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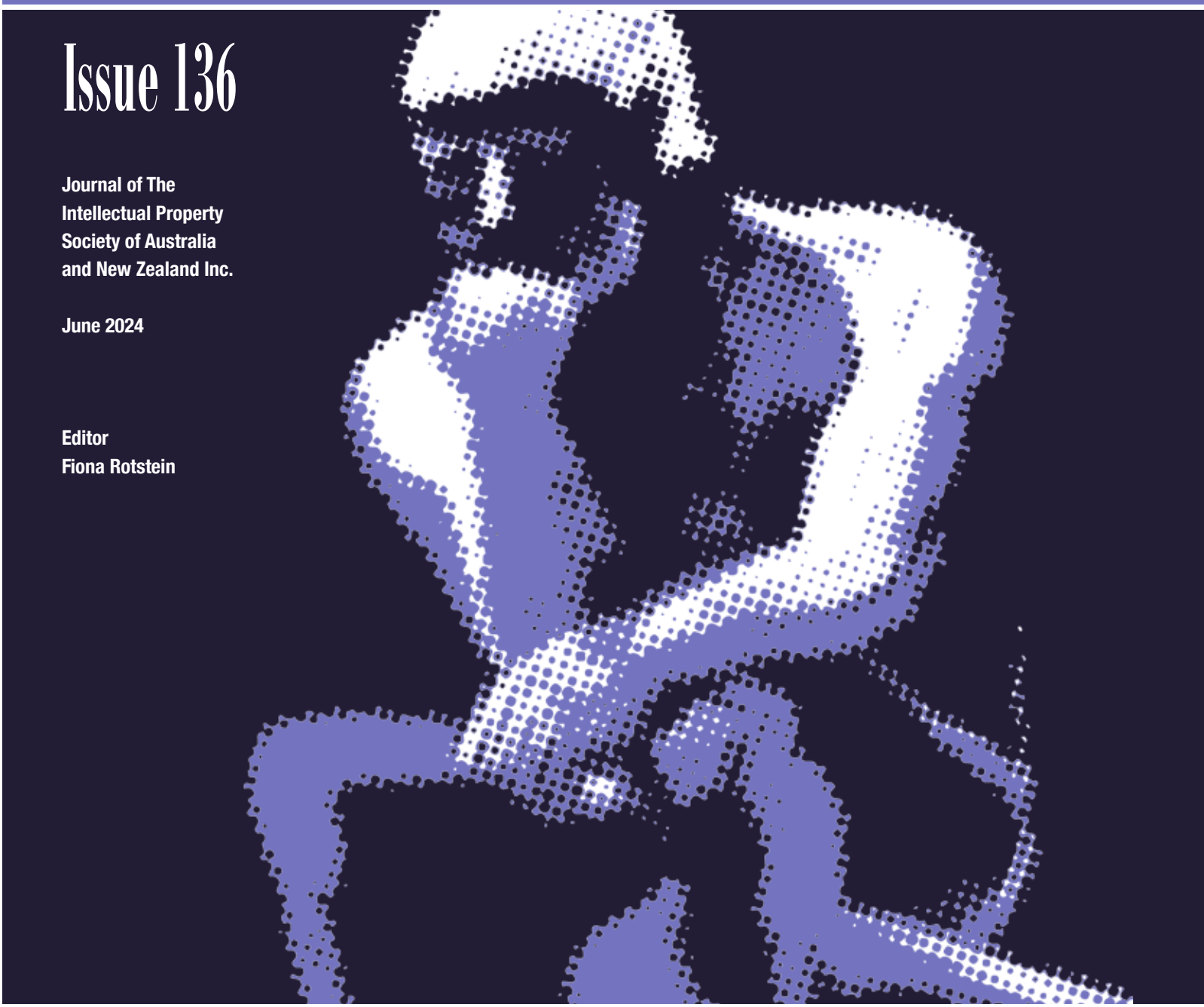
Fiona Rotstein



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Intellectual Property Forum

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

Prospective contributors should write to:

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

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EXPRESSIONS OF INTEREST

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

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

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

Some of those who have been profiled previously include:

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

A full list of the distinguished persons previously profiled can be found at: <https://www.ipsanz.com.au/ip-forum/profiles/>

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

Editorial – Fiona Rotstein

Photo by Harvey Andrews

Fiona Rotstein, Editor

It is hard to believe that we are already at the half-way mark of the year and the June 2024 issue of *Intellectual Property Forum*. This issue of the Journal has something for everyone: from the construction of patents to whether Australian anti-circumvention laws harm copyright holders in the audiobook market. The protection of fictional characters in IP law is also explored, as are patent trolls. There is also analysis of a keenly-awaited copyright decision of the New Zealand Court of Appeal (which the New Zealand Supreme Court has just given leave to appeal) plus reviews of three newly published but very different IP texts.

This edition starts with my interview of Sarah Matheson AM who spent 26 years, including 20 years as a partner, in the IP group at Allens in Melbourne. Sarah reflects on how her IP career ignited her varied work for numerous boards and not-for-profit organisations. Among other roles, Sarah is currently a Trustee of the Royal Melbourne Hospital Neuroscience Foundation and the Chair of the Australian Ballet School. Sarah also discusses her 22 years volunteering for the International Association for the Protection of Intellectual Property, known as AIPPI (Association Internationale pour la Protection de la Propriété Intellectuelle), including her responsibilities as Reporter General. When I ask Sarah about the incident that sparked her fascination with IP law, she comments:

> *And that's the beauty of IP – always pushing at the boundaries of the status quo, creating solutions to problems, and finding clever ways to do things better.*

This response is characteristic of Sarah's expertise and how she contributes her IP knowledge across her diverse governance roles.

The first of our four articles is by the Honourable Steven Rares KC who recently retired from the Bench after almost 18 years of service as a Judge of the Federal Court of Australia. Rares considers the construction of patents. Drawing on his wealth of experience as a Judge, Rares explores the following three issues. First, the statutory context as provided in the *Patents Act* 1990 (Cth), secondly, the skilled addressee and the common general knowledge and thirdly, the general principles for construing a patent. Rares also provides useful examples of patent construction relating to best method and to claim construction. A range of judgments by the High Court of Australia, Federal Court and Full Court of the Federal Court are examined, including the recent decision by the Full Court in *Airco Fasteners Ltd v Illinois Tool Works Inc* (2023) 170 IPR 225.

Then, Dean Gerakiteys, Joel Parsons and Grace Griffiths consider the IP implications for The Walt Disney Company after Steamboat Willie's copyright expired in the United States on 1 January 2024. The article explores the copyright protection of fictional characters beyond the earliest iteration of Mickey Mouse and other ways fictional characters can be protected after copyright has expired. The authors examine the nature of copyright protection and its duration, a range of relevant copyright cases from the United States, United Kingdom and Australia, plus how Mickey Mouse can be defended via Disney's trade mark rights. The safeguarding of a fictional character or brand pursuant to Australian consumer law is also discussed. As the authors note, Mickey Mouse is "an interesting lens" to examine the means for protection that brands may wish to use regarding their prized IP.

Next, Nancy Du explores Australia's anti-circumvention laws in the audiobook market. In 2006, Australia's anti-circumvention laws were amended to the *Copyright Act* 1968 (Cth) with the aim of protecting copyright holders in the digital sphere against piracy and unauthorised access to their copyright material. According to Du, the laws abet anti-competitive behaviour by major audiobook platforms and harm copyright holders. Du proposes various solutions to reconcile Australia's anti-circumvention laws with their original intention. Her solutions include amending the sections of the Copyright Act relating to anti-circumvention laws, extending the interoperability exceptions in the Copyright Act beyond computer programs, and imposing mandatory transparency and interoperability requirements.

Our final article by Panayiotis Xenos examines patent trolls in Australia. Xenos explores the vexed definition of the term "patent troll" and the risks and rewards they can offer to a patent market. The strategies commonly employed by patent trolls are analysed as well as their typical characteristics. The role of public policy regarding patent trolls is also closely

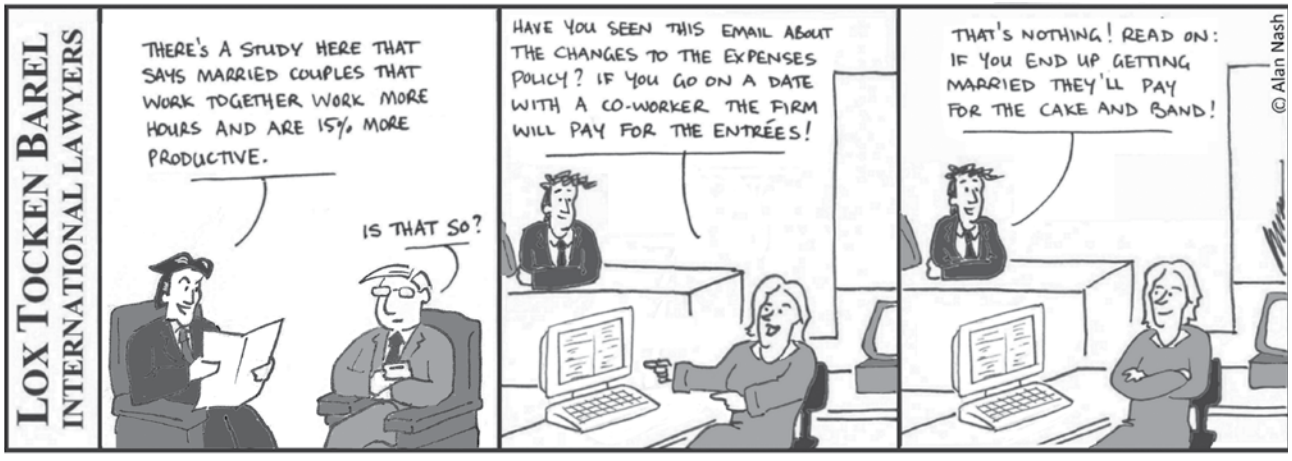
considered. While noting the differences to the Australian patent market, Xenos looks at the US market and the impact of US patent policy on trolls' behaviour. Finally, the article provides examples how policy regarding patent troll activity in Australia can be improved. According to Xenos, there can be a "legitimate role" for patent trolls in Australia, "provided that regulators maintain a discerning eye on developments in their business practices" such as the incorporation of AI programs that could streamline the patent enforcement process.

We also feature four reports on a variety of topics. First, Ken Moon examines the recent decision by the New Zealand Court of Appeal (Collins, Katz and Mallon JJ) in *Alalääkkölä v Palmer* [2024] NZCA 24 ("*Alalääkkölä*"). The judgment considered how copyright in artistic works created by one spouse during a marriage should be classified for the purpose of the *Property (Relationships) Act* 1976 (NZ) when the marriage ended. *Alalääkkölä* is also discussed in this issue of the Journal by our regular New Zealand correspondent, Andrew Brown KC. In his report, Moon explores the preceding New Zealand Family Court and High Court judgments and reflects on the various questions the Court of Appeal decision raises. On 9 May 2024, the New Zealand Supreme Court (Ellen France, Kós and Miller JJ) gave leave to appeal *Alalääkkölä* ([2024] NZSC 56) so both these submissions are very timely.

Next, Associate Professor Kanchana Kariyawasam reviews *Research Handbook on Empirical Studies in Intellectual Property Law*. The text showcases research from a range of leading international IP scholars, including various Australian academics. As Associate Professor Kariyawasam notes, the book offers "a comprehensive evidence-based global perspective on IP law". Then Associate Professor Vicki Huang (who wrote a chapter in the aforementioned book) reviews *Teaching Intellectual Property Law: Strategy and Management*. Associate Professor Huang discusses the challenges faced by IP academics when teaching the modern law student in today's online age. According to Associate Professor Huang, the insights offered by the book's respected IP scholars and practitioners will "inspire all types of educators". Finally, Dr Daniela Simone reviews *Literary Characters in Intellectual Property Law* by Australian Associate Professor Jani McCutcheon. Dr Simone's review is interesting to read in light of the article in this issue by Gerakiteys, Parsons and Griffiths – both contributions explore the protection of highly valuable fictional characters in IP law.

As usual, this edition also features current developments from Australia, New Zealand and around the world. Locally, these include reports on a string of patent judgments from the Federal Court of Australia and the Full Court of the Federal Court. There are also updates from China and Hong Kong SAR, Japan, Singapore, the UK, European Union, France, Germany, Canada and the US. These cover a plethora of topics, such as trade mark infringement and keyword advertising in Singapore, a UK Court of Appeal decision on a dispute between rival supermarket chains regarding trade mark infringement, passing off and copyright infringement, plus preliminary injunctions at the Unified Patent Court.

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



In Conversation with Sarah Matheson AM

Fiona Rotstein[1]

Photo courtesy of Allens

Sarah Matheson AM

For 26 years, Sarah Matheson AM worked in the IP group at Allens in its Melbourne office, including 20 years as a partner. In late January 2024, Sarah met with Fiona Rotstein to discuss IP law and practice plus Sarah's extensive governance work for various not-for-profit organisations, including her role as Reporter General of the International Association for the Protection of Intellectual Property, known by its French acronym, AIPPI (Association Internationale pour la Protection de la Propriété Intellectuelle).

Q. I believe that as a child and teenager, you actively pursued becoming a future principal dancer for the Australian Ballet Company. Tell me how you ended up studying a Bachelor of Arts and a Bachelor of Laws at the University of Melbourne.

A. A more accurate characterisation might be that I actively pursued dance training – pretty much to the exclusion of all else. I *hoped* this would enable me to become a principal dancer for the Australian Ballet. Unfortunately, my ambition outweighed my talent. When forced to make the decision between school and ballet, I reluctantly chose school, just in in time to knuckle down for my first serious set of exams.

Not having a Plan B, I'd chosen subjects on interest rather than vocational direction. When allocated to the advanced and maths science stream, I did a deal that I could drop science if I continued advanced maths to year 12. After this minor victory, I continued (largely) on the path of humanities. Clearly, I was more headstrong than prescient.

Motivated by little more than admiration of the architecture of Melbourne University, and a vague thought that I might do psychology (a seemingly satisfactory answer to the increasingly frequent question of what I wanted to do), I nominated Arts at Melbourne Uni. My year 12 marks were enough to get into law. To my dismay, I'd learned that first year psychology involved a lot of statistics (more maths!), so I switched to law. I rationalised that it would be "A good grounding for …". I wasn't sure what but hoped that would become apparent once I got going.

This became somewhat problematic when applying for graduate positions. A standard interview question of the day was, "When did you first realise you wanted to become a lawyer?". The expected response was, "From my first moment of conscious thought". This was a bit of a stretch as I had managed to complete my law degree still none the wiser about what I wanted to do. Articles (as it then was) seemed like the next logical step and it gave me another year for any better idea to emerge.

Q. I understand that working on a mountain of patents for garbage trucks as a young lawyer at Australia's oldest law firm, what is now Allens, was your first hands-on experience with IP law. Briefly explain the background to this and how it sparked a fascination with IP law.

A. I found I really liked the practice of law – much more than I had enjoyed studying it. I was offered Articles at a medium sized firm that had a reputation for providing great training to its juniors. My decision to accept marked what was possibly my first career-focused decision. Bear in mind this was in the early 1990s during Paul Keating's "recession we had to have". It was quite common for firms to "let go" most if not all their Articled Clerks at the end of their graduate year. I thought I might as well get good training if I was only going to be a lawyer for a year.

I loved my Articles year. I was lucky to have a very collegiate year group and a deeply committed Principal who took his role as a teacher extremely seriously. I am forever grateful to him and that firm for the grounding they gave me.

I was also lucky to be kept on. I opted to settle in litigation but was soon invited to move to the construction department. The firm was consistently recognised for its construction practice, so this was a great honour. Declining wasn't really an option. However, I quickly realised that while I might have inadvertently fallen in love with legal practice per se, I would struggle to sustain any long-term devotion to construction litigation.

Yearning for something more creative, I thought about the law subjects I had most enjoyed. IP was the clear

winner. "Perfect", I thought, "what better way to marry my Plan A and Plan B than by protecting the interests of writers, musicians and artists?". Having at last landed on a career direction, the slight hitch was that my firm had next to no IP practice. This was unremarkable at the time. IP was a very specialised area that many thought was obscure. I spotted an ad for a position requiring prior IP experience, preferably in a top tier practice, and preferably with a science degree. Confident I had the final attribute of "enthusiasm", I applied. To my great surprise, I was offered the role.

After the initial excitement, doubts crept in – could it possibly be 100 per cent IP? Before resigning, I rang the partner who had hired me to check what other areas of law I'd be doing when the IP work was quiet. I was told that the IP group would not be quiet, and that I'd be doing all the IP I could handle. So, with great expectations of the creative vistas about to open up, and little grasp on the reality of IP practice, I landed my dream job at what was then Arthur Robinson and Hedderwicks.

You can imagine my surprise when for the first 12 months I worked on little other than garbage truck patents. However, while not what I had envisaged, I soon came to realise there was a reason why there were enough garbage truck patents to bury me. It was the dawning of the recognition that we couldn't simply keep tipping rubbish into holes in the ground. This sparked massive interest, investment and innovation in recycling, which in turn required methods to separate rubbish from recyclable materials, preferably at the point of collection. Once I appreciated I was part of the recycling revolution, I was hooked.

And that's the beauty of IP – always pushing at the boundaries of the status quo, creating solutions to problems, and finding clever ways to do things better.

Q. You then spent 26 years in the IP group at Allens in Melbourne, including 20 years as a partner. You specialised in multi-jurisdictional patent litigation and commercial IP transactions. You were also a registered trade mark attorney. What are some of the highlights of your time at Allens?

A. One of the highlights was the constant variety of subject matter. Confined only by the outer limits of human imagination, the scope is enormous – basically any area that can develop and grow through innovation and technology.

In my 26 years at Allens, I worked across industries including manufacturing, engineering, mining, energy, transport, defence, telecommunications, education, food and beverage and other consumer goods. While the finer points of IP law may be complex and sometimes even arcane, the subject matter is very relatable to products and technology that people see and use in daily life.

Of all the sectors I worked in, a particular highlight was the opportunity to develop a specialisation in healthcare. This started conventionally enough, working on global pharmaceutical patent litigation. However, patents play a key role in the registration of new therapies, then how they are marketed, and what we pay for them. Over time, my practice broadened to encompass the regulatory and pricing work that complements the role IP plays in healthcare in Australia and elsewhere. This stimulating mix of law and policy remained a constant source of fascination and inspiration throughout my legal career.

Another high point is that you never stop learning. It's a given that law is organic, and you have to stay on top of developments that affect your areas of practice. However, I think that to be an effective IP lawyer, you have to want to dig into the technology, to understand how it works, how it advances the status quo and why it's important in the relevant market.

Seemingly mundane products and technology we can take for granted are fascinating when we understand how complex they really are and the challenges leading to their development. Having eschewed science in my later school years, I sometimes had a steep learning curve, but it was always both stimulating and satisfying to get on top the technical specificity of the particular case. I enjoyed it so much I even investigated (without success) whether I could return to university just to do the organic chemistry component of an undergraduate science degree course.

Another outstanding feature of IP practice is the people. It's a diverse tribe. Just within the Allens IP group, I've teamed with colleagues who are also chemists, engineers, geneticists, computer scientists, mathematicians, writers, musicians, economists and brand managers. With clients, the need to really understand the subject matter often dictated working with many people across the business beyond in-house counsel or senior management – scientists, engineers, researchers, marketers, and in-house regulatory experts. And once even with the manager of a famous Australian actor/singer/dancer – so maybe my initial aspirations weren't entirely misconceived!

Then there is another feature of IP practice – working with independent experts. I had the privilege of working with world authorities in fields as diverse as oncology, respiratory disease, mobile communications, sonar technology, deepwater offshore drilling, economics, and industrial design, to name a few.

Q. During your tenure at Allens, you would have witnessed many changes. What were some of the most significant

changes that you observed in the practice of IP law – relating to both commercial IP transactions and IP litigation?

A. I think one of the biggest changes is that IP is now much more mainstream. When I started practising, many colleagues and quite a few clients were either oblivious to or quite wary of IP. Aside from the indignity of the "propellor head" label, this meant that IP issues were sometimes downplayed or simply overlooked.

Outside research and development ("R&D") rich companies, it wasn't uncommon for clients to assert confidently that they had "no IP" (impossible!) or for colleagues to ask you to review transaction documents at the 11th hour, only to discover significant issues which might delay or derail commercial transactions. It's now standard to involve IP expertise in deal teams from the outset and there's a much greater understanding that IP assets can dictate key aspects of strategy.

On the litigation side, this "mainstreaming" of IP has seen the introduction of a lot more procedural structure around court practice. A dedicated IP list better facilitates allocation of judges with IP expertise and case management processes to streamline proceedings. This is important because IP litigation can be factually and legally complex and therefore time-consuming and expensive.

That's not to say all changes were initially welcomed with open arms. While no junior IP lawyer would wish for the broad scope of discovery of yesteryear, the early days of expert conclaves ("hot tubs") saw trepidation from litigants, and sometimes outright distaste from the bench. Thanks to the persistence of early pioneers, this now common practice allows the court to focus on the key issues rather than rounds of combative affidavits that almost require an AI program to decipher where the real differences of opinion might lie.

Q. Allens was the solicitor for Dr Thaler in the test case *Thaler v Commissioner of Patents* (2021) 160 IPR 72. The Federal Court of Australia per Justice Beach held that an AI system could be named as an inventor on a patent application, making Australia the first country to judicially rule in favour of AI inventorship. Justice Beach's decision was overturned by the Full Federal Court of Australia in *Commissioner of Patents v Thaler* (2022) 289 FCR 45 (Allsop CJ, Nicholas, Yates, Moshinsky and Burley JJ) and then Dr Thaler's application for special leave to appeal to the High Court of Australia was refused with costs in *Thaler v Commissioner of Patents* [2022] HCATrans 199 (Gordon, Edelman and Gleeson JJ). What is your view regarding the availability of patent protection for AI generated inventions?

A. This is a clear example where the law lags industry and therefore, commercial reality. CSIRO's *AI Ecosystem Report* (December 2023) identifies that the number of AI companies in Australia has substantially increased in the last decade, and demand for AI jobs is growing faster in Australia relative to international comparisons globally. Given AI is now routinely used in many industries, the courts or the legislature will have to deal with the question of patent eligibility for AI generated inventions at some stage – preferably sooner rather than later.

I don't think we should read the High Court's refusal to grant special leave as a rejection of or an unwillingness to consider the issue. Rather, the particular facts of *Thaler* rendered it an unsuitable vehicle to explore the fundamental question of whether an AI system can be an inventor. Given its public importance, I expect the High Court will consider AI inventorship in an appropriate case.

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

A. One fascinating thing about IP is that because it is inherently about what new or evolving, there is never any shortage of emerging issues. A constant throughout my IP career was the debate whether the current IP systems could or should adapt to new technologies, and if not, whether any particular development warranted a sui generis regime. I can't see that discussion ending anytime soon.

By and large, I think the key IP statutes have served us well, but as we saw in *Thaler*, it's important to determine how established principles apply to forms of technology not even contemplated when those principles were developed. It's important because legal uncertainty feeds commercial uncertainty which saps business confidence.

Interestingly, the UK Supreme Court recently declined to hear argument whether to name the AI system as the inventor in the UK *Thaler* case. The Court said that no law exists which deems a machine an inventor. This might suggest that the legislature is better placed to determine the issue.

More broadly, I think the lawmakers will also need to continue to grapple not only with IP regulation in the digital world, but how IP law and policy intersects with other regulatory regimes, whether that be existing systems such as privacy and competition, or what emerges from current global debates around the regulation of generative AI more generally.

Q. Among other roles, you are currently a Trustee of the Royal Melbourne Hospital Neuroscience Foundation and the Chair of the Australian Ballet School, having served on its board since 2005. Your 20 plus years' experience on boards also covers areas such as IP policy and law reform, technology transfer, affordable housing,

youth mental health, and access to justice. How did working as an IP practitioner ignite your varied work on boards and what impact does your stellar IP career have on your present roles?

A. I have always been interested in access to justice and addressing disadvantage. It was fitting that my first board role back in 2001 was serving as the firm's representative on what was then the Public Interest Law Clearing House ("PILCH"), now Justice Connect. This ignited my interest in policy and law reform, which I was later able to pursue in an IP context in other co-curricular roles.

Today, I regularly draw on my IP knowledge in my various governance roles. If board review of an IP policy is required, it's clear who's going to get that gig. But I also bring my IP background to bear on some of the broader strategic decisions and risk assessments boards are required to make. Sometimes this is because translational research is front and centre of the organisation's purpose. This is the case with the Royal Melbourne Hospital Neuroscience Foundation and Orygen Limited, the youth mental health organisation founded by former Australian of the Year, Professor Pat McGorry AO. In other cases, the work of the organisation may lead to the creation of valuable IP assets. This is so for One Basin CRC, a Commonwealth Research Centre charged with developing policy, technical and financial solutions to address climate, water, and environmental threats in the Murray Darling Basin. Recognising the potential of this innovation, the One Basin CRC board established an Intellectual Property Commercialisation & Tech Transfer Committee on which I sit.

IP issues can also arise in the ordinary course of business, such as freedom to operate with respect to both trade marks and technology. Viewing business initiatives with an IP lens can head off issues before they become derailers, or conversely, identify opportunities.

Q. In addition, you served on academic advisory boards for the law schools at Melbourne, Monash and Deakin Universities. Tell me more about this work and what insights you gained in these roles as an IP practitioner.

A. For many years at Allens I held various staff-related management positions. Roles on academic advisory boards were complementary in that their primary function was to advise on curriculum from the perspective of a future employer. I gained insights into current law school thinking on how best to arm graduates with the skills to enter the workforce. Testing this with an advisory board helped to bridge the sometimes-significant gap between the study of law and its application. By contrast, when I studied IP, the course had a heavy emphasis on the origins and philosophy of copyright law, but I don't think we ever saw a patent specification or gained any appreciation of the mechanics of trade mark registration.

On the flipside, insights into the curriculum greatly informed my thinking on various people and culture people initiatives at Allens around graduate recruitment and training programs.

Q. You volunteered for AIPPI from 2003 to 2021. You served on the AIPPI board for nine years, the last four of which as Reporter General. Why did you become involved with AIPPI and how did your extensive work for the Association benefit your IP practice at Allens?

A. I represented the firm at the AIPPI Congress when it was held in Melbourne in 2001 (my first year of partnership). I was then encouraged to get involved in its work. AIPPI conducts global studies of IP issues to inform a harmonised position seeking to balance the interests of all stakeholders in the IP ecosystem. AIPPI members include IP practitioners and in-house counsel, judges, IP regulators and policy makers.

Getting involved in AIPPI's work – initially on Study Questions, then on Standing Committees and ultimately on its international board – gave me the opportunity to collaborate with IP experts from around the world. This was beneficial at every level of my practice.

Allens' IP clients are generally global companies or Australian companies operating in (or looking to enter) overseas markets. Understanding IP regimes in other jurisdictions helps inform strategy when advising on the Australian aspects of multi-jurisdictional commercial transactions or litigation. Secondly, rolling up your sleeves and working alongside colleagues to formulate solutions to the shortcomings of existing laws is a very different type of networking to attending a conference and handing out your business card. Really knowing your colleagues provides mutual confidence when clients ask for recommendations or referrals. AIPPI colleagues referred me work, and I was able to recommend trusted overseas practitioners to my clients. At other times, I'd find myself part of a broader global team working with AIPPI colleagues. This was helpful whether we were part of the same team or opposed.

Perhaps most significantly, my work with AIPPI provided the opportunity to seek to address shortcomings in existing laws that affected my clients. The Reporter General leads AIPPI's policy development. In that role I had the opportunity to meet with various United Nations organisations and other international regulators, as well as judges in major jurisdictions, to advocate for AIPPI positions developed with input from the most important stakeholders in the IP system – the users.

Q. In 2021, you were awarded a Member of the Order of Australia for significant service to the law, to IP law protection and to the not-for-profit sector. How important is volunteer and pro-bono work in contributing to the culture of the IP profession?

A. It won't come as any surprise that I think it is very important. At a global level, the aim of the harmonisation work of an organisation such as AIPPI is to create greater consistency and certainty for those who use different IP systems in different parts of the world. It seeks to cherry-pick the best of existing regimes and raise standards across the board. Even well-resourced clients are unlikely to have legal budgets to pay for that. Enlightened self-interest suggests we all benefit if we donate some of our time and use our learnings to drive improvements.

Closer to home, navigating IP law is simply beyond the resources of many not-for-profits, start-ups and individuals. Since commencing practice in 1993, I have consistently volunteered and done pro bono work. I regard it as a professional and personal obligation that comes with the privilege of my legal training and experience.

I joined the Allens national pro bono committee in 2001 and was responsible for clients including Fairtrade, the Ovarian Cancer Research Foundation, the National Asthma Council, as well as First Nation artists and businesses and other arts, cultural and environmental organisations It was enormously satisfying to be able to assist clients who would not otherwise be able to afford the legal services of a top tier law firm. I also think broader "IP literacy" is important in creating a more level playing field to facilitate smoother running of transactions and more efficient dispute resolution.

Q. What is your best advice for IP practitioners looking to make their mark?

A. Stay curious – there is always more to learn. But while there are endless thorny IP issues that IP practitioners love to debate, make sure your advice is in language your audience understands and provides a recommendation, even if qualified. As a former client and good friend once told me, "I don't need you to sit on the fence with me".

Stay connected – to your clients and your colleagues – your team is greater than the sum of its parts, and you will add more value if you understand you client's commercial drivers.

Stay involved – it's more satisfying to take responsibility for helping to improve the law than accepting (or complaining about) perceived shortcomings of the status quo.

Q. In June 2021, you retired from Allens, having spent more than a quarter of a century working there as an IP practitioner. How easy (or difficult) has it been to adjust to the IP afterlife?

A. The question could imply that life ends after IP practice! A former colleague recently asked me whether it's true that there's life after IP and my answer is an emphatic "Yes!". Life as an IP practitioner taught me to expect, embrace and adapt to change – in technology, in law, in policy, in client and broader societal expectations. Board work is providing me with just as much intellectual stimulation and the opportunity to form meaningful professional relationships. And it can certainly throw as many curve balls as legal practice – but away from the timesheets, I have a bit more flexibility in how I juggle them.

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The Construction of Patents

The Honourable Steven Rares KC[1]

In our digital age, we have become increasingly obsessed with instantaneous communication. But everyday life is also concerned with communication of, among others, information, concepts, ideas, instructions and opinions. The recipient of any communication must process and understand it. Sometimes the message can still get through even if the recipient does not speak or read the same language as that in which communication is made, such as we can experience when in a foreign country with road signs or traffic signals.

Those of us who have ever had to read a patent can find the process much more challenging than, say, comprehending the latest Instagram post from someone you follow. However, if the reader of a patent works in the field of the claimed invention, often, that person will have a head start in appreciating what it is revealing, or in the lexicon of patents, teaching. He or she will read the patent, as Lord Hoffmann explained, with a view to its purposive construction, that is to say, "on the assumption that its purpose is to both to describe and to demarcate an invention – a practical idea which the patentee has had for a new product or process".[2]

The process of construing a patent is similar to how one construes other documents that have to be evaluated for some legal purpose, such as a statute, a contract, an allegedly defamatory or incorrect publication, or a will. But, there are nuances apposite for each of those separate legal situations. Importantly, a patent is not a document that operates like a contract: that is, to regulate a relationship in the manner agreed between its parties. Rather, as Dixon CJ, Kitto and Windeyer JJ explained in *Welch Perrin & Co Pty Ltd v Worrell*, a patent "is a public document which must, if it is to be valid, define a monopoly in such a way that it is not reasonably capable of being misunderstood".[3]

In this article I want to cover how one must approach the construction of a patent taking into account, first, the statutory purposes, now set out in the *Patents Act* 1990 (Cth), secondly, the perspective from which one reads a patent, namely that of "a person skilled in the relevant art" or the " skilled addressee", being a person who has the common general knowledge that all non-inventive workers have in the art or field for which the patent is written, and thirdly, the fundamental rules that the courts have developed as the guides to arrive at a patent's proper construction.

1. The statutory context

The long title of the Patents Act is "An act relating to patents of inventions". The dictionary in the Act defines "patent" as meaning a standard or innovation patent, and "standard patent" as "letters patent for an invention granted under section 61". Importantly, the dictionary also defines "invention" as meaning "any manner of new manufacture the subject of letters patent and grant of privilege within section 6 of the *Statute of Monopolies* [1623 (UK)] and includes an alleged invention".

A newly inserted section 2A tells us that the object of the Act is to provide a patent system that "promotes economic well-being through technological innovation and the transfer and dissemination of technology". The Act seeks to achieve this through the patent system balancing, over time, the various interests of producers, owners, and users of technology and those of the public.

The Act deals with two principal kinds of patent applications and the patents that result from those processes, namely, standard and innovation patents. The principles of construction are substantially common to all patents. For simplicity, I will focus below only on the statutory and other issues that relate to a standard patent. A patent application and the resulting patent must have a complete specification, often simply called a specification.

A complete specification must comply with the requirements of section 40(2)–(4) of the Act. Those are that it must:

(a) disclose the invention in a manner that is both clear enough and complete enough for the invention to be performed by a skilled addressee,[4]

(b) disclose the best method known to the patentee or applicant for performing the invention,[5] and

(c) end with the claim or claims defining the invention[6] and each claim must, first, be clear and succinct, secondly, be supported by matter disclosed in the specification,[7] thirdly, not rely on references to descriptions, drawings, graphics or photographs unless absolutely necessary to define the invention[8] and, fourthly, relate to one invention only.[9]

Chapter 10 of the Act deals with what amendments may be made to a complete specification, including after a patent has been granted. Importantly, section 116 provides that the Commissioner of Patents or the court can refer to the original

complete specification to interpret a subsequently amended version of it. The Act does not allow any amendment that, if made, first, would claim or disclose matter that extends beyond what was disclosed in the complete specification, as filed, together with any prescribed document,[10] secondly, after the original specification has been accepted, would result in a claim that, in substance, would not fall within the scope of the claims made in that original specification[11] or, thirdly, would not comply with section 40(2), (3) or (3A).[12] However, amendments can be made to correct a clerical error or obvious mistake in, or in relation to, a complete specification.[13]

The validity of a patent depends upon it satisfying of each of the mandatory requirements that the Patents Act prescribes. Hence, construction has a vital role to play in ascertaining whether a specification has achieved the applicant's or inventor's objective of obtaining a statutory monopoly for the period of the patent's duration.

The Minister or any other person can apply to the court for an order under section 138 of the Act to revoke a patent, but only on one or more of the grounds prescribed in section 138(3). Those grounds are:

(a) the patentee is not entitled to the patent and it is just an equitable to revoke it,[14]

(b) the invention is not a patentable invention,[15]

(c) any of the patent, or an amendment, the patent request or the complete specification, was obtained by fraud, false suggestion or misrepresentation[16], or

(d) the complete specification does not comply with any of section 40(2), (3) or (3A).[17]

The second of those grounds, which arises under section 138(3)(b), relates to whether the invention complies with the requirements of section 18(1). Those requirements are that, so far as is claimed in any one claim, the invention, first, is a manner of manufacture within the meaning of section 6 of the Statute of Monopolies,[18] secondly, when compared with the prior art base as it existed at the priority date of that claim, it is novel, as defined in section 7(1),[19] it involves an inventive step, as defined in section 7(2) and (3),[20] it is useful as defined in section 7A[21] and the patentee, or anyone whose acts affect the title of the patentee, did not secretly use it in the patent area (i.e.: relevantly, Australia) before the priority date.[22]

2. The skilled addressee and the common general knowledge

The law develops various bespoke hypothetical beings to enable a court to apply an objective standard to the determination of particular legal issues. We are all familiar with the concepts of the reasonable man, or man on the Clapham omnibus, now in more nuanced language, perhaps better described as, the reasonable person, used as the standard in the law of negligence,[23] the objective bystander or reasonable person in the position of the parties, used in the law of contract[24] and the ordinary reasonable reader, listener or viewer used in the law of defamation.[25]

The skilled addressee is the objective hypothetical construct that the law of patents has developed as the person with whose understanding a complete specification must be read. Where, as is usually the case, a patent uses technical concepts and or language, it will be necessary to place expert evidence before a court so that the judge is in a position to read and comprehend the patent in context using the information that comprises the common general knowledge being what is available to all non-inventive workers in the relevant art at the priority date of the patent.

Often, there will be questions of degree as to what may or may not fall within the common general knowledge of the person skilled in the art. Sometimes this is because there is a dispute as to the relevant art or combination of arts in play. It is usual that, in complex pharmaceutical and other highly technical patents, there will be a team of persons with different skills and knowledge bases each of whose knowledge about the subject matter of the patent is important to gaining an accurate understanding of what the patent teaches. Thus, in such cases, a combination of the team members' knowledge will comprise the common general knowledge that is relevant to an objective understanding of what the patent means.

In *Minnesota Mining and Manufacturing Inc v Beiersdorf (Australia) Ltd*,[26] Aickin J gave this description:

> *The notion of common general knowledge itself involves the use of that which is known or used by those in the relevant trade. It forms the background knowledge and experience which is available to all in the trade in considering the making of new products, or the making of improvements in old, and it must be treated as being used by an individual as a general body of knowledge.*

His Honour explained[27] how the courts use the evidence of what comprises the common general knowledge in evaluating not only what the patent teaches but also issues arising under the different tests for the questions of whether the claimed invention is novel or involves an inventive step. Those principles remain relevant today although the current definitions of prior art base and prior art information in the dictionary in the Patents Act have expanded the scope of available matter for use in determining these questions under the present form of section 7.

However, for the discrete purpose of construing a patent, the court must use the common general knowledge without reference to any statutory expansions. This means, as Aickin J cautioned,[28] that one does not pick out individual pieces of information and combine them, together with inferences from known facts and known principles, and or apply

those principles except if, and to the extent that, the skilled addressee would understand the complete specification, read as a whole, to refer to those matters.

It follows that the court must place itself in the position of having the day-to-day knowledge of a non-inventive skilled worker in the patent's field of science, trade or technology for the purpose of construing it and so understand what it is teaching.[29] However, the skilled addressee's common general knowledge does not include every publication or theory in the relevant field. Rather the person skilled in the art will read a complete specification with the background knowledge of basic materials and an understanding that anyone engaged in that field of activity would know.

To this end, the Federal Court of Australia now often requires the parties to prepare an agreed primer to explain the technical background to the invention claimed in particularly complex patents in suit. Usually a primer will comprise, at least, the uncontentious, common general knowledge.[30] However, at the end of the day, as Lord Hoffmann said:[31]

> *The question is always what the person skilled in the art would have understood the patentee to be using the language of the claim to mean.*

3. The general principles for construing a patent

In essence, patent construction involves the court in the task of objectively ascertaining the meaning of the complete specification in the form in which the patent is granted. Hill, Finn and Gyles JJ stated the general principles for the construction of a patent in *Jupiters Ltd v Neurizon Pty Ltd*[32] which Rares, Moshinsky and Burley JJ recently applied in *Airco Fasteners Ltd v Illinois Tool Works Inc*.[33] Those principles are in the words of Hill, Finn and Gyles JJ:

> *(i) the proper construction of a specification is a matter of law;*[34]
>
> *(ii) a patent specification should be given a purposive, not a purely literal, construction*[35] *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;*[36]
>
> *(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;*[37]
>
> *(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;*[38] *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;*[39]
>
> *(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,*[40] *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;*[41] *and*
>
> *(vi) it is for the court, not for any witness however expert, to construe the specification.*[42]

Additionally, a purposive construction can only go so far, as the Full Court of the Federal Court of Australia pointed out in *Jupiters Ltd v Neurizon Pty Ltd.*[43] Hill, Finn and Gyles JJ said that it is not appropriate to take a claim that is carefully drawn so as to avoid invalidity and then apply a purposive construction to it when considering an infringement issue.

The court alone decides what the complete specification, when read as a whole, conveys objectively to a skilled addressee, including when it decides the ambit of each claim. It does so based on the evidence of the common general knowledge and ordinary principles for construing written documents that affect the public. In *Welch Perrin & Co Pty Ltd v Worrell*, Dixon CJ, Kitto and Windeyer JJ said that, although a (complete) specification must be read as a whole, it is a document that is comprised of parts each of which has a different function.[44] And, their Honours emphasised, "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".[45] Moreover, if a claim is clear, it is not appropriate to use some obscurity that appears in an earlier part of the specification to obfuscate that claim's clarity.

The above approach to construction recognises that, usually, a complete specification follows a fairly standard form. A patent begins with a somewhat descriptive title. It then identifies the nature of the invention and usually a problem or issue with, or gap in, the existing art or field of knowledge or technology. Then it describes what the current state of knowledge in that area is, referring to existing patents or publications on the subject matter where relevant. It explains what the inventor did to arrive at the invention. A specification often contains a consistory clause that foreshadows or mirrors what is later set out as the principal claim. It moves on to describe how the invention works and next the method or methods that can produce the result. This is usually the place in the specification where the inventor or applicant discloses the matters required in section 40(2)(a) and (aa) of the Patents Act. Those are to describe sufficiently clearly and completely how a skilled addressee can perform the invention and (although it does not need to be identified as such) the best method known to the applicant at the priority date or the time of filing. As I will elaborate later, you cannot obfuscate or be too coy about these disclosure requirements.

Next, the specification will discuss uses or results from the performance of the invention and describe various embodiments of it, including one or more preferred ones, for doing so. Sometimes the patent includes drawings and or descriptions of those embodiments, with or without data that suggest a feature or advantage of the invention. Finally, the specification concludes, as section 40(2)(b) requires, with a claim or claims. Each claim must comply with the requirements in section 40(3A) and (4) of being clear and succinct, fairly based on matter in the specification, not rely on references to the descriptions, drawings, graphics or photographs unless absolutely necessary to describe the invention, and, of course, relate, to only one invention.

4. Examples of construction – best method

The principles for patent construction are also useful in gaining an accurate understanding of each facet in a complete specification. For example, it may be necessary to construe the patent or a particular facet of it to ascertain whether and to what extent, first, the specification discloses one or more methods to perform the invention and, secondly, in that disclosure, it conveys to the skilled addressee sufficient information to teach the best method known to the inventor. Usually, it will be necessary to construe one or more claims to determine the precise extent of the monopoly, whether that claim, as so construed, is supported by, or is fairly based on, matter disclosed in the specification and otherwise complies with the requirements of the Act.

An example of the use of construction of a specification to determine whether it disclosed the best method for performing the invention known to the applicant is *Apotex Pty Ltd v Les Labortoires Servier.*[46] There, the invention was perindopril arginine, a new salt of the compound, perindopril, which was an active pharmaceutical ingredient used to lower blood pressure in patients with high blood pressure (hypertension). Arginine is a naturally occurring amino acid and a counter-ion that, at the time, was known to have the theoretical potential to be used in making a pharmaceutical salt. However, I found that, based on the expert evidence, the common general knowledge did not then consider arginine to be an obvious candidate to try for that purpose. The complete specification instructed that perindopril arginine in any form, including as a hydrate, could achieve the promised result. But the only clue that the patent's wording gave as to the method of making the new salt was to say that it could be produced by a classical method of salification. I found:[47]

> *… the experts agreed that the selection of different methods and parameters can influence the precipitation or crystallisation of a salt as the outcome of the various classical methods of salification. Thus, there was no certainty that any particular method within the range of classical methods, or the variety of choices, such as solvents, duration, or temperatures within a selected method would necessarily produce a crystalline salt or a particular salt form (such as a hydrate) that could be used in a pharmaceutical composition.*

When Servier filed the patent application, the inventor, who was a chemist it employed, knew of two methods that produced a crystalline form of the new salt that could be used to manufacture a stable pharmaceutical composition. I found:[48]

> *Servier had used a particular method or methods of classical salification and parameters that produced a guaranteed result. The complete specification described a broad and very general method of performing the invention that left to chance whether the skilled addressee would choose, from among the very large range of variables identified by the first joint expert report, the method (or one of the 1986 or 1991 methods) that the patentee knew actually worked to enable the API to be used in a tablet form. The variety of choice left open by the complete specification's generalised identification of "a", and not a particular, method of classical salification, coupled with the omission of the description of the method that the patentee had used and which it knew worked, was analogous to Sir Winston Churchill's description in October 1939 of the future behaviour of the Soviet Union in World War II:*

"I cannot forecast to you the action of Russia. It is a riddle, wrapped in a mystery, inside an enigma; but perhaps there is a key. That key is Russian national interest."

> *Here, the only key to the riddle of producing a salt that the complete specification gave was its reference to using a classical method of salification. But, for the reasons given by the experts, the best solution to the riddle known to the patentee was wrapped in the mystery of choices of such salifications and the enigma of choices of parameters to apply. These vagaries occur in science before the accepted use of the chemist's or skilled addressee's "dark art" in actually getting crystallisation to occur, which the patent need not describe.*

In affirming my finding that the expression "a classical method of salification" was not sufficient, the Full Court said:[49]

> *Perindopril arginine is generally a more stable product than perindopril erbumine and the claim is not to a specific form of the arginine salt. If Servier knew of a method that provides a form of the salt with the characteristics exemplified in the Patent, which characteristics provided the stated advantages of the invention over the prior art, it was incumbent on it to provide that method. This would relieve the skilled worker from making the choices within those necessarily made or available in a classical salification. The disclosure of the method known to Servier would not only have relieved the skilled addressee of confronting blind alleys and pitfalls which may not be uncommon in a general*

sense but also, and importantly, would tell the skilled addressee the methodology to achieve the form that obtains the result which constitutes the invention, that is increased stability and storage length. While claim 1 does not refer to any particular form of perindopril arginine, crystalline or otherwise, if Servier had a method that produced a product that was at least sufficiently crystalline or in a sufficiently good form so that it could be used in the API for the tablets used in the stability study described in the specification, that is precisely what should have been disclosed.

