worthwhile for original manufacturers.

The judgment of the Düsseldorf Higher Regional Court potentially lowers the standard of liability for warning letters, so that a prior warning letter is only advisable for patent proprietors if they intend to apply for a preliminary injunction if the generic company being warned does not contractually agree to cease and desist. This applies particularly in view of the fact that damages are often comparatively high in generics cases.

Due to the fact that the Düsseldorf Higher Regional Court has significantly raised the standard of care for patent proprietors with this judgment, we are likely to see more claims for damages in the future.

# Current Developments – North America

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## UNITED STATES OF AMERICA

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#### Federal Circuit Clarifies Inter Partes Review Estoppel Statute

In *Ironburg Inventions Ltd v Valve Corporation*, 64 F.4th 1274 (Fed. Cir. 2023), the Court of Appeals for the Federal Circuit considered the extent to which a defendant is estopped from raising in the District Court invalidity as a defence to patent infringement after the Patent Trial and Appeal Board (“PTAB”) rejected a challenge to the validity of the patent in an inter partes review.

As part of the *America Invents Act* overhaul of US patent law in 2012, Congress created the inter partes review (“IPR”) procedure to replace inter partes re-examination as a means by which parties might petition the PTAB to revoke an issued patent based on prior patents and publications. In the years since its creation, IPRs have gained popularity among defendants as a means to “front-load” invalidity defences while deferring the substantial costs (and risks) of District Court litigation.

However, this convenience to defendants comes at a cost. In order to prevent defendants from making duplicate invalidity claims in the PTAB and District Court, the IPR statute includes an estoppel provision. Section 315(e)(2) states:

*The petitioner in an inter partes review ... that results in a final written decision ... may not assert ... in a civil action... that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review ... [Emphasis added].*

In *Ironburg*, plaintiff Ironburg sued Valve for infringing US Patent No. 8,641,525 (the “525 patent”), covering a video game controller. During the early stages of the litigation, Valve filed an IPR petition with the PTAB raising several prior art defences. The PTAB, however only partially granted the petition, and instituted the IPR on the basis of a limited set of prior art raised by Valve. Ultimately, the patent emerged from the PTAB, and the District Court litigation continued. Before trial, the District Court held that Valve was estopped from pressing *all* prior art invalidity defences as a consequence of its failed IPR attempt. Accordingly, only the issues of infringement and damages were tried by the jury, which awarded Ironburg more than US\$4 million (AU\$6.1 million) for wilful infringement. Valve appealed the District Court’s estoppel ruling to the Federal Circuit.

On appeal, the Federal Circuit agreed that Valve was estopped from litigating the prior art grounds on which IPR was requested but not instituted, but vacated the District Court’s conclusion that Valve was also estopped from litigating its later-discovered invalidity grounds. Specifically, the Federal Circuit divided the prior art defences into the grounds that were raised in the IPR petition but not instituted, and grounds that were not raised at all because Valve was not aware of those references when it filed the IPR petition. The Federal Circuit reiterated its guiding principle that estoppel applies to all grounds of invalidity not stated in the petition but which *reasonably could have been* asserted in the petition. In the first category, therefore, because Valve was indisputably aware of references included in the IPR petition, it was estopped from raising the prior art comprising the non-instituted grounds.

The difficult question was the second category – were prior art references of which Valve was not aware when it filed the IPR petition grounds that “reasonably could have raised” in the petition? The Federal Circuit agreed with the District Court that an IPR petition reasonably could have raised any grounds that a skilled searcher conducting a diligent search reasonably could have been expected to discover. In order to establish this exception to estoppel, Valve produced its prior art search, which did not uncover the particular prior art references, and asserted that it was a reasonably diligent search.

The District Court, however, concluded that Valve did not show the degree of difficulty involved in locating those prior art references. It then held this absence of evidence against Valve, relying on it as the basis to find Valve estopped. In this way, the District Court improperly imposed the burden of proof on Valve. Rather, the Federal Circuit held that the burden was on Ironburg to prove that a skilled searcher conducting a diligent search reasonably would have been expected to discover the references. Accordingly, the Federal Circuit vacated the finding of estoppel and remand for the District Court to determine whether Ironburg could meet its burden.

#### Senate Hears Comments on Patent Eligibility Reform Act (“PERA”)

On 23 January 2024, the United States Senate Subcommittee on Intellectual Property heard testimony regarding the PERA, which would clarify subject matter eligibility for patent protection. The US patent statute states at 35 U.S.C. §101:

*Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any*

## Current Developments – North America

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*new and useful improvement thereof, may obtain a patent therefor ...*

In 2012 and 2014, the United States Supreme Court decided *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66 (2012) and *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014), which taken together articulate a two-part test to determine patent eligibility:

- (a) whether the invention is directed to an abstract idea, such as an algorithm, a natural phenomenon, method of computation, or other general principle; and
- (b) if so, then the court will consider whether the patent adds to the abstract idea “something extra” that embodies an inventive concept.

In the years since *Mayo/Alice*, District Courts and the Court of Appeals for the Federal Circuit have grappled with implementation of this standard, while the Supreme Court has declined the opportunity to refine the test by denying (by one count) a hundred petitions for writ of certiorari. Many commentators (including Federal Circuit judges) have criticised the state of patent eligibility as confusing, inconsistent, and incoherent.

PERA, sponsored by Senators Coons (D-Del) and Tillis (R-NC), purports to legislatively abolish the *Mayo/Alice* framework, and broaden the scope of patent eligibility. Specifically, the Act would maintain the patent-ineligible categories, such as mathematical formulae; economic, financial, and business processes; and mental processes. However, the statute expressly provides that other categories are patent eligible, and courts are not entitled to create further exceptions to patent eligibility, thereby legislatively overriding *Mayo/Alice*.

If passed, PERA would reaffirm patents directed to software and medical diagnostics, which are currently of dubious validity under the *Mayo/Alice* framework. The subcommittee hearing brought to light many voices in support of PERA, including two former USPTO directors, Andrei Iancu, and David Kappos, stating that the other existing requirements of novelty and non-obviousness are sufficient to filter out excessively broad patents. However, some witnesses testified that the increased invalidation rate of patents under section 101 of the US patent statute has been beneficial for allowing competitively priced medical diagnostics technology.



# 37th IPSANZ Annual Conference

30 August to 1 September 2024

The 37th Annual Conference of the Intellectual Property Society of Australia and New Zealand Inc. is scheduled to be hosted at the Hilton Queenstown Resort & Spa, New Zealand over the weekend 30 August to 1 September 2024.



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### Friday

- 2.00 pm - 6.00 pm Registration
- 6.00 pm - 8.00 pm President's Welcome Drinks

### Saturday

- 8.30 am - 9.00 am Registration
- 9.00 am - 5.30 pm Conference Sessions
- 6.30 pm - 10.30 pm President's Dinner

### Sunday

- 9.00 am - 12.30 pm Conference Sessions
- 12.30pm - 2.00 pm Lunch
- 2.00 pm Close



# The Intellectual Property Society of Australia and New Zealand Inc

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