Accepting that there was no lack of sufficiency, the mere fact that a complete specification described a method which conveyed sufficient information to a skilled addressee to enable him or her to work the invention does not necessarily satisfy the Patentee's additional obligation to describe the best method. ***The patentee has an obligation to include aspects of the method of manufacture that are material to the advantages it is claimed the invention brings.***
[Emphasis added]

5. Examples of construction – claim construction

The appeal in *Airco Fasteners Ltd v Illinois Tool Works Inc* concerned whether Rofe J, as the primary judge, had correctly construed two expressions in the claims in Illinois Tool's patent when finding that Airco's product infringed those claims. The claimed invention was an in-can (i.e.: internal) fuel cell metering valve. The valve measures fuel doses and is located inside a fuel cell that powers a combustion tool, such as a nail gun, to deliver the correct dose of fuel when the user presses the stem of the gun to cause it to fire a nail. The invention reduces the number of components and seals that the prior art used for such devices. The complete specification was written in technical language. It contained numerous figures, detailed explanations of them and preferred embodiments. All of these were complex, needed expert elaboration and, at least for me, lot of visualisation and mental gymnastics to understand. Claim 1 was about 15 lines long, highly descriptive and contained six integers, including the following two:

(4) a fuel metering valve associated with said main valve stem, including ***a fuel metering chamber disposed in close proximity to said closure*** *and configured so that when said stem is in said open position only a measured amount of fuel is dispensed through said outlet: (****the close proximity integer****) and*

(6) wherein said fuel metering valve is located within said housing and ***includes a valve body having a second end opposite said fuel metering chamber located within said container. (the second end opposite integer)***
[Emphasis added]

Airco argued that her Honour incorrectly construed the claims in issue, including the above two integers in claim 1, by finding that its nail gun had, first, "a fuel metering chamber disposed in close proximity to said closure" and, secondly, "a valve body having a second end opposite said fuel metering chamber located within said container".

Both Rofe J and the Full Court had to use the expert evidence to understand, in context, what claim 1 involved and whether the accused product infringed it. It is not necessary to descend into the detail of the claims or the workings of Airco's nail gun.

Airco challenged her Honour's finding that its accused product infringed the close proximity integer. It asserted that the patent did not disclose the dimensions of the fuel cell or any other component of the invention. It contended that, because there were no dimensions given in the specification, "proximity", as used in claim 1, had to be read strictly literally as requiring closeness or relative nearness, rather than simply proximity.

The Full Court held that the components of the fuel cell could vary in size and still fall within the close proximity integer because:[50]

none of the other components of the claim are defined by reference to a size or dimension. The components may vary in dimension and still fall within the claim. The scope of such a term is to be understood by reference to the role that the particular part is to play in the product described in the claim. As Aickin J said in a familiar passage in Minnesota Mining & Manufacturing Company v Beiersdorf (Australia) Ltd[51] ***lack of precise definition in claims is not fatal to validity so long as they provide a workable standard suitable to the intended use****.*
[Emphasis added]

Accordingly, the lack of precise definition in a claim will not produce invalidity provided that the claim provides a workable standard suitable to the intended use of the invention but, that standard must be set out in the claim itself. It is not permissible to construe the claim by reference to other matter in the complete specification, such as preferred embodiments or figures and, as it were, work backwards or forwards.

Airco also argued that the second end opposite integer imposed two requirements being that the fuel metering chamber be located, first, at the other end of the valve body, and, secondly, outside the fuel container.

The Full Court upheld Rofe J's construction that, as used in the integer, "opposite" referred to the position of two separate components, not to opposite ends of the one component. This was so even though the word "opposite" was used in the latter sense in the anterior parts of the specification that preceded the claims. Rares, Moshinsky and Burley JJ said:[52]

Contrary to Airco's submission, the construction adopted by the primary judge does not involve construing the same

> *word to have different meanings in the same document.* ***The word "opposite" is sensitive to context.*** *In claim 1, it is the fuel metering chamber that is to be opposite a second end of the valve body, not a "first end" of the valve body, which is not identified in claim 1 at all.* ***The construction propounded by Airco involves reading a requirement into the integer that is not present.***
>
> *Nor do we accept Airco's argument that the primary judge's construction renders the word "opposite" redundant. As the primary judge observes at [158], by this integer, 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, as the primary judge found at [161]. No other language in the claim performs this function, which serves also to distinguish the arrangement of the invention from that of the prior art, which placed the fuel metering chamber orthogonally to the second end of the valve body.***
> [Emphasis added]

Thus, the construction of a patent claim requires attention to the context, the common general knowledge and the claim's statutory functions, as prescribed in section 40(2)(b), (3),(3A) and (4), including that each claim must be self-contained and stand independent of the other parts of the complete specification. The focus here is solely on what the claim expresses as the boundaries for the monopoly in its own definition of the invention. If the language of a claim does not encompass a description or embodiment that appears in another part or parts of the specification, that matter is likely to be outside the monopoly.

Conclusion

Obviously, there will be close-run arguments about how a patent and in particular, a claim in it, should be construed. This is why the now well accepted principles of patent construction will be the best guide to what the invention claimed is and the ambit of the asserted monopoly.

As this discussion shows, questions of construction of a patent can overlap with other issues involved in considering its validity or compliance with the requirements of the Patents Act. In arriving at the construction of a patent, including what it teaches, the court employs the objective standard of how the skilled addressee, using the common general knowledge, would understand what it conveys.

In the end, it is the court which must decide who the skilled addressee is and what that person, using the common general knowledge, would understand the patent to be teaching and claiming as the consequent monopoly.

1 Formerly a Judge of the Federal Court of Australia 2006–2023 and currently an arbitrator, mediator and Adjunct Professor at the School of Law, University of New South Wales. This article is adapted from a presentation given at the IPTA 2024 Annual Conference in Canberra, Australia on 22 March 2024.

2 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] 1 All ER 667, 680 [33].

3 (1961) 109 CLR 588, 610.

4 *Patents Act 1990* (Cth) s 40(2)(a).

5 *Patents Act 1990* (Cth) s 40(2)(aa).

6 *Patents Act 1990* (Cth) s 40(2)(b).

7 *Patents Act 1990* (Cth) s 40(3).

8 *Patents Act 1990* (Cth) s 40(3A).

9 *Patents Act 1990* (Cth) s 40(4).

10 *Patents Act 1990* (Cth) s 102(1).

11 *Patents Act 1990* (Cth) s 102(2)(a).

12 *Patents Act 1990* (Cth) s 102(2)(b).

13 *Patents Act 1990* (Cth) s 102(3)(a).

14 *Patents Act 1990* (Cth) s 138(3)(a) and (4).

15 *Patents Act 1990* (Cth) s 138(3)(b).

16 *Patents Act 1990* (Cth) s 138(d) and (e).

17 *Patents Act 1990* (Cth) s 138(3)(f).

18 *Patents Act 1990* (Cth) s 18(1)(a).

19 *Patents Act 1990* (Cth) s 138(1)(b)(i).

20 *Patents Act 1990* (Cth) s 138(1)(b)(ii).

21 *Patents Act 1990* (Cth) s 138(1)(c).

22 *Patents Act 1990* (Cth) s 138(1)(d).

23 *Donoghue v Stevenson* [1932] AC 562; now further adapted by ss 5B, 5C(a) and 5L of the *Civil Liability Act 2002* (NSW) and their analogues, cf: *Tapp v Australian Bushmen's Campdraft and Rodeo Association Ltd* (2022) 273 CLR 454, 489–92 [106]–[116] per Gordon, Edelman and Gleeson JJ, especially 492 [116].

24 *Toll (FGCT) Pty Ltd v Alphapharm Pty Ltd* (2004) 219 CLR 165, 179 [40] per Gleeson CJ, Gummow, Hayne, Callinan and Heydon JJ.

25 *Reader's Digest Services Pty Ltd v Lamb* (1982) 150 CLR 500, 505–506 per Brennan J, Gibbs CJ, Stephen, Murphy and Wilson JJ agreeing; *V'landys v Australian Broadcasting Corporation* [2023] FCAFC 80, [73]– [74], [79]–[81] per Rares J, Katzmann and OCallaghan JJ agreeing.

26 (1980) 144 CLR 254, 293, Barwick CJ, Stephen, Mason and Wilson JJ agreeing.

27 (1980) 144 CLR, 293–4.

28 (1980) 144 CLR, 292.

29 *Lockwood Security Products Pty Ltd v Doric Products Pty Ltd [No 2]* (2007) 235 CLR 173, 195-7, [50]–[56] per Gummow, Hayne, Callinan, Heydon and Crennan JJ, especially 197 [56].

30 *Intellectual Property Practice Note (IP-1),* [6.6]–[6.10].

31 *Kirin-Amgen Inc v Hoechst Marion Roussel Ltd* [2005] 1 All ER 667, 681 [34].

32 (2005) 65 IPR 86, 99–100 [67]–[68].

33 (2023) 170 IPR 225, 240–241 [48].

34 *Décor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 400.

35 *Flexible Steel Lacing Co v Beltreco Ltd* (2000) 49 IPR 331, [81].

36 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, 16 [24].

37 *Décor Corporation Pty Ltd v Dart Industries Inc* (1988) 13 IPR 385, 391.

38 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) (2001) 207 CLR 1, [15]; *Welch Perrin & Co Pty Ltd v Worrel* (1961) 106 CLR 588, 610; *Interlego AG v Toltoys Pty Ltd* (1973) 130 CLR 461, 478.

39 *Electric & Musical Industries Ltd v Lissen Ltd* [1938] 4 All ER 221, 224–5.

40 *Sartas No 1 Pty Ltd v Koukourou & Partners Pty Ltd* (1994) 30 IPR 479, 485–6.

41 *Kimberley-Clark Australia Pty Ltd v Arico Trading International Pty Ltd* (2001) 207 CLR 1, [24].

42 *Sartas No 1 Pty Ltd v Koukourou & Partners Pty Ltd (*1994) 30 IPR 479, 485–6.

43 (2005) 65 IPR 86, 100 [68].

44 *Welch Perrin & Co Pty Ltd v Worrell* (1961) 106 CLR 588, 610.

45 *Welch Perrin & Co Pty Ltd v Worrell* (1961) 106 CLR 588, 610.

46 [2013] FCA 1426 (Rares J): affirmed in *Les Laboratoires Servier v Apotex Pty Ltd (*2016) 247 FCR 61 (Besanko, Bennett, and Beach JJ).

47 *Apotex Pty Ltd v Les Labortoires Servier* [2013] FCA 1426, [153].

48 [2013] FCA 1426, [185]–186].

49 [2016] 247 FCR, 92-93, [134]–[135].

50 (2023) 170 IPR 225, 242 [54].

51 [1980] HCA 9; 144 CLR 253, 274 (Barwick CJ, Stephen, Mason, and Wilson JJ agreeing).

52 (2023) 170 IPR 225, 244 [65]–[66].

Uncharted Waters for the House of Mouse: Mickey Mouse Enters the Public Domain

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Introduction

Mickey Mouse is likely one of, if not the most, well-known cartoon characters of all time. As one of Walt Disney's first cartoon characters, Mickey Mouse made his debut in the short film, *Plane Crazy* in May of 1928, but he was not introduced to the public until the distribution of *Steamboat Willie* in November of that year.[2] Over the years, Disney has refined Mickey's design and persona to create both an anthropomorphised ambassador of The Walt Disney Company and cultural icon.

The character has been fertile ground for Disney to produce countless copyright works: Mickey Mouse has appeared in television shows, short films, feature length films, and even has music available to stream on Spotify under his name. The success of Mickey Mouse has imbued the character with strong brand equity attributable to The Walt Disney Company, which has allowed Disney to adopt a brand extension strategy like no other. Mickey's name and likeness have been applied to all variety of goods and services, from books, toys, watches, to bicycles. He is, of course, also a key feature of almost all of Disney's business ventures which include theme parks, resorts, and cruise ships.

Being in possession of such strong brand equity, Disney actively engages its extensive portfolio of intellectual property, leveraging its trade mark rights through strategic licensing deals, and asserting its copyright and trade mark rights to prevent infringement and brand dilution. Against this background, it was a big day for Disney when, on 1 January 2024, copyright in relation to its most beloved cartoon and biggest intangible asset expired, and Mickey Mouse entered the public domain. The effect of this, as this article will explain in further detail, is that the general public will be able to use certain renderings of the Mickey Mouse cartoon in new, original copyright works. Although that statement might suggest that the public now has permission to use Disney's most iconic piece of IP carte blanche, there are significant limitations to the use that can be made of Mickey Mouse in practice, having regard to Disney's copyright in later iterations, and any such use will still be subject to the extensive portfolio of trade mark rights owned by Disney in respect of the character.

In this article we explore what copyright in the film protected, consider the protection of fictional characters more broadly, the implications of the copyright expiry, and alternative means by which characters, including Mickey Mouse, can be protected once any relevant copyright has expired.

Of course, Mickey Mouse is only one example of a highly valuable character, and eventually many recognisable works will enter the public domain both in Australia and internationally. There is, therefore, perhaps particular interest in how Disney will seek to protect Mickey Mouse in the future, as it will likely set an exemplar of how businesses will protect such assets moving forward.

The nature of copyright protection and its duration

Rooted in the policy-driven quid pro quo of providing a period of exclusivity to incentivise the production of future creative works for the benefit of society at large, copyright law affords a limited period of protection for original works. Owners of original copyright works are afforded a bundle of exclusive rights, which include the right to reproduce the work in a material form, the right to publish the work, and the right to perform the work in public.[3] In addition, certain moral rights are also conferred on the author of a work (as distinct from the copyright owner) in recognition of the personal connection between an author and a work they have created. Those rights comprise:

- the right to be identified and named as author of the work (known as the right of attribution);
- the right not to have authorship of a work falsely attributed to another; and
- the right of integrity, which includes the right not to have the work subjected to derogatory treatment (being any act in relation to a work that results in a material distortion of the work that is prejudicial to the author's honour or reputation).[4]

Under Australian law, generally, the period of protection is currently 70 years after the calendar year in which the author of the work (being a literary, dramatic, or musical work, or an engraving) died.[5] For sound recordings and cinematograph films, copyright protection lasts for 70 years after the calendar year in which the material was first made public.[6] Other than the right of integrity (which continues only until the author of a work dies) moral rights continue until copyright ceases to subsist in the work.[7]

In 1928, when the *Steamboat Willie* and *Plane Crazy* short films were first released, the United States *Copyright Act*

of 1909[8] provided protection for 28 years from the date of publication. That Act also permitted copyright owners to renew copyright protection in respect of a work for an additional 28 years. Disney took advantage of that opportunity and extended protection over *Steamboat Willie* in 1956. Twenty years later, the United States Congress introduced amended copyright legislation in the form of the *Copyright Act of 1976*. That Act distinguished between works created before and after 1978. For those created before, including Mickey Mouse, copyright protection was extended from a maximum period of 56 years to 75 years. For works created after 1978, protection became tied to the life of the author (being life of the author plus 50 years).[9]

Under the 1976 amendments, Mickey Mouse was protected until 1 January 2004. With that in mind, Disney invested significant resources in the 1990s to lobbying the US Congress in relation to a bill which would further extend the duration of copyright protection in the United States.[10] Whatever time and money Disney is said to have expended in lobbying for extended protection for its main mascot, commentators are quick to point out that the expense is minimal when compared with the value of its rights in the character.[11] In 1998, the *Copyright Term Extension Act of 1998* was passed which extended Disney's rights in Mickey Mouse for a further 20 years (to a total of 95 years since first publication) bringing the final expiry date to 31 December 2023.

The history of copyright extension in the United States is interesting not only insofar as it demonstrates the long period of protection that has been afforded to Disney's IP over the years (either by luck or design) but also because the provisions with respect to duration of copyright under United States law have had a direct impact on copyright duration in Australia. Prior to 2005, the *Copyright Act* 1968 (Cth) stated that copyright continues to subsist until the expiration of 50 years after the expiration of the calendar year in which the author of the work died.[12] Protection was extended in 2005 to 70 years after the death of the author in order to give effect to Australia's obligations under the Australia-United States Free Trade Agreement.[13]

What are the works now entering the public domain?

The specific copyright works that have entered the public domain are two cartoon short films, or shorts, titled *Steamboat Willie* and *Plane Crazy*. Of the two, *Plane Crazy* was the first to be produced but the second to be publicly released. In that film, Mickey Mouse attempts to fly an airplane with the aim of impressing Minnie Mouse. Both goals are somewhat unsuccessful, and chaos ensues.[14] The drawings contained within *Plane Crazy* are entirely black and white and the features of both mice are starkly different to the modern versions of the characters. Their noses are thinner, they do not wear gloves, and are without their oversized shoes.

Image retrieved from 'Plane Crazy (Film)' *D23: The Official Disney Fan Club* (Web Page) <https://d23.com/a-to-z/plane-crazy-film/>.

Just months later, Disney produced another short, *Steamboat Willie,* which premiered at the Colony Theatre in New York on 18 November 1928, being the first public release of Mickey Mouse.[15] In that film, Mickey and Minnie are aboard a steamboat, playing with the animals on board as if they were instruments.[16] Although his nose is still slimmer than the "modern Mickey", the Mickey of *Steamboat Willie* has a slightly less angular face than he did in *Plane Crazy*. He is also wearing shoes, albeit not the oversized clogs Mickey Mouse is known for.

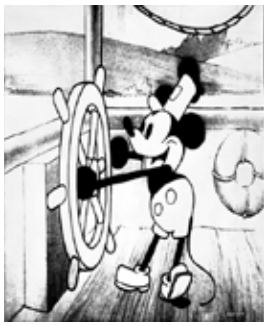

Image retrieved from 'Steamboat Willie (Film)' *D23: The Official Disney Fan Club* (Web Page) <https://d23.com/a-to-z/steamboat-willie-film/>.

Disney's copyright in these two cinematograph films consequently granted protection to the films themselves, the drawings, and the character artworks.

Copyright in the characters themselves?

The position with respect to copyright in the characters themselves (as opposed to specific drawings or artworks) is more complicated: did Disney's copyright in the films even give Disney the exclusive right to the Mickey Mouse character? At this point, it is worth revisiting the fundamentals of copyright law, and in particular the idea-expression dichotomy. It is a central tenet of copyright law that ideas themselves are not protected.[17] Copyright protects the material form in which ideas are expressed, that is, the literary work in which the idea is written, or the artistic work in which the idea is painted. This means that, theoretically, there can be no copyright in a character, being an idea of a

fictional character (as distinct from a drawing or photograph of that character – which would be protected). While this might be regarded as a clear conclusion well-grounded on an unassailable tenet of copyright law, cases in various jurisdictions have suggested that copyright protection may, in certain circumstances, extend to fictional characters.

Decisions in the United States have illustrated that fictional characters can themselves be protected by copyright, as distinct from the story in which they appear. In *Klinger v Conan Doyle Estate Ltd* ("*Klinger*"),[18] for example, the characters of Sherlock Holmes and Dr Watson were found to be protected as "increments of expression" in the context of derivative works. In that case, although copyright had expired in the original source material, incremental elements of their characters, established in later works still protected, had not entered the public domain. This meant that the defendant to an infringement claim who wanted to produce new stories containing those characters could not incorporate certain character traits that were introduced in the later, still protected works of Arthur Conan Doyle.

In *Castle Rock Entertainment, Inc. v Carol Publishing Group Inc.*,[19] trivia derived from the television sitcom *Seinfeld*, as distinct from the television programs themselves, was determined to be expression protected by copyright. Castle Rock Entertainment owned the copyright in each *Seinfeld* episode. Carol Publishing Group published a book called *The SAT: The Seinfeld Aptitude Test*. The book posed trivia questions about characters and events from *Seinfeld* episodes. The book tested the reader on various "fictional facts" derived from various episodes, for example, the "fact" that "Kramer enjoys going to the airport because he's hypnotized by the baggage carousels". The United States Court of Appeals for the Second Circuit concluded that "[b]ecause these characters and events spring from the imagination of Seinfeld's authors, *The SAT* plainly copies copyrightable, creative expression …". Another case, *Walt Disney Productions v Air Pirates* ("*Air Pirates*"), ironically involving Disney and Mickey Mouse, suggests that comic book characters, in contrast with characters from literary works, can be protected by copyright as they possess physical as well as conceptual qualities and "are more likely to contain some unique elements of expression."[20] Both *Klinger* and *Air Pirates*, were dispositive of interlocutory applications rather than final determinations at trial.

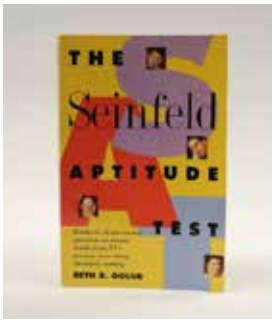

Image retrieved from: 'IP Troubles for the Publishing Industry' *Museum of Intellectual Property* (Web Page) <https://www.museumofintellectualproperty.org/exhibits/publishing_industry.html>.

Image retrieved from: 'Mickey and the Pirates' *The Ohio State University Libraries* (Web Page) <https://library.osu.edu/site/40stories/2020/01/15/mickey-and-the-pirates/>.

In *Warner Bros Entertainment Inc. v RDR Books*,[21] the United States District Court in New York considered a publication which purported to be an unofficial encyclopaedia of the Harry Potter universe as portrayed by author JK Rowling in the Harry Potter book and film series, known as "The Harry Potter Lexicon". The Court (as occurred in the *Seinfeld* case) referred to authority that "fictional facts", which include the characters, plots, and dramatic episodes, constitute creative expression, traverse the distinction between the idea of those fictional facts and the expression of those facts. The findings on copying in that case were made on the basis that the Lexicon directly copied a substantial amount of Rowling's works by way of direct quotes from the books or films as well as by close paraphrasing.

Shazam Productions Ltd v Only Fools the Dining Experience Ltd and Others,[22] a more recent case in the United Kingdom, established copyright protection for a television character as that character was presented in a body of scripts. The defendants in that case had devised an interactive dining show based on the television show *Only Fools and Horses* which ran on the BBC from 1981 until 2003. The dining show comprised a pub quiz in which actors dressed up and used the catchphrases and mannerisms of characters on the television show. The UK's Intellectual Property Enterprise Court determined that copyright subsisted in each script from the television show as a dramatic work, and also in the main character, known as Del Boy, as a literary work. Del Boy was found to have "discernible features" which constituted his character and would be objectively identifiable to third parties. Those features were his appearance, his relationship to others in the program, his character traits, and his general attitude to life, work, family etc.[23]

The issue of copyright in a fictional character has not been the subject of extensive consideration under Australian

law. An opportunity for the exploration of some of these issues recently arose in *Duncan v Australian Broadcasting Corporation* ("*Duncan*").[24] In *Duncan*, the Federal Circuit and Family Court of Australia considered the similarity of certain works relevant to a children's television series developed by the plaintiff, Ms Duncan, and a separate children's television series, *Bubble Bath Bay* broadcast on the ABC. Ms Duncan alleged that *Bubble Bath Bay* copied several different aspects of her own works, including the "cast lineup" as well as the original concepts, setup of environment, dialogue, and storylines. The judgment sets out a helpful overview of the legal principles with respect to the idea/expression dichotomy, referring to earlier cases such as *Eagle Homes Pty Ltd v Austec Homes Pty Ltd*[25] which considered the copying of architectural plans including common features as determined by functional considerations.[26] The collection of authorities referred to reiterate that a copyright work will not be reproduced by the taking of an underlying idea or concept.

Ms Duncan's claim was ultimately dismissed after Baird J found that the case comprised the selection of discrete elements, concepts, themes or ideas then sought to be matched with other discrete elements, concepts, themes or ideas in the allegedly infringing work.[27] In relation to the claim of similarity between the series' respective cast line ups or character lists, Baird J considered that the similarities reflected commonplace ideas, such as the inclusion of a seabird character which would be expected in a story set on a body of water.[28] Therefore, *Duncan* did not present a factual scenario analogous to the *Seinfeld* case: the Court was not considering a transposition of highly detailed "fictional facts" into a derivative work.

Images retrieved from: *Duncan v Australian Broadcasting Corporation* [2023] FedCFamC2G 993.

The decision in *Duncan* underscores that one must return to first principles with respect to copyright protection and infringement, and uncontroversially, there will be no protection in a mere idea as opposed to the expression of that idea and each instance of alleged infringement will need to be considered on a case-by-case basis. Other cases providing guidance are those relating to copying of a television format. In *Nine Films & Television Pty Ltd v Ninox Television Limited*,[29] the Federal Court of Australia considered a claim by New Zealand production company Ninox (made by way of cross-claim) for infringement of its copyright in the format of *Dream Home*, a home renovation reality TV series by the Nine Network in its own series, *The Block*. Tamberlin J said "copyright in a written story gives protection not simply to the words used but can take into account the expression of themes and ideas embedded in the production if they are sufficiently substantial".[30] In the comparison of *Dream Home* and *The Block* however, his Honour did not find that the relevant story elements alleged by Ninox to have been copied, were expressed in sufficient detail such that it could be said that those elements had been copied from one series to the other. By way of example, the stated aim of the contestants to "out-renovate each other" was found to be a broad and generalised concept.[31]

A similar case, concerning the alleged copying of the format of the Seven Network's *My Kitchen Rules* series by the Nine Network's *The Hotplate* demonstrates that the question of copyright infringement with respect to more abstract forms of expression such as plotline or story elements might be a fine distinction.[32] In determining an interlocutory application by the Seven Network, Nicholas J was satisfied that Seven had a "reasonably arguable case" with respect to copying by the Nine Network, but not a "strong prima facie case" necessary to obtain a preliminary injunction. His Honour could not dismiss Nine's argument that Seven's dramatic work is a "successful but nonetheless unimaginative collection of unoriginal ideas and situations found in earlier reality television programs."[33]

What can be done with the work?

Putting to one side whether the characters, as artefacts of the *Steamboat Willie* film (or "fictional facts") were ever protected by the film, by virtue of the films' copyright expiration, the films themselves may be reproduced or screened in public without prior permission from Disney. Along with the films themselves, the Mickey and Minnie Mouse characters, as artistic works embodied within the films, also enter the public domain. This means that the versions of Mickey and Minnie Mouse which appear in the film may be copied or reproduced without Disney's permission, including in new original stories or artworks.

Notwithstanding the expiration of copyright protection over this aspect of Disney's Mickey and Minnie Mouse catalogue of copyright works, 2024 does not represent a free rein

over the characters. As discussed above, the characters that appeared in the relevant films look quite different to the Mickey and Minnie Mouse most audience members are used to. Taking, for example, the Mickey Mouse who appeared in *Steamboat Willie,* the character's features are much more angular and he does not wear gloves or red shorts. There are, however, conflicting reports about when Mickey's red shorts and yellow gloves were first introduced. Reuters, for example, reported in 2012 that a poster which shows an in-colour drawing of Mickey Mouse dressed in his iconic shorts and gloves combination sold for over US$100,000, and dates the poster at 1928.[34]

Later iterations of the Mickey Mouse character are still protected by copyright and may be asserted by Disney against an alleged infringer. It is interesting to consider the extent to which these later iterations could be used to effectively extend copyright protection in the Mickey Mouse character, particularly where they are asserted against an alleged infringer who has incorporated features of the earlier works in which copyright has expired. In the Hong Kong case *Interlego v Tyco Industries*,[35] the Privy Council cautioned:

> *"[Copyright legislation] confers protection on an original work for a generous period. The prolongation of the period of statutory protection by periodic reproduction of the original work with minor alterations is an operation which requires to be scrutinised with some caution to ensure that for which protection is claimed is really an original artistic work.*

This statement seems to disapprove of the idea that later iterations of a drawing in which copyright has expired could be used to effectively extend copyright protection. The Privy Council held in that case that later iterations of earlier works must have an "element of material alteration or embellishment which suffices to make the totality of the work an original work." [36]

This statement was rejected by the Full Court of the Federal Court of Australia in *Interlego v Croner Trading*[37] as it was seen to introduce a requirement of "novelty" to the standard of originality, which sits at odds with the Australian authority that "originality" in the context of copyright subsistence does not require inventiveness.[38]

Notwithstanding the low threshold for originality in the context of subsistence, it is established that originality in the context of infringement "has a broader aspect".[39] Therefore, a claim for infringement of a version of Mickey Mouse that contains both old features (in the public domain) and new features might not be straightforward, and there is an absence of Australian authority on this issue. Further, although foreign cases such as *Klinger* (referred to above) have considered this issue in the context of literary works, it is arguably more difficult to conceptualise an artistic work by reference to distinct visual features than a series of stories in which the characters have defined traits and backgrounds.

It is also worth noting that, as detailed above, along with the economic rights such as the right to reproduction, the moral rights in the Mickey Mouse character have expired. As with infringement of the reproduction right, those who plan to use the Mickey Mouse character as it enters the public domain should be careful not to materially alter or treat in a derogatory way a later iteration of Mickey Mouse in which moral rights still subsist. It is important to emphasise however that Disney has no recourse in respect of, for example, derogatory treatment of Mickey Mouse. Moral rights belong to the individual author and cannot be transferred to a company,[40] though in practice Disney could likely prevent such acts by joining the relevant author to infringement proceedings.

Protection of Mickey Mouse character through Disney's trade mark rights

In the absence of copyright protection, the name and likeness of Mickey and Minnie Mouse are still protected by trade mark rights. Providing registrations are maintained and are not attacked by third parties by way of an action for cancellation, trade mark protection can last indefinitely.

A trade mark is a mark or sign that a trader uses as a badge of origin, sometimes referred to as a "brand". When used as a trade mark, a mark will distinguish the owner's goods from those of other traders. The image of Mickey Mouse is a strong example of this. Although DISNEY is the company's main brand or trade mark, the image of Mickey Mouse has been used as a trade mark to signify Disney's business to such an extent that, upon seeing an image of Mickey placed upon goods or used in relation to services, consumers would instantly be aware that those goods or services are provided by Disney.

Infringement of registered trade mark rights is not as simple as use, without more, of a mark or sign for which another trader has gained registration. In the United States, infringement will depend on whether such use is likely to confuse consumers about the origin or trade source of the relevant goods or services in relation to which the mark is used. Trade mark infringement under Australian law, involves the following:

(a) a sign that is used as "use as a trade mark";

(b) the sign is substantially identical with or deceptively similar to a mark that has been registered as a trade mark; and

(c) the sign is used in relation to goods or services in respect of which the registered trade mark has been registered.[41]

Use as a trade mark

In order for a sign to be used as a trade mark, it must be used in the course of trade. Australian courts have interpreted

this to require that a sign or mark be applied to goods that are to be sold or capable of being sold, or to services that are capable of being supplied.[42] Use of the sign on goods or services must also signify to consumers that the goods or services to be supplied under the trade mark originate from the entity who has used the mark. Accordingly, by reproducing Mickey Mouse's likeness within, say, a journal article about copyright and trade marks, the author would not be attempting to use Disney's registered trade mark in the course of trade, and would not be suggesting that they are the owner of the Mickey Mouse brand.

Another example of use of a registered trade mark which was not considered to be "use as a trade mark" involved Greenpeace's reproduction of energy company AGL's marks in an environmental activism campaign in *AGL Energy Ltd v Greenpeace Australia Pacific Ltd* ("*Greenpeace*").[43] The Federal Court found that by using AGL's logo, Greenpeace was not promoting or associating any goods or services by reference to the mark, rather it was using the logo to refer to AGL and represent the company as the subject of criticism.[44] In contrast, reproduction of Mickey Mouse on merchandise such as clothing, footwear, or headgear to be sold, would likely infringe Disney's registered trade marks as use would be in the course of trade and to indicate to consumers that the supplier of the merchandise is the owner of the Mickey Mouse brand by virtue of the marks displayed on the goods.

Use in relation to registered goods or services

A further requirement for a finding of trade mark infringement is that the use must be on goods or in relation to services for which the relevant trade mark has been registered. Also in *Greenpeace*, the organisation was not found to have used the AGL logo in relation to any of the services for which AGL had registered its trade mark (which include fuels, energy brokerage, energy distribution and energy production). AGL sought to argue that Greenpeace's campaign could be categorised as "education", a service for which AGL's marks were registered, however this argument was rejected by the Court.[45]

In Australia, Disney currently has 19 registered trade marks which contain an image of a mouse, most being variations on the Mickey and Minnie Mouse characters, in both colour and black and white. The goods and services for which the marks are registered are quite broad, meaning that in practice, there are likely few ways in which the Mickey or Minnie Mouse marks may be used. Some are unsurprising, for example, motion picture films, books, drawings, clothing, footwear, headgear, games, toys, entertainment services, amusement parks, and live stage shows. Other goods and services within the scope of Disney's trade mark registrations are less obvious, such as shaving cream, scientific apparatus and instruments, fire extinguishing apparatus, type writers and office requisites, meat and processed foods including meat, fish, poultry and game, and cleaning preparations.

Australian trade mark no. 2313327
Australian trade mark no. 995399

The *Trade Marks Act* 1995 (Cth) also allows trade mark owners to restrain those who use their registered marks (or a substantially identical or deceptively similar mark) in relation to goods or services of the same description or that are closely related to those for which the mark is registered, and further, in relation to unrelated goods or services where the registered mark is "well known", where the fame of the mark is such that the allegedly infringing use would be likely to indicate a connection between the unrelated goods or services and the registered trade mark owner.[46] Given the fame of Mickey Mouse as a trade mark signifying Disney's brand, it is difficult to imagine a situation in which a sign that is substantially identical with or deceptively similar to that mark does not indicate a connection with Disney.

Defensive marks

It is clear that Disney's business extends far beyond film and television production. In circumstances where Disney has not, in fact, applied its marks to a category of goods or services for which it has obtained registration, it is possible that Disney has obtained registration for some of the more obscure categories on the basis of a "defensive" registration.

Due to the extent to which Disney has used its marks in relation to the goods and services for which they are registered, use in relation to other goods and services is likely to indicate a connection between those other goods or services and Disney. For example, even if Disney has never used its marks in relation to meat or poultry, if one were to apply the Mickey Mouse mark to a meat or poultry product, the extensive use that Disney has made of its marks in relation to other goods means that this use would be likely to indicate a connection between the meat or poultry product and Disney, thus entitling Disney to a defensive trade mark registration.

This will be easier to establish where the marks have been used in relation to related goods or services, for example Disney's *Mickeroni and Cheese* product registered under class 30 for "macaroni". Because of Disney's significant capacity for brand expansion however, it seems arguable that use of the Mickey marks on any goods at all would indicate a connection with Disney, so as to enable Disney to seek a registration of a defensive mark in relation to a wide array of goods and services.

Protection of a fictional character or brand through the Australian consumer law

Outside of copyright and trade marks, plaintiffs have been able to restrain the unauthorised use of fictional characters by third parties through the law of passing off and the Australian consumer law. In *Hogan and Others v Pacific Dunlop Ltd*,[47] actor of *Crocodile Dundee* fame, Paul Hogan was successful in his claims for passing off and misleading and deceptive conduct against leathergoods manufacturer Dunlop in relation to an advertisement for its Grosby "Leatherz" shoe. The advertisement featured a male actor dressed to resemble the Crocodile Dundee character who engages with an antagonistic "mugger" character in a scene said to resemble the famous "that's not a knife" scene from the *Crocodile Dundee* film. At first instance, [48] the Federal Court found that the advertisement gave rise to a misrepresentation that it was produced under a commercial arrangement with Hogan (and the other applicants) that did not exist, leading Gummow J to find that there had been both passing off and misleading and deceptive conduct under s.52 of the *Trade Practices Act* 1952 (Cth).[49] That finding was upheld on appeal.[50]

Burchett J commented on the appeal of character merchandising in the appeal judgment:

> *Character merchandising through television advertisements should not be seen as setting off a logical train of thought in the minds of television viewers. Its appeal is nothing like the insistence of a logical argument on behalf of a product, which may persuade, but also may repel. An association of some desirable character with the product proceeds more subtly to foster favourable inclination towards it, a good feeling about it, an emotional attachment to it.*[51]

His Honour's comments reflect the commercial value of a well renowned character which may be leveraged to create a strong connection between a brand and its customers.

Conclusion

The case of Mickey Mouse is an interesting lens through which to view the avenues for protection that brands may wish to utilise in respect of their valuable IP. Although the protection afforded by copyright will eventually fall away, and there remains ambiguity as to the extent to which copyright law can protect characters or other "fictional facts" in any event, in an Australian context, trade mark and consumer law, as well as the law of passing off can be called upon to fill the void. The limited period of copyright protection recognises that, at least for some time, authors should have the exclusive right to reproduce, publish, perform, communicate etc. original works they have created. Once that period has expired, those authors (or the entities that have taken ownership of an author's work) may take advantage of a more limited monopoly directed to preserving the good will and reputation of a brand or character they have taken the time to develop or register as a trade mark, as the case may be.

1 Partner, Senior Associate and Associate at Clayton Utz.

2 Nicole Hellmann, 'The Evolution of Mickey Mouse', *Walt Disney* (Web Page, 3 February 2020) <https://www.waltdisney.org/blog/evolution-mickey-mouse>.

3 *Copyright Act 1968* (Cth), s 31(1).

4 *Copyright Act 1968* (Cth), Part IX.

5 *Copyright Act 1968* (Cth), s 33; there are different statutory provisions with respect to copyright duration where the identity of the author is not known, and where the work is not made public.

6 *Copyright Act 1968* (Cth), s 93.

7 *Copyright Act 1968* (Cth), s 195AM.

8 *Copyright Act 1976*, 17 USC, s 302.

9 'Copyright Timeline: A History of Copyright in the United States' *Association of Research Libraries* (Web Page) <https://www.arl.org/copyright-timeline/>.

10 Alan K. Ota, 'Disney in Washington: The Mouse that Roars' *CNN* (Web Page, 10 August 1998) <https://edition.cnn.com/ALLPOLITICS/1998/08/10/cq/disney.html>.

11 Holly Lechner, 'Mickey Mouse – Finally whistling his way into the public domain' (2023) 14(1) *Cybaris: An Intellectual Property Law Review* 71, 87.

12 See *Copyright Act 1968* (Cth), s 33 in force until 1 January 2005.

13 *US Free Trade Agreement Implementation Bill 2004*.

14 Vintage Cartoons Channel, 'Plane Crazy' (YouTube, 22 June 2016) <https://www.youtube.com/watch?v=eJQMiUq1eKI&ab_channel=MickeyMouse>.

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16 Nicole Hellmann, 'The Evolution of Mickey Mouse', *Walt Disney* (Web Page, 3 February 2020) <https://www.waltdisney.org/blog/evolution-mickey-mouse>.

17 *Donoghue v Allied Newspapers Ltd* [1938] Ch 106, 109–10.

18 *Klinger v Conan Doyle Estate Ltd* 988 F.Supp. 2d 879 (N.D. Ill. 2013).

19 *Castle Rock Entertainment Inc. v Carol Publishing Group* 150 F.3d 132, 135 (2d Cir. 1998).

20 *Walt Disney Productions v Air Pirates* 581 F.2d 751 (9th Cir. 1978).

21 *Warner Bros Entertainment Inc. v RDR Books* 575 F.Supp.2d 513 (S.D.N.Y 2008).

22 *Shazam Productions Ltd v Only Fools the Dining Experience Ltd and Others* [2022] EWHC 1379.

23 *Shazam Productions Ltd v Only Fools the Dining Experience Ltd and Others* [2022] EWHC 1379, [111].

24 *Duncan v Australian Broadcasting Corporation* [2023] FedCFamC2G 993.

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40 *Copyright Act 1968* (Cth), s 190.

41 *Trade Marks Act 1995* (Cth), s 120.

42 *E&J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 244, [44]; *Dick Smith Investments Pty Ltd v Ramsey* (2016) 120 IPR 270, [117].

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49 *Hogan and Others v Pacific Dunlop Ltd* (1988) 83 ALR 403 424, 429.

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Do Australian Anti-circumvention Laws Harm Copyright Holders in the Audiobook Market and How Can the Laws be Improved?

Nancy Du[1]

Introduction

Anti-circumvention laws in Australia, amended to the *Copyright Act* 1968 (Cth) in 2006 with the intention of protecting rightsholders in the digital realm, merit a critical examination over a decade later. This article focuses on the effects of anti-circumvention laws in the audiobook market. It contends that these laws, which were initially meant to protect audiobook rightsholders against piracy and unauthorised access to their copyrighted material, now facilitate anti-competitive behaviour from major audiobook platforms. As a result, harm is inadvertently inflicted upon rightsholders.

The article illustrates how anti-circumvention laws have inadvertently transformed from protecting rightsholders to exploiting them through studying the actions of Audible, in particular "Audiblegate". Audiblegate exposes Amazon's underpayment of audiobook rightsholders through the company's manipulation of royalty structures. It demonstrates the intricacies of issues present in the audiobook market and reveals a pressing need for reform. This article argues that Australia's current legal framework, rather than strengthening legal protections for rightsholders, has become a tool for major audiobook platforms, in particular Audible, to manipulate and diminish those very protections. Beyond dissecting the problem, potential solutions are proposed to realign anti-circumvention laws to their initial, intended purpose. This article contends these laws can be changed to help rightsholders navigate the audiobook publishing landscape with equity and resilience, in the face of evolving technological challenges.

Background

The Emerging Prominence of Audiobooks

Over the past two decades, technological advancements have transformed the landscape of book publishing. When e-books were first introduced at the turn of the 21st century, it was speculated that they would dominate the industry. Nevertheless, audiobooks have since emerged onto the scene, overtaking e-books in revenue in 2019 to become the fastest growing section of the book publishing market.[2] The audiobook market grossed US$5.38 billion (about AU$8 billion) worldwide in 2022;[3] while this only makes up 3.82 per cent of overall book market revenue, the audiobook publishing market is projected to grow by 26.4 per cent every year over the next seven years. In comparison; the book publishing market (as a whole) is only projected to grow by 1.9 per cent per annum.[4]

The increasing popularity of audiobooks is further reflected in the magnitude of their consumer pool and their continued expansion. It is estimated that as of 2021, 45 per cent of the adult US population and 44.3 per cent of the adult English population had listened to audiobooks, with these percentages set to increase.[5] While the exact percentage of audiobook consumers among the adult Australian population is unclear, they similarly appear to be on the increase: in 2020, Nielsen BookData reported that 37 per cent of Australian audiobook consumers started listening to audiobooks within the prior 12 months.[6]

Currently in Australia, book authors wishing to produce and/or publish their books in audiobook format must typically rely on intermediary publishing services such as Author's Republic and Wavesound.[7] These intermediary publishers often become rightsholders to audiobooks in place of the authors, after which they work with major international audiobook retail platforms such as Audible, Spotify and Apple Books to ensure the audiobooks are available for purchase or borrow to a wide global audience.

Audible's Dominance of the Audiobook Market

There is no doubt that Audible, the online audiobook and podcast service and wholly-owned subsidiary of Amazon.com, Inc., is the single most dominant player in the audiobook retailing business. According to company profiles produced by *IBISWorld*, in the US in 2021, Audible made US$1.01 billion (about AU$1.5 billion) in revenue which accounted for 63.4 per cent of the audiobook market share, while its closest competitor Apple Books only accounted for 18.2 per cent.[8] Furthermore, Audible's dominance does not seem to be ceasing anytime soon, as reflected by Audible's share of the audiobook market growing by 57 per cent from 2018 to 2022.[9] While Audible takes up vast majority of the market share, it is only responsible for about 13.5 per cent of the total number of audiobooks published annually. This is particularly revealing in light of its major hold on market share: it suggests that per every audiobook published, Audible generates more than twice the amount of profit compared to the rest of the industry.[10]

Anti-circumvention Laws: Facilitating Anti-competitive Behaviour in the Audiobook Market and the Exploitation of Rightsholders

Audible has a stronghold on the audiobook market, both in terms its share of revenue and share of users. It does not appear that this will change anytime soon. This article argues that current anti-circumvention laws in Australia enable major audiobook platforms such as Audible to commit anti-competitive behaviour in order to maintain their economic dominance in the Australian market. Broadly speaking, these laws restrict interoperability among different platforms and encourage listeners to enter into "lock-in contracts", which substantially leverages the attractiveness of Audible as an established audiobook platform, ensuring it dominates and remains in control of the audiobook market.

Current Anti-circumvention Laws in Australia

Anti-circumvention mechanisms refer to laws that prohibit or restrict the circumvention of technological protective measures ("TPM") to use a digital good in ways that the rightsholder or policymaker do not wish to allow. In Australia, anti-circumvention legislation has been developed through a combination of transposing Article 11 of the WIPO Copyright Treaty ("WCT");[11] and Article 17 of the Australia-United States Fair Trade Agreement ("AUSFTA").[12] The WCT requires its contracting parties to provide adequate legal protection against the unauthorised circumvention of TPMs that are employed by authors in relation to their exercising of rights in respect of their works. The AUSFTA expands upon the WCT by elaborating on what is required to achieve adequate legal protection against circumvention. It specifies that any person who knowingly (or has been reasonably found to knowingly) without authority circumvent any TPMs to access a protected work be liable to penalties. Additionally, any person who manufactures, distributes, or otherwise offers to the public services or products with the purpose of circumventing TPMs may also be liable to penalties.[13]

These international obligations have been implemented in the US through section 1201 of the Digital Millenium Copyright Act ("DMCA").[14] The US legislation restricts two specific activities. First, the circumvention of TPMs implemented by copyright holders to control access to works (e.g., the unlawful bypassing of a keycode system employed to safeguard against unauthorised installation of licensed software). Secondly, barring specific exceptions, it forbids among others the manufacturing, distributing and offering to the public certain technologies, devices, or components designed for circumvention of TPMs.

In Australia, broadly similar legislation is found in section 116AN of the Copyright Act. The section entitles the copyright owner or exclusive licensee of a work to bring an action against a person who knowingly (or ought to reasonably know) does an act that results in the circumvention of an access control TPM to the protected work. Importantly, the Act considers and provides an exhaustive list of exceptions for when circumvention is used for certain purposes, including but not limited to: the interoperability of computer programs; safeguarding online privacy; and law enforcement and national security.[15]

Digital Rights Management: the Product of Anti-circumvention Laws

To understand how anti-circumvention laws can be leveraged by platform providers, the relationship between Digital Rights Management ("DRM") and anti-circumvention laws must be understood. DRM implements TPMs that lock digital content to the specific platforms that are authorised to distribute them. More specifically, DRM prevents protected content from being able to be copied, distributed and accessed via unauthorised platforms or in unauthorised ways. For example, Audible may implement its DRM to prevent a locally downloaded audiobook from being able to be played through the Apple Books app or Spotify app. The most common way DRM is implemented is through imposing platform-exclusive file formats on protected content. Audible has audiobooks saved using unique file extensions .aa or .aax, while Apple saves all of its audio files using unique file extensions of .m4a or .m4b.[16] These audio formats cannot be directly opened on platforms that are not Audible or Apple without first undergoing file conversion.

DRM has been ostensibly designed and marketed to audiobook rightsholders as a device to prevent copyright infringement, i.e., that it safeguards against piracy by eliminating the possibility for users to illegally copy and share the intellectual property of rightsholders. Nevertheless, it has not been DRM's effect in reality. Within a few searches on the internet, a dishonest individual listener can find various ways to circumvent TPMs implemented by DRM (e.g., through unauthorised file conversion) without much fear of legal repercussions – there are simply too many potential law-breaking users to monitor, and the penalty is not lucrative for the plaintiff.

While DRM does not hinder individuals with malicious intent, it does effectively halt lawful competitors in their endeavours. The individual designers and disseminators of tools that bypass TPMs may have the privilege of avoiding legal consequences, but audiobook publishing and distribution platforms aspiring to challenge the dominance of platforms such as Audible do not.[17] If a platform without authorisation manufactures a device or offers to the public a service that circumvents Audible's DRM with the intention of "obtaining a commercial advantage or profit", under current Australian anti-circumvention laws, it may be liable for a fine of 550 penalty units (or over AU$170,000) and a five-year prison sentence.[18] This is upon first offence. When Audible requires rightsholders who distribute on its platform to agree to the implementation of DRM on their audiobooks, it effectively sets up a protective shield for

Audible that smaller competing audiobook platforms have no way of penetrating without serious legal consequences.[19]

How Audible Controls the Audiobook Market through DRM

Just like Amazon has achieved with e-books through Kindle, Audible (and the associated Amazon ACX) have established themselves as the predominant distribution and retailing platform for audiobooks globally. While Audible may have taken charge of the audiobook market early with Amazon's consistent "first-mover" strategy,[20] it manages to maintain its grip on the market through the dual nature of its services: upstream to rightsholders as a publisher and distributor of audiobooks; and downstream to consumers as an online audiobook retailer.

Because Audible is a platform that connects both audiobooks rightsholders and users, it profits from an ongoing, self-contained "benefit loop". As Audible continues to attract more users, it becomes a more attractive, or even necessary distribution platform for rightsholders to rely upon, in order to access a sufficiently wide audience to market their audiobooks to.[21] Audible is able to leverage its dominance in accessing the audiobook user market to negotiate lower royalties or flat fees paid to rightsholders. It can exploit the net gain from these "saved costs" to sell audiobooks at more competitive prices than other platforms, making Audible an increasingly attractive option to users. In addition, as more rightsholders distribute their audiobooks through Audible compared to other platforms, Audible can distinguish itself as uniquely appealing to users by offering the widest selection of audiobooks. Users are frequently drawn to major platforms due to perceived lower risks, including reduced chances of financial instability or shutdown. Thus, the benefit loop repeats as more users subscribe to Audible, allowing the latter to have continued leverage in negotiating against rightsholders.

Crucially, we must recognise that DRM does not facilitate Audible's dominance by preventing competing audiobook platforms from selling the same titles – after all, most audiobooks are not published on Audible as Audible exclusives. However, the existence of DRM radically constrains the interoperability between different platforms since users cannot easily transfer their purchased audiobooks from one platform to another. For Audible's smaller competitors that are trying to lure Audible's existing (and continuously expanding) customers pool into switching platforms, this presents a significant difficulty to overcome. The competitor's service must be so enticing that users are either willing to abandon all their existing audiobooks that they have bought from Audible, or alternatively, be willing to operate many unwieldly (and potentially illegal) tools in order to manage their scattered audiobook libraries.[22] At the end of the day, most of us prefer to have our digital libraries in one place. Essentially, by relying on anti-circumvention laws, DRM enables Audible to lock in its customers and provides it with great momentum to continually expand.

On a seemingly bright note, Apple and Amazon have collaborated to allow interoperability between their platforms, Audible and Apple Books. This allows downloaded Audible titles to be listened to on a Mac or IOS device using the Apple Books app directly.[23] I note, however, that this interoperability is one-way, i.e., titles published on Apple Books cannot be downloaded and played on Audible. If anything, it further enhances the status of Audible as the audiobook platform of choice since its users will now find the platform more interoperable, but not vice versa. Lastly, while Apple Books also benefits from this collaboration, it itself is a major player, being second largest in the audiobook publishing market. Apple Books poses a threat to smaller competitors and holds negotiation advantage over rightsholders in similar ways to Audible. In essence, to foster healthy competition, there needs to be interoperability between major audiobook retailing platforms and smaller ones.

The effect of Audible's self-serving benefit loop has had on the audiobook market is demonstrably enormous. Audible's dominance at both ends of the market is clear. In relation to consumers, Audible has a monthly user volume of 27.3 million as of May 2023.[24] While the exact statistics in Australia are unknown, in the US, almost half of all audiobook listeners (49 per cent) use Audible as their listening platform, with other platforms such as Kobo and Spotify being substantially less popular.[25] In relation to rightsholders, as previously discussed, the difference between the share of audiobook publishing market held by Audible and the market's next best competitor, Apple Books, is more than a mammoth 40 per cent.[26]

Despite all this rightsholders continue to publish and distribute with Audible. It is regarded as the platform with the biggest audiobook depository, cataloguing more than 200,000 titles, a noticeably bigger selection than that of its major competitors.[27] I note that Spotify has very recently initiated competition, at least in terms of catalogue size with Audible, by launching in the US "200,000+ audiobooks included with Premium subscription".[28] Spotify Premium subscribers are able to access all at once the entirety of Spotify's audiobook catalogue; however, they are only entitled to 15 hours per month of "free listen" before they are prompted to pay for additional hours or purchase individual audiobooks outright.[29] Whether this model of audiobook service can compete with Audible's is yet to be seen, and how audiobook rightsholders are compensated under Spotify's hybrid rental model remains unclear.

Audible Exhibits Signs of Anti-Competitive Behaviour

Ascertaining whether Audible has engaged in anti-competitive behaviour in the audiobook market requires a vast amount of data gathered over long periods and is outside the scope of this article. Nevertheless, this article argues

that Audible exhibits clear indications of anti-competitive behaviour in the audiobook market. This article will focus on Audible's use of DRM, pricing strategies, and the issue of Audible Exclusives.

According to the Australian Competition & Consumer Commission ("ACCC"), conduct by businesses may be considered anti-competitive and potentially illegal, where competition is substantially lessened.[30]

First, as discussed previously, Audible's utilisation of DRM, ostensibly implemented in the name of protecting the intellectual property of rightsholders, has significant implications for consumer choice and competition in the audiobook market. The proprietary DRM employed by Audible creates a closed ecosystem, making it challenging for users to migrate seamlessly to other audiobook platforms. This deliberate strategy substantially increases switching costs for audiobook users and effectively forces users to enter into lock in contracts with Audible. The resulting lack of interoperability substantially lessens the competition Audible faces by inhibiting users from exploring alternative audiobook platforms easily. This intentional move by Audible to stifle the growth of other platforms may be considered anti-competitive behaviour.

Secondly, although the exact composition of the audiobook market in Australia is unclear, it is likely similar to that of the US, where Audible has substantial market power through owning a majority of the market share. As previously discussed, Audible's size and established user base grant it significant negotiating power with the rightsholders of audiobooks. Audible functions both as an online marketplace for audiobooks and a subscription-based service. In the latter, Audible gives its users one or more credits per month to purchase audiobooks from its catalogue outright, and browsing access to the entire catalogue as long as they remain subscribed. Audible subscribers are frequently treated to audiobook deals, oftentimes on best-sellers and classics, that range from US$3 to US$5 (about AU$4.50 to AU$7.50). This is available because Audible is able to negotiate highly favourable terms with rightsholders, which creates challenges for less established audiobook platforms to secure competitive pricing, at least relative to the size of their catalogue on offer. This pricing disparity produces an uneven playing field and impedes the ability of other smaller platforms to attract and retain customers, which in effect substantially lessens competition and therefore may constitute a misuse of market power.[31]

Thirdly, rightsholders distributing with Amazon ACX are given two options: they are offered a "royalty" of 40 per cent if they choose to exclusively distribute to Audible, or a lower "royalty" of 20 per cent if they choose to retain their rights to distribute on other platforms.[32] Audiobooks that are published exclusively on Audible are marketed as "Audible Originals". The presence of audiobooks exclusive to Audible raises questions about its impact on market dynamics and competition. By securing exclusive agreements with audiobook rightsholders, Audible denies the availability of potentially best-selling Audible Originals on rival platforms. While exclusivity is a common and legal practice, the scale and influence of Audible in the audiobook market means that there may be a concentration of best-selling or classic titles exclusive to Audible. For example, as of February 2023, audiobooks of the Sherlock Holmes novels and the Jane Austen Collection read by various famous celebrities are all exclusive to Audible.[33] Fair competition may be undermined by limiting the titles available to users who may prefer alternative platforms. This unbalanced competitive landscape implicates the ability of smaller players to attract and retain users, which can substantially lessen competition and therefore may constitute anti-competitive exclusive dealing.[34]

In summary, the abovementioned practices collectively contribute to an environment where Audible's dominant position in the audiobook market can be leveraged to stifle competition, restrict user choice, and potentially create barriers for new entrants. Regulatory scrutiny and industry discussions will likely be required to assess whether Audible's actions align with fair competition principles and whether legislative intervention is necessary to ensure a more level playing field in the audiobook market.

How Audible Exploits and Harms Audiobook Rightsholders

As established above, Audible is able to maintain its stronghold on the audiobook market through its use of DRM to restrict interoperability between platforms and lock in its existing and growing user base. Anti-circumvention laws give effect to DRM and therefore indirectly and inadvertently facilitates Audible's dominance. But how exactly does Audible use its dominant position within the market to take advantage of authors?

To start, Amazon ACX offers rightsholders 40 per cent royalty on their audiobook if they agree to publish it exclusively to Audible – and be locked into the platform for seven years,[35] and just 25 per cent royalty if publication is non-exclusive. This article argues that Amazon ACX/Audible has the power at large to arbitrarily dictate these royalty percentages, as it maintains a monopsony-like hold on the audiobook market through having almost 64 per cent of the market share.[36] This means that Amazon ACX, in practice, can almost function as if it were the only buyer in the market; as a result, it is able to control demand and dictate the price of the market.[37] Prima facie, the royalties that Amazon ACX offer are already significantly lower than other notable audiobook publishing services, such as Findaway Voices, which offer 80 per cent royalty.[38]

In addition to offering low royalties, nothing is as it seems upon closer inspection. For context, these so-called "royalties" paid to rightsholders by Audible fall under three different categories. The first category of royalty is on sales where an Audible subscriber uses their credit to purchase an audiobook; this category of royalties paid saw a dramatic

increase percentage wise in the wake of Audiblegate.[39] The other two categories are royalties on sales to non-subscribers and on sales to subscribers that did not pay with their credit.

The first category of royalty makes up for the majority of rightsholders' earnings. Audible offers a "Great Listen Guarantee", marketed as a free return or exchange scheme to its subscribers. The scheme was driven by Audible's robust marketing of subscriber benefits, effectively offering subscribers unlimited access to Audible's entire catalogue of audiobooks for US$14.95 (AU$22.30) per month. While this was a compelling deal for Audible's users, the unmonitored use of the Great Listen Guarantee scheme essentially saw it being transformed into a perpetual "borrow then return" library scheme, where users could continuously return an old, purchased audiobook in exchange for the original credit to purchase a new audiobook within the same month.[40]

Amazon ACX "explains" to rightsholders of audiobooks how it all works on its "how much will my audiobook sell?" page.[41] It leads rightsholders to believe that their royalties will be based on the retail price of their audiobooks which may occasionally be subject to promotional discounts. This is not the reality. Royalty is calculated on "net sales", a figure has likely been significantly manipulated by Audible and often amounts to only 50 per cent of the original retail price.[42] Manipulation of "net sales" is easy: if a subscriber "purchases" an audiobook using credit but later returns it under the Great Listen Guarantee scheme, the net sale in that instance for the audiobook would be zero. During Audiblegate, it was exposed that Audible had been actively encouraging its subscribers to return audiobooks via marketing emails, and had even installed pop-up prompts within in the app encouraging listeners to exchange upon completion of an audiobook.[43] Let us proceed on the premise that "net sales" are typically only 50 per cent of the advertised retail price. In that case, in reality, an author who has agreed to sell their audiobook, even if exclusively on Audible, may only be entitled to roughly 20 per cent of the retail value of their audiobook per sale. This is based on the calculation that an author will receive 40 per cent of the proceedings from "net sales". Effectively, an Audible exclusive rightsholder is only receiving around a meagre 20 per cent true royalty when 40 per cent royalty had been advertised to them; and a non-exclusive rightsholder just 12.5 per cent compared to the 25 per cent advertised.

There is no justification for Audible to take 80–90 per cent of the profit made per audiobook sale. Audible/Amazon ACX is solely a distributor and vendor of audiobooks and not involved in the production process. Despite this, Audible is able to abuse its power of being the most dominant force within the audiobook publishing market to blatantly exploit rightsholders because they have little other choice. It is estimated that the average book author invests thousands of dollars in producing an audiobook version of their work.[44] Without using services like Amazon ACX, they are unable to access the mass market of audiobook listeners to enable them to make a profit or simply break even from their investments.

Likewise, authors and other rightsholders alike may feel like they are forced to turn a blind eye to the complete lack of transparency in how their renumeration is calculated. The reasoning behind the use of "net sales" for royalty purposes and why it results in a near 50 per cent reduction from an audiobook's retail price remains unclear. Where Audible has attempted to explain how renumeration is calculated for rightsholders, the answers have been inconsistent and unconvincing.[45]

Audiblegate and its exposure of the remuneration structure of Audible (and likely, casting doubt on the remuneration structure other major audiobook platforms) significantly implicates the viability of audiobook production for independent and smaller rightsholders. When adjusted for the true royalty that rightsholders receive, the required sales volume of audiobooks to break even dramatically increases. This can present a considerable hurdle for rightsholders to recoup their investments and discourage them from producing their books in the audio form.

Furthermore, Audiblegate sheds light on the harm suffered by book authors due to the severely unbalanced dynamics between Audible and rightsholders. Audible, leveraging its monopsony-like power maintained through DRM and the misuse of anti-circumvention laws, prevents authors outright from seeking fair and equitable compensation for their creative labour. The authors appear to have little to no negotiation power in the situation.

How Should Current Australian Anti-circumvention Laws be Improved?

It is clear that audiobook platforms such as Audible have been misusing anti-circumvention laws to enforce DRM in ways that harm rightsholders. While the case study of Audiblegate discussed herein is primarily based in the US, I note that anti-circumvention laws in Australia closely mirror that of the US. Therefore, there is little doubt that current anti-circumvention laws in Australia require some changes to mitigate the impact of similar behaviour on Australian rightsholders. This article proposes four potential solutions:

(1) removing or amending the sections relating to anti-circumvention in the Copyright Act;

(2) expanding the interoperability exceptions circumventing TPMs to include the transfer of legally and personally owned digital works;

(3) implementing mandatory transparency requirements; and

(4) implementing mandated interoperability requirements.

Change the Relevant Sections of the Copyright Act

Striking out sections 116AN, 116AO and 116AP of the Copyright Act, relating to the circumvention of TPMs and the manufacture and provision of circumvention devices may be a solution. While it appears extreme, scholars have suggested that striking out section 1201 of the DMCA (the US equivalent the aforementioned sections) is a viable solution since there are already sufficient US laws in place safeguarding against copyright infringement.[46] It could be argued that the same applies in Australia. The Copyright Act already prohibits copyright infringement of an original literary work in all its formats – physical, digital or audio in various ways. These include: doing without authorisation the acts comprised in the copyright, including reproducing the work in a material form and communicating the work to the public;[47] and infringement through sale and other dealings.[48] It is more than likely that individuals and audiobook platforms wishing to circumvent TPMs to access audiobooks for purposes other than interoperability will be caught under one of the infringement sections.

More importantly, Australian anti-circumvention laws were developed under Article 11 of the WCT. Article 11 expressly states that contracting parties must give adequate legal protection and effective legal remedy to "authors in connection with the exercise of their rights".[49] The preamble of the WCT declares that among the purposes of the WCT is to "develop and maintain the protection of the rights of authors in their [works]…".[50] It is unequivocal that the purpose of Australian anti-circumvention laws is to prioritise the protection of rightsholders; in fact, the intention of these laws at the time it was amended to the Copyright Act was to protect authors (and rights holders) from piracy of their copyrighted material. Nevertheless, the context in which anti-circumvention laws exist has changed significantly due to the rapid advancement of technology. This article has demonstrated that these laws are now being deliberately misused by entities such as Audible, under the guise of copyright protection, to achieve the exact opposite of what they were intended – exploiting and harming rightsholders by reducing their renumeration and negotiation power. Therefore, it may be argued that sections 116AN, 116AO and 116AP of the Copyright Act are outdated and should be removed.

It is worth noting that, from 2016, the Electronic Frontier Foundation has been suing the US Government on the grounds that section 1201 of the DMCA is unconstitutional and needs to be overturned.[51] While the case is slow in progressing, if successful, there may be strong incentive for Australia to reform its corresponding anti-circumvention laws, as it is bound with the US by the AUSFTA.[52]

As an alternative, scholars have also suggested amending anti-circumvention legislation to only target instances where there would be copyright infringement.[53] By narrowing the scope of what is caught, these laws can more precisely address the infringement of copyright, such as circumventing TPMs for the unauthorised reproduction and distribution of audiobooks, while safeguarding legitimate uses, including promoting interoperability, such as circumventing TPMs to move an audiobook library from one platform to another.

Expand the Interoperability Exceptions in the Copyright Act

Sections 116AN, 116AO and 116AP of the Copyright Act all provide interoperability exceptions in which circumventing TPMs to enable an act that relates to a non-infringing copy of a computer program may be legal, if it is for interoperability purposes.[54] However, the scope of these exceptions is currently limited to computer programs. A potential improvement to current anti-circumvention laws would be to extend the exceptions to allow users to circumvent TPMs to access and transfer their legally purchased digital content for interoperability purposes. In other words, the breaking of DRM by audiobook listeners on their legally purchased audiobooks should be made explicitly legal, in order to facilitate the platform interoperability that big corporations like Apple and Amazon are trying to prevent.[55]

Unlike striking out anti-circumvention laws entirely, this approach offers a more moderate solution but still re-instils the original purpose of the laws – to protect rightsholders. This approach may also alleviate concerns that the complete removal of anti-circumvention laws could potentially expose widely popular copyrighted digital works such as best-selling music and movies to heightened risks of piracy.

Implement Mandated Transparency Requirements

Additionally, mandatory transparency requirements can be imposed on big corporations and audiobook platforms to increase their accountability and allow scrutiny from rightsholders and the public. Audible should be required to shed light on the intricacies of its pricing structures, royalty schemes and so on. Publishers in general can also be required to report on all income categories in their royalty statements to authors so the latter can ensure they are being rightfully and comprehensively renumerated.[56]

Encouraging transparency may also have positive flow-on effects. In the long run, healthy competition amongst Audiobook platforms may even encourage such platforms to voluntarily increase transparency in revealing how their pricing structures and royalty schemes are constructed. Rightsholders will most definitely benefit from a more transparent environment, where platforms vie for content by offering fairer compensation. Ideally, transparency will ensure that rightsholders are protected and book authors receive equitable remuneration for their creative efforts, fostering a more sustainable and rewarding relationship between authors, rightsholders and audiobook platforms.

Implement Mandated Interoperability

Lastly, implementing mandated interoperability appears to be a promising solution. The Australian Government can

mandate audiobook platforms to adopt certain standards or interfaces. For example, requiring that Audible provides its users with the option to export their licenses into a format that is readily transferrable to other listening platforms. In the US , regulations from the Federal Communications Commission require that phone companies operating in the US supply standardised interfaces to independent long-distance carriers.[57] It is perhaps positive news that mandated interoperability appears to be accumulating political traction. In 2020, the European Union, in its proposed Digital Markets Act and Digital Services Act, mandated interoperability to apply in app stores and other platforms where "supplier squeezing bottlenecks" may occur.[58] In the same year, the United Kingdom released a report recommending similar measures while the US made an attempt to mandate interoperability among the largest social media companies.[59] Australia may well have the opportunity to pursue a comparable path to ensure a more open and interoperable audiobook market.

Encouraging mandated interoperability could potentially lead to many positive results. By allowing users to break DRM on legally acquired audiobooks for interoperability purposes, rightsholders of audiobooks stand to gain from increased market outreach, facilitated by the stronger ability for users to access and transfer their audiobooks across various platforms. This expanded accessibility could lead to increased sales and exposure for rightsholders and authors, ultimately boosting their presence, and more importantly, their bargaining power in the audiobook market.

Furthermore, these proposed changes would foster a more competitive market by enabling smaller, independent audiobook platforms a chance to thrive. Currently, the dominance of major players like Audible limits the practical choices available to rightsholders for distribution. Allowing interoperability could empower smaller platforms, encourage healthy competition among platforms, and provide rightsholders with more diverse, ethical publication options. In the long run, it may even disintegrate the monopsony-like hold of Audible on the audiobook market and lead to fairer royalty structures.

The abovementioned improvements all strive to create a more equitable publishing and retailing landscape for literary works. Rightsholders would benefit from having greater control over the distribution of their works. The current restrictions imposed by DRM and anti-circumvention laws may limit rightsholders' ability to dictate how and where their audiobooks are accessed, and the proposed changes would empower rightsholders, allowing them to determine the services that best align with their goals and values, ensuring their creative works reach the widest possible audience, or the audience they intend to reach.

Furthermore, such changes may encourage innovation in the audiobook distribution and publication space. Smaller audiobook platforms, no longer burdened down by the unfair competition facilitated by anti-circumvention laws, could innovate unique features or services that attract both rightsholders and audiobook users. Innovation could result in a more dynamic and rightsholder-friendly ecosystem, empowering rightsholders by providing them with diverse and innovative ways to present their audiobooks to the public.

Limitations

Acknowledged here are various limitations of this article that shape the scope and applicability of my conclusions.

One of the major limitations inherent in this article is its almost exclusive reliance on US or global data relating to the audiobook market and Audible. In particular, there is no available information pertaining directly to Audible, such as its market share, revenue, and proportion of total audiobook user base in the domestic Australian audiobook market. This article assumes that the market share distribution amongst audiobook platform providers in the US broadly reflects those in Australia. It also assumes Audible's level of dominance as an audiobook distributor/online retailer in the US is broadly reflected in Australia. However, the inherent variations in consumer behaviour, market dynamics, and competitive landscapes between the two countries will most likely impact the generalisability of the US findings to Australia. The analysis on whether Audible's behaviour in Australia shows anti-competitive tendencies and whether its implementation of DRM harms Australian authors' rights is therefore conducted on a speculative basis, which may affect the accuracy of the conclusions drawn.

Another limitation is the implied assertion that Audible has dominance in the audiobook market globally, without undertaking an exhaustive examination of each region. In particular, it has been suggested that many parts of Europe may have different audiobook market hierarchies, with platforms such as Apple Books enjoying greater popularity and market share.[60] While this article assumes that the audiobook market in Australia most closely resembles that of the US, due to the two nations' perceived geopolitical similarities, it nevertheless casts doubt on whether data from US audiobook markets can be fully transferrable to the situation in Australia.

The second major limitation of this article is its exclusive focus on how Audible's market practices may impact rightsholders. I do not comprehensively explore the broader landscape of major audiobook distributors and their mechanisms. For example, Findaway Voices, a subsidiary and audiobook publisher of Spotify, has a royalty scheme that purportedly aligns with Audible's pricing structure in that they both falsely represent a substantially higher royalty percentage to rightsholders than what they actually receive.[61] My focus on Audible may inadvertently portray it as the sole "bully" in the audiobook market, neglecting other influential platforms such as Apple Books and Spotify. Future research would require a more holistic approach, examining the practices of

multiple major players to present a nuanced portrayal of the effects of anti-circumvention laws in the audiobook market.

Lastly, this article confines its investigation solely to audiobooks, overlooking the broader impact of anti-circumvention laws and DRM on the rightsholders of a diverse range of digital content, such as e-books and music. To assume that challenges akin to those faced by rightsholders in the audiobook market manifest identically in all these parallel digital markets likely oversimplifies their complexities. The broader implications of the monopolistic behaviours of major platform providers in their respective digital markets, and the impact of anti-circumvention legislation on these markets warrant separate, nuanced examinations. This article presents only a small corner of understanding of the challenges faced by content creators and rightsholders across the digital landscape.

Conclusion

The remarkable ascent of audiobooks globally is mirrored in Australia, where technological strides have transformed the reading experience. Audiobooks, once seen as a niche market, have overtaken e-books in revenue, and look to be on a promising trajectory. Audible's commanding presence in the audiobook market appears indisputable. It dominates in market share, accounting for 63.4 per cent of market revenue in the US in 2021. This article argues that Audible has a strategic hold on the industry; its dominance is bolstered inadvertently by the unintended effects of anti-circumvention laws. These laws, enacted to protect rightsholders and authors, ironically contribute to Audible's market stronghold by inhibiting interoperability among platforms.

Anti-circumvention laws have inadvertently created an environment that allows Audible to establish "lock-in contracts" with users. The implementation of DRM under the umbrella of these laws makes it costly and inconvenient for users to switch platforms, which in turn fosters Audible's market monopoly, and allows it to abuse its powers at the cost of rightsholders.

Scrutinising Audible's practices reveals signs of potential anti-competitive behaviour. From strategic DRM use to the offering of exclusive deals, Audible's tactics have the potential to substantially lessen market competition. Rightsholders, as crucial contributors to the audiobook ecosystem, face direct exploitation. It is evident that there is urgent need to address the misuse of anti-circumvention laws by platforms like Audible. While Audiblegate originated in the US, this article suggests that its implications for Australian rightsholders cannot be ignored, given the close resemblance of anti-circumvention laws in the two nations.

This article proposes improvements that aim to rectify the existing legal framework and improve protection of rightsholders in the audiobook market. These improvements include making changes to sections within the Copyright Act relating to anti-circumvention laws, extending the interoperability exceptions, and imposing mandatory interoperability and transparency requirements. This article suggests that the Australian Government could draw inspiration from international examples and align itself with global trends advocating for interoperability regulations in various digital markets, promising a more open and competitive audiobook landscape.

These proposed changes hold substantial promise for authors, rightsholders, users, and the audiobook market at large. The increased market outreach facilitated by breaking DRM for interoperability could enhance rightsholders' bargaining power, ultimately leading to fairer remuneration structures. The dismantling of Audible's dominant position in the audiobook market can pave the way for smaller platforms to thrive, fostering healthy competition that benefits rightsholders and users alike. Transparency among platforms would also necessitate fairer compensation, ensuring rightsholders authors receive just remuneration for their effort and creative endeavours.

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Patent Trolls in Australia: Beware the Claws of a Toothless Tiger

Panayiotis Xenos[1]

Introduction

In 2015, a submission to the Australian Productivity Commission's ("APC") *Inquiry into Intellectual Property Arrangements* was filed by (now Distinguished Emeritus Professor) Dianne Nicol and (now Professor) Jane Nielsen in response to a wide array of intellectual property related matters. As part of its findings, the authors conclude that whilst "patent trolls" do not present an immediate risk to the integrity of the Australian patent markets, constant vigilance is still warranted.[2] This article will concur with the findings presented in this submission and articulate in more granular detail why watchfulness is necessary by examining the role of these entities in the Australian context. The analysis herein will involve two components.

What constitutes a "patent troll" will first be defined before an assessment of the risks and value they provide to a patent market. I argue there can be a legitimate role for these entities, provided that regulators maintain a discerning eye on developments in their business practices. Such developments include introducing AI assisted enforcement procedures into patent troll business models.

The relationship between patent trolls and Australian policy will then be analysed. By examining deficiencies within US policy responses, the commercial and regulatory incentives that allow patent trolls to undermine the integrity of local markets can be better understood. It is important to acknowledge that the volume of patent registrations in Australia is not comparable to the US, providing less fertile nesting grounds for trolls. However, this comparative study is important in demonstrating one of the key findings of this article; the underappreciated versatility of Australian policy frameworks in checking the excesses of the patent troll business model.

This conclusion is important in shaping how we understand Australia's policy underpinnings and informing future policy outlook, given the limited Australian case law and peer reviewed academic literature published on the topic. Rather than policymakers passively resigning themselves to the vicissitudes of market conditions, it encourages continued proactivity in anticipating future policy concerns regarding patent trolls, as outlined in this article. After all, even a "toothless tiger" can still pose a threat if we ignore it for long enough.

The Nature of Patent Trolls

"Patent Trolls" – What's in a Name?

Defining "patent trolls" is important for two reasons. First, the parameters of this article need to be determined. A failure to define these entities appropriately can stifle attempts to enshrine policy responses into legislation; a lesson hard learned by US Congress.[3] Typically, patent trolls refer to companies that own a patent with no intention of developing the underlying product or method.[4] Whilst this definition seems simple yet comprehensive, it hides numerous possibilities for who counts as a patent troll.

For instance, companies can form trusts with patent management companies enforcing patent rights in their capacity as trustee. Furthermore, a parent-child company relationship is a common corporate structure where, for the purposes of administrative streamlining, the child company is the registered owner of all patents, and will enforce those rights as instructed by the parent company.[5] Additionally, universities and research centres do not aim to mass produce the underlying inventions in their patents, yet one would struggle to find respected academics labelling them "patent trolls".[6] Interestingly, Professor Dianne Nicol, co-author of these submissions, also suggested, when defining patent trolls, there is an implied subjective component that is reminiscent of the "clean hands" requirement in equity, though what this looks like exactly is unclear.[7] Consequently, this article will be confined to entities that seek to aggressively commercialise their assets without any independent production or research and development. The discussion will be relevant both when examining the business practices of patent trolls, and when discussing the APC submission authored by Nicol and Nielsen.[8]

The second reason is that nomenclature can prejudice policy outlooks. The moniker "patent troll" betrays the contempt of policymakers towards it, yet its popularity, and brevity, means this article uses the term but it is worth acknowledging the implicit bias the term foments. Also, other labels can be problematic. "Patent shark" and "patent parasite" present similar issues to "patent troll".[9] "Patent holding company" and "patent assertion entity" ("PAE") are problematic for four reasons. First, holding and asserting patents are a regular

part of any functioning company dependent on patent's underlying product or method. Secondly, individuals, as well as companies, can demonstrate patent-troll-like behaviours. Thirdly, as mentioned above, this label embraces too many inappropriate categories, such as universities and research institutions.[10] Finally, some may consider this label too soft and dismissive of the risks they present.[11]

Business Practices

In his paper analysing trolls' behavioural proclivities, Valerio Poce highlights that patent trolls typically have tripartite enforcement strategies. First, they attempt to cordially negotiate a licencing agreement. Failing this, they pursue a "spray-fire" approach of forceful litigation that is broad in scope.[12] Finally, if the patent is in a nascent industry, trolls may tactically delay enforcement to maximise returns, or target related parties in a production chain.[13]

This summary is helpful, yet incomplete in four ways. First, it is worth clarifying that these attempts at negotiating a licensing arrangement are rarely done in good faith.[14] Poce insinuates but never outright acknowledges the high-pressure tactics and intimidation used by these entities to reach a swift settlement.[15]

Secondly, since patent trolls lack the capacity to produce products or methods themselves, cross-licensing is not an available option during these negotiations. Hence, the scope for an agreement is relatively narrow, and would likely result in an exercise of equal parts haggling and intimidation.[16]

Thirdly, laches may aid early-stage research industries looking for protection from trolls' delaying tactics. However, finding evidence that a patent troll's delay in defending its rights was premeditated can be difficult. Furthermore, laches have not been explored much in Australian jurisdictions in the context of patent troll enforcement.[17] Hence, its usefulness is uncertain.[18]

A final characteristic worth examining is how patent trolls acquire their holdings. Typically, academic literature has suggested that these entities purchase patents from distressed or insolvent companies at heavily discounted prices.[19] Whilst this is true in many cases, empirical data in a 2016 study by Assistant Professor Josh Feng and Associate Professor Xavier Jaravel on the behavioural patterns of patent trolls has shed new light on the topic (see Appendix 1 below).[20] The study first assesses the patent classes where patent trolls are most active – mainly computer software and hardware.[21] Then, it examines who the original owners were of patents that have since been acquired by patent trolls. These findings highlight that a sizeable portion of patent purchases are made from insolvent companies. For example, according to the study, 806 patent acquisitions were made from Eastman Kodak alone by patent trolls. However, a similar number of acquisitions are made from firms that are a going concern but seeking to dispose their "vaguer", "more obvious", and older patents. Examples of these types of companies include Nokia, where the study notes that 322 patents were bought by patent trolls, and Matsushita Electric Industrial Co. Ltd (now known as the Panasonic Corporation), where 256 patents were acquired by patent trolls).[22]

Whilst the table in Appendix 1 below includes observations that were part of a 2016 study, these figures are important as they provide insight into where patent trolls are typically acquiring their portfolio of assets – a figure that is not frequently measured in academic literature. The usefulness of this data is twofold. First, it highlights that a significant number of registered patents that patent trolls purchased are from financially distressed companies. As such, this highlights one of the legitimate merits for the presence of patent trolls; namely, liquidity, as will be discussed in more detail below. Secondly, and contrary to popular imagination, it demonstrates that insolvent companies are hardly the only source from which these patent trolls draw water. Rather, patent trolls also accumulate a significant portion of their holdings by acquiring the patents that have been shed by healthy companies that are merely streamlining their own patent portfolio in the ordinary course of business. If Australian policy is to continue drafting effective and proactive solutions that minimise the risks that patent trolls pose, then understanding their motivations and behavioural patterns is an essential first step.

Evaluating the (De)Merits of Patent Trolls

It is important to note two risks that patent trolls pose to markets. The first and largest risk is that they disincentivise technological innovation by creating "chilling" effects on market participants. A 2019 study found a causal relationship between the number of patent troll lawsuits filed and the number of US public companies de-listing.[23] This chilling effect was most prevalent in more vulnerable businesses and in industries experiencing negative market sentiment. Whilst some of these de-listings were voluntary, the majority were due to the firms' failures to meet listing requirements partly due to these litigations.[24] Over a period of two decades, the cost to defendants was on average US$25 billion (about AU$37 billion) per year in the US alone.[25] The sheer unpredictability of whom exactly patent trolls will choose to litigate against, and the "black swan" nature of these lawsuits can create unacceptable levels of uncertainty.[26] This disincentivises market participation and the development of new products and methods.

The second risk is that patent trolls can create unnecessary burdens on public institutions. Patent trolls can strain public resources in two ways. [27] First, they can stall the patent application process, by disputing a patent's validity at the point of registration. Alternatively, through intense, widespread and often frivolous litigation, they can cause substantial backlogs in the judicial system, hindering access to justice for more earnest claims.

On the other hand, there are three merits affirming patent trolls' legitimacy that are worth highlighting. The first is that patent trolls can incentivise further innovation.[28] A study by Associate Professor Noel Maurer and Professor Stephen Haber suggests that patent trolls (or PAEs) typically spend twice as much on research and development as a percentage of revenue compared to average large technology companies.[29] Moreover, most of the patent troll firms lost money over the 17 year period of the study. This rejects the idea that patent trolls provide a more financially attractive commercial proposition than being a conventional producer thus incentivising further innovation. Furthermore, even if the patent troll business model were sustainable long term, their focus on (predominately) the IT sector, a constantly evolving industry, means patents can quickly become obsolete from further innovations. Whilst the data is five years old and uses a limited sample size of 26 firms, it nonetheless provides valuable evidence supporting this argument.

Secondly, patent trolls provide liquidity for financially distressed companies.[30] Intellectual property rights are intangible by nature, making both their valuation and liquidity fickle. Patents are hardly an exception. Hence, in the event of a company's insolvency, assets can be disposed of with a greater profitability to the vendor allowing for the freer flow of capital.

Thirdly, patent trolls may provide more balanced power positions in certain licensing negotiation situations.[31] For example, if inventor A were to licence his or her patent to company B, the bargaining power would be heavily tilted in B's favour due to A's lack of financial resources.[32] However, if that inventor sold their patent to patent troll C in exchange for equity in C, then this would likely increase A's bargaining power when on-licensing the patent to B. This in turn can support both inventors with less entrepreneurial experience and those that "are relatively more sensitive to financial losses" as Haber argues.[33]

However, this is a highly situational argument, and ignores the behavioural tendencies of patent trolls highlighted in this article. Specifically, it disregards the fact that most patent trolls purchase patents from companies in insolvency or entities looking to streamline their patent portfolio.[34] It also assumes that the original inventor will have a say in how the patent troll entity manages his or her inventions. Moreover, the academic literature supporting this argument is both scarce and not recent.[35]

The research on this debate shows no clear consensus. Such inconclusiveness suggests an equilibrium exists (albeit a precarious one). This is important in evaluating their role ceteris paribus before examining its relationship to Australian policy. Furthermore, should the threats they present evolve or become too voluminous, this balance may be skewed. This is why potential developments of patent troll practices are explored below.

Patent Trolls and AI

This section will discuss the possibility of patent troll entities using AI software as part of their enforcement strategies. In such a situation, the AI could rapidly survey internet sources as an initial screener for possible infringements. AI is already capable of reducing "informational costs" (i.e., the costs of determining the patent's validity and scope) that act as catalysts for patent trolling.[36]

More recently, StratioBD Inc in California has developed an AI program that refers to a database of designs and inspects suspected infringements for visual similarities.[37] It seems likely that patent trolls, who typically apply a "spray-fire" litigation approach, would greatly benefit from such innovations. Transferring this technology from being used for designs to be used for patents is not hard to envision. The risks are that it may lead to frivolous or vexatious claims and further burden the judicial system. However, lawyers are understandably reticent to rely on AI for legal advice.[38]

Exploring these developments provides concrete examples of how the balance of policy concerns relating to patent trolls mentioned earlier may be disrupted.[39]

The Role of Policy

Australia and US Comparative Study

This section will compare the different commercial conditions and policy decisions between the US and Australian jurisdictions. It should first be acknowledged that the US has a far more flourishing technology and innovation sector than Australia. This provides fertile breeding grounds for patent trolls in four ways. First, it provides a wider variety of purchasing choice for trolls, which provides ample prospect for improving economies of scale in their business model. Secondly, a larger innovation sector logically creates more potential for other parties to inadvertently infringe on a troll's IP. Thirdly, the time spent on examining each patent application in the US Patent and Trademark Office ("USPTO") is comparable to the time spent by examiners in IP Australia. However, often the sheer volume of applications received by the USPTO means that greater resources are needed to achieve this result.

Finally, a higher quantity of IT startups in the US would, naturally, mean a higher number of IT companies filing for bankruptcy than in Australia.[40] These technology companies, already selling patents at fire-sale prices when under financial distress, would likely need to discount prices even more to make their sale appealing to a patent troll already highly spoiled for choice in whom to purchase from.[41] This, in turn, would justify Haber's argument to policymakers mentioned in earlier that patent trolls often provide vital lifelines to companies in financial distress, entrenching their position in patent markets.[42]

Undoubtedly, the thriving patenting environment and highly litigious culture in the US are key reasons explaining the lack of a concerning patent troll presence in Australia. However, it will also be demonstrated that proactive and nuanced policymaking act as the second "pillar" in determining the magnitude of a patent troll problem. Three examples will be identified where superior policymaking has made a significant difference in shaping the role of patent trolls.

This first involves comparing the differing cost regimes. Each party paying its own legal costs incentivises en masse litigation strategies more than a regime where a portion of costs are covered by the losing side. This means that patent trolls filing a lawsuit likely have far less to lose by suing for patent infringement with minimal chances of success. Such a costs regime neuters the dominant strategy of patent trolls to pursue mass litigation on dubious grounds of patent infringement in the hopes of intimidating the other party into settlement or obtaining a high award for damages.

Interestingly however, in the US, *eBay v MercExchange* 547 US 388 (2006) prescribes a four step test for denying injunctive relief against alleged patent infringers. A plaintiff must demonstrate: irreparable injury, the insufficiency of common law remedies, that an equitable remedy is warranted considering the balance of hardships and it would not prejudice the public interest to implement a permanent injunction. Moreover, obiter dicta suggested that denying injunctive relief would be likely when the Court encounters patent trolls. This helps disempower patent trolls' predatory tactics by weakening trolls' recourse to apply for injunctive relief if licencing negotiations fell through. However, it also explains my conclusion that the US policy mechanisms are more ad hoc compared to Australia's proactive approach, explaining the larger troll presence in the US.

The final example of proactive policy can be seen in provisions dealing with unjustified threats.[43] This provides defendants of patent troll infringement claims with four possible remedies: a declaration that the threats are unjustifiable, an injunction preventive the continuation of such threats, damages incurred by the applicant because of the threats and, depending on the circumstances, punitive damages.[44] As a separate actionable claim, it can be commenced by the recipient of a patent troll's cease and desist letter. This is important since some may argue that US courts can defenestrate matters for being vexatious or frivolous, but there are two responses to this. First, Australia already has similar provisions in each state's legislation.[45] More importantly, like *eBay v MercExchange*, this is a reactive mechanism rather than a proactive policy solution.

The conclusion here is that – unfavourable commercial conditions notwithstanding – credit should also go towards our robust policy mechanisms. By attributing this success partly to the proactiveness of Australian policy, it explains Nicol and Nielsen's conclusion in their APC submission that policymakers should remain watchful.[46] Hence, the lack of a patent troll issue in Australia is evidence of the importance of sustained policy vigilance, not a justification to shirk it. This is especially vital given the potential risks outlined in the last section of this article.

Potential Policy Improvements

This section aims to provide examples of what a continued proactive policy approach in Australia might look like. First, as mentioned earlier, policymakers will likely need to find an appropriate label and definition that does not prejudice regulatory decisions.

Secondly, it is recommended that Nicol and Nielsen's APC submission be adjusted. Given that a sizeable portion of the patents that trolls acquire are in their twilight years, an increase in the renewal fees of patents would disproportionately affect legitimate producers that hold onto patents for their entire lifetime.[47] An alternative suggestion is progressively increasing patent renewal fees in the last five years of a patent's lifecycle.[48]

Thirdly, IP Australia could implement a mandatory minimum number of hours for patent examination. US examiners spend on average less than 20 hours per application, and estimates from Nicol suggest that the figure for Australian examinations is not too different.[49] Whilst Professor Mark Lemley argues that Australian patent examiners need not spend more time on examination like their US counterparts, this presents a logical fallacy of survivorship bias.[50] Lemley cites that because more US patent applications get challenged than Australian ones, they necessarily require more time. However, a lower volume of litigation is only evidence that applications are contested, not that the examiners are not pushed for time.[51]

Interestingly, some researchers have argued that patent trolls should be viewed as part of the solution for policy issues surrounding AI. One paper makes a compelling argument that, in most common law jurisdictions, relevant laws governing AI are poorly equipped to handle the rapid advancements in this space, pointing to insufficient codes of ethical conduct and usage requirements.[52] Due to close monitoring of patent markets by these trolls, they may prove to be a useful ally for policymakers in two ways. First, policymakers can incentivise "trolls for good" to enforce "ethical use of AI training datasets and models".[53] Secondly, patent trolls could help scrutinise patent registrations that are suspect of being AI-invented, and thus non-enforceable.[54] After all, the time patent examiners are able to spend on each application is relatively low due to external pressures.[55] What either of these approaches would look like exactly remain to be seen, but some kind of incentive for co-opting market participants to supplement this process could provide a practical solution.

Finally, section 132 of the *Patents Act* 1990 (Cth) absolves solicitors from liability in advising clients that are engaged in unjustified threats. One solution would be to create an exception to this provision in the event of a blatantly obvious unjustified threat. In this case, if patent trolls pursued litigation with laughable odds despite the daunting prospect of paying up to 80 per cent of the winning side's costs, they would also struggle to find a solicitor willing to represent them. This would be due to the ethical requirement of legal practitioners not to act on a matter where the claim has no reasonable prospects of success.[56] Making law firms liable for professional misconduct is important as it co-opts the legal profession to help enforce the policy agenda. Not only would this provide another layer of protection in the unlikely event that a patent troll is unfazed by the Australian costs regime, but it also does so at a grassroots level that anticipates AI developments. Such an arrangement would be more sustainable than solely relying on top-down policy frameworks.

Conclusion

This article has reached three key findings. First, the challenges posed with labelling these entities as patent trolls has been explored, as well as the difficulties that come with searching for a satisfactory definition. This influences policy making and how we perceive the role of patent trolls in patent markets.

Secondly, there are legitimate arguments both in favour and against the legitimate role of patent trolls in a market. It has been argued that this mixed reception suggests there is at least some stability, and that patent trolls do not present an immediate risk to the health of the Australian patent market. However, this balance is threatened when we forecast the potential developments in patent troll business practices; most notably AI assisted enforcement mechanisms.

Thirdly, this article has attributed the lack of an immediate patent troll threat to a combination of poor commercial conditions, as well as an array of forward-thinking policy mechanisms. The importance of the latter has been stressed for two reasons. First, it explains in greater detail Nicol and Nielsen's call for continued vigilance in their APC submission. Secondly, it encourages policymakers to show initiative by refining shortcomings and anticipating developments in this field.

Whilst some of my policy suggestions may require further refinement, they highlight two key themes for effective Australian patent troll policy. First, the policy must continue to be proactive rather than reactive. Secondly, it should involve the co-operation of market participants. Should policymakers fail in each, then they ignore the lessons of the past on how Australia has successfully immunised markets from patent troll threats. In doing so, we risk being ambushed by possible advancements in the patent troll business model.

Appendix 1 – Aggregate Patent Troll Portfolio Patent Counts by Initial Patentholder[57]

Table 4: Aggregate NPE portfolio patent counts by initial assignee

Initial Assignee	# Patents	Initial Assignee	# Patents
(Unassigned)	1,434	Harris Corporation	104
Eastman Kodak Company	806	MIPS Technologies, Inc.	93
Micron Technology, Inc.	381	NEC Corporation	84
Telefonaktiebolaget L M Ericsson	334	MOSAID Technologies	83
Nokia Corporation	322	Daimler Chrysler AG	79
Koninklijke Philips Electronics	302	NEC LCD Technologies	76
Matsushita Electric Industrial Co, Ltd.	256	Empire Technology Development	71
NXP B.V.	230	Lucent Technologies Inc.	70
Panasonic Corporation	195	Raytheon Company	69
American Express Travel Related	167	University of California	68
Global OLED Technology LLC	146	DPHI Acquisitions, Inc.	67
Hynix Semiconductor Inc.	127	Lite-On Technology Corp.	66
Industrial Technology Research Institute	125	Cypress Semiconductor Corporation	65
Virginia Tech Intellectual Properties	120	*Searete LLC*	64
The Invention Science Fund I, LLC	111	LG Electronics Inc.	60

1 Panayiotis Xenos is an LLM graduate from the University of New South Wales and has worked as a solicitor at a boutique Sydney firm, specialising in intellectual property law.

2 Dianne Nicol and Jane Nielsen, Submission No. 61 to The Australian Productivity Commission, *Productivity Commission Issues Paper – Intellectual Property Arrangements*, November 2015, 7–9.

3 *Strong Patents Act* 2015 (US) s 632; *Innovation Act* 2013 (US) H.R.3309.

4 Terrence P McMahon, Stephen J Akerley and Jane H Bu, 'Who is a Troll? Not a Simple Answer' (2006) 7 *The Sedona Conference Journal* 159, 160–8.

5 Valerio Poce, *The Net Macroeconomic Cost of Patent Trolls* (PhD Thesis, Libera Universita Internazionale Degli Sociali, 2012) 35–7; Y Ohkuma, M Sahashi, H Hsueh, J Brennan, 'Patent Trolls in the US, Japan, Taiwan and Europe', 2007 13(2) *CASRIP Newsletter*, 73.

6 Y Ohkuma, M Sahashi, H Hsueh, J Brennan, 'Patent Trolls in the US, Japan, Taiwan and Europe', 2007 13(2) *CASRIP Newsletter*, 16.

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10 Valerio Poce, *The Net Macroeconomic Cost of Patent Trolls* (PhD Thesis, Libera Universita Internazionale Degli Sociali, 2012), 35–7; interview with Dianne Nicol (Web Interview, 2 August 2023). Another category for discussion could be businesses that patent comprehensively but only produce a minority of the underlying products or methods.

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12 Valerio Poce, *The Net Macroeconomic Cost of Patent Trolls* (PhD Thesis, Libera Universita Internazionale Degli Sociali, 2012), 35–7; Josh Feng and Xavier Jaravel, *Who Feeds the Trolls? Patent Trolls and the Patent Examination Process* (PhD Thesis, Harvard University, 2016), 17.

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14 Timo Fischer and Joachim Henkel, 'Patent trolls on markets for technology – An empirical analysis of NPEs' patent acquisitions' (2012) 41(9) *Research Policy* 1519, 1520–31.

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20 Josh Feng and Xavier Jaravel, *Who Feeds the Trolls? Patent Trolls and the Patent Examination Process* (PhD Thesis, Harvard University, 2016), 15-16; Timo Fischer and Joachim Henkel, 'Patent trolls on markets for technology – An empirical analysis of NPEs' patent acquisitions' (2012) 41(9) *Research Policy* 1519, 1520–7.

21 Josh Feng and Xavier Jaravel, *Who Feeds the Trolls? Patent Trolls and the Patent Examination Process* (PhD Thesis, Harvard University, 2016), 15–16; Timo Fischer and Joachim Henkel, 'Patent trolls on markets for technology – An empirical analysis of NPEs' patent acquisitions' (2012) 41(9) *Research Policy* 1519, 1520–7.

22 Timo Fischer and Joachim Henkel, 'Patent trolls on markets for technology – An empirical analysis of NPEs' patent acquisitions' (2012) 41(9) *Research Policy* 1519, 1520–7.

23 Sayla Siddiqui and Syed Shams, *Do Patent Trolls Cause High-Tech Firms to Delist?* (Preprint, College of Business and Economics, The Australian National University, 2022), 1–10; Enrico Bonadio and Magali Contardi 'Patent Trolls and their Excesses: Blackbird Tech v. Cloudfare' in Enrico Bonadio and Aislinn O'Connell (eds), *Intellectual Property Excesses, exploring the boundaries of IP protection* (Hart Publishing, 2022).

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Copyright and the New Zealand *Property (Relationships) Act* 1976

Ken Moon[1]

Introduction

In *Alalääkkölä v Palmer*,[2] the New Zealand Court of Appeal has made a decision as to how copyright should be treated under the *Property (Relationships) Act* 1976 (NZ) (the "PRA") when one of the now separated parties was the creator of the works giving rise to the copyrights at issue. This is the first New Zealand case where copyrights have constituted subject matter to be assessed for division between marital partners in a terminated relationship.

This case concerns an artist, Ms Sirpa Alalääkkölä , who had produced many paintings (referred to as "Artworks" by the Court of Appeal) during her 20-year marriage to Mr Paul Palmer, where the sales of the paintings and the licensing of the copyright in them provided the main source of income for their family. The issue before the Court of Appeal was who should own that copyright now that the relationship had been terminated. Under New Zealand law the PRA essentially provides for equal sharing of "relationship property" when a relationship ends, although some property may be considered "separate property". How did the PRA deal with intangible property such as copyright? Was the copyright in the paintings relationship property to be jointly owned by Ms Alalääkkölä and Mr Palmer?

The New Zealand Family Court[3] found that the copyrights in the paintings were Alalääkkölä's separate property. On appeal, the New Zealand High Court[4] found to the contrary, that the copyrights were relationship property. While the Court of Appeal considered the copyrights as relationship property it viewed them as individual components of the total "pool" of properties owned by the couple and it was the whole pool that should be divided between them on a 50/50 basis and not each component.

The PRA

The PRA is a New Zealand statute (with some similarity to the *Australian Family Law Act* 1975 (Cth)) which determines the division of property of couples (whether they are married, in a de facto relationship or a civil union) when they separate or one of them dies. Property considered to be relationship property (as opposed to separate property) is divided equally between them. Relationship property is defined in the PRA to include property acquired by either spouse or partner after their relationship began. The Act does not separately deal with or differentiate between real property and personal property, let alone tangible property and intangible property (whether legal things in action or digital files).

The interpretation provisions in the Act include a definition of "property" and while this includes "any thing in action", copyright (or any other intellectual property) is not specifically mentioned.

Family Court and High Court Decisions

The Family Court found that the copyrights were Ms Alalääkkölä's separate property. The Family Court stated:

> *Both parties were not involved in the creation of the artworks. They were created solely by Ms Alalääkkölä as the artist. The work created is relationship property, but her skill in the creation is not. It is her separate property.*[5]

On appeal to the High Court this was rejected and it was found that the copyrights were relationship property as well as the Artworks.

Court of Appeal Decision

The Court of Appeal recited the legal issues to be considered on appeal as:

(i) are the copyrights "property" for the purposes of the PRA?;

(ii) if the copyrights are property are they separate property or relationship property?; and

(iii) if the copyrights are relationship property, how should they be treated under the PRA, to ensure an equal division of relationship property?[6]

The Court of Appeal also emphasised that the key issue was "whether the Copyrights in the Artworks (the Copyrights) are relationship property or Ms Alalääkkölä's separate property".[7]

Is Copyright Property to which the PRA Applies?

The Court of Appeal held copyright fell within the PRA's references to "property" because the *Copyright Act* s.14 expressly states that copyright is a "property right". But does this property right fall within the PRA's s.2 definition of "property"? The definition is:

> *(a) real property, (b) personal property, (c) any estate or interest in any real or personal property, (d) any debt or thing in action, (e) any other right or interest. While the*

> *latter seems to be a somewhat ambiguous "catch all" covering all sorts of intangible things, the NZ Supreme Court had, perhaps surprisingly, in an earlier case been happy to accept it as simply "broadening traditional concepts of property to include rights and interests that may not, in other contexts, be regarded as property rights or property interests".*[8]

This approach was adopted by the Court of Appeal.

Counsel for Ms Alalääkkölä argued that not all rights in the copyright bundle of rights were property and this should be taken into account. Counsel was referring to the moral rights which could only be owned by Ms Alalääkkölä and were very much personal and could not be assigned to another party, including Mr Palmer. The Court of Appeal rejected this argument on the basis that moral rights are distinct from copyright and not part of the bundle of rights at issue. It seems the fact that both copyright and moral rights were together stipulated by the Berne Convention which New Zealand had ratified was not considered.

Are the Copyrights Separate Property or Relationship Property?

The Court of Appeal rejected arguments for Ms Alalääkkölä that the copyrights were separate property. The submissions were that they were because they were inextricably linked to her artistic skills and qualifications which were personal and acquired prior to the relationship. The Court of Appeal held that such submissions conflated two distinct concepts, stating:

> *… in no sense, however, do Ms Alalääkkölä 's personal skills and attributes form part of a bundle of rights comprising the property rights in the Copyrights. Rather, the Copyrights attach to the individual Artworks to which her skills were applied.*[9]

Agreeing with the High Court, the Court of Appeal then held that Ms Alalääkkölä's personal skills and qualifications as an artist are distinct from the property rights in the copyrights and do not constitute property for the purposes of the PRA and are not relevant to how the copyrights should be classified. The Court of Appeal thus confirmed the finding of the High Court.

The final submission dealt with by the Court of Appeal was that because s.21 of the Copyright Act 1994 (NZ) provides that the author of a work is generally the first owner of copyright in that work and a third party purchaser of one of the copyrights would not be able to rely on a transfer of copyright if the copyright was relationship property. This would create unnecessary uncertainty and complexity.

In seeking to resolve this issue the Court of Appeal considered the interrelationship between the Copyright Act and the PRA in the light of any precedential cases. The only such cases were two United States cases: *Re Marriage of Worth*[10] and *Rodrigue v Rodrigue*[11] and the Court of Appeal concluded that to the extent they could be relied upon by analogy their reasoning supported Mr Palmer's position rather than that of MsAlalääkkölä .

Finally the Court of Appeal emphasised that s.8 of the PRA provided that relationship property includes "all property acquired by either spouse or partner after their marriage, civil union or de facto relationship began."[12]

Treatment of the Copyrights to Ensure Equal Division of Relationship Property

The Court of Appeal expressed the issue as being should the copyrights be divided between Ms Alalääkkölä and Mr Palmer, or should Ms Alalääkkölä retain ownership of the Copyrights, with a compensating adjustment being made from other relationship property to ensure an overall equal division of the relationship property? The High Court seems not to have moved onto this "final" issue.

The Court of Appeal took the view that Ms Alalääkkölä as author of the artworks should be able to control the commercialisation of the Copyrights saying, "It would be inappropriate and unfair to require her to transfer ownership of some of the Copyrights to Mr Palmer …", noting that among other things that if Mr Palmer put cheap copies on the market or print her work on tea towels or coffee mugs this had the potential to damage her personal brand.[13]

The Court of Appeal also recognised that if some of the copyrights were transferred to Mr Palmer then under Ms Alalääkkölä's inalienable moral rights, she would retain the right to object if he attempted to license uses of the copyrights which could be considered derogatory thereby producing ongoing conflicts.[14]

The Court concluded that on this issue the PRA does not require that each specific item of property be divided equally, but rather that the overall pool of relationship property must be divided equally.[15]

Comments and Questions

A Compromise Decision?

The Court of Appeal decision can almost be seen as a "compromise" of the contrary decisions of the Family Court and the High Court by allowing all copyrights to remain with the creator.

Statutory interpretation on definition of "property" and "relationship property"

The PRA itself does not expressly include "copyright" (or any other intellectual property) in its property definitions. One wonders if intellectual property was even considered by the drafters of the PRA. The Law Commission review of the PRA in 2017[16] did and they initially thought intellectual property and other intangible property should be specified in the Act's definition of "property", but eventually concluded

that no amendment should be recommended as the s.2(e) reference to "any other right or interest" was wide enough to capture all sorts of intangible things. But surely this is not quite right as a literal interpretation of "any right or interest" surely would include drivers' licences and firearm licences which cannot be transferred and are not property.

The Court of Appeal considered the most relevant of the PRA's definitions of relationship property for this case was given in s.8(1)(e): "property *acquired* during the relationship" [emphasis added] and if the copyrights were acquired by Ms Alalääkkölä during the relationship, they will be relationship property. In its conclusion the Court of Appeal simply took the view "the Copyrights were all acquired by Ms Alalääkkölä during the relationship".[17]

There was no interpretation analysis of "acquired". Does the statutory automatic bequest of copyright to an author of a work constitute an "acquisition" by that author? Would the granting of a damehood by a King constitute an "acquisition" undertaken by the recipient? Is a gift an "acquisition"?

The New Oxford Dictionary of English[18] defines "acquire" to mean "buy or obtain … for oneself" and "acquisition" to mean "an asset or object bought or obtained, typically by a library or museum. These meanings certainly do not include automatic allocation of a legal right such as copyright. It is therefore puzzling that the Court of Appeal did not analyse the meaning of "acquired" when assessing whether copyright in artistic works could be relationship property.

The Co-ownership Problem with Copyright

Although not mentioned in the Court of Appeal decision, considering joint ownership of copyright in paintings in the same way as joint ownership of other personal property gives rise to considerable commercial problems. What category of joint ownership should be applied? Joint tenants or tenants in common? Further, discussions between the separated couple on commercialising the copyrights to produce income to both of them now their relationship has acrimoniously split would lead to many unresolvable disputes. For example, decisions on reproducing paintings to produce and sell prints and negotiating and granting licences to third parties would require the agreement of both co-owners.

Moral Rights

In saying that moral rights were not part of copyright, the Court of Appeal seems to have overlooked the Berne Convention, to which New Zealand is a signatory, which treats copyright as being economic rights *and* moral rights.

The Personal Nature of Copyright

Despite international treaties the copyright world still remains divided on the fundamental basis and justification for copyright protection. While this is in part a result of civil law versus common law, it is perhaps most clearly illustrated by contrasting British copyright philosophy with German copyright philosophy. The former was established as an "economic right" for the benefit of copyright owners by using the rationale of property ownership, while the latter focused solely on the rights of creators and was manifested as an "author's right". Germany sees the author's right as an undivided whole whereby the personal (or moral) rights and the economic rights are inseparably connected. This "monist" theory" of author's rights means that personal and proprietary elements are two sides of one coin.[19]

This fundamental philosophy meant that when common law copyright was adopted for the protection of new "technological" works (sound recordings, films, and broadcasts) in Germany and some other civil law countries the rights for these technological works were designated as "neighbouring rights". Interestingly, unlike the New Zealand copyright legislation, the Australian legislation also does not include these technological productions in the category of "works", as that category is reserved for literary, dramatic, musical and artistic subject matter.

The reasoning of the three New Zealand courts (the Family Court, High Court and Court of Appeal) in trying to apply the function of the PRA to copyright exposes the contrasting international philosophies, although that aspect is not mentioned as such by these courts. German lawyers will be somewhat shocked by the reasoning in *Alalääkkölä* because to them copyright in works such as artistic works is a very personal right which cannot be transferred by the author to a third party and can only be licensed.

This is not to say New Zealand copyright law should be identical to German law, but the copyright philosophy of German and civil law countries need not be totally ignored when interpreting the New Zealand statute.

1 Consultant, AJ Park, Auckland.
2 *Alalääkkölä v Palmer* [2024] NZCA 24.
3 *Alalääkkölä v Palmer* [2020] NZFC 1635.
4 *Palmer v Alalääkkölä* [2021] NZHC.
5 *Alalääkkölä v Palmer* [2020] NZFC 1635, [23].
6 *Alalääkkölä v Palmer* [2024] NZCA 24, [3].
7 *Alalääkkölä v Palmer* [2024] NZCA 24, [2].
8 *Clayton v Clayton* [2016] NZSC 29, [38].
9 *Alalääkkölä v Palmer* [2024] NZCA 24, [42].
10 *Re Marriage of Worth* 195 Cal App 3d 768 (1987).
11 *Rodrigue v Rodrigue* 218 F 3d (5th Cir 2000).
12 *Alalääkkölä v Palmer* [2024] NZCA 24, [66].
13 *Alalääkkölä v Palmer* [2024] NZCA 24, [78(c)].
14 *Alalääkkölä v Palmer* [2024] NZCA 24, [78(d)].
15 *Alalääkkölä v Palmer* [2024] NZCA 24, [79].
16 Law Commission Review of the *Property (Relationships) Act* 1976, [3.5] and [3.10]–[3.11].
17 *Alalääkkölä v Palmer* [2024] NZCA 24, [66].
18 *The New Oxford Dictionary of English* (Clarendon Press, 1998).
19 See Andreas Rahmatian's explanation in *Copyright and Creativity* (Edward Elgar, 2011).

Book review: *Research Handbook on Empirical Studies in Intellectual Property Law*

Associate Professor Kanchana Kariyawasam[1]

Edited by Estelle Derclaye

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The intersection of intellectual property law and empirical studies within legal literature has long been under-explored. What distinguishes the *Research Handbook on Empirical Studies in Intellectual Property Law*, edited by Professor Estelle Derclaye, is its pioneering approach that thoroughly examines intellectual property law through the lens of empirical research. In its emphasis on the importance of legal empirical research and its influence on policy makers and intellectual property researchers, the book advocates improved laws and litigation practices to ensure the best outcomes for clients.[2] It gathers a diverse group of empirical researchers from throughout the world (except South America and Africa) to present a comprehensive evidence-based global perspective on intellectual property law, including patents, plant variety rights, trade secrets, copyright, trade marks, and designs. The book's 19 chapters are divided into five parts.

Chapter 1 (author Professor Jason Rantanen) provides a detailed understanding of patent infringement litigation in the United States.[3] The innovative methodology described in this chapter explores how various case characteristics at the district court level may influence appellate decision making. The author's study analyses patent infringement litigation by linking data sets from district and appellate courts. Individual records in data sets are matched with the trends observed using the software program STATA.[4] While conventional studies focus on a single layer of patent litigation, this study applies multi-layered analysis of data (e.g., docket data, data on replaced decisions, the appellate decision data set, dockets by year and origin, decisions by year and origin, time from appeal to decision and appeals by origin).[5] Although the author highlights the challenges faced in linking the data sets, the benefits of using a matching methodology to observe characteristics of appellate litigation, which are difficult to observe, reveal insights into the composition of appeals in patent litigation in the United States. Overall, this chapter lays the foundation for further research into the relationship between trial and appellate courts. As Rantanen suggests, the approach taken in this analysis of patent infringement litigation can be replicated in empirical analysis of other types of intellectual property litigation or legal disputes.

Chapter 2 (author Professor Esther van Zimmeren) highlights the critical need for an evidence-based understanding of patent landscapes and licensing practices in shaping effective patent law and governance.[6] Its distinguishing feature is its examination of patent licensing practices. The author emphasises the importance of legal empirical research on patenting and patent licensing practices but reveals challenges.[7] These include the importance of long-term and stable funding, the lack of systematic access to high-quality patent licensing data, and the hurdles to collaboration across disciplines.[8] Overall, van Zimmeren's chapter will have a great appeal to legal professionals in patent research and practice as well as policy makers.

Chapter 3, extensively researched by Professor Jane Nielsen, Professor Dianne Nicol and Professor Cameron Stewart, increases our knowledge of bioprinting and genome editing of patent landscapes in Australia. One of the major findings of this chapter is the alarming trend of significantly low levels of patenting in Australia. This highlights the under-utilisation of patents and the barriers preventing the effective translation of biomedical research,[9] with the authors emphasising the urgent need for action.[10] This chapter highlights how failure to address these impediments not only stifles innovation in Australia but also undermines the societal impact of biomedical research conducted with taxpayers' money.

Chapter 4 (authors Professor Christoph Antons and Amrithnath Babu) explains the relationship between intellectual property rights/plant variety rights legislation and farmers' rights, with a particular focus on Indonesia and India while mirroring this issue in developing countries. For example, the PepsiCo case[11] shows the complex relationship between intellectual property rights, corporate interests, and farmers' livelihoods in India's agricultural sector.[12] This case raised concerns about corporate overreach and the vulnerability of small-scale farmers and highlights the importance of a re-evaluation of the balance between protecting corporate innovations and safeguarding farmers' rights to save, exchange, and develop new varieties, especially in developing countries. It also highlights the need for fair and inclusive agricultural policies that prioritise food security, and farmers' rights in developing countries. With the limited impact of plant variety rights legislation, this chapter shows that farmers seem to have gained little.[13] This concern extends beyond India to all developing countries and is superbly illustrated in this chapter.

Chapter 5 (author Professor Michael Risch) provides in-depth statistics and analysis of trade secret litigation in

the United States, presenting invaluable prospects into the current state of trade secret protection. The author also provides an outstanding explanation of how the evolving landscape of patent law has prompted a shift towards safeguarding innovations through trade secrets.[14] The findings of this research are fascinating and engaging.

Chapter 6 (authors Professor Mateo Aboy, Dr Louise Druedahl and Professor Timo Minssen) is commendable for its comprehensive overview of evidence-based research relevant to patents and trade secrets. Their chapter provides readers with a useful guide to navigating global patent landscapes, highlighting free educational resources, such as the European Patent Office ("EPO")'s patent search engine, and public platforms, such as Lens.org,[15] both of which are outstanding resources for those interested in patent law and empirical research. The authors also acknowledge the difficulties in conducting empirical research on trade secrets due to the reluctance of companies and interviewees to share sensitive information.[16]

Associate Professor Runhua Wang's lengthy Chapter 7 delivers a timely examination of the protection of trade secrets in China's legal landscape, thoroughly analysing 63 judgments over nearly a decade, with a focus on cases involving the misappropriation of technical trade secrets.[17] The author examines the shortcomings of Chinese civil courts in handling disputes over trade secrets, explaining significant deficiencies in the courts' adjudication processes. Wang's chapter provides some vital guidance for understanding the vast landscape of trade secret law in China.

The shorter Chapter 8, written by Professor Ben Depoorter, provides an examination of empirical studies within copyright law in the United States, focusing on litigation procedures, copyright infringement remedies, fair use, and the enforcement of copyright. One of the highlights of this chapter is the author's brief explanation of the impact of judicial ideology on intellectual property law. Depoorter argues that, despite the clear divide among scholars, with some supporting strong protection to incentivise creativity, and others questioning its impact on creativity and public welfare, a lack of focus is evident on how the prevailing ideological viewpoints of judges influence intellectual property decisions.[18] Depoorter also emphasises a pattern revealing that judges demonstrate a consistent bias toward intellectual property owners in copyright cases, more so than in patent cases.[19]

Professor Emily Hudson, in her outstanding Chapter 9, admits that while fair use undoubtedly holds merit, argues against the perception that expanded fair dealing is a secondary or less desirable choice when compared to having a fully open-ended fair use provision in copyright law.[20] While thoroughly analysing the reasons behind the continued attraction to fair use, she argues against the inclination to view fair use as unequivocally superior to other drafting options and that expanded fair dealing can be an effective approach to copyright law.[21] Hudson's chapter serves as a valuable contribution to the ongoing discourse surrounding the effectiveness of fair use versus fair dealing in copyright law. Moreover, Hudson's analysis furnishes valuable perspectives that contribute to a deeper understanding of the importance of considering context-specific factors and the potential implications of broad fair use interpretations in different contexts.

Chapter 10 (author Dr Kylie Pappalardo) provides fascinating insights, particularly through interviews with creators, in its investigation of the relationship between copyright law and market forces to reveal its true impact on creators. Through the use of convincing examples, Pappalardo explains the disparity between product costs and consumer willingness to pay, which is an interesting revelation.[22] Pappalardo's research also divulges that the interviewed creators were not primarily motivated by copyright protection to produce their work; but rather, they viewed their creations as expressions of passion rather than commodities for exploitation.[23] Pappalardo states that despite the potential for limited commercial gain, creators continued to produce, emphasising the fundamental drive behind their creative endeavours.[24] Her examples enrich the reader's understanding of the creative industries and copyright law, making this chapter exceptional.

Professor Branislav Hazucha's Chapter 11 provides a timely discussion on the sharing and commercialisation of user-generated content on social networks and related copyright issues. Through an empirical study conducted across four countries over three continents,[25] the author examines the measures implemented by online service providers to address copyright concerns as well as the perceptions of the public towards these measures. The chapter highlights that, while it is widely accepted that individuals who gain from the wrongful use of another person's work should be obliged to transfer profits to the rightful owner, this does not imply an automatic imposition of profit disgorgement in all cases of copyright infringement.[26] Instead, the triggering moment for profit disgorgement should be the commission of a wrongful act.[27] This chapter contributes considerably to the existing discourse on copyright issues for user-generated content on social networks.

Chapter 12 (authors Professor Deborah Gerhardt and Professor Jon Lee) is specifically focused on trade mark data over almost 40 years (1981–2018) at the United States Patent and Trademark Office ("USPTO") by analysing the trends in trade mark application and registration. Their work highlights the extent of United States trade mark law, including the broader protection afforded to trade marks. Unlike that for copyright and patents, it encompasses the options for applicants to choose from five filing bases; and the procedural formality employed by the USPTO in examining the applications. Their empirical research has enabled the display of trends and patterns, not otherwise visible, to be displayed. Applying this strategy to new data sets could prompt new conversations in research and drive policy decisions.

Chapter 13 (author Professor Ilanah Fhima) provides a thorough examination of the factors influencing the refusal of trade marks for three-dimensional marks in the European Union. She also highlights the key relationship between functionality, distinctiveness, and competition concerns in the refusal of 3D mark registrations in Europe. Through extensive data analysis, Fhima reveals compelling patterns, such as higher refusal rates for black and white marks compared to coloured marks, more refusals for product shapes than for packaging, etc.[28] The findings shown in this chapter are quite amazing.

Chapter 14 (author Professor Piani Nanakorn) examines Thailand's trade mark legislation and argues that many trade marks, despite being successfully registered elsewhere, face hurdles in Thailand due to a rigid interpretation of distinctiveness by registrars and the Trademark Board.[29] Nanakorn further argues that the challenges in trade mark registration stem not from inherent flaws in the law but rather from its misinterpretation. With registrars and the Trademark Board urged to reconsider their interpretation in line with court rulings, her chapter delves into the complexities of trade mark law in Thailand and highlights the need for reform.

Chapter 15 (author Professor William van Caenegem) provides a detailed insight into empirical research, a research approach under-pursued by legal academia. The author shares his first-hand experiences, including employing a qualitative interviewing technique; researching the impact of the "non-compete" clause on innovation; exploring the impact of food Glycaemic Index ("GI") values on farmers; investigating competition and regulation in agriculture; and conducting interviews with fashion designers, including in China and Japan, that transcend linguistic barriers. Through these experiences, van Caenegem substantiates the role of empirical research undertaken with collaborators in shaping his understanding of policies, regulations, and laws in action, despite the challenges faced. van Caenegem's convincing arguments, especially about how empirical research uncovers information and knowledge that are otherwise unavailable, encourage the reader to look beyond "desktop" research. Although the author highlights issues in empirical research, such as dependence on external funding, he presents the view that the predominant dividends that empirical research offers to future research directions and the effective prioritisation of research time and investment make it a pursuit worth undertaking.[30]

Chapter 16 (authors Professor Mark McKenna and Professor Jessica Silbey) reports how the authors used qualitative interviews in their study to unravel the complexities of design evaluation and its legal implications. By examining the standards of successful design, the authors explain the strong chemistry between industry leaders, education institutions and market trends that shape design criteria. They also highlight how designers view the evolution of designs over time, prioritising the creation of experiences over products and focusing on identifying design problems rather than solving them.[31] This chapter serves as a vital resource, deepening our understanding of design law and prompting critical reflection on its role in promoting innovation and progress.

Chapter 17 (author Jane Cornwell) examines the invalidity of latent registered community design ("RCD") and advocates a heightened ex-ante examination by the European Union Intellectual Property Office ("EUIPO"). She identifies her research as a preliminary analysis of the potential limitations of a fuller ex-ante registered RCD examination system. However, Cornwell's findings indicate that the European Commission's review process effectively sidelined the examination of RCDs as it moved too quickly from this issue. Not only has the European Commission set aside the issue of RCD examination, but it is also considering eliminating ex-ante examination at the national level in EU member states still retaining these processes. Cornwell indicates that this seems premature and potentially risks undermining the integrity and reliability of the RCD system.[32]

Chapter 18 (author Associate Professor Vicki Huang) presents the first comprehensive empirical study of design infringement law under Australia's *Designs Act* 2003 (Cth). Through detailed analysis of data and the examination of 15 design infringement cases, she explains why design litigation is less prevalent in Australian courts compared to litigation over other intellectual property rights. The findings revealed in this chapter include higher win rates under the Act compared to those for other Australian intellectual property rights, even surpassing win rates in the United Kingdom and European Union jurisdictions. By examining the types of objects over which litigation is pursued, Huang emphasises Australia's heavy focus on clothing, building units, construction elements, furnishings, and tools/hardware.[33] Overall, this chapter stands out as it provides an in-depth discussion of design infringement litigation in Australia.

Chapter 19 (author Assistant Professor Xianwei Zhang) presents a detailed examination of how China's patent law works, particularly in the absence of specific industrial design legislation.[34] It highlights the rising trend of design infringement disputes that exceed those related to invention patent infringements. The author also provides analysis that incorporates various aspects of litigation, including the number of industrial design cases, industrial designs granted, trial court distributions, the verdict outcomes, and the duration of trials across various instances.

Overall, with its focus on empirical studies in intellectual property, this is an excellent book worth reading. Through a blend of case studies, empirical analysis, and qualitative research/interviews, this book provides readers with an extensive knowledge of the practical implications of intellectual property law in the current evolving legal landscape. Regardless of whether a reader is a seasoned legal professional or an early intellectual property academic

researcher, this book explains the importance of empirical research in shaping policy developments. With no books published on empirical studies in intellectual property law for several years, this unique publication is welcome, as well as being informative and enjoyable. This book enhances the credibility of empirical intellectual property research and contributes to evidence-based policy making.

1 Dr Kanchana Kariyawasam is an Associate Professor at Griffith Business School, Griffith University, Australia.

2 Estelle Derclaye, 'Introduction: Legal Empirical Studies – Where Does Intellectual Property Law Stand and What Does the Future Hold?' in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), xi.

3 Jason Rantanen, 'Studying Patent Infringement Litigation,' in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 2.

4 Jason Rantanen, 'Studying Patent Infringement Litigation,' in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 24–5.

5 Jason Rantanen, 'Studying Patent Infringement Litigation,' in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 23–4.

6 Esther van Zimmeren, 'Legal Empirical Studies of Patenting and Patent Licensing Practices: Growth Versus a Tenacious Gap,' in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 45.

7 Esther van Zimmeren, 'Legal Empirical Studies of Patenting and Patent Licensing Practices: Growth Versus a Tenacious Gap,' in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 44.

8 Esther van Zimmeren, 'Legal Empirical Studies of Patenting and Patent Licensing Practices: Growth Versus a Tenacious Gap,' in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 44–5.

9 In 2010, Professor Jane Clark in her article mentioned that "there is no empirical evidence that patents significantly inhibit biomedical research in Australia". Hence, this chapter provides a vital contribution to our understanding of the patent landscape in Australia through their empirical study, see Jane Clark, 'Do Patents and Intellectual Property Protection Hinder Biomedical Research? A Practical Perspective' (2011) 44 (1) *Australian Economic Review* 79–87.

10 Jane Nielsen et al, 'The Australian 'Valley of Death'? Australian Research and Patenting Practices in Bioprinting and Genome Editing,' in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 71–3.

11 *PepsiCo India Holdings (P) Ltd. v. Kavitha Kuruganti*, 2024 SCC OnLine Del 153, decided on 09-01-2024.

12 Parna Mukherjee and Urmil Shah, 'The PepsiCo Dispute: A Case of David Versus Goliath?' (2020) 20 (2) *Australian Journal of Asian Law* 399, 402.

13 The authors state that there is yet relatively little understanding of the details of intellectual property rights in agriculture among farming communities, see Christoph Antons and Amrithnath Babu, 'Plant Variety Protection and Farmers' Rights in India and Indonesia', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 76.

14 Michael Risch, 'From patents to Trade Secrets', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 104–8.

15 Mateo Aboy et al, 'Evidence-based IP Research', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 122.

16 Mateo Aboy et al, 'Evidence-based IP Research', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 125.

17 Runhua Wang, 'Solving Trade Secret Disputes in Chinese Courts: Some Empirical Evidence', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 142.

18 Ben Depoorter, 'A Survey of Empirical Analysis of U.S. Copyright Law', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 172.

19 Ben Depoorter, 'A Survey of Empirical Analysis of U.S. Copyright Law', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 172.

20 Michael Handler and Emily Hudson, 'Fair Use As an Advance on Fair Dealing? Depolarizing the Debate' in S Balganesh, N-L Wee Loon, H Sun (eds), *The Cambridge Handbook of Copyright Limitations and Exceptions*. (Cambridge University Press, 2021),140–57, 142.

21 Michael Handler and Emily Hudson, 'Fair Use As an Advance on Fair Dealing? Depolarizing the Debate' in S Balganesh, N-L Wee Loon, H Sun (eds), *The Cambridge Handbook of Copyright Limitations and Exceptions*. (Cambridge University Press, 2021),140–57, 142.

22 Kylie Pappalardo, 'Empirical Methods for Researching Copyright in Australia', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 196–7.

23 Kylie Pappalardo, 'Empirical Methods for Researching Copyright in Australia', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 196–7.

24 See also Mitchell Longan, 'A System Out of Balance: A Critical Analysis of Philosophical Justifications for Copyright Law Through the Lenz of Users' Rights' (2023) 56 *University of Michigan Journal of Law Reform* 779, 796; see also Kylie Pappalardo, 'Empirical Methods for Researching Copyright in Australia', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 202–3.

25 Those four countries include France, Germany, Japan, and the US, see Branislav Hazucha, 'Public Views on Disgorgement of Profits in Copyright Law', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 218.

26 Branislav Hazucha, 'Public Views on Disgorgement of Profits in Copyright Law', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 222.

27 Branislav Hazucha, 'Public Views on Disgorgement of Profits in Copyright Law', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 219.

28 Ilanah Fhima, 'An Empirical Study of the Basis of Refusal of EU Trade Marks for 3D Marks', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 278.

29 Piani Nanakorn, 'Trade Marks Law of Thailand and Certain Empirical Incongruities', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 299, 303–6.

30 William van Caenegem, 'Empirical experiences in IP – conducting qualitative empirical research in law and regulation', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 329.

31 William van Caenegem, 'Empirical experiences in IP – conducting qualitative empirical research in law and regulation', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 330.

32 Jane Cornwell, 'Re-engaging with concerns over latent design invalidity: examination and invalidation of registered Community designs at the EUIPO', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 361.

33 Vicki Huang, 'Empirical Analysis of Design Litigation in Australia', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 374.

34 Xianwei Zhang, 'Determination of "Existing Design" in Chinese Patent Infringement Disputes', in Estelle Derclaye (ed), *Research Handbook on Empirical Studies in Intellectual Property Law* (Edward Elgar Publishing, 2023), 386.

Book Review: *Teaching Intellectual Property Law: Strategy and Management*

Associate Professor Vicki Huang[1]

Edited by Sabine Jacques and Ruth Soetendorp

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For readers who graduated 10 or more years ago, the modern Australian law school will likely be unrecognisable. The traditional lecture is considered outdated and there has been a decisive shift away from "teacher-centred" or "Socratic" methods of instruction.[2] The COVID-19 pandemic also accelerated existing student demand for online learning, and universities that approached the task as a mere recording of face-to-face lectures were exposed and found wanting. More reflective institutions now understand that teaching in an online age requires additional skills, and that teaching staff face students who are digital natives[3] who can potentially generate instant answers via AI to traditional forms of assessment.

In the modern environment, teaching staff are under pressure to introduce "active learning activities", "bespoke assessment tasks", and utilise ever-changing platforms to "engage" with highly distracted students. However, investing to instrumentalise these goals is complicated by a multitude of factors including the longstanding pedagogical tension within the academy. That tension being whether a legal education should provide vocation-based skills training or be "an academic discipline with its own intrinsic value".[4] It is thus unsurprising that teaching staff often feel poorly prepared by their institutions to teach in today's environment.[5] These difficulties make the book *Teaching Intellectual Property Law: Strategy and Management* an invaluable and timely contribution for all educators, even those outside of intellectual property law.

The 24 chapters in this collection were written primarily by academics and practitioners based in the United Kingdom and European Union. Their approaches to teaching are innovative and mostly well-grounded in education pedagogy. However, this is not a weighty tome on education theory. Rather, this book is distinct for its focus on pragmatic advice on IP teaching. Indeed, each chapter is illustrated with examples and templates that enable readers to adopt similar teaching or assessment methods in their own practice. These contributions are remarkable because law academics are sometimes reluctant to share such teaching materials beyond close colleagues.

The book's 24 chapters are divided into eight thematic parts, and each chapter is of modest length (on average between 10 and 20 pages). In Part I the editors, Associate Professor Sabine Jacques and Professor Emerita Ruth Soetendorp, provide an insightful introduction that is deeply sympathetic in its descriptions of the practical and pedagogical issues facing the modern IP law teacher.[6] Part II, then deals with "strengthening student engagement" in five chapters. There is an interesting (although perhaps niche) case study from Associate Professor Nick Sharf – "Teaching Copyright with Musical Instruments: Using the Drum Kit to Deepen Learning".[7] Of more general application is Chapter 5, Professor Laurent Manderieux's "Alternance in Synchronous E-teaching with Large Groups".[8] This chapter serves as an excellent "how to" for those teaching large groups online, and I would recommend it to any educator teaching online for the first time. Manderieux does not merely recite high-level tropes about the importance of alternance (varying tools for online engagement). Rather, the author provides practical information on the ideal duration of classes and break times, frequency of polls and break-out rooms, and the types of materials that should be alternated – for example, videos, debates, polls, PowerPoint slides and images.[9]

The five chapters of Part III, "Developing a Multi-Disciplinary Approach", examine the integration of other bodies of knowledge into IP teaching. This is something demanded by many Australian universities via prescriptive learning outcomes. For example, many universities now require students to demonstrate learning outcomes related to climate change and the environment. Chapters that provide such case studies include Chapter 9, Dr Helen Gubby's "IP Education: An Ethics and Sustainability Perspective",[10] and Chapter 10, Associate Professor Janice Denoncourt's "Integrating Sustainable Development Awareness in Intellectual Property Law Education"[11]. In another type of multidisciplinary case study is an interesting example blending art and law in which students produce their own creative visual artwork – Dr Andrea Wallace's "Arts in IP Law Programmes: Employing Arts Study, Practice and Pedagogy in Law Programmes – When Students Become Creators".[12] Dr Wallace explains that through this self-generated artistic work, students explore copyright issues relating to reproduction, sampling, the public domain and the role of critique.

In Part III, Chapter 6, Dr Smita Kheria discusses her incorporation of "empirical legal research in the postgraduate IP curriculum"[13] at Edinburgh University. The impetus

for the course was redress of the historical domination of "theoretical and text-based doctrinal research", which was creating a shortage in the UK of those able to undertake (and perhaps understand) critical empirical legal research.[14] Dr Kheria provides details of her teaching and assessment techniques, including sample assignment questions,[15] as well as her critical reflections from the lifetime of the course, which has run since 2010.

Part IV "Accent on Collaborative Environments" comprises three chapters. These chapters provide cutting-edge examples of peer-assisted learning ("PAL") (Chapter 11),[16] learning through pro bono practice[17] and other forms of collaborative learning. For example, in Chapter 11, William Page, Dr Jocelyn Bosse and Dr Adrian Aronsson-Storrier discuss the use of PAL (typically where older students lead small discussion groups for younger students) in the IP module at the University of Reading.[18] PAL programs have been popular for decades and can improve student performance in the early years of university.[19] However, the authors note that because IP is generally for final year students, who typically graduate, PAL program tutors have been unavailable for IP units.[20] At the University of Reading, the authors overcome this by using postgraduate IP students as PAL tutors and share best practice guidelines.

In Chapter 13,[21] Professor Dinusha Mendis explains Bournemouth University's fascinating design law partnership program in which undergraduate IP law students are paired with and advise final year design and engineering students on the latter's final year design project. The law students are assessed on the quality of their advice to their client, forcing them to think about commercial considerations and to prepare for the unexpected.

Part V, "Innovative Technological Methods", provides three chapters on the use of games, social media, AI and virtual reality. This part provides a particularly useful examination of how these tools can be used to enhance engagement and assessment. For example, in Chapter 14, Associate Professor Sabine Jacques's "Playing the IP Game: IntangAbility"[22] discusses the use of an invented board game, IntangAbility, to revise IP concepts. Samples of the cards are shown and access to the online version is provided at <https://intangability.org>. Associate Professor Jacques also provides instructions and a framework for readers to design their own game for their own students.

In Chapter 15,[23] Professor Joe Sekhon describes how he integrates social media platforms into his IP teaching by requiring students to post answers to prompts uploaded on Facebook, Twitter or Instagram. This enables him to assess the students' ability to synthesise accurate knowledge. Caroline Coles' chapter describes her pedagogical reflections and preparations to include AI and virtual reality ("VR") in teaching IP.[24] Coles explains that the purpose of using such tools is to prepare students for the seismic shifts in the future of work. As an example, Coles is piloting desk-based VR learning tools for students to gain practical skills and using research questions dealing with issues of law, ethics and confidentiality.[25]

The four chapters of Part VI, "Advancing Employability-Related Skills", provide insights from a key stakeholder in IP education – the client-entrepreneur. For example, Mandy Haberman, a British inventor of pioneering infant-feeding inventions, discusses the use of herself as a case study. Her story is "used extensively as an aid to support teaching and learning",[26] and her chapter illustrates the benefits of involving real entrepreneurs in the teaching process. This chapter echoes an earlier chapter (Part II, Chapter 2), in which non-lawyers Associate Professor Kathryn Penaluna and Professor Andrew Penaluna discuss their development of entrepreneur education courses designed to raise awareness of IP.[27] In particular, they detail an interactive workshop in "entrepreneurial learning" where educators assist with both competency and knowledge development.

Part VI also provides insights from practitioners (barristers and solicitors) regarding the need to bring the IP profession to the classroom via guest lectures or student involvement in professional conferences. These insights are provided in Chapter 18, Professor Eleonora Rosati's "IP Outside the Textbook: Professional Networking Activities in the IP Curriculum",[28] and in Chapter 19, Agathe Michel-de Cazotte's "Private Practitioner's Pragmatic Approach Fits the Business Minded Student's Requirements".[29] In Chapter 19, Michel-de Cazotte provides strong arguments for the importance of private practitioners' input into a student's formal education, in particular, their ability to help students understand the application of laws beyond a theoretical setting. For example, she argues that practitioners are able to share with students how "to weigh the legal risks entailed by certain actions".[30] She also points out that case law taught by traditional academics will reflect only those disputes that escalate to a judgment. In contrast, the practitioner will be able to share reflections "on real life situations including those that never end up in court".[31] Michel-de Cazotte provides practical advice on where a practitioner invited to teach should start, for example, "reading reports or articles on major cases or deals" where multiple IP laws were live issues. She also provides more specific advice on how to teach IP to business students, where the audience will likely be academically diverse.[32]

Several other chapters provide insights into teaching diverse types of students. For example, in relation to teaching non-law students, Professor Mercedes Curto Polo provides a case study in "Teaching IP to Scientist Students" (Chapter 3),[33] and Peter van Dongen discusses "Teaching IP Management to Engineers, Entrepreneurs and Managers" (Chapter 20).[34] In Chapter 7, Associate Professors Rumyana Brestnichka, Fanny Koleva and Miglena Molhova-Vladova discuss the variety of methods used (including psychometrics and role

play) to teach their non-law students IP licensing.[35] These chapters are useful because this type of extension teaching to non-law students is expected of many IP academics and is something practitioners are frequently invited to do.

Part VII, "Further Available Resources", provides case studies from the creators of non-traditional resources that are designed to inform both students and the general public. For example, in the sole contribution from an American author, Professor Brian L Frye describes the creation of the Ipse Dixit podcast on legal scholarship in Chapter 21, "A Movable Brownbag".[36] Bartolomeo Meletti provides a chapter called "Making Copyright Law Accessible to All Creatives Using CopyrightUser.org"[37] and Lisa Redman and Catherine Davies provide an excellent summary of resources in "UK IPO Resources for IP education".[38] These chapters are also a great starting point for anyone researching UK IP law.

The editors' conclusion in Part VIII[39] reflects on pressing issues in IP law education, for example, IP ethics, diversity and inclusion; the rise of AI, non-fungible tokens; and other technology developments. They also discuss the heated debates occurring in the UK surrounding the purpose of higher education in general. In relation to IP law, they argue that while the history of IP has centred on the rights of individuals, in the future, collective practice will likely be a hotbed for innovation and that future IP educators and lawyers need to be oriented for this collaboration-based future.[40]

That the authors are from UK and EU institutions may be perceived as a limitation of this book. However, the initiatives shared can be easily applied to an Australian or New Zealand law school context. Nevertheless, some forms of teaching are not reflected in the book, in particular, asynchronous teaching in which off campus students are not required to attend online seminars but consume a later recording. Nor is there significant discussion of teaching and inclusivity (notwithstanding the brief commentary of the editors in Chapter 24, "Reflections and Conclusion").[41] This is relevant because the integration of diversity and specifically Indigenous issues is now a key teaching and learning goal for many Australian universities. Another perceived limitation is that IP tends to be an elective subject attracting more engaged students, which makes novel forms of teaching "easier". However, this criticism is overstated and the book should still be useful for teachers inside and outside of IP law. Indeed, there is much to inspire all types of educators and the book will appeal particularly to those who seek guidance and examples that will innovate their teaching practice.

1 Dr Huang is an Associate Professor of Law (Intellectual Property) at Deakin University. She is the recipient of the University's Teacher of the Year Award (2022) and Deakin Law School's Teaching Excellence Award (2022).

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3 Sabine Jacques and Ruth Soetendorp, 'Introduction' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 10.

4 David Barker, *A History of Australian Legal Education* (Federation Press, 2017) 3. For an excellent discussion of these debates, see Daniel Goldsworthy, 'The Future of Legal Education in the 21st Century' (2020) 41(1) *Adelaide Law Review* 243.

5 Amanda-Jane George, Alexandra McEwan and Julie-Anne Tarr, 'Accountability in Educational Dialogue on Attrition Rates: Understanding External Attrition Factors and Isolation in Online Law School' (2021) 37(1) *Australasian Journal of Educational Technology* 111, 123. See also Meredith Blake et al, 'Student and Staff Experiences of Online Learning: Lessons from COVID-19 in an Australian Law School' (2022) 32(1) *Legal Education Review* 129.

6 Sabine Jacques and Ruth Soetendorp, 'Introduction' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 2.

7 Nick Scharf, 'Teaching Copyright with Musical Instruments: Using the Drum Kit to Deepen Learning' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 70.

8 Laurent Manderieux, 'Alternance in Synchronous E-Teaching with Large Groups' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 84.

9 Laurent Manderieux, 'Alternance in Synchronous E-Teaching with Large Groups' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 89.

10 Helen Gubby, 'IP Education: An Ethics and Sustainability Perspective' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 146.

11 Janice Demoncourt, 'Integrating Sustainable Development Awareness in Intellectual Property Law Education' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 154.

12 Andrea Wallace, 'Arts in IP Law Programmes: Employing Arts Study, Practice and Pedagogy in Law Programmes – When Students Become Creators' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 193.

13 Smita Kheria, 'To Boldly Go: Empirical Research in Intellectual Property Rights Teaching' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 100.

14 Smita Kheria, 'To Boldly Go: Empirical Research in Intellectual Property Rights Teaching' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 99.

15 Smita Kheria, 'To Boldly Go: Empirical Research in Intellectual Property Rights Teaching' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 110–11.

16 William Page, Jocelyn Bosse and Adrian Aronsson-Storrier, 'Peer-Assisted Learning in Intellectual Property Law: A Bridge to Solidifying Learning and Enhancing Student Experience' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 177.

17 Hayleigh Bosher, 'Applying Knowledge in Practice with IP Pro Bono, in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 193.

18 William Page, Jocelyn Bosse and Adrian Aronsson-Storrier, 'Peer-Assisted Learning in Intellectual Property Law: A Bridge to Solidifying Learning and Enhancing Student Experience' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 177.

19 William Page, Jocelyn Bosse and Adrian Aronsson-Storrier, 'Peer-Assisted Learning in Intellectual Property Law: A Bridge to Solidifying Learning and Enhancing Student Experience' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 177.

20 William Page, Jocelyn Bosse and Adrian Aronsson-Storrier, 'Peer-Assisted Learning in Intellectual Property Law: A Bridge to Solidifying Learning and Enhancing Student Experience' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 178.

21 Dinusha Mendis, 'Collaborative Intellectual Property Learning: Law and Design-Engineering Students Bring IP Law to Life' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 206.

22 Sabine Jacques, Playing the IP game: IntangAbility' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 221.

23 Joe Sekhon, 'Using Social Media in IP Teaching: A Review of the Use of Social Media as a Learning and Teaching Tool' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 235.

24 Caroline Coles, 'Teaching with Artificial Intelligence and Virtual Reality for Experiential Learning' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 253.

25 Caroline Coles, 'Teaching with Artificial Intelligence and Virtual Reality for Experiential Learning' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 262–4.

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27 Kathryn Penaluna and Andrew Penaluna, 'Developing Twenty-First Century Skills for Creativity and Innovation: The Case of the Entrepreneurial Educator in Raising Learner Awareness of Intellectual Property' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 46.

28 Eleonora Rosati, 'IP Outside the Textbook: Professional Networking Activities in the IP Curriculum' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 274.

29 Agathe Michel-de Cazotte, 'Private Practitioner's Pragmatic Approach Fits the Business Minded Student's Requirements' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 283.

30 Agathe Michel-de Cazotte, 'Private Practitioner's Pragmatic Approach Fits the Business Minded Student's Requirements' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 283.

31 Agathe Michel-de Cazotte, 'Private Practitioner's Pragmatic Approach Fits the Business Minded Student's Requirements' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 286.

32 Agathe Michel-de Cazotte, 'Private Practitioner's Pragmatic Approach Fits the Business Minded Student's Requirements' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 287–8.

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34 Peter van Dongen, 'Teaching IP Management to Engineers, Scientists, Entrepreneurs and Managers' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 289.

35 Rumyana Brestnichka, Fanny Koleva and Miglena Molhova-Vladova, 'Interdisciplinary Teaching through a Combination of Methods: IP Licensing for Non-Law Students' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 117.

36 Brian L Frye, 'A Movable Brownbag' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 297.

37 Bartolomeo Meletti, 'Making Copyright Law Accessible to All Creatives Using CopyrightUser.org', in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 308.

38 Lisa Redman and Catherine Davies, 'UK IPO Resources for IP Education' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 322.

39 Sabine Jacques and Ruth Soetendorp, 'Reflections and Conclusions' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 334.

40 Sabine Jacques and Ruth Soetendorp, 'Reflections and Conclusions' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 339.

41 Sabine Jacques and Ruth Soetendorp, 'Reflections and Conclusions' in Sabine Jacques and Ruth Soetendorp (eds), *Teaching Intellectual Property Law: Strategy and Management* (Edward Elgar Publishing, 2023) 339.

Book Review: *Literary Characters in Intellectual Property Law*

Dr Daniela Simone[1]

Jani McCutcheon

[Edward Elgar Publishing 2023 pp 302. The eBook version is priced from £25/AU$48 from eBook vendors while in print the book can be ordered online from the Edward Elgar Publishing website <www.e-elgar.com>.]

Literary Characters in Intellectual Property Law is a deeply researched, thought-provoking, and beautifully written book authored by Jani McCutcheon, Associate Professor at the University of Western Australia. In it, McCutcheon investigates the popular presumption that literary characters are, and can be, owned in the sense that they are *legally* protected from acts of appropriation or unauthorised use. This presumption underpins the sometimes quite lucrative commercial practices of the marketing and sale of literary characters. Consider, for example, the substantial brand value attached to the characters of JK Rowling's Harry Potter books.

The idea that literary characters are identifiable and exploitable commodities which "belong" to their creators in some material sense is understood by authors and audiences alike. It imbues the ethical norms which operate as rules of engagement in the fanfiction sphere and can undergird a sense of righteousness indignation felt by authors in response to acts of perceived character misappropriation. Yet, as McCutcheon masterfully demonstrates, notions of character ownership rest on unstable legal foundations.

Literary Characters in Intellectual Property Law begins by setting out the terms of its inquiry: an investigation into the legal basis of protections against character appropriation. The discussion is largely confined to an examination of *literary* characters, leaving aside the special issues raised by purely graphic characters.[2] This focused approach allows McCutcheon to make a more streamlined argument centred on the special characteristics that make literary characters particularly ill-suited for ownership.

McCutcheon undertakes her task primarily through an intellectual property lens. She embarks on a meticulous interrogation of the application of copyright law, moral rights, registered and unregistered trade mark law, unfair competition law and consumer protection law to literary characters – areas identified as the most likely legal sources for a notion of character ownership.

The book takes a comparative approach focusing on the application of Australian, United States, Canadian, and United Kingdom law (with occasional examples from other jurisdictions). These legal systems, which share familial similarities, provide a fruitful basis for the comparative study of judicial attempts to recognise the legal ownership of characters – attempts that seem partial, incomplete, and flawed in different ways. Along the way McCutcheon's nuanced and careful legal analysis elucidates areas of significant jurisdictional divergence with an impact beyond the question of character ownership. This means *Literary Characters in Intellectual Property Law* offers lessons of broader relevance to the intellectual property community.

The central contribution of the book lies in its argument that inevitable vagueness in the boundaries and substance of any "property" in a literary character is a significant, and probably insurmountable, hurdle to legal recognition of character ownership "as such". In trying to reduce literary characters to property, courts are led down rabbit holes. McCutcheon demonstrates, time and again, that theories of character ownership tend to entail distortions of fundamental legal principles. They create an unpredictable and inconsistent body of case law.

Most of the groundwork for this argument is laid in the first chapters which expose the root cause of confusion: the character as work doctrine. McCutcheon traces this "doctrine" back to judicial misinterpretations of a statement made by Judge Learned Hand in obiter dicta in *Nichols v Universal Pictures Corp* 45 F 2d 119 (2nd Cir, 1930) ("*Nichols*"), which became hardened in subsequent US case law and commentary (and have likely infiltrated beyond US borders).[3]

The character as work doctrine assumes that literary characters are capable of life beyond the texts in which they are embodied. Sufficiently well-developed or defined literary characters, so the thinking goes, are more than just elements of a larger work. They might be protectable subject matter in their own right. The book argues that this view rests on a misunderstanding of the nature of literary characters.

Drawing on literary theory and scholarship, McCutcheon explains that literary characters are brought to life by readers. Readers achieve this by using their imagination and memory to piece together and interpret the partial clues left by the author throughout the description, dialogue, and incidents of a book. In this way, literary characters are fundamentally tied to a text. They can have no stable existence outside or independent from it.

As a co-creation between author and audience, a literary character is animated and made whole in a reader's mind by a process involving subjectivity ("an alchemy of text combined

with imagination").[4] This process is unique to each reader and is vulnerable to idiosyncrasies of individual memory and attention ("our understanding of the character [in a book read some time ago] is hazy, unfocused, and vague; almost a feeling").[5] By their very nature, literary characters are a "nebulous miasma"[6] impossible to describe with any concrete precision. This is a clear problem for copyright, which requires a "thing" to be the object of protection. As literary theorists see them, characters are an effect or process, rather than an entity. McCutcheon points out that this makes them quite unsuited to the exigences of intellectual property.

Chapter 1 is devoted to exposing the instability of the character as work doctrine focusing on copyright law (the "natural home for protecting literary characters").[7] McCutcheon begins by explaining the misunderstanding at its root: an unfortunate turn of phrase by Judge Learned Hand in *Nichols*.[8] She argues that, when understood in context, the well-known passage, thought to imply that well-developed characters are protectable as discrete copyright works, relates to the question of copyright *infringement* rather than *subsistence*. Viewed from this angle, she argues, Judge Learned Hand should be understood as intending to put forward no more than an orthodox proposition that the taking of a vague or abstract part of a work (such as a basic character type) does not infringe copyright because it amounts to an unprotectable idea.

McCutcheon reveals how Judge Learned Hand's statement has been misconstrued in subsequent cases, this misrepresentation then going on to have a life of its own. Its first metamorphosis is the so-called "delineation" test Judge Learned Hand's words are supposed to have articulated. This test provides that a character might be protected as a discrete work of authorship if it is defined with sufficient clarity and precision. Then, the 9th Circuit developed a stricter test that requires a character to constitute "the story being told" (rather than a mere chessman) for protection to be granted.[9] As McCutcheon's previous analysis has shown, any attempts to draw the boundaries of copyright in a literary character are doomed to fail. What is worse for legal precedent, is that when courts have tried to define the scope of literary character copyright they have tended to engage in significant doctrinal fudging, mixing questions of subsistence with an infringement analysis. As a result, both tests have created a body of law that is shifting, uncertain, and unpredictable.

McCutcheon elegantly demonstrates that literary characters simply cannot satisfy the requirements for protection under US copyright law. They are too abstract, dispersed, and kinetic to constitute a "work of authorship" under terms the statute.[10] They are unfixed and cannot exist in a "copy".[11] Being co-created by the reader, they cannot be understood to be defined by, or made under the authority of their author in the relevant sense.[12]

The mosaicking of elements to construct the subject matter of protection in a literary character across numerous different works (and sometimes even different media) gives rise to even more legal issues. This patchwork approach leads to inevitable complications in the allocation of authorship and ownership; for the derivative works doctrine; and for the idea/expression distinction. The resulting doctrinal mess alone provides a strong argument against the recognition of literary characters as independent copyright works. But, as McCutcheon points out, the necessarily vague boundary of character copyright also tends to artificially enlarge the rights of the copyright owner. This adds a compelling policy reason not to recognise an extra layer of copyright in such subject matter.[13]

Nonetheless, McCutcheon concedes that there is probably no turning back in the US. Many cases, and most commentators, now accept the existence of character copyright. Furthermore, the proliferation of commercial arrangements proceeding on the basis of the legal possibility of regulating the use of character "assets" makes the prospects of a return to more clear-headed thinking unlikely. In this context, McCutcheon offers a pragmatic suggestion: US courts should see expressions of character copyright as no more than convenient shorthand for a more conventional infringement analysis. This retains the terminology of character copyright whilst steering the jurisprudence towards a more conceptually coherent way of implementing it.

McCutcheon argues that the character as work doctrine may have infected industry-wide norms springing from contracts and licensing practices that imply character ownership, often employing the language of the delineation test.[14] Given the widespread acceptance of character ownership in the creative industries, it is no wonder that cases in Australia, the UK, and Canada have also flirted with character copyright.[15] Yet, courts outside the US have been no more successful in their attempts to delineate character copyright. The reasoning in the cases is often unconvincing and tends to abdicate analysis of the scope of protection. Chapter 1 ends by arguing that copyright requires a certainty of subject matter that literary characters simply cannot provide.

A better approach would be to protect characters as part of the larger work in which they are embodied. Chapter 2 goes on to discuss the application of copyright's right of reproduction in the context of the appropriation of literary characters. It begins with a clear and useful distillation of the various approaches to determining substantial similarity in the US, an area which can be maddeningly confusing.[16] McCutcheon also flags unique issues that arise when characters are employed in diverse media that are not always adequately addressed in the case law.

This chapter is particularly significant for the non-US jurisdictions which primarily deal with characters as elements of a larger copyright work. Here infringement often

boils down to whether a substantial part of the protected expression of a literary work has been taken. McCutcheon's careful analysis makes it hard to resist the conclusion that the substance of literary characters is usually properly seen as a collection of unprotectable ideas.[17] The character as work doctrine encourages a cursory and superficial infringement analysis that effectively obscures or sidesteps this issue by abstracting the character away from its literary home.[18]

McCutcheon observes an increased propensity to find an infringing reproduction when a character's name is used. Although taking a name might indicate copying (evidencing a derivative link), it is unlikely to constitute a substantial part of a work under any orthodox application of copyright principles. In some cases, the benefit gained from appropriating the "trade mark potency" or "semiotic potency" of a character name (its ability to invoke recognisable features of a character) has seemed to substitute for a finding that protected expression has been taken.[19] Attempts to locate the substance of copyright in a literary character using trade mark concepts involve strained and unpersuasive reasoning. Such reasoning is problematic insofar as it leads to an undefined and artificially enlarged scope of protection. Chapters 5 and 6 will show that there is only so far that trade mark and unfair competition law can go in protecting a literary character – it is surely inappropriate to use copyright to stretch this logic any further.

Chapter 3 deals with the specific issues raised in the context of copyright's adaptation right. This merits separate consideration given the right's broad reach potentially allowing characters to be protected in different forms and across different media. The US derivative works right is more expansive than the adaptation rights in Australia, the UK, or Canada.[20] This translates to a greater capacity for copyright owners to control sequels and prequels. Quite rightly then, this chapter begins with the knotty US jurisprudence on derivative works.

There are fewer cases to draw on when it comes to the application of the adaptation right to literary characters in the other jurisdictions. McCutcheon includes an interesting discussion of the picturisation right, yet to be judicially interpreted in the UK and Australia, speculating on how key terms such as "version", "story or action" and "picture" might be interpreted. As in the previous chapter, McCutcheon points out the risk that copyright might be used to reserve to the copyright owner the right to use characteristics that do no more than merely evoke or bring to mind the character. Overall, Chapter 3 argues for a restrictive view of copyright's adaptation right ("… lest the copyright owner be granted, in effect, a right to imagine").[21]

Chapter 4 tackles the issue of moral rights focusing on Australia, the UK, and Canada (given literary works are not afforded moral rights in the US).[22] The chapter begins with a philosophical discussion of the rationale for moral rights protection. At first blush, McCutcheon explains that moral rights seem to be the most appropriate modality for protecting characters, given their goal to preserve the connection between an author and their work. Indeed, many author complaints about character appropriation relate to the contortion of their connection with the character or the disruption of their intended message. Much of this chapter is devoted to a nuanced explanation of the harms against which moral rights are designed to protect (e.g., message destabilisation, harm to reputation or honour, dilution, etc.). McCutcheon identifies multiple weaknesses in all these theories of purported harm, which lead her to conclude that it would not be easy to substantiate the existence of such harms in the context of character appropriation.

Chapter 5 moves on to the law of registered trade marks. Again, the uncertain subject matter of the literary character is a significant obstacle to protection; and, in this case, to trade mark registration. A literary character itself cannot be identified or reduced to a discrete sign. The only aspect or indicia of a literary character that seems likely to be registrable is its name, especially where the name is used as a title. Yet, as McCutcheon argues, such use will usually lack capacity to distinguish the goods to which they relate (usually books). Only in very rare cases will character names be used *as a trade mark*. This is because most consumers see titles descriptively, as names of products designating their content not badges of origin indicating source.

Chapter 6 deals with unregistered trade marks, considering the law of passing off in Australia and the UK, along with some US unfair competition decisions. Once more, the vague concept of a literary character proves a challenge for legal protection. McCutcheon explains the difficulty in establishing the requisite reputation required for passing off to apply. She notes that cases where goodwill in a character seems to be established leave this finding largely unexplained.[23] Even if this hurdle can be surmounted, passing off cannot protect the literary character itself and will only extend to certain indicia of the character (i.e., clearly definable and recognisable character traits or the character's name). Protection is primarily available to entities that exploit characters commercially (not authors) and its scope is quite narrow (confined to deceptive or confusing appropriations of character indicia in the marketplace). Passing off is really of most use where a character is commercially exploited in derivative graphic or audiovisual form drawing on multiple aspects of the original.[24] This is a fraction of the instances that aggrieve authors.

Chapter 7 turns to the interests of users or appropriators and the broader community by focusing on the exceptions to copyright and moral rights infringement. Here McCutcheon considers the need to balance the interests of authors with the social, cultural, and economic benefits of character appropriation. It is a fascinating read, delving into the complex relationship between the law in textbooks and the

law in action. This chapter covers some important ground, but it must be understood in the context of McCutcheon's argument in Chapters 1 to 3 that characters "as such" cannot effectively be protected by copyright, which means that exceptions ought to rarely be in issue.[25]

Fair use is discussed alongside the fair dealing factors. This is a slightly unfortunate structure insofar as it meant that differences in nuance between the approach in the US and in the other jurisdictions could not be drawn out as effectively as in previous chapters. Nonetheless, McCutcheon provides timely and useful analysis of a complex and shifting area of the law where there is significant divergence between jurisdictions. Of particular interest to readers will be the analysis of (relatively) new exceptions in some jurisdictions, such as, those relating to parody, satire, quotation, and user-generated content. Conclusions on the permissibility of acts of character appropriation are ultimately left open due to the lack of case law of direct relevance as well as the inevitable specificity of the circumstances of character use.

The provocation for this book is captured in a statement by the representative of Evelyn Waugh's estate, that "[y]ou cannot just wander into someone else's property and take their characters".[26] Chapter 8 concludes by asking whether there is any truth in this assertion. McCutcheon's answer: it depends. This response is not an equivocation, but rather an acknowledgment of the complexity of the legal landscape.

Literary Characters in Intellectual Property Law is a masterful investigation of the status of literary characters as potential subject matter for intellectual property rights. McCutcheon makes valuable contribution to knowledge by exposing the shaky legal foundations of the commonly held presumption that literary characters are identifiable and exploitable commodities. She demonstrates that it is usually only limited aspects of a literary character that can be protected, and even then, only in very specific circumstances. McCutcheon argues that where case law has extended significant intellectual property protection to literary characters this has often been in tension with established legal principles. She has elucidated many areas of misunderstanding in the law and lambasted the main culprit of confusion: the character as work doctrine.

This book has been carefully crafted to achieve its goal of helping stakeholders better navigate the law. It is written in a way that is accessible to a non-specialist audience without losing nuance in the discussion of complex areas of law. At the same time, *Literary Characters in Intellectual Property Law* provides valuable insights for intellectual property lawyers, judges, and academics. Key among these is the need for more analytical approaches to intellectual property decision-making. Also, the importance of attention to how texts operate to create meaning when assessing the scope of protection. In this respect, McCutcheon's analysis provides a compelling demonstration of the usefulness of conceptual resources from the humanities in understanding the mechanics of creative work (that is, how texts work to create meaning).

This review's description of *Literary Characters in Intellectual Property Law* cannot do justice to the rich, evocative, and engaging prose with which it is conveyed. The book is truly a joy to read. McCutcheon's thoughtful approach to her subject reveals a passion project that has been allowed to percolate over time (a rare gem in modern academia) and her footnotes will be a rich resource for intellectual property aficionados.

1 Senior Lecturer, Macquarie University and Honorary Lecturer, University College London.

2 There are more solid legal foundations for ownership of purely graphic characters as artistic works protected by copyright and/or as trade marks (assuming they satisfy the criteria for protection and registration).

3 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) Chapter 1.

4 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 24.

5 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 25.

6 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 57.

7 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 10.

8 45 F 2d 119 (2nd Cir, 1930), 121: "[W]e do not doubt that two plays may correspond in plot closely enough for infringement… Nor need we hold that the same may not be true as to the characters, quite independently of the 'plot' proper, though as far as we know, such a case has never arisen… It follows that *the less developed the characters, the less they can be copyrighted*: that is the penalty an author must bear for making them too indistinct" (emphasis added by McCutcheon, who includes a longer extract from the judgement on pages 11–12).

9 *Warner Bros Pictures Inc v Columbia Broadcasting System*, 216 F2d 945 (9th Cir, 1954) (discussed in Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 13).

10 17 USC § 102(a).

11 17 USC § 101 "copies".

12 17 USC § 101 "fixed". See Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 31 "… it is incumbent on the *author* to fix the work, not the reader to *find* it"). This argument seems less convincing than the others – all works depend in some sense on audience interpretation for their meaning to be fully realised.

13 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 58.

14 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 41 considering that the causal link may also be the inverse.

15 See the vague illusion to the possibility of character copyright in Australia (*Hexagon Party Ltd v Australian Broadcasting Commission* (1975) 7 ALR 233, 248); a problematic recent decision of the UK Intellectual Property Enterprise Court recognising the possibility of character copyright (*Shazam Productions Ltd v Only Fools The Dining Experience Ltd* [2022] EWHC 1379); and a series of mostly equivocal Canadian cases many of which focus on graphic/literary hybrid characters (*Zlata v Lever Bros Ltd* (1948) 9 CPR 34, *Preston v 20th Century Fox Canada Ltd* (1990) 33 CPR 242, *Productions Avanti Cine-Video Inc v Favreau* (1997) 79 CPR (3rd) 385, (1999) 1 CPR (4th) 129, *Anne of Green Gables Licensing Authority Inc v Avonlea Traditions Inc* (2000) 4 CPR (4th) 289 and *Cinar v Robinson* [2013] 3 SCR 1168 (Canadian SC)).

16 On the complexities of determining nonliteral copyright infringement in the US: Pamela Samuelson, 'A Fresh Look at Tests For Nonliteral Copyright Infringement' (2013) 107 *Northwestern University Law Review* 1822.

17 On the failure of the idea/expression distinction to promote principled and analytical decision-making: Patricia Loughlan, 'The Marketplace of Ideas and the Idea Expression Distinction in Copyright Law' (2002) 23 *Adelaide Law Review* 29.

18 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 65.

19 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 65, 90.

20 In Canada the adaptation right is subsumed in the rights to "produce or reproduce" the work: Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 104.

21 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 114.

22 Of course, moral rights can also be indirectly protected in other ways (e.g. copyright, contract), discussed in the US context in Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 128-31.

23 For example, *Shazam Productions Ltd v Only Fools The Dining Experience Ltd* [2022] EWHC 1379 (IPEC).

24 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 227.

25 McCutcheon criticises scholarly preoccupations with the question of whether fanfiction is protected by copyright exceptions as tending to assume infringement (which the first part of the book establishes ought not to be a foregone conclusion).

26 Jani McCutcheon, *Literary Characters in Intellectual Property Law* (Edward Elgar, 2023) 272, note 1 citing James McGill, 'How is a Fictional Character Protected By Law?' *The Society of Authors* (16 February 2021) <www2.societyofauthors.org/2021/02/16/how-is-a-fictional-character-protected-by-law/>.

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.

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

For further information contact:

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Website address: www.ipsanz.com.au

Current Developments — Australia

IP AUSTRALIA

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

Design rights terminology: key terms for informed discussion

IP Australia has compiled a list of nine key design rights terms. Many of these terms have common, everyday meanings, so IP Australia has provided definitions to help clarify what these common words mean specifically in the context of design rights. The idea is to help facilitate informed discussions between business owners and legal professionals, and to improve IP strategy by having design holders understand the value of their designs and what effective IP protection means.

Your business plan – don't forget IP!

Business.gov.au has launched a new business plan tool to help existing and potential business owners evaluate their business ideas, set goals, and monitor their progress by providing them a tailored business plan. As part of the new planning tool, IP Australia has taken the opportunity to emphasise the importance of IP to a successful business strategy, for example by helping to position a product or service in the market, prevent misuse and misrepresentation, and by creating a commercial monopoly. The provided overview of IP includes links to further information on the four different registrable IP rights, with a specific focus on trade marks.

IP Australia's website provides links to their "Choosing the right IP tool" to help business owners identify suitable IP protection, and also to the more recently launched "TM Checker tool", which notifies users of trade mark availability, potential conflicts, and an estimate of the time and cost of an application.

Patent Analytics Reports: quantum technology filings and the power of hydrogen

Quantum technology filings

The Australian Government Department of Industry, Science and Resources defines quantum technologies as utilising subatomic-scale properties of light and matter. Example technologies include quantum computing, post-quantum cryptography, quantum communications and quantum sensors. Quantum technologies are listed by the Department as critical technologies in the national interest.

The February 2024 patent analytics report focuses on these critical quantum technologies, outlining global trends, innovators, filing destinations, and stakeholders. The interactive report aims to help drive data-based policy decisions and provides a measure of the rate of commercialisation of quantum technologies in Australia. The report is available on the IP Australia website.

The power of hydrogen

The latest patent analytics report focuses on hydrogen energy. The reported global trends, innovators, filing destinations, and stakeholders demonstrate that hydrogen technologies are still an area of growth and interest globally, and are becoming increasingly important in Australia. The interactive report is available on the IP Australia website.

Partnering with WIPO to build capacity in the Indo-Pacific region

Australian government funding has been secured to deliver a fourth Funds-In-Trust ("FIT") Australia program in partnership with the World Intellectual Property Organization ("WIPO"). The FIT program aims to enhance IP capabilities in the Indo-Pacific region and to promote innovation, investment and technology transfer. The fourth program ("FIT4") builds upon three earlier FIT programs implemented since the initiative began in 2011 and will include work in the areas of empowering women entrepreneurs from indigenous and local communities and assisting Pacific Island countries in adopting innovative green technologies to combat pollution and mitigate the effects of climate change.

Count Her In: Invest in Women – Accelerate Progress/ International Women's Day 2024

As part of International Women's Day 2024, IP Australia highlighted the contributions of women to accelerating progress. IP Australia shared stories on its website from Australian businesses led by women, who emphasised the importance of IP in their business strategy.

Aristocrat Technologies Australia Pty Ltd v Commissioner of Patents (No 3)
[2024] FCA 212

The Federal Court of Australia has found that none of the claims remitted for consideration by the High Court in August 2022 are a manner of manufacture. The decision follows the 2022 High Court decision in which six justices came to an evenly split decision on the matter, resulting in affirmation of the earlier Full Court finding, pending resolution of any residual issues by the primary judge. IP Australia has provided links to the full judgments of both the Federal Court (March 2024) and the High Court (August 2022). The Commissioner will review and consider the decision.

IP infringement resource for rights holders

IP Australia has added an IP infringement resource to its website. The resource is aimed at IP rights holders and explains how infringement of IP rights can occur and strategies to help prevent and manage possible infringement.

Understanding IP resource

A further resource aimed at current and potential IP rights holders has been added to the IP Australia website that explains the differences between trade marks, design rights and copyright protection. The resource also outlines when and how these rights may apply and/or be obtained to create an overall IP strategy.

Just launched – Australian Patent Search

The new Australian Patent Search website is live, providing both quick and structured searching, an updated interface, and 24/7 availability with no maintenance outages. Australian Patent Search uses the same database as the previous search platform AusPat, with both sites currently available currently, before AusPat is decommissioned later in the year.

It's live! IP Australia adopts the Madrid Goods and Services list

IP Australia replaced its Trade Marks Goods and Services list for trade mark applications with the Madrid Goods and Services ("MGS") list on 26 March 2024.

The MGS list was developed, and is maintained, by the WIPO for IP Offices to use. The adoption of the MGS list will offer Australian applicants a broader choice in goods and services and means that terms used in picklisted applications in Australia will now align with WIPO's acceptable terms. This will reduce the likelihood of receiving a notification of irregularities when seeking to extend protection of Australian trade marks internationally through WIPO's Madrid System.

Updated online trade mark searching experience

With the adoption of the MGS list and the increased number of terms to choose from, IP Australia has updated its online search tools, including for online trade mark applications, search tools and TM checker with the introduction of the semantic search functionality. The semantic search will locate classifications which relate to the exact term searched as well as for similar and related classifications. The new semantic search system also allows results to be filtered according to relevance.

TM Checker advanced out of pilot

TM Checker is an AI operated tool launched by IP Australia in October 2022. On 30 April 2024 the program advanced out of the pilot stage and is now live.

TM Checker is a free search and application tool targeted towards increasing small business participation with the trade mark system.

Results of the pilot program show increased engagement by new applicants who previously did not participate with or use the trade mark system.

Newly notified signs under Article 6ter of the Paris Convention published on 28 March 2024

In September 2024, WIPO will publish the next batch of Article 6ter signs, being armorial bearings, flags and other State emblems of the States party to that convention, as well as official signs and hallmarks indicating control and warranty adopted by them, against unauthorised registration and use as trade marks.

WIPO has been publishing newly notified signs online every six months (at the end of March and September) since 2009. Australia must advise whether protection will be provided for the signs within 12 months from the day on which the sign is published by WIPO.

A link to the notified signs published on 28 March 2024 can be accessed from the Article 6ter Express Database located at the URL <https://6ter.wipo.int/struct-search?lang=en>.

It is possible to file objections to the protection of any of these signs if the extension of protection to a newly notified sign may have a significant adverse effect on prior trade mark rights, if there is an established practice for the use of a sign, or if there is a legitimate need or right to use the mark in Australia. Objections to the protection of the newly notified signs published on 28 March 2024 must be lodged with the Registrar of Trade Marks by 28 March 2025.

The Registrar will consider all objections and additional information on their merits. Any appropriate objections will be conveyed to the International Bureau at WIPO.

CASES

Tom Cordiner KC, Melissa Marcus, Clare Cunliffe, Marcus Fleming and Amy Surkis[1]
Barristers

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

This quarter's instalment presents a mixed bag of patent disputes, each dealing with distinct patent law issues. We start with an invention to deal with drill rod failure in *Jusand*, in which the Full Court broke new ground by applying the UK principle of "relevant range" in concluding that Jusand's patent was invalid for lack of sufficiency. Leaving the mining space, we delve into the latest collision in the long running dispute between *SARB* and *VMS* over parking overstay technology. The Full Court gave us some rare guidance on the interpretation of omnibus claims and the application of the lack of best method ground. We then shift gears to the electronic gambling dispute that keeps on giving – the *Aristocrat* remitter. Justice Burley delivered a disappointing result for Aristocrat, finding that he was bound to follow the result of the Full Court and to conclude that the remainder of the patent claims were not to a manner of manufacture. Aristocrat has elected to roll the dice again, appealing that decision. Finally, we wind down with Justice Nicholas' decision in *Neurim*, in which he declined the opportunity to find a pharmaceutical (melatonin) to be a staple commercial product. This finding leads these authors to dream about what it would take for a court to find a pharmaceutical a staple commercial product.

Jusand Nominees Pty Ltd v Rattlejack Innovations Pty Ltd

[2023] FCAFC 178

13 November 2023 – Perram, Nicholas and McElwaine JJ

Patent validity – sufficiency and support – patent infringement – construction of claims

Overview

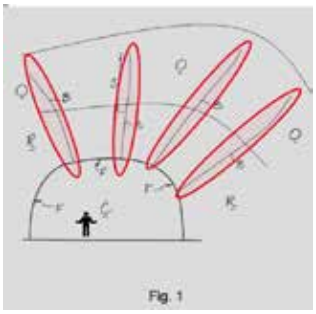
Sufficiency and support are revealing themselves as powerful weapons in a patent revoker's arsenal. The Full Court has continued this trend by upholding the primary judge's findings that Jusand's patent is invalid for lack of sufficiency and lack of support. In a judgment written by Justice Perram (with whom Nicholas and McElwaine JJ agreed), the Full Court provides a thorough analysis of the applicable principles, including the application of the UK concept of "relevant range" in the context of a method claim.

Jusand sought special leave to appeal, but that application was recently rejected by the High Court on the grounds that the appeal did not have sufficient prospects of success and the proceedings were not a suitable vehicle for the point of principle sought to be raised.

Background

Jusand Nominees ("Jusand") brought patent infringement proceedings against Rattlejack Innovations ("Rattlejack"), and three other respondents, asserting that three of its mining industry patents for a safety system for protecting against drill rod failure were infringed by Rattlejack's SafetySpear product ("SafetySpear"). Rattlejack cross-claimed, seeking revocation of the patents.

For the drill-rod-failure uninitiated, the system involves the use of a product which works as a "plug" in a bore hole to stop very heavy drill rods, that have broken off up the hole they were being used to drill, from accidentally dropping on people working in an underground mine (that is, a mine where bores are drilled upwards from an underground cavity into rock strata towards the ore deposit above). The following adaptation of figure 1 of the patent illustrates the utility of the system:



B = bore
O = ore body
F = rock face
C = cavity (underground)
R = rock strata
S = broken drill rod section

The "plug" of the invention is an apparatus inserted into the bore hole which relevantly comprises an "anchor member" holding the apparatus in place and an "impact reduction member" which reduces the impact of the broken drill rod.

At first instance, Justice Rofe found that the SafetySpear did not infringe and that the patents should be revoked for lack of sufficiency (s.40(2)(a) of the *Patents Act 1990* (Cth) and lack of support (s.40(3) of the Act).

Jusand appealed those findings in relation to one of the three patents. There were three issues in the appeal before Perram, Nicholas and McElwaine JJ:

(1) The proper construction of claim 1.

(2) Whether the SafetySpear infringes claim 1, properly construed.

(3) Whether the patent was invalid for lack of support and sufficiency.

Consideration of issues 1 and 2 involved the application of relatively straight forward construction principles and is

not the subject of detailed consideration here. It is sufficient to say that the Full Court affirmed Justice Rofe's finding of infringement and concluded that:

- an "anchor member" in the context of the specification was a member which could only move by a de minimis amount (i.e., less than 5mm) on impact (c.f. Jusand's construction which would have allowed it to move considerably); and
- Jusand's evidence was insufficient to prove that the SafetySpear moved by less than 5mm or that the SafetySpear was suitable for installation at or near to the rock face (as required by the claims).

The Full Court's consideration of issue 3 is of most interest to patent practitioners. This section of the reasons constitutes the first appellate application of post-*Raising the Bar* sufficiency and support principles and firmly inserts into Australian law the UK "relevant range" approach.

Sufficiency

The requirement in s.40(2)(a) of the Act is referred to as a sufficiency requirement and, in the UK, failure to fulfil the requirement is referred to as "classical insufficiency". As the Full Court put it, "sufficiency and support are large topics" but this appeal focused on the operation of those principles "where the claims of a patent are expressed such that it is possible to perform the invention in a range of ways." The application of this decision can be seen as limited in this sense.

At a high level, the issue for the Full Court to decide was whether it was permissible for the patent to confer a monopoly in relation to a safety system fabricated from any material, in circumstances where the specification only disclosed how to make it from steel (and to a limited extent, a polymer foam material which, for reasons explained in the decision, was not relevant).

In resolving this question, the Full Court took direct guidance from two UK decisions: *Regeneron Pharmaceuticals Inc v Kymab Ltd* [2020] UKSC 27 ("*Regeneron*") and *Illumina Cambridge Ltd v Latvia MGI Tech SIA* [2021] EWHC 57 (Pat) ("*Illumina*"). It is useful to take a brief detour to consider these cases.

Regeneron

Regeneron concerned a patent for the creation of transgenic mice who could produce human antibodies. The claims were drafted such that they included within their scope a mouse with any segment of the human variable region, up to and including the whole human variable region. This meant that the claims covered mice who could produce the full range of human antibodies. The Court found that the common general knowledge, combined with the teaching of the patent, was such that the skilled person could only produce a mouse with a small subset of the human variable region (and in turn, a small subset of the full range of human antibodies), and that the creation of mice for other parts of the human variable region would have involved considerable inventiveness and substantial work. Thus, the patent lacked sufficiency. In arriving at this conclusion, Lord Briggs for the majority of the UK Supreme Court set out the relevant test, including the following paragraph which encapsulates the concept of "relevant range":

> *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.* [Emphasis added]

This statement makes clear that a patent cannot be defeated by simply conjuring up a number of variables applicable to a claim. The range in question must be **relevant**.

Illumina

Illumina was decided after *Regeneron*, and related to a gene sequencing invention. The method claimed involved monitoring the incorporation of nucleotides into a chain and required that "at least one" incorporation should be of a nucleotide specified elsewhere in the patent. This meant that the invention could be performed in a range of ways and the question was whether the specification enabled the invention over that range. Justice Birss (as his Lordship then was) considered the "relevant range" analysis as articulated by Lord Briggs, and observed that, while that test was couched in the terms of a product (i.e., transgenic mice), it could be applied to processes. Justice Birss then went on to provide the following articulation of the test which builds on the concept of "purpose" developed by Lord Briggs:

> *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****.* [Emphasis added]

Justice Birss explained that the "essence or core of the invention" is distinct from the invention but is "closely related to the technical contribution and/or the inventive concept".

Justice Birss explained the concept by reference to a, appropriately very British, teapot. The example provided was of a new teapot which was inventive because its spout was shaped in a new way so as not to drip. If the claim was drafted without reference to a specific material (or with reference to any material), it would include within its scope teapots made of any material. However, that fact would not render the claim bad for lack of sufficiency, because the range of potential materials is not relevant to the invention. That is, it is not a "relevant range" in the Regeneron sense. While the material the teapot is made of is plainly relevant to its function, Justice Birss made clear that the kind of relevance required is a:

> *more particular concept which 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).*

The Full Court's approach

The Full Court embraced Justice Birss' interpretation of the principle in Illumina but made clear that the above were not absolute statements and that the approach needs to be carefully adapted so that it applies to inventions of all kinds and not just product inventions. The Full Court articulated the appropriate approach for the determination of the "essence or core of that invention" as follows:

> *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.*

The Full Court also made clear that, at least in relation to a product claim, a patent's technical contribution to the art is the product and not the inventive step. In the context of a method claim (as was the claim in suit), the Full Court said that the technical contribution to the art is not the same as the inventive step, although the inventive step may constitute an element of the contribution to the art.

In applying the "relevant range" approach from Regeneron and Illumina to the patent in suit, the Full Court found as follows:

- The innovative step 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, but its technical contribution to the art was taking that idea and explaining how to use it in a safety system using steel.
- It was impossible to accept the appellant's submission that the material from which the safety system is to be made is irrelevant – this would ignore the context in which the innovative concept is deployed in the invention claimed. The materials engineering issues involved in creating anchor and impact reduction members which would withstand the instantaneous application of forces of the requisite magnitude were not trivial.
- Thus, the range of materials from which the safety system could be made was part of the essence or core of the invention, would affect its utility for its purpose and so, was a relevant range.
- The skilled addressee would understand that the safety system could be plausibly constructed from a range of materials including plastics, fibreglass or carbon fibre, but would readily disregard materials which would not work such glass or paper. Thus, glass and paper did not form part of the relevant range.
- The specification did not provide any guidance on the selection of materials other than steel, and the design of the safety system with those other materials would involve inventiveness and undue burden. Once a material other than steel was selected, the skilled addressee would need to "invent the Safety System from scratch".

In arriving at its conclusion that the patent lacked sufficiency, the Full Court drew a distinction between the safety system and Justice Birss' teapot. The Full Court said that the "critical difference" between the safety system and the teapot was that, while Justice Birss could assume that the person skilled in the art could select an appropriate material for the teapot without inventive step or undue burden, that assumption could not be made in the case of the safety system.

These authors assume that the Full Court's observation that the skilled person in the art could select an appropriate material for the teapot without inventive step or undue burden, must be referring to the fact that the "essence or core" of the teapot patent related to the spout design and so its material was not a variable which significantly affected the value or utility of the teapot as claimed and thus, variation in that material was not a relevant range. We do not think the Full Court could have been saying that the ability of the skilled person to select an appropriate material for the teapot without inventive step or undue burden **itself** resulted in the material not being a "relevant" range, because this would be inconsistent with Justice Birss' analysis. In *Illumina*, Justice Birss postulated that the notional teapot claim might cover types of teapots which the specification does not enable (such as one constructed from an as-yet unknown material), but that did not matter because, when considered in light of the essence or core of the invention, there was no relevant range of materials in the requisite sense.

However, the above statement from Justice Birss should not be taken to suggest that the teapot patent did not need to disclose **any** means to identify and use materials to make the

teapot. Justice Birss' analysis included the assumption that the skilled person could choose, identity and test suitable materials at the priority date to make the teapot – China would work, and chocolate would not. This suggests a threshold sufficiency requirement which is separate from the "relevant range" assessment.

Support

The Full Court found that this was a case where the sufficiency and support analysis was fundamentally the same. Thus, the Full Court disposed of the support part of the case in three paragraphs. Putting the analysis in "support" language, the Full Court stated:

> *The invention as claimed was a safety system able to be constructed from a range of materials but the specification showed only how to make it from steel. Thus the monopoly defined by the claims exceeded the technical contribution to the art.*
>
> …
>
> [T]*he inventive and burdensome task of using other, possibly superior, materials lies in the inventive future. The Appellant is not entitled to prevent others from using its insight to create inventions from materials other than steel when the only invention it has actually disclosed is one made from steel. If the selection and design of the Safety System in these other materials did not require inventive skill or undue burden, the answer would be different. However the short of the matter is that these endeavours do involve inventive skill and undue burden. In effect, therefore, this case is indistinguishable from Regeneron.*

Authors' observations on the "relevant range" approach

From a revoker's perspective, the Full Court's reasoning fortifies a view that has been developing over the past five or so years in Australian patent law – lack of sufficiency and support are powerful weapons in invalidating (or narrowing) patent claims. This decision makes clear that there are two critical considerations when running such an attack:

(1) precisely identifying the "essence or core" of the invention so that the "range" in question becomes relevant; and

(2) adducing compelling evidence as to the burden associated with developing a product/process/method within that relevant range.

From a patentee's perspective, one must ask whether the relevant range approach creates too much uncertainty. The Full Court has left a lot of flexibility in the interpretation of the "essence or core" of the invention, making it potentially very difficult for patentees to ensure that their specifications are drafted to cover all possible "relevant ranges". Unintended consequences may include the generation of longer and more expensive patents, for example, showing how to make the system work with a vast range of materials, or the inclusion of cascading claims dealing with potential "relevant ranges" (for example, claims to products of materials a, b, c …) in order to avoid the outcome suffered by Jusand.

SARB Management Group Pty Ltd trading as Database Consultants Australia v Vehicle Monitoring Systems Pty Limited

[2024] FCAFC 6

9 February 2024 – Burley, Jackson and Downes JJ

Patent infringement – construction of claims – patent validity – best method

Overview

In the latest collision between SARB Management Group Pty Ltd trading as Database Consultants Australia ("SARB") and Vehicle Monitoring Systems Pty Limited ("VMS"), SARB sought to overturn Justice Besanko's findings that its latest parking product infringed VMS' patents and that those patents disclosed the best method of performing the invention. The Full Court took a U-turn on the infringement findings but did not deviate from the route set by the primary judge on the best method attack.

As aptly put in the reasons delivered by Burley, Jackson and Downes JJ, this appeal was the next stage in a "lengthy arm wrestle between the parties concerning the rights to the intellectual property in systems for vehicle overstay detection in car parks". For a summary of the first instance decision by Justice Besanko, see our earlier note published in Issue 133 (September 2023) of *Intellectual Property Forum*. Despite the large number of issues at first instance, the appeal was confined to two issues. First, did the primary judge err in finding that, on proper construction of the claims, SARB's latest product (Pinforce Version 3 ("PV3")) infringes the claims in suit, one of which was an omnibus claim. Secondly, did the primary judge err in finding that the patents did not fail to disclose the best method. While vehicle overstay technology is, no doubt, in and of itself riveting subject matter, to these authors, the Full Court's reasons with respect to the construction of the scope of the omnibus claims and the proper analysis to be applied to the best method requirement, are of particular interest.

Technical background

The following technical matters are relevant to understanding the Full Court's reasons:

- The invention involves a detection apparatus ("DA") which sits underground where the vehicle is parked, detects the presence of a vehicle, stores data and wirelessly transmits that data to a data collection apparatus ("DCA").
- The DCA indicates to an operator if the vehicle has overstayed.

- It is possible for the determination of whether a vehicle has overstayed to occur in either the DA or the DCA.
- In PV3, the determination of vehicle overstay occurs in the DCA.
- The invention includes a "wake-up scheme" in which a "wake-up signal" is transmitted from the DCA to the DA in order to wake up the DA so that the two apparatuses can engage in a communications session.

Infringement

While there were two patents in issue, it was agreed that the Full Court's finding in relation to the first patent applied equally to the second patent. With that in mind, there were two claims in issue, claim 21 and claim 32 (the omnibus claim).

Claim 21

Claim 21 is to a system for identifying vehicle overstay in which (among other things not relevant to the issue in dispute) the DCA receives **data** from the DA and said data "relates to **identified** instances of vehicle overstay". [Emphasis added]

The primary judge had held that this claim was broad enough to include circumstances where the determination of vehicle overstay occurs in the DCA, as is the case in PV3. Justice Besanko arrived at that conclusion by looking at the language of the specification which he considered left open the possibility that data relating to "identified instances of vehicle overstay" could include something less than a determination of vehicle overstay (e.g., vehicle presence data or a record of vehicle movement in the parking space). In those circumstances, the ultimate determination could occur in the DCA.

The Full Court rejected this approach and observed that it did not "pay due regard to the language of claim 21". The Full Court's reasoning rested primarily on its view that the use of the past tense "identified" in claim 21 made clear that the determination of vehicle overstay had to have occurred **prior** to the data being transmitted to the DCA. That is, the claim required that determination of vehicle overstay occurred in the DA, prior to data being transmitted to the DCA, and so PV3 did not infringe.

One interesting aspect of the Full Court's reasoning on this issue was its rejection of VMS' construction argument which relied on the language of the earlier claims. VMS had sought to rely on the language of claims 1 and 11 to support its construction. VMS argued that those claims made clear that the DA determined vehicle overstay, and the absence of such express language in claim 21 meant that claim 21 must encompass a system where determination can occur in the DCA. The Full Court rejected this approach and made the following useful observations which should assist a party attempting to resist a particular construction based on the language of the surrounding claims:

> *The role of the data collection apparatus is to be determined having regard to the interaction between particular integers of claim 21, not by making assumptions on the basis of the differently worded earlier claims. Accordingly, whilst it is correct that where the same word or phrase is used in a claim(s) consistency should be maintained, that is subject to the practical qualification noted by the Full Court in Product Management Group Pty Ltd v Blue Gentian LLC [2015] FCAFC 179; (2015) 240 FCR 85 at [85] (Kenny, Nicholas and Beach JJ) that if there is a good reason to depart from such consistency, then it is appropriate to do so. In the present case, the differences in structure and language between claims 1 and 11 on the one hand, and claim 21 on the other, serve to distinguish the points from that case.*

Claim 32

Claim 32 is to a system for identifying vehicle overstay "substantially as herein described with reference to an embodiment shown in the accompanying drawings".

It is not often that we see courts opining on the scope of omnibus claims, so the Full Court's reasons here provide some helpful guidance for practitioners.

The specification in suit discloses three embodiments (or aspects). The first is to a method, the second is to an apparatus and the third is to a system. It did not appear to be in dispute that claim 21 and claim 32 both reflected the third embodiment.

SARB argued that, consistent with the primary judge's reasoning, as claim 21 and claim 32 were to the same embodiments, if it was successful on claim 21 then the same result should follow for claim 32.

VMS' arguments on its Notice of Contention focused on the figures. VMS submitted that claim 32 ought not be construed as being limited to a system in which overstay is determined by the DA in circumstances where none of the figures showed overstay necessarily being determined by the DA. VMS' position was that the figures left open the overstay being determined by either the DA or the DCA.

The Full Court rejected VMS' submissions. The Full Court said that the figures were of no assistance as they were either equivocal as to where the vehicle overstay is determined, or do not identify any apparatus. Therefore, it was necessary to look to the consistory clause representing the third embodiment as the basis for determining the broadest scope of claim 32. That consistory clause was in equivalent language to claim 21 and so claim 32 had to be interpreted consistently with claim 21. The Full Court considered that VMS' attempt to expand the scope of claim 32 by reference

to the figures "ignored the importance of considering the invention as a whole and as described in the specification, including the breadth of the summary of the invention". Put simply, the Full Court observed that the stream cannot rise above its source.

Best method

The Full Court's analysis of the best method ground illustrates the importance of accurately defining the invention as described in the specification prior to asserting a failure to disclosure the best method.

The case advanced by SARB at first instance was that the specification did not include the best method known to VMS of communicating data from the DA using a functioning wake-up scheme because it did not describe what VMS knew to be the best transceiver due to its power saving advantage – ASTRX2.

Importantly, the Full Court said that the wake-up scheme as disclosed in the invention:

(1) does not claim a transceiver with certain features, such as power saving capabilities; and

(2) a particular type of transceiver is not the invention which is described in the embodiments and around which the claims are drawn.

Thus, said the Full Court, the invention was to the wake-up scheme and not a transceiver with particular features. Viewed with that lens, there were two critical findings made by the primary judge which the Full Court said SARB had failed to overcome. First, it was not put to the relevant expert that the parameters in the patents did not reflect the best method of a wake-up scheme and second, the wake-up scheme described in the patents was an efficient and adequate wake-up scheme and there was no reason to think on the evidence that the relevant expert knew of a more sophisticated wake-up scheme.

Having failed to overcome those findings, the Full Court held that the patents did disclose the best method of performing the invention.

Aristocrat Technologies Australia Pty Limited v Commissioner of Patents (No 3)

[2024] FCA 212

8 March 2024 – Burley J

Patents – manner of manufacture – computer implemented inventions

Overview

The long-running saga of the Aristocrat patent applications (to an electronic gaming machine ("EGM") functioning in a certain way), which has been running since 2018, continues, after Justice Burley held that he is not able to express a view that the majority of the Full Court purported to, or did, reach its decision in a manner that was contrary to the reasoning of previous cases, or that one set of High Court reasons should be preferred over another.

In potted summary:

- A delegate of the Commissioner of Patents determined that the claims were not a manner of manufacture: *Aristocrat Technologies Australia Pty Limited* [2018] APO 45.
- The patent applicant, Aristocrat Technologies Australia Pty Limited ("Aristocrat") appealed from that decision and the decision of the delegate was reversed by Burley J ("first instance decision"): *Aristocrat Technologies Australia Pty Limited v Commissioner of Patents* [2020] FCA 778 (Burley J).
- A Full Court subsequently reversed the first instance decision, with two judges (Middleton and Perram JJ, "majority decision") giving one set of reasons for determining that the claims were not a manner of manufacture and one judge (Nicholas J, "minority decision") providing separate reasons leading to the same conclusion. The Full Court determined that the matter should be remitted to the primary judge.
- Special leave to appeal to the High Court was granted. Six justices considered the matter but there was even division between them, three members of the Court deciding that the claims were not a manner of manufacture and that the appeal should be dismissed (Kiefel CJ, Gageler and Keane JJ) ("dismissing reasons") and three members deciding that they were to a manner of manufacture and that the appeal should be allowed (Gordon, Edelman and Steward JJ) ("allowing reasons"): *Aristocrat Technologies Australia Pty Ltd v Commissioner of Patents* [2022] HCA 29 ("High Court decision").

The consequence of the High Court's split decision is that s.23(2)(a) of the *Judiciary Act* 1903 (Cth) applies, which provides that where the Court is equally divided, the decision of the Full Court which is appealed from shall be affirmed. Accordingly, the Full Court decision was affirmed, and the remittal order made by the Full Court took effect.

On remitter, the parties agreed that the residual issues identified concerned whether claim 5 of the innovation patent number 2016101967 titled "A system and method for providing a feature game" (the "967 patent"); claim 5 of innovation patent number 2017101629 (the "629 patent"); and claim 5 of innovation patent number 2017101097 (the "097 patent") (as dependent on claims 1, 3 and 4) were to a manner of manufacture.

The parties agreed that if none of the residual claims were found to be for an invention that is a manner of manufacture, none of the claims of the 967 patent, 629

patent, 097 patent and a further related patent not the subject of separate submissions by the parties (innovation patent number 2017101098 (the "098 patent")) would satisfy the requirements of s.18(1A)(a) of the Patents Act.

There was a dispute between the parties as to the approach to be taken to the residual claims. Aristocrat contended that the Court should:

(a) determine that the residual claims are for a manner of manufacture on the basis of the principles set out in the reasoning of the allowing reasons of Gordon, Edelman and Steward JJ; and

(b) make factual findings as to whether the claimed invention involves a "technical contribution" of the type, it contends, the dismissing reasons "observed to be missing".

In contrast, the Commissioner submitted that the Court should apply the reasoning of the Full Court to reach the conclusion, consistent with its finding in relation to claim 1 of the 967 patent, that none of the residual claims is for a manner of manufacture.

Justice Burley was required to consider:

(a) the operation of s.23(2)(a) of the Judiciary Act;

(b) the effect of the remittal order;

(c) the relevance, if any, of the High Court decision to the determination of the residual issues; and

(d) whether, in light of these matters, any of the residual claims are a manner of manufacture.

In short, Justice Burley held that:

(a) s.23(2)(a) required that he apply the majority reasons of the Full Court;

(b) the remittal order also required him to apply the majority reasons of the Full Court;

(c) the High Court decision was not relevant to the determination of the residual issues, because he was not permitted the latitude to discern from the High Court decision a relevant binding principle (and he was not persuaded that any principle emerges from it); and

(d) in light of these matters, none of the residual claims are a manner of manufacture.

To understand why, it is helpful to review the previous decisions.

The Full Court

The majority decision of the Full Court

The majority decision of the Full Court (Middleton and Perram JJ) proposed a two-step analysis:

(a) Is the invention claimed a computer-implemented invention?

(b) If so, can the invention claimed broadly be described as an advance in computer technology?

If the answer to (b) is no, the invention is not patentable subject matter. If the answer to (a) is no, one must then consider the general principles of patentability.

The majority decision determined that claim 1 of the 967 Patent was to a feature game implemented on the computer, which is the EGM, and therefore to a computer implemented invention. The majority concluded that the integers embodied an abstract idea, which were a set of rules and a business scheme, and while the claimed invention may involve advances in gaming technology, it did not involve advances in computer technology.

The majority decision went on to consider whether, even if the invention was a mere scheme, it may be found to disclose patentable subject matter including because it is technical in nature and solves technical problems in, and involves technical and functional improvements to, the operation of EGMs. The majority held that they were not in a position to determine this issue, and that it was appropriate that the matter be remitted to the primary judge to determine any residual issues in light of the Full Court's reasons.

The minority decision

The minority decision (Nicholas J) observed that although mere business schemes, and abstract ideas or information, have never been regarded as sufficiently tangible in character to constitute patentable subject matter, once a scheme is given practical effect and transformed into a new product or process which solves a technical problem, or makes some other technical contribution in the field of the invention, it may no longer be considered a mere scheme. The question is whether what may have begun as a mere scheme, an abstract idea or mere information, has been transformed in some definite and tangible way so as to result in a product or method providing the required artificial effect. There must be some technical contribution either in the field of computer technology or in some other field of technology to which the invention belongs.

The minority decision posed the question of whether there is anything about the way in which the game code causes the EGM to operate which can be regarded "as having transformed" what might otherwise be regarded as purely abstract information encoded in memory into something possessing the required artificial effect. Justice Nicholas observed that neither the specification nor the expert evidence suggested that the invention described and claimed in the specification was directed to any technical problem in the field of gaming machines or gaming systems, and that the invention is not directed to a technological problem residing inside or outside the computer.

The minority decision considered that the proceeding should be remitted to the primary judge to consider whether claim 1 of the 967 patent, or any of the other claims in issue, is a manner of manufacture on the basis that it involves technical and functional improvements to EGMs. That is, unlike the majority decision, the minority decision left room for a subsequent finding that the configurable symbols in claim 1, and the residual claims, might amount to a technical contribution to the field of gaming technology. Despite expressing agreement with the terms of the orders proposed by the majority decision, the remitter contemplated in the minority decision was broader in scope and would involve a further factual inquiry.

The High Court

The dismissing reasons

The dismissing reasons endorsed the approach of the minority decision, and therefore implicitly rejected the position that had been adopted by the majority decision in the Full Court. The dismissing reasons criticise the two-step analysis proposed by the majority decision as unnecessarily complicating the analysis of the critical issue, which is as to the characterisation of the invention by reference to the terms of the specification, and expressed the view that since a new idea implemented using old technology is simply not patentable subject matter, there was no occasion for the Full Court to consider remitting the proceeding to the primary judge to enable findings to be made as to whether the claimed invention made any technical contribution to the common general knowledge ("CGK") of computerised gaming.

The dismissing reasons rejected an argument advanced by Aristocrat that the matter should be remitted for determination of the issue whether the claimed inventions involved a technical contribution, including in the field of gaming technology, on the basis that the essential question is to characterise the invention by reference to the claim in light of the specification as a whole and the CGK, not by reference to further evidence. The dismissing reasons concluded that the claim does not disclose any technical contribution to either computer or gaming technology outside the CGK, and that Aristocrat should not expect to be allowed to expand its appeal to extend the final resolution of the matter by remitting it for further litigation of issues of fact not adverted to when special leave was being sought.

The allowing reasons

The allowing reasons noted the concession made by the Commissioner at trial that if the relevant claim involved a mechanical implementation "using cogs, physical reels and motors to create the gameplay" then there would have been no doubt that the relevant claim was a manner of manufacture and observed that in the 21st century, a law that is designed to encourage invention and innovation should not lead to a different conclusion where such physical mechanisms are replaced by complex software and hardware that generate digital images.

The allowing reasons noted that in determining whether a manner of manufacture exists there is only one question, which is whether there is a manner of manufacture within s.6 of the *Statute of Monopolies*. That question should not be deconstructed to require, separately from the general principles of patentability, consideration of whether the subject matter is "computer-implemented". The allowing reasons conclude that properly characterised, claim 1 is not a scheme or idea for a game that is separate from the external or artificial application of that game, because the operation of the game controller cannot be severed from the interdependent player interface in the EGM. The allowing reasons found that the claimed operation of the game controller, displayed through the player interface, is an altered EGM involving an artificial state of affairs and a useful result amounting to a manner of manufacture.

The question for Justice Burley on the remitter

Aristocrat contended that the operation of s.23(2)(a) of the Judiciary Act leaves it open to the Federal Court on remitter to apply the allowing reasons of the High Court in considering the residual claims and that the Court should make findings going to the "technical contribution" made in the residual claims based on the evidence led at trial. Justice Burley concluded that neither course was open to him.

His Honour considered that s.23(2)(a) yields the result that the decision appealed from applies (although that application is complicated by the fact that the Full Court made the remittal order which requires questions of substance to be considered). The terms of the remittal order were for determination of any residual issues in light of the Full Court's reasons, including any issues which concern the position of the residual claims and the costs of the hearings before the primary judge.

The controversy between the parties was the application to be given to the words "shall be affirmed" in s.23(2)(a) of the Judiciary Act and the words "in light of the Full Court's reasons" in the remittal order. The decision of the High Court does not create any binding precedent because only unanimous or majority decisions of that Court have binding authority. Justice Burley concluded that the language of s.23(2)(a) is plain in its terms, and the decision of the Full Court in the present case has been "affirmed". His Honour said that it was not correct to draw upon the reasoning of the High Court to influence the primary judge's decision in the relation to the residual claims, because s.23(2)(a) is directed to ensuring an outcome in the case, without necessarily producing a binding precedent. The result is that the decision of the Full Court (including the reasons) remains in place. Justice Burley considered that those orders and the reasons for them bound him as a single judge.

Justice Burley also considered that the language of the remittal order, which gives effect to the decision of the Full Court, reinforces this conclusion. It required that his Honour determine the residual issues "in light of the Full Court's reasons including any issues which concern the position of claims other than claim 1", which calls for the determination of the question of the manner of manufacture of the residual claims by having regard to the reasoning of the Full Court.

Justice Burley concluded that the consequence of these two matters is that, even if his Honour were disposed to consider that a relevant principle of law emerges from the decision of the High Court, by virtue of the operative language of s.23(2)(a) and the remittal order, he was not permitted the latitude to discern from the High Court decision a relevant binding principle. Furthermore, Justice Burley was not persuaded that any principle emerges from the High Court decision that can properly be considered to be relevant to the remitter. His Honour noted that although each of the High Court dismissing reasons and allowing reasons was critical of the two-step analysis set out in the Full Court majority decision, a review of each set of reasons indicates no uniformity of approach from which a ratio decidendi may be discerned.

In the dismissing reasons, the criticism of the majority decision was not as to the characterisation of the invention, or of the view that there must be some variation or adjustment to "generic computer technology" to give effect to or accommodate the needs of the new game. Rather, the dismissing reasons required consideration of those aspects of the claim that were considered to be "new" and it was only in relation to the feature game that the "invention" was claimed to subsist. The dismissing reasons considered that the claimed invention took its character as an invention from those elements, which were not part of the CGK and those elements did not include a component that produced "some adaptation or alteration of, or addition to, technology otherwise well-known in the common general knowledge". On that basis, Justice Burley consider that the dismissing reasons distinguished the approach of the majority decision.

By contrast, his Honour viewed the allowing reasons' rejection of the approach of the majority decision as more fundamental. The allowing reasons did not criticise the characterisation of the invention. However, the allowing reasons considered that the question of whether a claim is for a manner of manufacture should not be deconstructed to require, separately from the general principles of patentability, consideration of whether the subject matter is "computer-implemented", and instead the implementation of a scheme or idea on a computer (as with any other machine) should create "an artificial state of affairs and a useful result" as propounded by NRDC. On that basis, the approach of the majority decision was rejected.

From this brief analysis, Justice Burley observed that it cannot be said that a common thread of reasoning can be discerned in the High Court decision that is critical of the two-step analysis in the majority decision. Rather, for reasons aligned with the differences of principle expressed between the dismissing reasons and the allowing reasons, each expressed a different basis for its critique.

Justice Burley also rejected the argument that only the allowing reasons are consistent with established High Court authority. His Honour observed that the dismissing reasons, without disagreement, refer to and apply the established authorities, including each of *NRDC*, *Myriad*, *CCOM*, *Grant*, *Research Affiliates*, *RPL Central*, *Encompass* and *Rokt*. At no point do the dismissing reasons criticise previous High Court decisions or purport to overturn existing Full Court authority. The allowing reasons of the High Court also refer to those authorities but consider that their application calls for a different outcome. Justice Burley concluded there was no basis upon which a single judge on remitter can form the view that the dismissing reasons must be set aside in preference to the allowing reasons. Nor did Justice Burley consider that on remitter it was available to him to express a view that the Full Court's majority decision purported to, or did, reach its decision in a manner that was contrary to the reasoning of previous cases.

Justice Burley next rejected Aristocrat's submission that the Court on remitter should make factual findings of the type that the dismissing reasons observed to be missing (which the first instance decision considered to be unnecessary when it held claim 1 to be a manner of manufacture), which would provide a basis for the Court to conclude that the residual claims are for an invention that involves a technical contribution, including in the field of gaming technology. His Honour observed that the majority decision rejected Aristocrat's submission that, if the first instance decision was wrong in finding that claim 1 was not a manner of manufacture, then the Full Court should proceed to consider its Notice of Contention that the invention the subject of claim 1 of the 967 patent was nevertheless a manner of manufacture because it is "technical in nature and solves technical problems in, and involves technical and functional improvements to, the operation of EGMs" as procedurally misconceived. The majority decision noted that the evidentiary material necessary for consideration of that contention was not before it, and declined to find in favour of the Notice of Contention.

Justice Burley found that the basis for the majority decision's remitter was "to determine any residual issues in light of the Full Court's reasons". His Honour concluded that it was apparent that, having failed to establish that the first instance decision was correct on a basis other than the reasons set out in that decision, the majority decision left no avenue open for Aristocrat to seek different or additional findings

of fact to support an alternative analysis. The dismissing reasons rejected Aristocrat's submission that the majority decision reflected error for failing to remit the matter for that purpose. Having regard to its conclusion that claim 1 of the 967 patent was for a manner of manufacture, it was not necessary for the allowing decision to address the question of remitter. Justice Burley concluded that no door was left open by which it could be said that the High Court considered that additional findings of fact on the basis of the expert evidence adduced ought to be reconsidered.

Justice Burley concluded that he was bound to follow the reasons set out in the majority decision in considering the patentability of the residual claims and that it was not open to him to consider whether those reasons are in conformity with established principle. Justice Burley observed that Aristocrat's submissions proceeded on the basis that the Court was not bound by the majority decision. His Honour considered that they ignored the terms of the remitter and proceeded on the basis that the hearing was a re-trial.

Having regard to the findings of the majority decision of the Full Court, in Justice Burley's view, the only conclusion available was that the residual claims provided no additional features that would warrant a conclusion different to the conclusion reached by the majority decision in respect of claim 1 of the 967 patent.

Therefore, his Honour concluded that Aristocrat had not established that any of the residual claims is a manner of manufacture. The consequence is that the appeal from the decisions made by the delegate of the Commissioner on 5 July 2018 to revoke the 967 patent, 629 patent, 097 patent and 098 patent was dismissed.

The authors' commentary

Justice Burley's analysis of the law seems to have some force.

The effect of s.23(2) of the Judiciary Act is that the majority decision applies, and his Honour is bound by it. The remitter which was granted required his Honour to consider residual issues **in light** of the majority decision.

However, the authors understand Aristocrat holds a different view and is seeking leave to appeal the decision. So it appears a view about which minds might differ!

On any view, Justice Burley's application of the law leads to the unsatisfactory result that his Honour was required to apply reasons which were roundly criticised (albeit on different bases) by both the allowing reasons and the dismissing reasons of the High Court.

Inevitably, this issue will wend its way back to the High Court, either via this proceeding or through another, similar, vehicle. The authors hope that any Full Court (or High Court) tasked with considering these issues on appeal will seek to reconcile the various authorities on this issue in order to provide practitioners with some much-needed guidance on this vexed and vexing area of the law.

Neurim Pharmaceuticals (1991) Ltd v Generic Partners Pty Ltd (No 5)
[2024] FCA 360
12 April 2024 – Nicholas J

Intellectual property – patent law – section 117 – authorisation and "Swiss-style" claims

Overview

Justice Nicholas ponders whether skilled addressees might have different qualifications and knowledge bases, Neurim proves the power of s.117(2)(b) and authorisation, and s.7(3) rears its head as a real obstacle for would-be revokers.

Background

Neurim was the owner of an Australian Patent titled "Method for treating primary insomnia", which expired on 12 August 2022.

Some years ago Neurim commenced infringement proceedings against Generic Partners and Apotex (together, the "Respondents") for infringement of claims 1-7 of the Patent. Independent claim 1 was a "Swiss-style" claim and independent claim 4 was a method of treatment claim. The method related to the use of melatonin for treating a patient suffering primary insomnia characterised by non-restorative sleep and improving the restorative quality of sleep in the patient. Broadly, the Swiss-style claims were for the use of melatonin in the manufacture of a drug for treating the same condition.

Neurim's commercial embodiment of the medicament the subject of the Swiss-style claims and used in the method of treatment claims is registered under the product name CIRCADIN for monotherapy for the short-term treatment of primary insomnia characterised by poor quality of sleep in patients who are aged 55 or over.

In April 2017, Generic Partners registered products containing 2 mg of the pharmaceutical compound melatonin in prolonged release form for the same indication as CIRCADIN. In July 2018, Generic Partners transferred sponsorship of some of its products to Apotex ("Apotex Products"), but remained the sponsor of MELOTIN, which it supplied to Apotex from March 2020. From April 2020, Apotex undertook marketing activities, supplied MELOTIN with instructions for its indicated use, and authorised medical practitioners to prescribe MELOTIN for its indicated use.

The Respondents cross-claimed for revocation of the Patent claims asserted against them on the basis that: the invention lacked novelty and did not involve an inventive step, the claims did not fully describe the invention (s.40(2)(a)) and the claims were not fairly based or clear (s.40(3)).

The Patents Act prior to the amendments made by the Raising the Bar amendment Act applied.

The skilled addressee and the field

The "skilled addressee" is a hypothetical person (or team) who is an uninventive worker in the field of, and with a practical interest in, the subject matter of the patent.

Often, parties to patent litigation debate who the skilled addressee (or person skilled in the art) of the patent in suit is. This is because the characterisation of the skilled addressee affects the skills brought to bear by the skilled addressee to questions of claim construction, obviousness and sufficiency (among other matters). Parties also debate these matters in an attempt to sideline the opposing party's expert as not being a skilled addressee. There is also a debate as to whether the skilled person can be different for the purposes of assessing obviousness (which ought not have the benefit of the patent and invention disclosed) and sufficiency (where the starting point is the patent itself).

In the present case, the parties were at loggerheads over who the skilled addressee was and whether their respective experts were qualified to give evidence. Justice Nicholas' approach to those issues illuminates how the Court can address these questions pragmatically and also is instructive as to red flags for solicitors assisting experts in the drafting of reports.

Neurim led evidence from two psychiatrists (Dr Behi and Dr Karapivensky), and a Professor of Sleep Medicine (Professor Roth). The Respondents led evidence from a Professor of Respiratory and Sleep Medicine (Professor Wheatley), a psychiatrist (Professor Glozier), a general practitioner (Associate Professor Rawlin), a searcher (Mr Jennings) and a pharmacist (Mr Manuel).

His Honour observed that he had approached the written evidence of Dr Krapivensky, Dr Behi and Professor Roth with caution because parts were overstated, tendentious and argumentative, and the parts of their written evidence commenting on the evidence of Professor Wheatley were disrespectful and dismissive. The authors commend that part of the reasons for judgment to solicitors preparing expert witness evidence as it offers an insight into how argumentative evidence drafting can come unstuck.

Two expert conclaves were held prior to the hearing to produce expert reports, leading to two concurrent sessions ("hot-tubs") of expert evidence at the hearing. The first hot-tub included the psychiatrists and professors of sleep medicine. The second hot-tub included the professors of sleep medicine, and one psychiatrist, Professor Glozier. It is not entirely clear to the authors why two conclaves were held. Associate Professor Rawlin and Mr Manuel did not participate in the conclaves or contribute to the joint expert reports. Associate Professor Rawlin and Mr Jennings were not cross-examined.

The experts who participated in the first hot-tub agreed that the skilled addressee would have knowledge and experience in taking a history of sleep disturbances and identifying causes and associations of such disturbances in the course of making a diagnosis of primary insomnia; experience, knowledge or a research interest in the psychopharmacology of sleep and its disorders; and an ability to understand the diagnosis of primary insomnia in relation to DSM-IV. By way of background, a document described as DSM-IV was incorporated into the Patent by reference. Another document, ICD-10, was also incorporated in the Patent by reference. A further document, called the International Classification of Sleep Disorders ("ICSD"), was discussed in DSM-IV (at pages 556–7) but was not incorporated into the Patent by reference.

The experts did not agree on the role of other classification systems, and specifically the extent to which ICSD was translatable to the diagnosis of primary insomnia in the context of the Patent. The main area of disagreement was whether a person familiar with ICSD but not DSM-IV would be a skilled addressee of the Patent. Neurim's witnesses considered that where a person did not recognise or understand the concept of non-restorative sleep in the context of DSM-IV, they could not be a skilled addressee. The Respondents' witnesses considered that a person who understood the relevant diagnoses in ICSD would be a skilled addressee.

The point of this squabble concerned Professor Wheatley who did not use DSM-IV or ICD-10 in his clinical practice for the diagnosis and management of sleep disorders and was not familiar with the term or concept of non-restorative sleep. As a result, Neurim submitted that Professor Wheatley's evidence should be "wholly disregarded" and the Respondents contended otherwise.

In response, Justice Nicholas noted that the chapter on primary insomnia in what the parties accepted was the leading sleep medicine textbook was written around the classification of sleep disorders used by Professor Wheatley. His Honour accepted Professor Wheatley's evidence that as at the priority date, the field of insomnia was in flux with respect to the three nosologies (a nosology is a branch of medical science dealing with the classification of diseases which is often identified in a particular text, for example DSM-IV, ICD-10 and ICSD). His Honour found that there was no requirement to use any one nosology over the other for the diagnosis of insomnia and primary insomnia.

Justice Nicholas concluded that, in Australia in August 2001, sleep physicians were unlikely to use DSM-IV, and that psychiatrists were more likely to use DSM-IV than ICSD to diagnose and treat insomnia. However, that did not mean that psychiatrists and sleep physicians were practicing in separate fields: they were working in the field of sleep medicine and both were qualified to diagnose and

treat primary insomnia. Most clinicians who practiced in the area of sleep (including psychiatrists, psychologists and sleep physicians) were familiar with and use ICSD, which was designed to be used and referenced by those with different clinical backgrounds who practice in the area of sleep.

Accordingly, Justice Nicholas concluded that a clinician's expertise in sleep medicine, in 2013 and at the priority date, did not depend on their familiarity with DSM-IV. His Honour did not accept that determining whether a patient was experiencing non-restorative sleep required the skills and experience of a psychiatrist rather than those of a respiratory and sleep physician such as Professor Wheatley. His Honour concluded that the field of sleep medicine in Australia in 2001 included clinicians with quite different backgrounds, including those with experience in sleep medicine (such as Professor Wheatley and Dr Schachter) and those with experience in psychiatry (such as Dr Behi, Dr Krapivensky and Professor Glozier).

His Honour considered that the field of the Patent was the diagnosis and treatment of sleeping disorders, including primary insomnia and this did not require the skilled addressee of the Patent to be familiar with the content of DSM-IV and ICD-10. His Honour accepted that sleep physicians would be able to understand and perform the invention. Relatedly, his Honour considered that Professor Wheatley's lack of familiarity with DSM-IV and ICD-10 and the concept of "non-restorative sleep" did not mean that he was not a skilled addressee.

His Honour observed:

> *[…] the concept of the notional skilled addressee is a legal fiction and a tool of analysis. There will be some fields of scientific knowledge where those with a practical interest in the subject matter of the invention may come from a variety of different backgrounds. One way in which patent law has accommodated this possibility is to recognise that the skilled addressee may be a team. However, another approach involves recognising that the notional person skilled in the relevant art has expertise and experience drawn from different backgrounds, even though in the real world, those working in the field may have been differently trained and, therefore, possess different background knowledge. […]*
>
> *In the present case, the claims do not cover what I would regard as a wide field. However, they do cover a field in which clinicians from different backgrounds work. Each has a practical interest in the subject matter of the invention even though not all of them use a nosology that is incorporated by reference into the Patent or approach the diagnosis and treatment of insomnia in precisely the same way that a psychiatrist would. In determining which clinicians would have had a practical interest in the subject matter of the Patent and practical knowledge and experience in the area in which the invention was intended to be used, it is necessary to focus not on the particular nosology which was used by them (DSM-IV, ICD-10 or ICSD), but on the area in which they trained and worked. On this basis the skilled addressee might be either a sleep physician or a psychiatrist.*

Professor Roth was a psychologist with expertise in sleep medicine, not a psychiatrist or a sleep physician. He was not licensed to prescribe medications in Australia or elsewhere. Nonetheless, Justice Nicholas concluded that Professor Roth was a skilled addressee. Indeed, his Honour concluded that he was one of the world's leading researchers in the field. However, Justice Nicholas accepted Professor Roth may be "overqualified", on the basis that his knowledge and experience in sleep medicine would exceed that of clinicians diagnosing and treating sleep disorders in Australia at the priority date, which might affect the weight to be given to some of his evidence.

CGK

His Honour observed that difficulties arose in relation to the determination of the CGK due to the way each side conducted its case.

In its written submissions, Neurim contended that *Sleep Medicine* was the leading textbook in the field and reflected the CGK. The Respondents agreed the textbook was CGK. Curiously, there was no evidence to indicate that any of the psychiatrists who gave evidence were familiar with *Sleep Medicine* at the priority date. However, the case was conducted by both parties on the basis that *Sleep Medicine* was CGK at the priority date, and Justice Nicholas decided the case on that footing.

Justice Nicholas found that the CGK included a knowledge of the *existence* of each of DSM-IV, ICD-10 and ICSD and some understanding of the manner in which these nosologies classified different types of insomnia, together with a detailed familiarity of the particular nosology that they used in the course of their clinical work (which would differ for psychiatrists and sleep physicians). However, whether DSM-IV or ICD-10 was CGK was of little significance to construction of the Patent because the relevant parts of those documents were referred to in the Patent and incorporated by reference. Accordingly, the skilled addressee's knowledge and understanding of the invention and some of the terminology used, was assisted by those documents, regardless of whether they were CGK.

Professors Roth, Glozier and Wheatley agreed that, as at the relevant date, being August 2001:

- primary insomnia was diagnosed in clinical practice in Australia by taking a thorough clinical history including a detailed sleep history, arranging any appropriate clinical examination and organising any necessary diagnostic tests to exclude alternative diagnoses;

- there was no objective clinical test that could diagnose insomnia in its broadest sense or "primary insomnia characterised by non-restorative sleep" in its specific sense; and
- the extent of knowledge in Australia regarding the potential use of melatonin was as a chronobiotic for treatment of circadian rhythm disorders.

Justice Nicholas found that the bulk of persons working in the field of sleep medicine would have accepted that there was insufficient evidence at the priority date to show that melatonin was an effective treatment for insomnia.

Construction

Two issues arose in relation to the use of the term "non-restorative sleep" in the claims. The first concerned the meaning of that term, and the second concerned what the Respondents submitted was the lack of clarity of the phrase "primary insomnia characterised by non-restorative sleep".

The Respondents led evidence that the term "non-restorative sleep" at the priority date was a controversial topic and that the skilled addressee could readily differentiate between a patient suffering from primary insomnia and other insomniacs, but not patients suffering from primary insomnia characterised by non-restorative sleep from other primary insomnia sufferers with certainty, consistency and predictability. Justice Nicholas rejected this challenge. He considered that the concept was sufficiently well defined to enable a skilled addressee to determine whether a patient was complaining of non-restorative sleep.

As to the meaning of the words "characterised by" in the context of the phrase "primary insomnia characterised by non-restorative sleep", Justice Nicholas concluded that the words were to be understood as meaning that non-restorative sleep was a diagnosed characteristic (or symptom) of the patient's primary insomnia, not that it had to be the sole or dominant symptom. It needed to be a clinically meaningful element in the diagnosis of primary insomnia.

Infringement

Neurim alleged that the Respondents were liable for infringement of the method of treatment claims 4 to 7 under ss.117(2)(b) and 117(2)(c) of the Act, the Swiss-style claims 1 to 3 under s.13(1) of the Act, and that the Respondents infringed the same claims by authorisation and common design.

The Respondents made admissions that the Generic Partners Products had 2 mg melatonin, were in unit dosage form, were adapted for oral administration, were a prolonged-release formulation, contained at least one pharmaceutically acceptable excipient and that each was indicated as monotherapy for the short term treatment of primary insomnia characterised by *poor quality of sleep in patients who are aged 55 years or over*.

Justice Nicholas noted that the claims of the Patent were purpose limited by the requirement that the medicament or method be manufactured or used for the purpose of treating a patient suffering from *primary insomnia characterised by non-restorative sleep*. In the case of the method of treatment claims, there would only be direct infringement where the patient was diagnosed with primary insomnia characterised by *non-restorative sleep* and the method was used for *improving the restorative quality of the patient's sleep*.

His Honour observed that the claims were not infringed by a medical practitioner who prescribed melatonin as a treatment for some more generalised complaint of lack of sleep, as opposed to unrefreshing quality of sleep.

Whether or not melatonin had been prescribed or recommended on the basis of a diagnosis of primary insomnia characterised by non-restorative sleep had to be determined as a matter of substance.

All the experts agreed that they either would, or did, prescribe CIRCADIN in clinical practice for the Therapeutic Goods Administration ("TGA") approved indication, as a monotherapy for the short-term treatment of primary insomnia characterised by poor quality of sleep, in patients aged 55 or over. Some psychiatrists also prescribed CIRCADIN for its hypnotic effect to assist patients getting to sleep, or in the treatment of circadian rhythm disorders, or to treat children suffering from insomnia associated with neurodevelopmental disorders. The evidence also established that CIRCADIN was prescribed for people with any kind of insomnia, whether primary or not, and as a cheaper way of obtaining melatonin.

Justice Nicholas was cautious about accepting Neurim's experts' evidence that they regularly prescribed CIRCADIN to treat primary insomnia characterised by non-restorative sleep and concluded that a diagnosis of primary insomnia that singles out non-restorative sleep (as opposed to difficulty initiating or maintaining sleep) was relatively uncommon. The evidence suggested that general practitioners frequently prescribed CIRCADIN to promote sleepiness and sleep initiation, and to assist patients with specific issues related to sleep patterns, all of which was outside the scope of the method of treatment claims.

Section 117(2)(b)

Section 117 of the Act provides for infringement of a patent by the supply of a product, the use of which will infringe a claim of the patent in suit. Section 117(2) deems types of uses which will be considered use that will infringe. Section 117(2)(b) deems such a use to be "if the product is not a staple commercial product – any use of the product, if the supplier had reason to believe that the person would put it to that use".

The Respondents argued that melatonin was a "staple commercial product" because that phrase refers to a product that is supplied commercially for a substantial non-infringing use or uses. They submitted that:

(a) the statutory words should not be given a narrow meaning, because they are used within a provision that confers liability upon a supplier of a product where the act of supply could not otherwise constitute an infringement; and

(b) it is the variety of uses for which that product can, and is supplied commercially, that will determine whether a product is a staple commercial product.

The Respondents also submitted that Justice Crennan in *Northern Territory of Australia v* Collins (2008) 235 CLR 619 ("*Collins*") rejected a construction of "staple" as being confined to raw materials, favouring instead a "significant non-infringing uses" analysis, and that Justice Hayne's analysis was essentially to the same effect. They submitted that the Full Court's reasoning in *AstraZeneca AB v Apotex Pty Ltd* (2014) 226 FCR 324 ("*AstraZeneca AB*") at [431] was inconsistent with Justice Crennan's and Justice Hayne's analysis and that the Full Court's conclusion that "the uses to which rosuvastatin may be put … appear to be limited to the prevention or treatment of cardiovascular disease and its associated risk factors" considered the question of multiple uses at too high a level of abstraction. Their Honours said that it is necessary to focus on the extent to which the product is used for non-infringing purposes.

Notwithstanding the fact that the evidence suggested that general practitioners frequently prescribed CIRCADIN in a manner outside the scope of the method of treatment claims, his Honour observed that the question is not whether the product has non-infringing uses, but whether it is a staple commercial product, which involves asking whether it is a product supplied commercially for various uses. His Honour did not accept the Respondents' submission that the Full Court's characterisation in *AstraZeneca AB* of the uses to which rosuvastatin could be put was overly broad or otherwise inappropriate, nor that the reasoning in that case was in any respect inconsistent with what Justice Crennan or Justice Hayne said in *Collins*.

His Honour observed that *Collins* was concerned with a species of timber commonly used for a wide variety of purposes (including in the production of mulch, potting mix and firewood, and as a constituent element in poles, fence posts, flooring). By contrast, his Honour observed that melatonin's principal, if not sole, use was as a therapeutic treatment for sleep disorders of various kinds, and that the range of purposes for which the product is used was quite narrow.

With respect, these authors consider that there was some force to the Respondents' submission that the High Court seemed to contemplate that any product with substantial non-infringing uses was a staple commercial product, and, in light of that, it seems arguable that melatonin fit that description (even if those uses were all pharmaceutical).

In relation to the "reason to believe" element of s.117(2)(b), his Honour observed that it should be inferred that a generic supplier of prescription medicines in Australia seeking to obtain Australian Register of Therapeutic Goods ("ARTG") approval for a generic prescription medicine on the basis of an existing ARTG approval of an originator's product would be familiar with the indication for which the product is to be prescribed, and any Australian Public Assessment Record ("AusPar") relating to the approved product. Although melatonin was used to treat a variety of sleep related disorders, CIRCADIN was approved for use in Australia by the TGA in accordance with the approved indication only. The TGA approval obtained for MELOTIN was for precisely the same indication as CIRCADIN. Primary insomnia was, at the time Neurim's TGA approval was granted, a medical condition identified in both DSM-IV and ICD-10. Both included diagnostic criteria that distinguished between complaints of difficulty initiating or maintaining sleep and complaints of non-restorative sleep (defined to mean restless, light, or poor quality sleep). His Honour concluded that a reasonable person seeking approval for a prescription medication to be used in the treatment of primary insomnia characterised by poor quality sleep would be aware that it was likely that the medication would be prescribed by psychiatrists as a method of treating primary insomnia characterised by non-restorative sleep, in accordance with DSM-IV. A later DSM, DSM-5 still provides for a diagnosis of a sleep disorder which would include primary insomnia in which the patient complains of poor quality sleep in the sense of non-restorative or unrefreshing sleep.

In those circumstances, Neurim's infringement case based on s.117(2)(b) succeeded. However, it may be observed that the "reason to believe" would only be in respect of a portion of the uses of the product – as the evidence was that much of the prescribing would fall outside the claims. As noted below, this would likely have had an effect on whether any injunction would flow (had the patent still been on foot) and may have an effect on pecuniary relief.

Section 117(2)(c)

Section 117(2)(c) of the Act deems an infringing use of the product supplied to another to include "the use of the product in accordance with any instructions for the use of the product, or any inducement to use the product, given to the person by the supplier or contained in an advertisement published by or with the authority of the supplier".

Justice Nicholas observed that neither the Product Information ("PI") for the Respondents' melatonin product, nor the approved indication, made any reference to DSM-IV

or "non-restorative sleep". Furthermore, where the various clinical studies summarised in the PI investigated various aspects of sleep quality, neither the PI nor the approved indication could be said to provide any instruction or inducement to use melatonin as a treatment for primary insomnia characterised by non-restorative sleep (as required by the Patent claims). Accordingly, his Honour found no infringement by way of s. 117(2)(c).

These authors consider there is some tension between the finding of infringement pursuant to s.117(2)(b) and non-infringement pursuant to s.117(2)(c). If the Respondents were taken to be aware that primary insomnia characterised by poor quality sleep included non-restorative sleep for the purpose of establishing that they had a reason to believe the product would be used in an infringing way, it may have been reasonable to conclude that the physicians and psychiatrists who prescribed the drug would read an indication for the treatment of primary insomnia characterised by poor quality sleep in the same way. It is true that the broader indication captured substantial non-infringing uses, but on Justice Nicholas' reasoning, it also covered infringing uses, and the label did not suggest MELOTIN should not be used for these purposes.

Swiss-style claims

Each of the Swiss-style claims were for the use of melatonin in the manufacture of a medicament for treating a patient suffering from primary insomnia characterised by non-restorative sleep.

Justice Nicholas observed that there are various uses for the Respondents' MELOTIN product that are outside the scope of the Swiss-style claims. The fact that MELOTIN is bioequivalent to CIRCADIN and therefore suitable for use as a treatment for primary insomnia characterised by non-restorative sleep was not determinative of the infringement question. His Honour considered the PI and approved indication were of greater significance.

Justice Nicholas noted the approved indication was not the same as the patented indication because quality of sleep in the approved indication is broader than "non-restorative sleep" in the claims. His Honour also considered that neither the PI nor the approved indication provides any instruction or inducement to use MELOTIN to treat primary insomnia characterised by non-restorative sleep. Nor did the AusPar for the drug establish that the approved indication was limited to primary insomnia characterised by non-restorative sleep.

Although it was reasonably foreseeable that MELOTIN would be used by some clinicians for the therapeutic purpose specified in the Swiss-style claims, it was also reasonably foreseeable, and highly likely, that MELOTIN would mostly be used for other therapeutic purposes related to its postulated hypnotic effect and the regulation of circadian rhythms.

Weighing that evidence, his Honour was not persuaded that MELOTIN was a medicament manufactured for the therapeutic purpose specified in Swiss-style claims.

Authorisation

Neurim alleged that the respondents authorised, procured, induced or joined in a common design with persons treating primary insomnia characterised by poor quality sleep to use MELOTIN for that purpose and thereby infringed the method treatment claims under s.13(1) of the Act.

Justice Nicholas held that the Respondents had authorised the use of their products by medical practitioners, who the Respondents had reason to believe would use the respondents' products as a treatment for primary insomnia characterised by non-restorative sleep and to improve the restorative quality of sleep in patients aged 55 and over. On that basis, his Honour held that authorisation infringement was established.

Observations on infringement

The authors note that his Honour's reasons demonstrate that s.117(2)(b) and authorisation may be far more potent tools for patentees than s.117(2)(c) or an argument based on Swiss style claims. This decision suggests that in the latter two species of infringement, absent express instructions or inducement to use the product in an infringing way, the mere fact that a product can be put to an infringing use will not be sufficient to establish infringement. In the context of s.117(2)(b), the existence of non-infringing uses, even substantial ones, may not be enough to avoid liability under s.117(2)(b) or authorisation.

As set out above, the authors have some sympathy for the Respondent's submissions on s.117(2)(b) (and for an argument that authorisation should not apply where a product has various uses, some of which infringe and others which do not), but on the current state of the law, patentees of pharmaceutical products are well advised to include a claims under s.117(2)(b) and s.13(1).

Having said the above, success on s.117(2)(b) or authorisation might not be sufficient to warrant the granting of an injunction if a substantial amount of the use of the impugned product will not in fact be infringing conduct. Since the Patent had expired, it was not necessary for his Honour to express any view as to whether it would have been appropriate to grant an injunction (and, if so, in what terms). However, Justice Nicholas observed that, given his findings about the extent to which the respondents' products were likely to be used for non-infringing purposes, this was not a case in which it would have been appropriate to grant an injunction in general terms restraining the respondents from supplying their products.

Depending on whether this case proceeds to judgment on pecuniary relief, this case may for (probably) the first

time, identify how "partial" infringing conduct affects the pecuniary relief to be awarded. For example, if only 10 per cent of the infringer's products will be used in an infringing manner, should it have to pay damages as if all of its sales were infringing? How does a patentee prove its loss where there is substantial non-infringing use? How would any claim of additional damages (if sought) be determined in circumstances where an inseparable part of the conduct is non-infringing?

Validity: Novelty

The Respondents relied on prior art including an earlier melatonin product, a webpage for it, a study of elderly insomnia sufferers, and an earlier Neurim patent.

The Court considered whether the prior art anticipated the claims for the use of melatonin for treating a patient suffering from primary insomnia characterised by non-restorative sleep and improving the restorative quality of sleep in such a patient.

The respondents accepted that none of the prior art expressly disclosed a diagnosis of "primary insomnia characterized by non-restorative", or "improvement in the restorative quality of sleep" in those terms.

In closing oral submissions, the Respondents submitted that the use of melatonin as a method of treatment of primary insomnia characterised by non-restorative sleep to improve the restorative quality of sleep, merely claims a narrower use of an old product, which fits within the broader use for that product already described in the prior art. This was because the information made available by each of the disclosures relied upon was that prolonged release melatonin within the claimed dose range can treat insomnia (primary or secondary) and improve the restfulness of sleep and/or sleep quality: *Otsuka Pharmaceutical Co Ltd v Generic Health Pty Ltd (No 2)* (2016) 120 IPR 431 at [176]. The Respondents argued that the Patent's overlaying of the additional parameter characterised by non-restful sleep as a diagnostic qualification, and "improvement in the restorative quality of sleep" as a treatment effect, merely constituted an attempt to re-patent the prior art.

His Honour concluded that each of the relevant features of the claims asserted by the Respondents to amount to mere parameterisation had a technical effect and were not arbitrary integers. His Honour accepted Neurim's submission that at the priority date, melatonin was known as a chronobiotic that could be used to improve insomnia secondary to a circadian rhythm disorder through regulation of the sleep-wake cycle, but that it was a new and surprising result that melatonin could, additionally, be used to improve the restorative quality of sleep, and that it was not an inevitable result of the prior use of melatonin that it had been or would be used as such a treatment.

Validity: Inventive Step

Section 7(3)

Section 7(3) of the Act (prior to Raising the Bar) provides that, for inventive step, it is possible to add to the CGK information in a document (or combination of documents) that a skilled person could have reasonably ascertained, understood and regarded as relevant.

The Respondents did not advance any obviousness case based on the CGK alone. However, they said that the invention as claimed was obvious at the priority date in light of the CGK together with three prior art documents ("7(3) documents"), each considered separately, and three combinations.

Justice Nicholas considered whether the skilled addressee could be reasonably expected to have ascertained, understood and regarded each of the 7(3) documents as relevant to treating a patient with primary insomnia characterised by non-restorative sleep and improving the restorative quality of sleep in such patient. His Honour found that the Respondent had not proven that the documents would be so ascertained.

The Respondents relied on the evidence of Professor Wheatley concerning a hypothetical research exercise ("Task") he undertook with the assistance of a researcher, Mr Jennings, to prove that the skilled addressee could reasonably be expected to have ascertained each of the 7(3) documents in response to a Task.

The way in which the Task was formulated was broad enough to include potential treatments for primary insomnia that were solely directed to improving sleep initiation or maintenance rather than restorative quality of sleep, prompting Professor Wheatley to consider new treatments which assisted in sleep initiation and maintenance regardless of whether such treatments might also contribute to any improvement in a patient's non-restorative (or unrefreshing) sleep. Justice Nicholas did not consider that the Task was directed to a similar problem to that addressed by the Patent. The authors note that the Respondents may equally have been in a difficult position in posing a task that was more directed to the problem addressed by the Patent – such a task may have been criticised for including within it some of the invention claimed (by way of a non-CGK problem or part of the solution).

Professor Wheatley's evidence was that he had understood from his instructions that he was being asked to identify any *additional* treatments to the existing treatments he would have used. Justice Nicholas considered that it would be logical for a clinician such as Professor Wheatley who was presented with the Task to explore the range of treatments that were available in Australia as at August 2001 for the purpose of determining whether they might alleviate the patient's primary insomnia. However, the manner in which

Professor Wheatley was asked to address the Task effectively excluded consideration of these drugs and that he was directed to "new drugs". Melatonin was the only new drug that he was aware of that he thought might be useful in insomnia management.

Further, Justice Nicholas considered Professor Wheatley's evidence was affected by hindsight (although his Honour conceded that it was difficult to see how that problem could have been avoided).

In the circumstances, his Honour was not persuaded that a sleep physician such as Professor Wheatley would have, as at the priority date, been led directly to try melatonin as a treatment for primary insomnia characterised by non-restorative sleep in the expectation it may well provide an effective treatment, and therefore rejected the s.7(3) argument.

These authors consider that the question of whether Professor Wheatley would have ascertained documents relating to melatonin as a treatment should not have turned on whether he would have been directly led to try melatonin. The question ought to have been whether he would have conducted a search that led to him ascertaining the documents and finding them relevant to a proper CGK problem. Having said that, it appears that his Honour did not consider that, in his search, Professor Wheatley was in fact addressing a relevant (or allowable) task or problem.

Inventive step analysis

Even if the 7(3) documents were available, Justice Nicholas considered that none of the prior art, alone or in combination (even though he also rejected that they would be combined) suggested that the restorative quality of the patients' sleep may be improved by administration of melatonin.

His Honour observed that what was known about the mechanism of action of melatonin at the priority date suggested that due to either its effect on circadian rhythms and the sleep-wake cycle, or its potential hypnotic effect, melatonin may assist a patient suffering from insomnia to *initiate or maintain sleep*.

Assuming that the person skilled in the art would have considered melatonin as worth trying as a treatment for primary insomnia in the case of patients who experienced difficulty *initiating or maintaining sleep*, and also assuming that they would have done so in the expectation that it may well provide a useful treatment for such patients (which Justice Nicholas considered justified on the evidence), he did not think the person skilled in the art would have reason to think that the treatment would (or may well) improve the *restorative quality* of a patient's sleep. Accordingly, his Honour was not persuaded that the invention did not involve an inventive step.

Lack of Fair Basis

The Respondents asserted that the claims were not fairly based on the disclosure in the Patent. The Respondents referred to the different effects of the invention as claimed in patients below the age of 55 from those in patients above the age of 55. In Example 3 of the Patent, the increase in perceived quality of sleep and daytime alertness in those aged less than 55 given melatonin was less than the increase reported for those given the placebo. Because the claims were not qualified by reference to the age of the patients to be treated, the Respondents said the claims were not fairly based.

However, his Honour observed that there were a number of disclosures in the Patent that made it clear that the invention was not limited to the treatment of patients aged 55 or over. Accordingly, the fair basis attack failed.

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RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd

[2024] FCAFC 10

16 February 2024 – Nicholas, Burley and Hespe JJ

Background

This appeal before the Full Court of the Federal Court of Australia concerned the application of principles relevant to questions of use, non-use and infringement provisions of the *Trade Marks Act* 1995 (Cth), and whether the respondent, Henkel Australia Pty Ltd ("Henkel") breached the Australian Consumer Law ("ACL"), being Schedule 2 of the *Competition and Consumer Act* 2010 (Cth).[1] RB (Hygiene Home) Australia Pty Ltd and Reckitt Benckiser Finish BV ("RBF") were the appellants and are part of the group of companies which manufacture and sell FINISH dishwashing capsules.[2] Henkel is part of the global Henkel group of companies that imports, markets and sells a range of consumer and industrial goods in Australia, including laundry and home care goods.[3]

The key issues arising from the decision from a trade mark law and related trade practices law perspective are discussed below.

Relevant marks

RBF is the owner and authorised user of two registered trade marks relevant to this appeal. The first is trade mark no. 1008914 (the "914 mark").[4] This is a colour and shape mark registered in respect of goods in classes 1 and 3, including bleaching preparations and other substances for dishwashing and dishwasher cleaner, freshener and deodoriser (see the image below).[5]

The second trade mark is no. 1211311 (the "311 mark") (collectively, the "Registered Trade Marks").[6] The 311 mark is a device mark registered in respect of goods in class 3, including bleaching preparations and other substances for dishwashing; dishwashing preparations; dishwasher cleaner, freshener and deodoriser; and rinse agents.[7] It features a red ball in a white "explosion" against a blue backdrop (see the image below).

First instance

At first instance, RBF argued that the use of the following logo promoting SOMAT Excellence Gel Caps ("SE Gelcaps") infringed the 914 and 311 marks.[8] RBF argued this use was in breach of s.120(1) of the Trade Marks Act and constituted misleading and deceptive conduct in contravention of ss.18 and 29 of the ACL,[9] and common law passing off.

(The "SE Logo")

RBF also advanced an ACL claim that Henkel had engaged in conduct in breach of ss.18(1), 29(1)(a) and (g) of the ACL. This was on the basis of a representation to consumers that SE Gelcaps are wholly biodegradable (the "Biodegradability Representation") by virtue of the use of the following device on its packaging (the "Biodegradability Device").[10]

(The Biodegradability Device)

Henkel cross claimed for removal of the 914 and 311 marks on the basis of non-use, under s.92(4)(b) of the Trade Marks Act.[11]

The primary judge found that neither of the Registered Trade Marks had been used as trade marks, and refused to exercise the discretion to not remove the marks, under s.101(3) of the Trade Marks Act.[12] Additionally, the SE Logo was not used as a trade mark and therefore did not infringe the Registered Trade Marks.[13] Further, the SE Logo was not deceptively similar to the Registered Trade Marks and RBF's case under the ACL and tort of passing off was not made out.[14] The use of the Biodegradability Device was also found not to be in breach of the ACL as the primary judge found there was no Biodegradability Representation made.[15] Hence, the marks were ordered to be removed from the Register.[16]

Issues in dispute

On appeal, RBF contended that the primary judge erred:

1. in finding that the 914 mark had not been used during the non-use period from 16 July 2018 to 16 July 2021 (grounds 1–3);[17]
2. in finding that the 311 mark had not been used during the non-use period (ground 4);[18]
3. in declining to exercise discretion under s.101(3) of the Trade Marks Act to retain the Registered Trade Marks on the Register (ground 5);[19]
4. in failing to find that the SE Logo infringed the 914 mark (grounds 6–8);[20] and
5. in failing to find that the Biodegradability Representation was conveyed by the Biodegradability Device (grounds 9 and 10).[21]

Grounds 1-3: Non-use of the 914 mark

The Full Court considered RBF's argument that the 914 mark had in fact been used as a trade mark in the non-use period, through reference to evidence of the sale and promotion of RB products.[22] For example, RBF provided evidence of the Quantum Tablets Packaging of the FINISH Quantum Product (see below).[23] While the primary judge concluded the depiction was substantially identical to the 914 mark, that use was held not to amount to trade mark use because "the clear window merely allows the customer to see what the tablets look like, taking the place of the stylised depiction that is typically on other FINISH packaging".[24]

The Full Court found that the primary judge had failed to consider that a display of the product could serve a dual function: the descriptive function of showing the product for sale and also serving to reinforce to the consumer that the product is the very one that comes from the supplier of FINISH products.[25] Further, the Full Court drew upon the High Court of Australia's reasoning in *Self Care IP Holdings Pty Ltd v Allergan Australia Pty Ltd* (2023) 408 ALR 195 at [25] and held that the existence of a descriptive element or

purpose does not necessarily preclude the sign being used as a trade mark.[26] The display of the Quantum Product in the window, according to the Full Court, served at least one purpose of distinguishing the goods in the course of trade in reference to their origin.[27] The Full Court drew the same conclusion in regards to the Purple Quantum Packaging (see also below).[28]

FINISH Quantum Product

Purple Quantum Packaging

Therefore, the Full Court found the primary judge had erred in concluding that the 914 mark was not used during the relevant period, and accordingly the mark was permitted to remain on the Register.[29]

Ground 4: Non-use of the 311 mark

The Full Court upheld the primary judge's finding that the 311 mark had not been used during the relevant non-use period, notwithstanding RBF's contentions that the mark had been used as a component of the FINISH POWERBALL logo. Following the reasoning in *Colorado Group Ltd v Strandbags Group Pty Ltd* (2007) 164 FCR 506, the Full Court considered whether the 311 mark, when used as part of the FINISH POWERBALL logo, operated as a separate mark. Notwithstanding that the Full Court applied a different test to the primary judge, the Full Court ultimately concluded that its approach yielded the same outcome as the primary judge's findings.[30]

Ground 5: The exercise of discretion under s.101(3)

In ground 5, RBF contended that the primary judge erred by not exercising the broad and unfettered discretion under s.101(3) of the Trade Marks Act to keep the Registered Trade Marks on the Register.[31] As the Full Court determined there was use of the 914 mark, it was unnecessary to consider the exercise of discretion for that mark. In relation to the 311 mark, the Full Court considered RBF's argument that even if the use of the 311 mark on product packaging did not amount to trade mark use, the ongoing availability of those products in Australia had resulted in the 311 mark (as part of the FINISH POWERBALL logo) having a real and ongoing connection in the minds of consumers as a badge of origin for the FINISH brand.[32]

The Full Court agreed with the appellants that the primary judge should have exercised her discretion to allow the 311 mark to remain on the Register. The primary judge did not account for the substance of RBF's submission, which was that even if there was no independent trade mark use of the 311 mark, there was still a sufficient association between that mark and consumers such that permitting another trader to use the 311 mark would be likely to cause confusion.[33] The Full Court pointed out that a significant aspect of the exercise of discretion under s.101(3) is the public interest to avoid confusion amongst customers.[34] The Full Court considered that if other traders used the red Powerball, as seen in the 311 mark, they would likely be confused.[35] Also, the fact that the packaging had been used for a considerable time both before and after the non-use period and the appellants intended to continue to use it in the future, persuaded the Full Court that the 311 mark should not be removed from the Register.[36]

Grounds 6-8: Trade mark infringement

In ground 6, the appellants argued that the primary judge erred in deciding the respondent did not use the SE Logo as a trade mark in the product packaging for the SE Gelcaps and on the supermarket aisle fins, bins and shelf wobblers (see below).[37] The primary judge was influenced by the expert evidence, reasoning that the brand name SOMAT is the *most* diagnostic cue for consumers.[38] In this context, the primary judge found that a stylised depiction of the product would not be seen to be a designation of the origin of the goods but would simply assist the consumer on the different variants available within each brand.[39] The primary judge found that it would not make sense for the consumer to look for the stylised depiction to identify the brand when the names SOMAT, FAIRY and FINISH are prominently displayed.[40] The Full Court agreed with the appellants that this was an error as the primary judge's finding is "very close to a finding that the stylised product enables a consumer to understand, within the SOMAT product range, that this is a particular product or sub-brand".[41] The Full Court pointed out that the question of trade mark use does not call for consideration of how effective the sign is as a trade mark or whether the depiction of the SE Gelcap is a poor cue for identifying the brand or that the brand name may be a better indicator.[42]

The Full Court then turned to consider the question of trade mark use.[43] Their Honours found that the SE Logo had been used as a trade mark. This was because, in their view, the logo would have appeared to consumers as possessing the character of a device or brand.[44] While the SOMAT name is indeed likely to be the primary indicia of origin, the stylised version of the product depicted on the packaging indicated that it was being used to "signify that a product with something like this shape originates from the supplier of the product and partially to provide a description of the product in the packaging."[45]

Somat Product Packaging

Somat Aisle Fin

Grounds 9 and 10: ACL biodegradability claim

RBF appealed the primary judge's finding that the respondent's use of the Biodegradability Device on the front of the SE Gelcaps packaging did not amount to:

- misleading and deceptive conduct in contravention of s.18(1) of the ACL; or
- making false and misleading representations that the SE Gelcaps were of a certain standard, quality or composition, or had particular performance characteristics in contravention of s.29(1)(a) and (g) of the ACL.[46]

RBF contended that the Biodegradability Representation, through the use of the Biodegradability Device on Henkel's packaging, breached ss.18(1) and 29(1)(a) and (g) of the ACL. [47] They claimed the primary judge erred in not finding that Henkel's use of the Biodegradability Device conveyed the Biodegradability Representation.[48] The primary judge concluded that when the Biodegradability Device on the foil bag, or on the tub, was examined in the context of the packaging as a whole, consumers would not be misled or deceived that the whole capsule, rather than just the film, was biodegradable.[49]

Because it was agreed that *if* the representation was made, it was made in trade or commerce and was false, the issue was whether there was in fact a representation made.[50] The law states that where the conduct complained of is not directed at a specific individual (as in this case), what is conveyed by the conduct is to be considered by reference to the class of consumers likely to be affected by the conduct.[51] The Full Court determined the class to be "prospective purchasers of a mass-marketed product for general use in the form of dishwasher tablets".[52] In determining the message conveyed by the Biodegradability Device, it is necessary to consider the context in which the conduct is engaged and the device is used, including things like the class of consumer for the product and the surrounding words and design of the packaging.[53]

In applying the law, the Full Court disagreed with the primary judge, concluding that the Biodegradability Representation was conveyed by the use of the Biodegradability Device.[54] This was because the line running through the middle of the device showed two distinct representations,[55] the first being that the capsule (depicted in the middle of the device) is biodegradable,[56] and the second being that the film is 100 per cent water-soluble. The Full Court held that this was not a single representation clearly stating "biodegradable 100% water-soluble film".[57] Further, in relation to the statement on the back of the foil bag and the side of the tub, "Biodegradable and 100% water-soluble film", the Full Court held that this phrase, when read together with the Biodegradability Device, would be perceived by an ordinary or reasonable person such that the word "and" would be equated with the word "with".[58] The message conveyed by the phrase would therefore be a biodegradable capsule (as depicted in the image) with a 100 per cent water-soluble film (suggesting the entire capsule was biodegradable).[59]

Therefore, the Full Court decided the Biodegradability Representation was conveyed. Additionally, the Full Court held that the representation was false, and therefore in breach of the ACL.[60]

Disposition

In summary, RBF succeeded in retaining each of the 914 and 311 marks on the Register but failed to establish that the primary judge erred on the question of infringement.[61] RBF also succeeded in the ACL biodegradability claim as the primary judge erred in finding the representation was not made. As a result, the Full Court ordered Henkel to pay 80 per cent of the appellants' costs of the appeal.[62]

Takeaway messages

This decision highlights a number of key takeaway messages:

1. There are challenges associated with safeguarding shape and colour trade marks, especially when used in combination with another unique trade mark and trade indicia.
2. Prior to pursing legal action for trade mark infringement against a third party, companies should ensure their own trade marks are not vulnerable to a cross-claim for removal for non-use of the mark under s.92 of the Trade Marks Act.
3. The Full Court confirmed that to be a trade mark, a sign does not need to be the primary indicia of origin. It is simply a question of whether the sign would appear to consumers as possessing the character of a device or brand. However, this decision does indicate that it can be difficult to argue a sign has been used as a trade mark when it is surrounded by other marks, such as brand name, which are strong indicia of origin.

1 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [1]

2 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [6].

3 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [2].

4 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [3]–[4].

5 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [3]–[4].

6 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [5].

7 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [5].

8 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [7].

9 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [7].

10 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [9].

11 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [8].

12 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [9].

13 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [9].

14 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [9].

15 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [9].

16 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [10].

17 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [11].

18 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [11].

19 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [11].

20 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [11].

21 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [11].

22 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [15].

23 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [89].

24 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [89].

25 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [93].

26 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [93].

27 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [93].

28 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [94]-[95].

29 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [102].

30 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [119].

31 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [120]–[121].

32 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [120].

33 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [128].

34 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [131].

35 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [131].

36 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [132].

37 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [136].

38 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [155].

39 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [155].

40 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [155]–[156].

41 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [156].

42 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [156].

43 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [157].

44 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [157].

45 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [157].

46 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [165].

47 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [165].

48 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [165].

49 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [173].

50 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [169].

51 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [170].

52 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [170].

53 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [172].

54 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [173].

55 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [173].

56 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [173].

57 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [173].

58 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [173].

59 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [173].

60 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [174].

61 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [177].

62 *RB (Hygiene Home) Australia Pty Ltd v Henkel Australia Pty Ltd* [2024] FCAFC 10, [177].

Current Developments – New Zealand

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Alalääkkölä v Palmer

Court of Appeal of New Zealand
Collins, Katz and Mallon JJ
Hearing: 9 March 2023
Judgment: 21 February 2024
[2024] NZCA 24

Copyright in artistic works – copyright artworks created by artist wife during relationship – relationship ended – how to classify copyright for purposes of Property (Relationships) Act 1976 (NZ) – copyright falls within definition of "property" – the Copyrights in the artistic works created by the wife during relationship were "relationship property" – But it was consistent with overall policy objectives of Copyright Act 1994 (NZ) that wife continue to control the commercialisation of the Copyrights – Ownership of Copyrights should remain with wife – husband should receive a compensatory adjustment from other relationship property to ensure an equal division – Copyright Act 1994 (NZ) s.21 – Property (Relationships) Act 1976 (NZ) s.2.

Appeal

This was an appeal to the Court of Appeal from decisions of the High Court and, in turn, the Family Court. The case concerned how copyright in artistic works created by one spouse during a relationship should be classified for the purpose of the *Property (Relationships) Act* 1976 (NZ) ("PRA") when the relationship ended.

Facts

The appellant, Ms Alalääkkölä is an artist who had created many original artworks during her marriage to Mr Palmer. Many of the artworks ("Artworks") were sold during the relationship providing income for the family. Others were retained by the parties and were in possession of the Family Court pending the final division of relationship property. The key issue before the Court was whether copyright in the Artworks (the "Copyrights") comprised relationship property or Ms Alalääkkölä's separate property.

The Family Court found that the Copyrights were Ms Alalääkkölä's separate property. On appeal Isac J found that the Copyrights were relationship property. The questions on appeal were:

1. Is copyright "property" for the purposes of the PRA?
2. Are the Copyrights separate property or relationship property under the PRA?
1. How should the Copyrights be treated under the PRA, to ensure an equal division of relationship property?

There was a conflict in the evidence regarding Mr Palmer's contribution to the business of selling or commercialising Ms Alalääkkölä's art during their marriage. Mr Palmer's evidence was that he played a significant role in creating art cards and prints for sale. Ms Alalääkkölä's evidence was that Mr Palmer had not really contributed in any real way.

Going forward, Mr Palmer wished to continue earning a living from "our business we had together" and planned to restart his publishing business immediately. Ms Alalääkkölä was strenuously opposed to Mr Palmer having any involvement with the Artworks including commercialising the Copyrights.

Ms Alalääkkölä contended that the Copyrights were inextricably linked to (and were a product of) her artistic skills and qualifications. These unique skills were personal to her and were acquired prior to the relationship. She claimed that this context justified treating the Copyrights as separate property.

Ms Alalääkkölä sought an order that she retain sole legal ownership of the Copyrights as part of the overall division of relationship property. She argued that it was critical that, as creator of the Artworks, she was able to retain control of the Copyrights to protect her artistic integrity and future professional interests [77]. Mr Palmer sought to divide the Copyrights more or less equally. Specifically, he sought a transfer of the copyright associated with any of the Artworks that had already been agreed he could keep as a division of relationship property [73].

Ms Alalääkkölä strongly opposed Mr Palmer's aim of establishing a business to commercialise the Copyrights in the Artworks [75].

Held, answering the questions and remitting the case to the Family Court for assessment of an appropriate compensatory adjustment.

1. Is copyright "property" for the purpose of the PRA?

(i) Copyright comprised a "bundle of rights". In relation to artistic works the relevant bundle included the exclusive right to copy the work, issue copies of it to the public and communicate the work to the public. These were not separate or stand-alone rights. They were raised from and

were consequential on the specific statutory rights conferred on a copyright owner [20].

(ii) The Family Court Judge and the High Court Judge were correct to find that the Copyrights fell within the definition of "property" in s.2 of the PRA as "any other right or interest". In addition, on the basis that copyright is a sui generis form of personal property, the Family Court was also correct to find that the Copyrights also fell within para (c) of the definition i.e., "any estate or interest in any … personal property" [29].

Clayton v Clayton [Vaughan Road Property Trust] [2016] NZSC 29, [2016] 1 NZLR 551, [38]; *Pacific Software Technology Limited v Perry Group Limited* [2004] 1 NZLR 164 CA referred to.

2. Are the Copyrights separate property or relationship property under the PRA?

(iii) Ms Alalääkkölä's contentions in support of separate property conflated two distinct concepts, one related to the content of the relevant property rights which comprised the bundle of rights referred to. The other was Ms Alalääkkölä's personal skills and qualifications as an artist. Although those skills were used in the creation of the Artworks, they were distinct from the Copyrights which attached to the Artworks. These skills remained an intrinsic part of Ms Alalääkkölä's individual makeup and would not transfer to any new owner of the Artworks or of the associated Copyrights [42]. The High Court had therefore been correct to find that Ms Alalääkkölä's personal skills and qualifications as an artist were distinct from property rights in the Copyrights [43]. These skills were not "property" for the purposes of the PRA [45].

(iv) There was nothing in either the Copyright Act or the PRA to suggest that Parliament intended to remove intellectual property from the reach of the PRA [64].

(a) The property rights in the Copyrights did not include Ms Alalääkkölä's artistic skills or qualifications, those skills were discrete and, in any event, were not property rights in terms of the PRA.

(b) The business through which Ms Alalääkkölä and Mr Palmer had previously commercialised the Artworks and the Copyrights did not form part of the bundle of rights for the Copyrights. That business was a discrete category of property under the PRA.

(c) The fact that income might be generated, post-separation, from the commercialisation of the Copyrights did not assist in determining the correct classification for the Copyrights under the PRA. Rather, the classification of the relevant income streams as either separate property or relationship property turned on the classification of the underlying assets (the Copyrights) under the PRA.

Section 21 of the Copyright Act did not support Ms Alalääkkölä's argument that the Copyrights were her separate property [65].

3. How should copyright be treated under the PRA to ensure an equal division of relationship property?

(v) The Copyright Act protects and promotes creativity by granting authors, artists and other creators exclusive control over their original works, including the right to reproduce, distribute and perform and display their works (as applicable). This gave creators the ability to control the output of their creativity and encourage the creation of new works by ensuring creators can benefit economically from their efforts, fostering continued artistic production [76]. This broader context strongly supported the view that where possible the division of relationship property under the PRA should reflect the unique and personal nature of copyright – particularly where the works were artistic works that were personal in nature [77].

(vi) It was consistent with the overall policy objectives of the Copyright Act that Ms Alalääkkölä, as the author and creative force behind the Artworks, be able to continue to control the commercialisation of the Copyrights for a range of reasons [78].

(a) Ms Alalääkkölä's art was highly personal to her.

(b) Ms Alalääkkölä wished to continue to paint and support herself through her art business. If some of the Copyrights were transferred to Mr Palmer she could potentially find herself in competition with copies of her own work (namely new reproductions produced by Mr Palmer).

(c) Ms Alalääkkölä's reputation and personal brand as an artist could be negatively impacted by Mr Palmer's actions in relation to any of the Copyrights he owned.

(d) Ms Alalääkkölä held the moral rights in respect of the Artworks and those were inalienable.

(vii) The appropriate course was for ownership of the Copyrights to remain with Ms Alalääkkölä and for Mr Palmer to receive a compensatory adjustment from other relationship property to ensure an equal division [79]. The matter would be remitted to the Family Court to assess the quantum of compensation adjustment.

Current Developments – Asia

CHINA & HONG KONG SAR

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Defending Against Non-use Cancellation Attacks of Trade Marks in China

Starting from around 2014, the China National IP Administration ("CNIPA") and Chinese courts began grudgingly accepting letters of consent and co-existence agreements as a means of overcoming rejections due to the citation of "similar" trade marks. That shift towards international norms on these issues was short lived, however, with China completely backtracking on consents since mid-2021. Currently, CNIPA and the courts give little to no weight to such documents in similarity disputes.

As a result, brand owners are once again regularly forced to consider other means of overcoming citations, including cancellations for non-use. This update will discuss recent case law and current practice on non-use actions, including the burden of proof, effective use evidence, justified reasons for non-use, and how to defend against non-use attacks more effectively.

Legal Background

Under Article 49 of the People's Republic of China ("PRC") *Trade Mark Law*, trade marks that have not been used for three consecutive years at any point after the date of registration are vulnerable to non-use cancellation by third parties. To prevail in a non-use cancellation action, the burden is entirely on the registrant to prove that there has been sufficient use of the trade mark during the relevant period. This is in stark contrast to other types of registry actions such as trade mark oppositions and invalidations, where the applicant bears the burden of proof. As well, any party is permitted to file a non-use action, as opposed to oppositions and invalidations, where the petitioning party generally needs to demonstrate a connection to the case, referred to as "standing", to justify the action.

This makes non-use cancellations (where viable) a straightforward and cost-effective option for brand owners looking to clear a path for registrations.

Effective Evidence of Use

"Use" of a trade mark in the PRC generally refers to the application of trade marks on goods, product packaging or containers, their use in conjunction with the provision of covered services, and/or their attendant application/use in conjunction with those goods and services, such as in transaction documents, in advertising, exhibitions, or via other commercial activities.

In relation to non-use cancellations, valid use evidence needs to demonstrate that the disputed trade mark has been used on the designated goods/services in China three years from the filing date of the non-use cancellation action. The "user" of the mark can be the trade mark registrant, its licensees, and/or individuals or entities whose use is not contrary to the trade mark registrant's will (e.g., affiliated/related individuals or entities).

Valid use evidence generally includes the following:

(a) photos evidencing use of the trade mark on designated goods/services, e.g., product samples, product packaging, instruction manuals, price lists, service venue signs/decorations, etc.;

(b) transaction documents related to the sale of goods or provision of services in China, such as agreements, orders, invoices, delivery notes, receipts, import and export customs declaration certificates, maintenance certificates, etc.;

(c) materials related to advertising the goods/services in China. This could include print publications, radio, television, or online advertising, demonstrated via ads, agreements with marketing agencies, invoices from marketing agencies, etc.; and

(d) evidence showing use at trade fairs and exhibitions in China, including printed materials, display boards, agreements signed for participation in the exhibition, corresponding invoices, etc.

1. Use in Export and OEM Production

Victims of trade mark piracy in China may well be familiar with China's "original equipment manufacturer ("OEM") Exception." This is a judicial construct that permits the export of OEM goods from China in spite of a pirate's theft of the trade mark appearing on those goods. This is ostensibly because a trade mark appearing on goods intended solely for export is not actually being "used" in the PRC if Chinese consumers do not actually see the trade mark. This is fully consonant with the PRC Trade Mark Law's overarching consumer protection goals.

Fortunately, brand owners are not subject to the same reasoning in the context of a non-use case, where the application of trade marks only to OEM goods intended solely for export in China *does* constitute valid use for the purposes of defending against a non-use attack.

2. Use Must be Public

Save for the OEM Exception discussed above, "use" to defend against a cancellation must be public in nature, that is, consumer-facing and targeted at the general public in China.

"Private" trade mark use will not be sufficient. For example, in a case involving the trade mark "San Bao Huang Shi Fu" (Reg. No. 6626338)[1], the Beijing High People's Court ("BHPC") rejected the registrant's screenshots of its private WeChat profile where it used the disputed trade mark to promote the relevant goods. In that case, the WeChat profile was only available to a small, fixed group of WeChat users, insufficient to demonstrate public exposure in the absence of other evidence of use.

Similarly, internal use with a company or only with affiliated companies will not be considered public use. In an appeal concerning the trade mark "LETTS" (Reg. No. 9351657),[2] the BHPC rejected evidence of commercial transactions involving the mark where it was shown that the registrant was the legal representative and shareholder of *both* the buyer and the seller.

3. Use Must be Commercial

Valid trade mark use must be for commercial purposes. Non-commercial use, such as use in trade mark assignments or in enforcement actions for the mark, or trade mark registration information or statements of exclusive rights published by the trade mark registrant themselves does not constitute valid use in cancellation actions.

That does not mean that the relevant goods/services on which the disputed trade mark is used must be sold or provided solely for monetary consideration. Indeed, accessories, promotional or other items, even if distributed gratis, may also constitute valid commercial use under the right circumstances. For example, the BHPC held that use of the "Wan He" trade mark (Reg. No. 3342442)[3] on electric toothbrushes and multi-functional electric lunch boxes provided solely as free gifts to the registrant's customers was valid commercial use.

4. Use Must be Genuine

Valid trade mark use must be genuine, usually defined as meaning continuously and consistently. One-off instances of use will be deemed merely symbolic and insufficient to demonstrate use in a non-use cancellation attack.

In that regard, the Beijing Intellectual Property Court ("BIPC") held that use of the trade mark "Tong Tou" (Reg. No. 5295157)[4] for training services on only two occasions – where minimal fees were charged for those services – was only symbolic use. The mark was cancelled.

5. Use Must be Active

Use must generally be active, not merely passive, i.e., in the form of third party reports or news articles published in Chinese media.

Given that, and although passive use can sometimes help to further define and underline a connection in the public's mind between the trade mark and the registrant, such evidence will not on its own be deemed sufficient to maintain a registration.

For example, due to the State's monopoly control over the Chinese tobacco system, a tobacco company was unable to directly sell and market its electronic tobacco products in China. Nevertheless, the company's products received significant attention from the Chinese media, with dozens of articles mentioning the trade mark, the registrant and its product. Despite the huge volume of such reports submitted, the BIPC and BHPC both decided that such passive reportage, on its own, was insufficient to demonstrate use sufficient to defeat the non-use action.

6. Use Must be Legal

Any use must also be "legal" which for non-use cancellation purposes only means in compliance with the provisions of the PRC Trade Mark Law.

Accordingly, and even though evidence of use put forward by a registrant might actually have been in clear violation of other Chinese laws, such evidence is not tainted for the purposes of defending against a non-use action under the Trade Mark Law. This even goes so far as extending to violations of the PRC *Anti-Unfair Competition Law,* where the petitioner claimed that the evidence of use was clearly copying the well-known packaging and trade dress of another company in making use of the trade mark "Hai Zhi Xing (Star of the Sea)" (Reg. No. 5125963)[5]. The BHPC found no reason to ignore that evidence of the registrant's use of the trade mark.

7. Use Must be of the Trade Mark Actually Registered

Under Article 56 of the PRC Trade Mark Law, the exclusive right of a registered trade mark is limited to the trade mark approved for registration in respect of the goods/services for which they are approved. Any use that alters the appearance of the registered trade mark is strictly prohibited under Article 49 of the Trade Mark Law.

In practice, however, CNIPA and the Chinese courts have been rather lenient on this point so long as the trade mark's distinctive features have not been altered and its use largely corresponds to the mark as registered. There are exceptions, especially where the registrant is actually only using non-distinctive elements of the registered trade mark, or holds a separate registration for the element of the trade mark that is in actual use.

Notable on this point is an appeal concerning the composite trade mark "Long Li De & WTW" (Reg. No. 4355453),[6] where evidence provided by the registrant demonstrated separate use of "Long Li De" and "WTW", for which the registrant held independent registrations. The BIPC found that this was only evidence of the separate uses of "Long Li De" and "WTW", not use of the composite trade mark itself.

Similarly, a case involving the trade mark "NATURONE" (Reg. No. 4516426)[7] in Class 30, examined evidence showing only use of a composite mark, "Wu Xian Neng" (Chinese characters meaning "infinity") & "NATURONE" for which the registrant held a separate registration. The BHPC held that the Chinese characters "Wu Xian Neng" were much more distinctive in the mark appearing in the proffered use evidence. There were also "clear differences" between it and the trade mark "NATURONE" which was under attack, both in terms of pronunciation and visual effect. As a result, the use evidence was rejected and the mark was cancelled.

8. Use on Similar Goods/Services

Within each trade mark class, the PRC trade mark system is subdivided into "similarity subclasses". Basically, this means that valid use of the disputed trade mark in respect of any single item in a subclass is considered sufficient to maintain registration of any other item registered in that subclass.

That does not mean, however, that use of the trade mark on an item *not* specified and covered by its registration, i.e., an unregistered item in the relevant subclass, will be recognised as valid use of the trade mark on other registered items within that subclass. Instead, and generally speaking, the use evidence must show use on an item identical to or essentially identical to an item appearing in the subclass *and* actually specified in the registration.

Thus, it is not surprising that the BHPC found that use of the trade mark "Hua Mei" (Reg. No. 3588191),[8] in respect of "dental hospital services" in subclass 4401 was sufficient to defend the registration of the mark in respect of "massages (medical), health care, nursing (medical), hair transplants, aromatherapy, psychological services" in addition to "hospitals", services also listed in subclass 4401. But in the case involving the mark "Pan Long Yun Hai" (Reg. No. 3191802),[9] the BHPC found that use on "mineral water" was insufficient to save the registration, where that item did not actually appear in the specification for the registered mark. Instead, it only covered "juice, lemon juice, etc." Thus, and although all of those items appeared in subclass 3202, the unregistered item mineral water was deemed insufficiently similar to the items actually registered. Hence, this use evidence was rejected.

Justified Reasons for Non-Use

To the extent that a registrant was unable to make use of the mark, they might be able to excuse their non-use. In that regard, as the table below shows, justifiable reasons for non-use include force majeure; government policy restrictions; and bankruptcy and liquidation, or other legitimate reasons generally not attributable to the trade mark registrant.

Trade Mark	Court's Ruling	Reason Involved
"E-SAL and Device" No. 6483615[10]	A fire resulted in the death of the original registrant's relatives and destruction of the company's property, causing material and emotional harm to the registrant. These circumstances made it reasonable to excuse the registrant's failure to put the disputed trade mark into commercial use during the specified period.	Force majeure
"Sha Cheng" No. 6597027[11]	The registrant applied for bankruptcy reorganisation after suffering losses due to national macro-policy adjustments, changes in consumption trends and other relevant reasons outside the registrant's control. The Court viewed this as sufficient justification for non-use.	Bankruptcy and liquidation
"Rui Shu Lin" No. 10472109[12]	The registrant claimed it was unable to use the disputed trade mark during the specified period because it had not yet obtained necessary approval from the drugs regulation department of the State Council. This constituted a justified reason for non-use.	Government policy restrictions
"Ke Luo Ge & KROGER" No. 7999195[13]	The registrant's business premises were forcibly and illegally demolished, which constituted a justified reason for non-use that could not be attributed to the trade mark registrant. Notably, and before its premises were destroyed, the registrant had licensed others to use the disputed trade mark which showed its true intent to make use of the mark.	Other legitimate reasons
"Hua Jie & MBA" No. 5456391[14]	The disputed trade mark had been seized by authorities during the specified period and was only acquired by its then-current registrant on 23 October 2020 via judicial auction. Non-use of the mark during the period between 13 October 2017 and 12 October 2020 constituted a justified reason for non-use.	Other legitimate reasons
"URUS" No. G977293[15]	Registrant Lamborghini clearly intended to use the disputed trade mark, making all necessary preparations to do so during the specified period. It only failed to do so during that period because of the overlong development period for its URUS model (which was actually on sale in China by the time of trial on the non-use action).	Other legitimate reasons

Notwithstanding the above, in practice, CNIPA and the Chinese courts have been strict in judging the justifications put forward for non-use, requiring any incident to:

(a) be temporary and accidental in nature, and not able to have been prevented, predicted, or controlled by the registrant;

(b) have directly and inevitably led to the disputed trade mark not being able to be used during the specified period, without any possibility of use through other channels or methods; and

(c) continue throughout the entire three-year duration of the specified period, rather than just taking up part of that period.

In the case of reasons other than force majeure, government policy restrictions or bankruptcy and liquidation, the registrant must also demonstrate it has a true intent to make use of the mark and has made necessary preparations for its use.

Not surprisingly, rejections of the defence are not uncommon given the strict nature of the above conditions, as the table below shows.

Trade mark	Court's Ruling
"  " No. 8141210[16]	As a practitioner in the financial field, the registrant should have been aware of the policy that any party engaging in this specialisation needed to obtain approval from relevant departments in light of rules fully in force long before and throughout the specified period. The registrant also failed to submit any evidence indicating that it had made preparations for use of the disputed trade mark during the specified period.
"  " No. 5720789[17]	The original registrant entered into liquidation during the period, but that process did not take up all of the period, and in the year leading up to the liquidation, there was no evidence of the registrant's intent to use the mark or that it had made any preparations for its use.
"BOCO" No. 9710965[18]	Whilst entering liquidation could constitute a justified reason, mere restructuring due to bankruptcy did not. Even though the registrant was forced to cease normal production and business activities during the restructuring period, this period did not fully cover the specified three-year period from 4 April 2016 to 3 April 2019.
"Wei Mei Yuan Su and Bellefontaine" No. 3927729[19]	The registrant attempted to rely on the pandemic as a justification, but the specified period began two years before the outbreak, meaning the registrant had sufficient time to make use of the trade mark. Even then, the pandemic did not necessarily result in the registrant being unable to use trade mark.

Defensive Measures

Trade mark owners whose trade marks have been registered for more than three years should be cautious of the risk of non-use cancellation attacks by third parties. To minimise this risk, various defensive/precautionary measures may be considered.

First, it must be kept in mind that over the last few years, pirates have begun taking aggressive actions against brand owners attacking stolen marks via oppositions or invalidations. Hence, trade mark owners must first assess the vulnerability of marks in their own portfolio to a pirate's non-use attack in retaliation.

Second, trade mark owners with direct business in China, be it sales and/or OEM production, should consider keeping a record of business transactions and related commercial documents in case their trade marks suddenly become subject to non-use cancellation attacks.

Even trade mark owners who do not conduct business in China directly could consider the following options to demonstrate an intent to use the mark or having made actual use:

(1) records of visits from Chinese IP addresses to the trade mark owner's website to demonstrate that Chinese consumers are aware of their brand. In that regard, and if actively marketing in the PRC, a separate, Chinese version of the website targeted specifically at the Chinese consumers could be particularly useful;

(2) records of online and offline sales to Chinese consumers, including sales through the trade mark owner's website, Amazon, Tmall, and other platforms or retailers from those platforms, including customs declarations, and freight information etc. relating to the transactions;

(3) records of promotions and sales conducted in collaboration with Chinese influencers on Bilibili, Douyin (the Chinese version of TikTok), and other social media platforms, including exchanges with the Chinese influencers and payment records for the collaborations;

(4) records of the trade mark owner's participation in exhibitions, expos, and other trade shows in China or targeting Chinese customers; and

(5) records of export and OEM production in China.

Finally, if there is no use of the relevant trade mark (particularly in respect of purely defensive trade marks, often a necessity in China to defend against piracy) and no plans for such use, the trade mark owner may also consider refiling the trade mark every 24–36 months to obtain a fresh registration and thereby mitigate the risks of a non-use cancellation attack.

1 (2023) Jing Xing Zhong No. 1744.
2 (2020) Jing Xing Zhong No. 3010.
3 (2016) Jing Xing Zhong No. 5665.
4 (2021) Jing Xing Zhong No. 1822.
5 (2023) Jing Xing Zhong No. 196.
6 (2021) Jing 73 Xing Chu No. 13988.
7 (2018) Jing Xing Zhong No. 3983.
8 (2021) Jing Xing Zhong No. 3100.
9 (2016) Jing Xing Zhong No. 2844.
10 (2019) Jing Xing Zhong No. 55.
11 (2021) Jing Xing Zhong No. 1453.
12 (2021) Jing Xing Zhong No. 5883.
13 (2021) Jing 73 Xing Chu No. 11586.
14 (2022) Jing 73 Xing Chu No. 4279.
15 (2020) Jing Xing Zhong No. 1531.
16 (2021) Jing 73 Xing Chu No. 10849.
17 (2020) Jing Xing Zhong No. 7083.
18 (2020) Jing 73 Xing Chu No. 17212.
19 (2022) Jing 73 Xing Chu No. 3414.

JAPAN

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Japan's New Consent System for Trade Mark Registration

On 1 April 2024 Japan ushered into its trade mark regime a consent system where new trade mark provisions[2] allow for registration of similar trade marks if there is no risk of confusion as to the origin of the goods or services and if the prior trade mark owner consents. Under the new system, the owner of a later filed similar trade mark ("later mark") will now need to submit evidence of the consent from the owner of the prior trade mark and also prove there is no likelihood of confusion by submitting evidence and documents to the Japan Patent Office ("JPO").

Prior to 1 April 2024, the only way to secure registration of the later mark was that parties had to resort to what is called the "assign back" system. The assign back system allows the owner of the later mark that was rejected by the JPO to assign it to the existing mark's owner. Then, the later mark is re-assigned to the owner of the later mark once the grounds for rejection due to similarity are overcome.

This assign back system is somewhat unwieldly and cumbersome as it involves an assignment process of several steps and may also increase the overall trade mark application costs for the applicant of the later mark. This assign back system is also inconsistent with the registration system in several other countries, including the United States, Australia and many European countries, which allow a later mark to be registered upon the submission of a letter of consent issued by the owner of the prior mark.

Consent System Details

The new Japan consent system is only applicable to trade mark applications that have a Japanese filing date of 1 April 2024 or thereafter. Trade mark applications that have a filing date of 31 March 2024 or earlier are not eligible for the consent system.

In principle Japan's consent system allows the concurrent registration of a trade mark that is identical or similar to a prior registered trade mark of another party. The requirements are:

(1) the owner of the prior registered trade mark consents to the registration of the filed trade mark; and
(2) there is no likelihood of confusion between the goods/services of the filed trade mark and the goods/services relating to the business of the owner (including exclusive and non-exclusive licensees) of the prior registered trade mark.

On 29 March 2024, the JPO announced in its updated Trademark Examination Guidelines accompanying the implementation of the consent system[3] that it will be necessary to demonstrate not only is there no current confusion, but confusion is also unlikely to occur in the future. In practice, it may be required to collect the following evidence to prove this point:

(1) business content of the applicant and cited trade mark, etc. (company pamphlets, brochures etc.);

(2) period of use, region of use, manner of use, etc. of both trade marks (advertisements, newspaper articles, magazines, etc.);

(3) future business plans (publicly published company press releases, etc.); and

(4) supportive documents which can ensure that there is no actual confusion (market surveys targeting traders and consumers, etc.)

Regardless of the submission of consent and the evidence of no likelihood of confusion, a trade mark examiner is likely to conduct a merits examination of likelihood of confusion and may even conduct its own ex-officio research of the marketplace and take that into consideration when determining the likelihood of confusion. As Japan's consent system has only very recently been implemented, it remains to be seen how it will work in practice. Based on the documentary requirements to provide evidence of non-likelihood of confusion, the consent system in Japan does not seem user-friendly.

Conclusion

Even though it appeared that Japan's introduction of a consent system may result in an alignment of Japanese trade mark law with other Western trade mark jurisdictions, the additional compulsory evidentiary requirement regarding the likelihood of confusion will probably ensure that Japan's new consent system will not be greatly used. This applies especially to foreign trade mark applicants in view of the uncertain and onerous evidentiary burden.

Therefore, it is very likely that most trade mark applicants will have little choice but to continue using the assign back system to secure the registration of later trade marks. The assign back system will co-exist with the consent system and applicants will not have the burden of having to prove there is no likelihood of confusion.

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 Laws and Regulations Related to Industrial Property Rights, 'Law for Partial Revision of the Unfair Competition Prevention Law, etc. (Law No. 51 of 14 June 2023)', (Japanese Web Page, 14 June 2023) <https://www.jpo.go.jp/system/laws/rule/hokaisei/sangyozaisan/fuseikyousou_2306.html>.

3 Japan Patent Office, 'Update on the Introduction of the Consent System' (Japanese Web Page, 29 March 2024) <https://www.jpo.go.jp/system/trademark/gaiyo/consent/index.html>.

SINGAPORE

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Treading Lightly: Trade Mark Infringement and Keyword Advertising in Singapore

When can a business use a competitor's trade marks in its search engine advertisements? Search engine ads are crucial for fair competition, but they can sometimes mislead consumers about the origin of advertised goods and services. In Singapore's landmark first decision on keyword advertising and trade mark infringement, the Singapore High Court in *East Coast Podiatry Centre Pte Ltd v Family Podiatry Centre Pte Ltd* [2024] SGHC 102 ("*East Coast Podiatry*") shed light on permissible uses of competitor trade marks in keyword advertising.

Background

Google's search results display "sponsored links", which are ads displayed based on user search terms. When purchasing a sponsored link, advertisers must select relevant keywords. A sponsored link contains a "headline", a short commercial message, and the URL of the advertiser's website.

The parties operate competing podiatry clinics. The claimant, East Coast Podiatry Centre ("ECPC"), owned various registered trade marks containing the words "EAST COAST PODIATRY".

The defendant, Family Podiatry Centre Pte Ltd ("FPC"), purchased Google ads with terms such as "East Coast Podiatry", "Podiatry East Coast", and "Podiatrist East Coast" in the ad "headline". Clicking on the ad directed users to FPC's website.

Trade Mark Infringement

The High Court found that there was no trade mark infringement. While the similarity of the parties' marks and services was not in dispute, there was no likelihood of confusion on the facts.

Of particular interest in this decision is the Court's treatment of an unresolved issue in Singapore trade mark jurisprudence: how should the likelihood of confusion be assessed for search engine ads? To the Court, users may not necessarily conclude from a keyword ad that the advertiser is linked to the trade mark proprietor.

Having considered European and English case law, the Court decided to evaluate if the ads enabled users to ascertain whether the goods or services originate from the proprietor of the trade mark or another trader.

FPC's website played a significant role in the Court's finding that there was no likelihood of confusion. Since the primary

function of a Google ad is to redirect users to the advertiser's website, the content of FPC's website was pertinent in assessing confusion.

Clicking on FPC's sponsored links automatically redirected users to its website which prominently displayed its distinctive trade marks. Importantly, the website did not mention "East Coast Podiatry" or "east coast", making it clear to users that FPC was not associated with ECPC.

Further, users would not assume that FPC and ECPC were part of the same network of clinics under different names. ECPC only operated clinics under the name "East Coast Podiatry" and FPC's podiatry services were only provided under the name "Family Podiatry Centre".

Accordingly, the Court found that there was no likelihood of confusion and therefore no trade mark infringement. Similarly, ECPC's claim under the tort of passing off failed due to their inability to establish a confusing misrepresentation.

Observations

East Coast Podiatry provides valuable guidance to businesses in Singapore engaged in search engine advertising.

A key takeaway is the importance of the keywords selected for the ad, the URL displayed with the ad, and the corresponding website. Each component should be carefully reviewed prior to purchasing sponsored links.

The nature of the business in question is also highly relevant. While no infringement was established on the facts, the outcome might differ where a sponsored link directs users to an e-commerce platform offering a wide variety of goods. This may contribute to confusion as the user may not be able to ascertain that the goods referred to by the ad are in fact provided by a different business.

Businesses should therefore prioritise transparency in internet ads. The Court emphasised the importance of protecting the trade marks as badges of origin, noting there may well be cases of internet advertising where trade mark infringement is found.

Lastly, *East Coast Podiatry* was decided under the new "Simplified Process" for intellectual property disputes. Modelled on the UK's Intellectual Property Enterprise Court, the Simplified Process allows for faster and more cost-effective IP dispute resolution in Singapore, especially for lower-value claims.

Current Developments – Europe

UNITED KINGDOM

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Lidl Trouble in Big Tesco – UK Court of Appeal upholds findings of trade mark infringement and passing off by Tesco but overturns finding of copyright infringement

Lidl Great Britain Limited and Anor. v Tesco Stores Limited and Anor.
[2024] EWCA Civ 262

Introduction

The UK Court of Appeal has handed down its judgment in relation to a dispute between UK supermarket giants Tesco and Lidl regarding Tesco's use of Clubcard Price signs.

The first instance decision found Tesco to be liable for trade mark infringement, passing off and copyright infringement through its use of such signs. The Court of Appeal has upheld the findings of trade mark infringement and passing off, but overturned the finding of copyright infringement.

As part of the dispute, Tesco successfully argued at first instance that certain of Lidl's trade marks were registered in bad faith and were thus invalid. The Court of Appeal upheld this finding.

From a copyright perspective, the case provides a helpful example of a relatively simple logo being protected as a copyright work. Indeed, it was sufficient to establish copyright protection for Lidl to add a blue square background to their pre-existing logo depicting a red-rimmed yellow circle comprising the stylised "LiDL" text. That being said, the case also highlights:

(1) the narrow scope of protection that such works will be afforded; and

(2) the fact that adding elements to pre-existing works will only give copyright protection in relation to such added contributions.

From a trade mark and passing off perspective, the case highlights the importance of consumer evidence, and in particular instances of actual confusion, in assisting the court in making important findings of fact. While the Court of Appeal clarified that evidence of actual consumers cannot stand proxy for the legal concept of the average/ordinary consumer, such evidence may nonetheless be probative as to the perceptions of such legal concepts.

References to the Court of Appeal judgment are to the leading judgment by Lord Justice Arnold, unless stated otherwise.

Background

Tesco and Lidl are widely-known supermarkets in the UK: Lidl is a discount supermarket focusing on low prices, Tesco is a "mid-tier" supermarket offering products over a range of prices.

Since 1995, Tesco have operated a highly successfully "Clubcard" loyalty scheme. The subject of this dispute, however, is a discrete marketing strategy linked to the Clubcard scheme launched in 2020: the Clubcard Prices promotion.

The Clubcard Prices promotion offered discounts on certain products to Tesco Clubcard members at the point of sale. Tesco used the Clubcard Prices signs (the/Tesco's "CCP Signs") to indicate the goods that were subject to this promotion and/or to generally refer to such prices being available. The CCP Signs featured a blue square background with varying black text in the centre of a yellow roundel. Examples of CCP Signs are shown below.

Readers who are aware of Lidl's logo can probably guess where this is going. Lidl objected to Tesco's use of the CCP Signs relying on their main logo (the "Mark with Text") and its wordless background (the "Wordless Mark"). These are shown below.


The Wordless Mark

The Mark with Text


Example of the Marks as used by Lidl

First instance decision

Relying on these logos, Lidl claimed copyright infringement, passing off and trade mark infringement. Tesco claimed that the Wordless Mark was invalidly registered, relying on the grounds of non-use, lack of distinctive character and bad faith. The court of first instance (the UK High Court) found as follows.

- *Trade mark infringement.* Both of Lidl's logos were infringed by the CCP Signs, pursuant to section 10(3) of the UK Trade Marks Act 1994. The Court held that the CCP Signs took unfair advantage of Lidl's reputation as a low-price discounter and damaged the distinctive character of Lidl's logos by suggesting that the Tesco products were price-matched to those of Lidl.
- *Passing off.* Under the common law principle of passing off, the goods to which the CCP Signs referred passed themselves off as being equivalent in value to those same products of Lidl: consumers were mistakenly believing that the products were price-matched as a result of Tesco's use of the CCP Signs and their similarity to Lidl's logos.
- *Copyright Infringement.* Copyright was held to subsist in the Mark with Text (Lidl's main logo); this was infringed by Tesco's CCP Signs.
- *Validity of Wordless Mark.* The Wordless Mark was invalid on the basis that it was filed in "bad faith". This was held on the basis that Lidl had no intention of using the Wordless Mark at the time of filing it.

For more details on the first instance decision, see our earlier note published in Issue 133 (September 2023) of Intellectual Property Forum.

Court of Appeal decision

Trade mark infringement and passing off

Importantly, under the UK appeals system, the Court of Appeal can only intervene with first instance finding of facts where they are "rationally insupportable". Where the Court of Appeal is evaluating a first instance decision comprising a multi-factorial evaluation, the Court of Appeal can only overrule the first instance judge where that judge has erred in law or principle. This means the Court of Appeal were not assessing whether they agreed with the first instance judge's findings; rather, they were considering whether the evidence before the first instance judge entitled her to reach her findings.

Central to the first instance findings of trade mark infringement and passing off was the finding that there was "clear evidence" that consumers would believe there was a price match between Tesco and Lidl as a result of Tesco's use of the CCP Signs ("price match confusion"). It was agreed by the parties that the findings of passing off and trade mark infringement stood and fell together in relation to this ground.

The Court of Appeal was therefore required to consider the specific criticism of the evidence relied on for the finding of such price match confusion. Lidl relied on three strands of evidence referred to by the first instance judge:

(1) messages from consumers, such as on social media and direct messages to Tesco; (

(2) a survey conducted by Tesco prior to the Clubcard Prices campaign; and

(3) two member of the public witnesses.

The Court of Appeal considered that the first instance judge was "not only entitled to place some weight on each of those strands [of evidence relied on by Lidl], but also to regard each of the three strands as reinforcing the other two" [160].

In doing so, the Court of Appeal was careful to point out that the consumer evidence was relevant because it could assist the court in gauging the perceptions of the legal concept of average/ordinary consumers, not because it could stand proxy for such legal concepts. It is for the Court to attribute appropriate weight to such evidence in making its findings of fact.

Hence, the Court of Appeal did not consider the first instance judge's finding of price match confusion was rationally insupportable, and so they could not overturn it.

Validity (Wordless Mark)

Lidl owned four trade mark registrations depicting the Wordless Mark, which were found at first instance to be invalid, having been registered in bad faith.

The appeal focused on the initial registration for the Wordless Mark. Once this was found to have been registered in bad faith by Lidl, the invalidation of the subsequent registrations was dealt with briefly.

Lild argued that the first instance judge had been wrong to find that the objective circumstances of the case were sufficient to shift the burden to Lidl to demonstrate that it had applied for the first registration for the Wordless Mark in good faith. However, Lidl had accepted that they have never made use of the Wordless Mark in the form that it was registered and that the reason they applied for it was to get a wider scope of protection (as compared to the protection afforded by the Mark with Text). The Court of Appeal found that these admissions were sufficient to infer that there was no intention by Lidl to actually make use of the Wordless Mark at the time of filing the application and that the registration was intended to be used as a "legal weapon". This was deemed to be sufficient to shift the burden in the way the first instance court had done.

Overall, the Court of Appeal upheld the first instance court's finding that all four of Lidl's trade mark registrations for the Wordless Mark were registered in bad faith and thus were invalidly registered. However, Tesco were still found to have infringed the Mark with Text.

Copyright infringement

The first instance finding was that Tesco's use of its CCP Signs infringed copyright in the Mark with Text. The appeal was against the findings that:

(1) the Mark with Text was original; and, alternatively

(2) the CCP Signs reproduced a substantial part of the Mark with Text.

The appeal focused on the creation of the Mark with Text, which was done in three stages over a 15-year period, potentially involving different authors:

- Stage 1 – The stylised LiDL text only.
- Stage 2 – The yellow roundel and red rim were added to Stage 1.
- Stage 3 – The blue square background was added to Stage 2. Therefore, Stage 3 is the Mark with Text.

The Mark with Text (the Stage 3 work)

Importantly, Lidl had relied only on the Mark with Text for copyright infringement, which amounted to Stage 3.

In making its decision, the Court of Appeal referred to two important points of law.

First, where an author has created a new work (Work B), but that new work copies a prior work by a different author (Work A), the Work B author will only have protection in relation to the parts original to the Work B author. The Word B author cannot stop others from copying Work A.

To elucidate this concept, at the Court of Appeal hearing, Counsel for Tesco gave the theoretical example of an author adding a blue square background to Caravaggio's *Medusa.* This argument is that such an author would only have copyright protection, if they had any, in relation to the added blue square, and they would not be able to prevent others using elements of the *Medusa* itself, since those would not be original to that author. Tesco argued that this is essentially what had happened at Stage 3.

Secondly, where there is a low degree of creativity in an original work, the "scope of protection conferred by the copyright in that word is correspondingly narrow, so that only a close copy will infringe" [43].

Applying these principles, the Court of Appeal held that the Mark with Text was sufficiently original such that it was a protectable copyright work, while noting the scope of protection would be narrow. The creative choices made by the author of the Mark with Text were the shade of blue, the positioning of the Stage 2 work within the blue square, and the distances between the edge of the Stage 2 work and the blue square. These were creative choices made by the author, and the creation of the Mark with Text was not a "purely mechanical exercise" nor was the result dictated by "technical considerations, rules or other constraints which left no room for creative freedom" [191]. Accordingly, the first instance judge was correct to find the Mark with Text was a protectable copyright work.

However, the Court of Appeal overturned the first instance finding of infringement. In doing so, they referred to the fact that at least two elements that made the Mark with Text original at stage 3 had not been copied in the CCP Signs: namely, the shade of blue and the distance between the yellow circle and the blue square.

Comment

Trade mark infringement and passing off

The first instance finding was surprising to many. On the issue of price match confusion, Lord Justice Arnold recognised that "at first sight" it was "somewhat surprising" that the judge had made a finding that consumers would be "misled by the CCP Signs into thinking that Tesco's Clubcard Prices were the same as or lower than Lidl's prices" [160]. Lord Justice Lewison, in his judgment, went further, expressing that if he could avoid this result, he would, and sympathising with Tesco's position:

> *I do not consider that a message that Tesco offers good value is anything other than fair competition … The upshot is that despite Tesco's wish to differentiate itself from Lidl and to promote the value of its own very distinctive brand, it has found itself liable for trade mark infringement and passing off.* [219, 221]

However, the role of the Court of Appeal was not to make its own findings on the evidence, but rather to confirm whether the first instance judge's finding was rationally supportable. Accordingly, even if the Court of Appeal judges would have reached a different conclusion themselves, that is not sufficient to overturn findings of fact. In his judgement, Lord Justice Arnold was careful to point out that the first instance judge has the advantage of being "immersed in all of the evidence", whereas the Court of Appeal only considers selected parts.

This judgment was keenly awaited as it was clear from the Court of Appeal hearing that a major issue for determination was the weight that could be given to evidence of confusion from actual consumers in trade mark and passing off cases. Tesco had argued that some of that evidence should be ignored completely when the court determines whether the average/ ordinary consumer would be confused in the way Lidl had argued. In making this argument, they referred to UK Trade Mark Registry decisions, which are routinely made without any such evidence of actual confusion.

The Court of Appeal has clarified that such evidence remains relevant and can assist the court in gauging the perception of the average/ordinary consumer, though it cannot stand proxy for them. Accordingly, in most cases it is expected to be well worth parties searching for such evidence. Trawls of social media, contacting members of the public who demonstrated confusion and searching Tesco's internal communications were all methods used by Lidl in finding such evidence in this case.

Copyright

Typically, brand owners have relied on trade mark registrations and goodwill for the purposes of passing off to protect their logos in the UK. This case provides a helpful reminder that copyright can also be of assistance, even for relatively simple logos. While the Court of Appeal did overturn the finding of copyright infringement, this was a result of the staged creation of the Mark with Text, meaning Lidl could only rely on the creative act of adding the blue square background. The simpler the logo, the narrower the scope of protection is likely to be.

EUROPEAN UNION

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The Court of Appeal of the Unified Patent Court Sets a High Bar for Preliminary Injunctions

The Unified Patent Court ("UPC") opened its doors on 1 June 2023 and its case load has grown steadily.[1] In February 2024, the UPC Court of Appeal handed down *10x Genomics v Harvard*[2] where it addresses, for the first time, some key questions: the standard of proof for preliminary injunctions, scope of protection, and who must determine compliance with the application requirements.

Standard of proof

It is likely that the most important aspect of the UPC Court of Appeal's decision relates to the standard of proof that must be met in terms of establishing validity and infringement of a patent before any preliminary measures (interim injunction) can be granted. The Court accepted that the opportunity to present facts and evidence is limited at the preliminary stage and requiring too much at this point may prejudice the patent holder.[3] Conversely, the Court also acknowledged that setting the bar too low could cause the defendant to be harmed should the measures (interim injunction) be revoked later where, for instance, the applicant loses at trial.

The rules state that to grant provisional measures the applicant must provide "reasonable evidence to the Court with a sufficient degree of certainty" that the applicant is entitled to start proceedings and the patent is valid and infringed.[4] Initially, the Court confirmed that the burden of proof when seeking an injunction falls upon the applicant/ patent holder.[5] This is provided in the UPC Agreement itself[6] and so the finding is hardly surprising. Much more significant is the UPC Court of Appeal set out the degree of certainty required to obtain an interim injunction pending trial, namely that it is "at least more likely than not" that the patent is valid *and* infringed and if the Court considers "on the balance of probabilities" that the patent is invalid (or is not infringed) no measures should be granted.[7]

The Court of Justice in C-44/21 *Phoenix Contact*[8] held that from the date of publication of the grant of the patent it enjoys a presumption of validity. On the other hand, the applicant is required by the procedural rules[9] to inform the Court where the validity of a patent at issue (or a member of the patent family) is being attacked.[10] Nevertheless, as the UPC Court of Appeal made clear in *10x Genomics*, the burden of proof in respect of validity falls on the defendant.[11] A defendant therefore needs to show on the balance of probabilities that the patent in question is invalid.

The standard of proof being the balance of probabilities at the *preliminary/interim* stage appears to present very high hurdles for each party to clear. Indeed it is a very different approach to that adopted in the United Kingdom, Ireland and New Zealand where all that needs to be shown is that there is a "serious question to be tried":[12] a standard often described as "very low".[13] The UPC is applying a standard even higher than the prima facie standard applied in Australia.[14] Indeed, something being proved on the balance of probabilities is usually, in common law civil proceedings, the standard applied at trial for a final determination. This suggests the UPC Court of Appeal's decision imposes a *much* higher standard of proof to obtain an injunction pending trial.

The requirement to establish infringement and validity on the balance of probabilities might suggest that preliminary hearings become "mini-trials". The Court is only able to be satisfied of something to the relevant standard where there is sufficient evidence lead to make a decision. Alternatively, it could be the Court simply balances the evidence before it – however inadequate – to determine whether the facts are established on a balance of probabilities. But this outcome would be subject to what it said in relation to the application requirements, discussed below. Finally, it might be that what common law lawyers view as the balance of probabilities is different from those words when uttered by civilian lawyers or the UPC. Indeed, the Boards of Appeal at the European Patent Office have used a wide variety of phrases to explain the standard of proof but have ultimately taken the view it is for each Board to decide the standard based on the free evaluation of the evidence.[15]

So it may be that, in due course, another composition of the UPC Court of Appeal adopts a different standard. Indeed, the Court of First Instance in the same case highlighted various possibly meanings for "sufficient certainty": "some likelihood", "preponderant likelihood", "substantial likelihood", "high likelihood", "likelihood bordering on certainty" as well as merely "possible".[16] But each of these alternatives seems to suggest that "certainty" – what common lawyers might see as "beyond reasonable doubt" – might be the appropriate standard applied to findings of infringement and validity during the final determination on the merits. This present real challenges for claimants, seeking to establish infringement, and defendants seeking to demonstrate invalidity.

Scope of protection

The UPC Court of Appeal also addressed another central question, how to interpret the scope of protection granted for a patent. It stated:[17]

> *The patent claim is not only the starting point, but the decisive basis for determining the protective scope of a European patent. The interpretation of a patent claim does not depend solely on the strict, literal meaning of the wording used (see also the German and French language versions of the Protocol on Interpretation: "aus dem genauen Wortlaut der Patentansprüche", "sens étroit et litéral du texte des revendications"). Rather, the description and the drawings must always be used as explanatory aids for the interpretation of the patent claim and not only to resolve any ambiguities in the patent claim.*
>
> *However, this does not mean that the patent claim merely serves as a guideline and that its subject-matter also extends to what, after examination of the description and drawings, appears to be the subject-matter for which the patent proprietor seeks protection.*
>
> *The patent claim is to be interpreted from the point of view of a person skilled in the art.*
>
> *In applying these principles, the aim is to combine adequate protection for the patent proprietor with sufficient legal certainty for third parties.*

This appears to be a gloss on the Protocol of Interpretation in Article 69 of the European Patent Convention with some words being slightly different (e.g., "fair protection" v "adequate protection"; "reasonable degree" v "sufficient"). It therefore provides little guidance to litigants as to the correct approach to claim interpretation in the future and, critically, it does not deal with Article 2 of the Protocol which provides for equivalents. Nevertheless, the UPC Court of Appeal did make it clear that the scope of protection for validity is the same as for infringement.[18] But when it applied its own rules on the scope of protection, it did little more than evaluate the consistency between the description and the claims.

The Court of Appeal did, however, give an indication as to the importance of technical judges. It appears the Court will rely on them both for technical information[19] and also, if the Court of First Instance was right, as a representative of the skilled person.[20] This raises interesting issues as to the weight given to expert evidence in the future. Overall, however, the explanation given by the Court of Appeal on the approach to claim construction is just as problematic as the Protocol itself. The correct approach falls between two poles but where precisely it falls in that range is simply unknown.

Compliance with application requirements

An application for provisional measure must include certain things each of which is set out in rule 206(2). These fall into two types. There are things which are purely formal,[21] such as names and addresses of parties, and this can be considered solely by the registry.[22] But the other type of information, namely indicating what provisional measure is being sought, the reason why the measure is necessary to prevent an infringement, the facts and evidence relied upon in support of the application and a description of the action which will be started before the Court are substantive. Accordingly, it is for the Court to consider whether these have been

complied with or not. Critically, however, the compliance with these requirements goes to the *merits* of the application for provisional measures.[23] So the Court will evaluate the information (and its sufficiency) when deciding whether or not to impose provisional measures. This means the requirements are not a gateway – admissibility requirement – which the Court has to be considered before moving on to consider the application itself.

Concluding thoughts

The UPC does not have a system of precedent, and so this decision of the Court of Appeal might not be the last word. The guidance on scope of protection – although thought to be significant enough to make the headnote – elides many tricky questions and is largely restating the Protocol on Interpretation itself. The decision's lasting significance is more likely to be its determination of the standard of proof, if followed, it could have a lasting and profound effect on the availability of preliminary measures before the UPC.

1 By the end of February 2024, there had been 274 cases started and 96 infringement actions started. Of these, 72 were started across four local divisions in Germany (in second place is France with nine actions being started at the Paris local division).

2 UPC CoA 335/2023 (26 February 2024).

3 *10x Genomics*, 27.

4 Rule 211(2); this is a slightly more tightly worded version of UPC Agreement, Art 62(4).

5 *10x Genomics*, 28.

6 UPC Agreement, Art 54 (albeit there can be a reversal in the limited circumstances set out in Art 55).

7 *10x Genomics*, 27.

8 EU:C:2022:309, [41].

9 Rule 206(2)(d) and 211(2).

10 *10x Genomics v Harvard*, CFI 2/2023 (19 September 2023), 57 [3(b)].

11 *10x Genomics*, 28.

12 *American Cyanamid Co v Ethicon* [1975] AC 396, 407; which has been largely followed in New Zealand, *Pasquarella v National Australia Finance Ltd* [1987] 1 NZLR 312, 313–14. It is also the standard applied in Ireland, which is presently seeking to become a party to the UPC: *Merck Sharpe and Dome v Clonmel Healthcare Ltd* [2019] IESC 65, [30].

13 *Abdul Mojid v Mujibur Rahman Chowdhury* [2020] EWHC 2732 (Ch),[2]; *Pasture Properties v Evans* [2013] IEHC 205; *Skibsted v. Canada (Environment and Climate Change)*, 2021 FC 301, [38].

14 In Australia, it appears the correct standard has returned to a "prima facie" based on *Beecham Group v Bristol Laboratories* (1968) 118 CLR 618. But this appears to have been qualified downwards by the High Court of Australia in Australian Broadcasting Corporation v O'Neill (2006) 227 CLR 57, [65].

15 Phillip Johnson, Ashley Roughton and Trevor Cook, *Roughton, Johnson and Cook on Patents* (5th ed, 2022), [2.52] and [17.25]; also see Phillip Johnson, 'It's all very plausible: the free evaluation of evidence at the European Patent Office' (March 2023) 131 *Intellectual Property Forum* 94.

16 *10x Genomics v Harvard*, CFI 2/2023 (19 September 2023), 55[4] (the reference to possibility was to contrast it with German procedure).

17 *10x Genomics*, 24.

18 *10x Genomics*, 25.

19 *10x Genomics*, 33.

20 *10x Genomics v Harvard*, CFI 2/2023 (19 September 2023), 57 [4].

21 See rule 206(2)(a).

22 *10x Genomics*, 21.

23 *10x Genomics*, 21.

FRANCE

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Admissibility of a patent infringement claim filed by an assignee

In a decision dated 24 April 2024,[2] the French Supreme Court (Cour de cassation) provided a rather classic decision pertaining to the admissibility of a patent infringement claim filed by the assignee of a patent. The Court held that the assignee of a patent may only be entitled to sue provided that the assignment deed has been recorded with the National Institute of Industrial Property.

Article L. 613-9 of the Intellectual Property Code ("IPC") indeed provides in its first paragraph:

> *All acts transmitting or modifying the rights attached to a patent application or a patent must, to be enforceable against third parties, be registered in a register, known as the National Patent Register, maintained by the National Institute of Industrial Property.*

The enforceability of the rights assigned is therefore subject to the assignment's recordal. In the case that led to the present decision, the assignee tried to argue that such rules were only relevant when different assignees allege acquired rival rights to a given patent. In a nutshell, the rule was only intended to protect the assignee acting in good faith who first records the transfer against other possible assignees.

This line of interpretation made some sense given that the second paragraph of article L. 613-9 IPC provides:

> *However, before its registration, an act is enforceable against third parties who acquired rights after the date of this act, but who were aware of it when acquiring these rights.*

This paragraph clearly aims at regulating conflicting rights over an assignment. It has limited relevance in terms of admissibility to sue for patent infringement.

Still, this argument was not heard by the Supreme Court which ruled:

> *As long as the transfer has not been entered in the register, the successor in title cannot rely on the rights arising from the act which transferred ownership of the patent to him. It is therefore not admissible to take action for infringement.*

It stems from the above that not only must there be a clear and effective assignment of the patent at stake, but the assignment must also be recorded. Yet, the recordal of an act which does not provide for the assignment of a patent is not sufficient to ground an infringement claim. In several instances, recorded owners of patents were not permitted to sue for infringement.[3]

The Supreme Court also held that the assignee of a patent can only sue for infringement for facts which happened before the assignment if the assignment provides for this possibility.

Assuming that the recordal cannot be completed, it remains possible for the assignee to base its claim, not in infringement, but in unfair competition. This has been expressly recognised by the Supreme Court in the present case. This case law is also in line with the rules governing the admissibility of claims by non-registered licensees. The latter can join the claim of the recorded patentee and seek damages on the basis of unfair competition.

Bailiffs can be involved in test purchases without seeking prior legal authorisation to obtain evidence in IP cases

France has always been an attractive jurisdiction for gathering evidence. Intellectual property rights owners have a long-established right to seek ex parte legal authorisation to collect evidence within the premises of a competitor or any non-public area. This procedure is known as "saisie-contrefaçon" or infringement seizure. It is conducted by a bailiff (i.e., a public officer in charge of enforcing court decisions) who conducts their mission as per the order rendered by the judge.

In practice, many trade mark or patent infringement claims on the merits are filed following an infringement seizure. Its disadvantages still remain its cost and relative complexity. In particular, a bailiff must not exceed the assigned mission and must draft their report with maximum care. The procedure can also be challenged by the seized party, in particular should it occur that the seizure was disproportionate or the ex parte petition failed to present fairly per the facts of the case. This can therefore both delay the trial, while also securing important evidence.

Fortunately, infringement may be proven freely and by any means, provided it is lawful. The services of bailiffs are also often sought, without any judicial order, given that their reports have a high probative value. The law provides that bailiffs are authorised to:

> *carry out, when committed by justice or at the request of individuals, purely material findings, exclusive of any opinion on the factual or legal consequences which may result therefrom.*[4]

Such services are very helpful for making screenshots of a website or taking photographs of the external appearance of stores.

However, the possibility for bailiffs to carry out certain measures without a prior judicial authorisation has been questioned. It has notably been considered that the bailiff cannot conduct a purchase in a store without such judicial authorisation. Defendants have successfully argued that this amounts to an unauthorised infringement seizure.

Recent case law has been even more strict by ruling out evidence of an in-store purchase made by a trainee of a claimant's law firm and then reported to a bailiff. The Supreme Court ruled:

> *the right to a fair trial, enshrined in article 6, § 1, of the European Convention on Human Rights, requires that the person who assists the official bailiff during the establishment of a report is independent of the requesting party.*[5]

Several lower courts have opposed implementing such a ruling.

In practice, the involvement of bailiffs in online or in-store purchases is becoming extremely limited and requires the use of an independent third party. Also, bailiffs are required not to have any active role, which also excludes them from conducting investigations without any prior order.

A recent Supreme Court decision tends to limit this trend by ruling that a bailiff waiting outside a store and then taking pictures of what is in the shopping bag of an exiting purchaser is lawful. The Supreme Court held that the Court of Appeal:

> *noted that the bailiff had noted the purchase of a product in a store by a third party purchaser then the transport of the product by this same person to the consultancy office of the company Smart Trike, where she had it unpacked, the bailiff then having photographed the product before placing it under seal, the Court of Appeal precisely deduced that this ministerial officer had limited himself to making purely material findings without engaging in any active approach.*[6]

This decision is helpful as it cannot reasonably be expected in all circumstances to seek an infringement seizure order or to have a purchase totally independent from a claimant. Also, this decision is consistent with the fact that bailiffs have a right to make reports of certain situations.

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 Decision No. 22–22.999 from the Commercial chamber.

3 Paris Court of First Instance, 7 March 2014, RG 12/15162 and Paris Court of Appeal, 27 October 2015 rejecting the admissibility of the infringement claim as the recorded assigned failed to comply with French insolvency rules.

4 Order No. 2016-728 dated 2 June 2016 on the bailiffs' status, article 1, II, 2.

5 Cassation Court, 25 January 2017, No. 15–25.210.

6 Commercial section, 20 March 2024, No. 22–22.406.

GERMANY

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Language regime at Unified Patent Court is beginning to crystalise: German to English procedural shift approved by Court of Appeal

Court of Appeal of the UPC decision dated 17 April 2024, docket number EPG_CoA_101/2024 ApL_12116/2024

Introduction

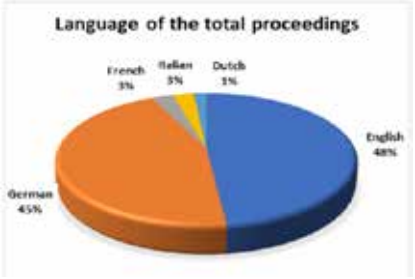
The establishment of the Unified Patent Court ("UPC") marks a significant step in international jurisprudence, particularly in the field of patent law. The UPC offers the possibility of resolving patent disputes in a single, specialised court procedure. In addition to the structural and institutional aspects, the introduction of the UPC also raises questions about the language of proceedings for hearings and decisions, which has a significant impact on the functioning and effectiveness of the Court. Given the multitude of languages in Europe, the language regime is one of the biggest challenges for the UPC. The choice of language has a direct impact on the efficiency of the proceedings, the costs for the parties and the fairness of proceedings. The language chosen also has an impact on the accessibility of the Court for the parties involved and potentially far-reaching implications for harmonisation and the protection of intellectual property in Europe.

The decision of the Court of Appeal of the UPC ("Court of Appeal") laid down clear guidelines for the language of the proceedings and thus addressed one of the central challenges of the UPC.

This update analyses the latest developments in connection with the language regime of the UPC and their potential impact on the legal system.

Background

As of 2 May 2024, German remained head to head with English. This is despite all divisions of the UPC being able to conduct proceedings in English, while only very few Divisions of the Court may use German.



Source: <Case load of the Court_end April 2024_30.04_TK_edit 2_05_DC_final.pdf (unified-patent-court.org)>

While about a third of Europeans speak German, that is not enough to justify it as the language choice in an international court. Thus, many may feel that German plays an oversized role in the UPC, potentially disadvantaging defendants not fluent in that language. Considering the international readership of this Journal it is therefore worthwhile discussing the determining factors for the language regime of a proceeding.

Article 49(1) of the Agreement on a Unified Patent Court ("UPCA") provides that the language of UPC proceedings before any local or regional division should be the official language of the Contracting Member State hosting the relevant division. For actions before the central division, which is mainly competent for stand-alone nullity attacks, the language of the patent itself is the deciding factor (Article 49(6) UPCA). More specifically, R.14 2.(a) Rules of Procedure of the UPC ("RoP") provides that the claimant may choose the language of the proceedings between the languages allowed at the chosen forum.

After the claimant has made their choice of language and started their action, the parties may agree to change the language of the proceedings to that of the concerned patent (Article 49(3) UPCA). Alternatively, the competent panel of the Court with agreement of the parties may change the language (Article 49(4) UPCA) or – most interestingly – one of the parties may request to change the language without consent from the other party. Then the President of the Court of First Instance may:

> *on grounds of fairness and taking into account all relevant circumstances, including the position of parties, in particular the position of the defendant, decide on the use of the language in which the patent was granted as language of proceedings.* (Article 49(5) UPCA)

As this decision of the President of the Court of First Instance is appealable, the decision of the Court of Appeal provides insight into the guidelines for the choice of the language of proceedings. This decision is likely to influence the practice of the UPC and set an important precedent for future proceedings.

Judgment of the Court of Appeal

In its judgment of 17 April 2024, the Court of Appeal considered a request to change the language of proceedings and whether the language should be changed for reasons of fairness (Article 49(5) UPCA; R. 323 RoP).

Facts of the case

On 4 December 2023, 10x Genomics applied for interim measures against Curio Bioscience at the Local Division of the UPC in Düsseldorf, Germany. Both parties are US companies. While 10x Genomics was represented by German lawyers, Curio Bioscience was represented by a British law firm.

On 30 January 2024, Curio Bioscience requested a change to the language of the proceedings from German to English, arguing that the choice of legal representative, the language of the patent and the technical field, and the comparatively smaller size of Curio Bioscience would necessitate that change. This was rejected by the President of the Court of First Instance.

Curio Bioscience appealed to challenge the refusal to change the language of the proceedings and to recover the costs of the application. 10x Genomics requested that the appeal be dismissed, and alternatively that Curio Bioscience be ordered to provide English translations of the German pleadings.

Decision

The Court of Appeal overturned the decision of the Court of First Instance, stating that it failed to consider all pertinent factors according to Article 49(5) UPCA. It ordered that English be the language of the proceedings.
The decision was based on the principle of fairness and took into account all relevant circumstances, in particular the position of the parties.

In its ruling, the Court of Appeal highlighted the language rule of Article 49(5) UPCA, emphasising the significance of considering the defendant's position. According to the decision, in situations where the balance of interests is evenly matched, the defendant's position becomes paramount. Thus, the Court of Appeal interpreted "in particular the position of the defendant" (as quoted above from the UPCA) which stipulates a predominance towards the position of the defendant.

The Court ruled that the circumstances put forward by Curio Bioscience, such as the technology field functioning mainly in English and the relative size differences between the parties, outweighed the arguments of 10x Genomics.
The decision to accept Curio Bioscience's appeal and use English as the procedural language for the patent case was based on several factors and arguments. First, the relevant circumstances indicated that the underlying technology field operates primarily in English, and most submitted documents are in English. This placed Curio Bioscience, as a smaller company, at a disadvantage compared to 10x Genomics.

Secondly, the parties' positions highlighted that Curio Bioscience would suffer significant disadvantage if defence proceedings were conducted in German, an unfamiliar language for the company. Additionally, the size discrepancy between Curio Bioscience and 10x Genomics exacerbated the impediment of using a different procedural language.

Considering the potential impact on proceedings, while a language switch might have caused delays, the fact that English was determined as the procedural language helps minimise the additional effort.

Moreover, the language proficiency of legal representatives was deemed irrelevant since the procedural language should align with the company's language. Similarly, the nationality of judges was deemed irrelevant as the Court can master the procedural language and all divisions of the Court are able to conduct proceedings in English.

Ultimately, the balancing of interests favoured the defendant's position, recognising Curio Bioscience's substantial disadvantage due to the relevant circumstances. As a result, the request to change the procedural language after the oral hearing was rejected, and Curio Bioscience's appeal was accepted, with English upheld as the procedural language for the patent case.

Earlier case law

The order of the Court of Appeal was not the first decision where the language of the proceedings was changed from German to English in favour of the applicant.

The President of the Court of First Instance in the proceedings before the Local Division Düsseldorf issued a ruling on 16 January 2024 (ACT_590837/2023 UPC_CFI_373/202) that changing the language of the proceedings from German to English, i.e., the language in which the patent was drafted, is permissible. While the respondent took the view that the aim of the unitary patent system was not to provide for English as the sole language of proceedings, but to create a multilingual regime, the Court ruled in favour of the applicant. It also pointed out that the aim of the UPC is to ensure fair access to justice for small and medium-sized enterprises ("SMEs").

With similar arguments, the President of the Court of First Instance in the proceedings before the Local Division in The Hague also issued a decision dated 18 October 2023 (ACT_574494/2023 UPC_CFI_239/2023) and granted the request to change the language of proceedings. It shared the view of the applicant, who argued that the use of the patent language (English) would reduce costs and facilitate access to justice. In addition, the translation costs would be disproportionately high for a small Spanish company in the start-up phase. The applicant argued that the patent language should be the primary language of the proceedings, as this is the original source of the legal discussion. Moreover, the other party had already corresponded in English and the reasons for not translating their documents into Dutch were valid.

While the decision of the Düsseldorf Local Division emphasised the importance of compliance with procedural rules, the decision of the Local Division in The Hague aimed at fair conditions for both parties.

The Düsseldorf Local Division and the Court of Appeal emphasise above all that the language choice of the patent proprietor plays an important role in the patent application and that this must be taken into account in the decision.

All judgments refer to the size and resources of the parties as a relevant factor. In particular, it is pointed out that smaller companies may not have the same resources to deal with the requirements of proceedings in a foreign language.

Impact on patent practice

The Court of Appeal's decision raises important questions for practitioners. Currently, the ratio of German cases outweighs the importance of German as a language. If the use of English would increase even further beyond the already high 43 per cent of all proceedings, this could mean that resources needed for translation and language services will decrease for international parties. In addition, lawyers and courts alike will endeavour to find efficient and cost-effective ways to meet the requirements of the language regime and avoid a costly change of language during the proceedings, without compromising the quality of case law. Overall, the plaintiff's right to choose the language is restricted, favouring primarily SMEs. For smaller defendants in UPC cases who can show that conducting proceedings in English would pose an extra burden, it remains probable that they will be successful in changing the language of the proceedings. Even so, English certainly looks to become the lingua franca of the UPC.

1 The authors thank their colleague Nicole Schopp for her help with this update.

Current Developments – North America

CANADA

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Canadian Intellectual Property Office Introduces New Trade Mark Examination Service Standards

On 1 January 2024, the Canadian Intellectual Property Office ("CIPO") implemented new trade mark service standards that, for the first time, commit to providing first examination on domestic trade mark applications within a set amount of time. The terms are 18 months from filing for applications in the "pre-approved" terms stream and 28 months for those in the non-"pre-approved" terms stream. The new service standards do not speak to timelines for second and third Office actions. The new service standards are intended to significantly reduce the timeline for examination of Canadian trade mark applications and to provide greater predictability for applicants.

Before the new service standards came into effect, Canadian trade mark applicants faced a wait time of up to 60 months (or five years) from the time a trade mark application was filed to the time the application was examined due to a very significant backlog of trade mark applications waiting to be examined.

Under the new service standards, CIPO is required to issue a first Office action within 18 months from the filing date of an application filed using the pre-approved list of goods/services in the CIPO Goods and Services Manual (the "Manual") and within 28 months from the filing date of an application filed without using the pre-approved list of goods/services in the Manual.

In addition, CIPO will issue a first Office action within 12 months following receipt of a request for public notice of a prohibited mark (including an official mark) filed under section 9 of the *Trademarks Act*. Prohibited marks include trade marks adopted and used by government entities and other public authorities.

Under the new service standards, Canadian trade mark applicants are incentivised to pursue trade mark application filings using the pre-approved list of goods/services listed in the Manual in order to reduce the trade mark registration process by about 10 months, compared to pursuing a filing without using the pre-approved list of goods/services. It should be noted that it will not be prudent to pursue trade mark applications using the pre-approved list of goods/services in every case since the pre-approved list is limited in scope and does not include suitable goods/services listings for all possible goods/services offered by a business or organisation. However, it is possible to file a request with CIPO to add goods and services descriptions to the pre-approved list in the Manual. CIPO typically responds to the request within three to five weeks. This option can be particularly helpful where an applicant includes the same goods or services in multiple applications and wishes to minimise examination time by filing using only the pre-approved list in the Manual.

The table below summarises the new service standards.

Action	Service Standard (New as of January 1, 2024)
Request for giving public notice for a badge, crest, emblem, mark or armorial bearing	CIPO will complete a first action (public notice of the prohibited mark in the *Trademarks Journal* or first report) **within 12 months** upon receipt of a compliant request and payment of the prescribed fee.
Application for the registration of a trade mark – done online	CIPO will send a first action (approval or first report) **within 18 months** from the filing date of a domestic electronic application that is filed using the pre-approved list of goods and services and payment of the prescribed fee. CIPO will send a first action (approval or first report) **within 28 months** from the filing date of a domestic electronic application that is filed without using the pre-approved list of goods and services and payment of the prescribed fee.
Application to extend the statement of goods or services of a trade mark registration	CIPO will send a first action (approval or first report) **within 28 months** from the filing date of a paper application and payment of the prescribed fee.

When a service standard is not met, CIPO is required to remit a portion of the fees paid by the trade mark applicant (known as a "remission"), provided other conditions for remission are met. The amount to be remitted depends upon the degree to which the service standard was not met. For example, if the service standard was missed by 50 per cent or less of the standard, then the remission will be 25 per cent of the fee paid. If the service standard was missed by more than 50 per cent of the standard, CIPO will remit 50 per cent of the fee paid.

The revised service standards only apply to trade mark applications filed on or after 1 January 2024.

In addition to the new service standards set out above, Canadian trade mark applicants are entitled to pursue expedited examination of their applications in the following cases:

(i) A court action is expected or underway in Canada with respect to the applicant's trade mark in association with the goods or services listed in the application;

(ii) The applicant is in the process of combating counterfeit products at the Canadian border with respect to the applicant's trade mark in association with the goods or services listed in the application;

(iii) The applicant requires registration of its trade mark in order to protect its intellectual property rights from being severely disadvantaged on online marketplaces; or

(iv) The applicant requires registration of its trade mark in order to preserve its claim to priority within a defined deadline and following a request by a foreign intellectual property Office.

If the request for expedited examination is accepted, CIPO will examine the application as soon as possible (i.e., within days to a few weeks as opposed to months or years).

In 2022 and 2023, CIPO hired a large number of additional trade mark examiners to help reduce the backlog of applications to be examined.

CIPO has also moved to compress timelines in opposition and non-use cancellation proceedings. Under a practice notice that came into force on 1 December 2023, benchmark extensions have been reduced by half and "cooling-off" periods to pursue settlement have been reduced from nine to seven months.

All of these measures are a welcome change for trade mark applicants in Canada.

UNITED STATES OF AMERICA

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Federal Circuit Broadens Liability for US Patent Infringement Based On Foreign Activities

Generally, United States patents are enforced for infringing activities (i.e., making, using, selling the accused devices) domestically. However, some circumstances allow recovery of damages for infringing activities abroad.

In *Harris Brumfield v. IBG LLC, et al.*, Case No. 2022-1630 (Fed. Cir., 27 Mar. 2024), the Federal Circuit ruled that patentees may recover patent damages in the form of reasonable royalties for foreign sales *if* an infringing act occurred in the United States and was the proximate cause of the foreign sales.

Trading Technologies International, Inc. ("TT"), the predecessor in interest to the plaintiff-appellant, sued IBG, LLC ("IBG"), alleging that IBG's commodities exchange software trading tool infringed its patents directed to graphical user interfaces ("GUIs") and methods for commodity trading.

At the district court, the theory of recovery by TT's expert witness was based on a fixed amount per active user of IBG's accused software. However, the district court excluded the portions of the damages opinions based on foreign active users of IBG's accused software product, even though IBG made those software products in the United States. TT's expert opined that TT should receive royalties for the foreign users' use of copies of the accused software, which IBG made in the United States.

The district court excluded the expert's opinion, relying heavily on the Federal Circuit's prior decision in *Power Integration, Inc. v. Fairchild Semiconductor International, Inc.*, 711 F.3d 1348 (Fed. Cir. 2013) (holding that a defendant's foreign use of a patented invention is "not infringement at all").

On appeal, the Federal Circuit disagreed with the district court's reliance on *Power Integration*, holding that the correct extraterritoriality analysis was that articulated by the Supreme Court of the United States in *WesternGeco LLC v. ION Geophysical Corp.*, 585 U.S. 407 (2018) (finding infringement of a United States patent by the defendant's manufacturing of components domestically and exporting those components to be assembled abroad, where those systems were sold in competition with the United States patent owner). The Federal Circuit confirmed that the *WesternGeco* framework was not limited to the making-and-exporting actions in that case, but likewise applied broadly to any domestic acts of infringement, namely, making, using, offering to sell, and selling accused products. In addition, the

Federal Circuit held that the *WesternGeco* extraterritoriality analysis applied to a reasonable-royalty measure of damages, not only to lost profits, which were at issue there. The Federal Circuit emphasised that a causal connection was necessary to find infringement based on foreign conduct in a reasonable royalty case, but declined to rule whether such a causal connection was sufficient, leaving the question open.

Notwithstanding the different standard, the Federal Circuit nevertheless affirmed the district court's exclusion of TT's damages expert's opinion, finding that the expert had not established any domestic acts of infringement. The Federal Circuit focused on the specific type of claims at issue (methods and computer readable media ("CRM")), and found that the expert had not linked making, using, or selling the covered claims to any domestic acts.

Although the Federal Circuit affirmed exclusion of the extraterritorial damages theory, it clearly indicated a willingness to allow damages based on foreign commerce, so long as there was a sufficient link to an infringing act in the United States. This can provide an additional basis for recovery of damages in United States patent infringement cases, and should be considered carefully by non-United States companies having any United States operations.

Constitutional Standing For Patent Owners Interpreted Broadly

In *Intellectual Tech LLC v. Zebra Technologies Corp.*, Case No. 2022-2207 (Fed. Cir., 1 May 2024), the Court of Appeals for the Federal Circuit considered whether a patent owner who had used the patent at issue as collateral (and defaulted) has standing to sue regarding the patent.

OnAsset Intelligence, Inc. ("OnAsset"), the parent company of plaintiff patent owner Intellectual Tech ("IT"), obtained a loan from Main Street Capital Corporation ("Main Street"). After OnAsset defaulted in 2013, it entered into a forbearance agreement with Main Street and formed IT to hold certain of OnAsset's intellectual property, including the patent that was later the subject of litigation. In turn, IT joined the loan agreement, and entered into its own patent and trademark security agreement with Main Street, granting Main Street a security interest in the patent, as had OnAsset. By 2018, IT had defaulted as well.

The loan agreement provided that IT was "permitted to control and manage the Patents and Trademarks, including the right to exclude others from making, using or selling items covered by the Patents and Trademarks … with the same effect as if this Agreement had not been entered into, so long as no Default exists."

Critically, however, in the event of a default, Main Street was authorised, at its option, to sell or enforce the collateral patents. Although there was no evidence that Main Street had taken any of these actions, the defendant Zebra Technologies Corp. ("Zebra") argued that IT lacked constitutional standing to bring suit for patent infringement.

The outermost jurisdictional limits of federal courts are circumscribed by Article III of the United States Constitution, which states that they have power over "Controversies". This has been interpreted to mean that in order to establish standing, a plaintiff must have a genuine stake in the outcome of the case because it has suffered injury that is traceable to the allegedly unlawful actions of another. This requirement of constitutional standing cannot be rectified if found lacking at the date of filing of a complaint.

The other standing requirement in patent cases – although it was not at issue in this case – is statutory standing. 35 U.S.C. §281 provides that "[a] patentee shall have remedy by civil action for infringement of his patent". This has been interpreted to mean that courts should not hear patent cases unless the plaintiff has all rights in the patent. Thus, for example, an exclusive licensee could not sue alone if the patent owner retained rights to sue. Notably, statutory standing may be corrected by adding as nominal plaintiffs all rights holders in the patent.

In this case, Zebra argued at the district court that because Main Street had the unfettered option of exercising its right to sell the patent, IT had no constitutional standing. The district court agreed, because, in its view, the fact that Zebra could obtain a licence to the patent from Main Street deprived IT of all its exclusionary rights, and dismissed the case.

On appeal, the Federal Circuit reversed the dismissal, finding that IT had constitutional standing. It held that all that was required was for IT retained *an* exclusionary right – i.e., infringement would amount to an invasion of IT's legally protected interest – even if not the *only* exclusionary right. In other words, the Court was content to find that IT and Main Street had shared ability to enforce or license the patent while a default existed, giving IT constitutional standing. The Court was careful not to rule on whether this sufficed for statutory standing; however, as noted above, that defect could easily be cured by joining Main Street as a nominal plaintiff.

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