ashurst

IP @ Ashurst

March/April 2015

From the Editors

Welcome to the March / April 2015 edition of *IP @ Ashurst*.

In this edition, we report on the High Court's decision regarding the distinctiveness of foreign language trade marks in the *Cantarella* case.

We also cover decisions by the Full Court of the Federal Court of Australia concerning sentences of imprisonment for copyright infringement in *Ly v The Queen*, termination rights in relation to patent licences under section 145 of the *Patents Act 1990* (Cth) in *Regency Media* and the assessment of inventive step and other patent construction issues in *Garford*.

Also in patents, we cover the decision concerning indirect infringement and exclusive licensee issues in *Blue Gentian*.

In marketing and advertising, we cover the unsuccessful application for an interlocutory injunction by Bauer, the publisher of *The Debrief*, to stop the launch of *Debrief Daily* by Mamamia.com.au, the ACCC's action against Fisher & Paykel concerning misleading claims regarding extended product warranties and the ACCC's action against Dulux regarding misleading paint claims. We also report on recent enforcement action taken by the ACCC against funeral care company InvoCare, daily deal buying website Living Social and the supplier of the "Hi Honey" product regarding misleading and deceptive conduct.

In addition, we report on the UK Court of Appeal's decision affirming that Topshop's unauthorised use of an image of international pop star Rihanna amounted to passing off.

In trade marks, we report on the successful opposition by Goodyear against the application by Dunlop Aircraft Tyres Limited to register certain DUNLOP trade marks in relation to aircraft tyres, the rejection of Apple's APP STORE application and the award of additional damages for trade mark infringement in *Hugo Boss*.

In copyright, we cover recent developments seeking to crack down on online copyright infringement, including the decision concerning unauthorised downloads of the movie *Dallas Byers Club,* the award of additional damages for continued and flagrant copyright infringement in *Motorcycle Aftermarket Spares* and whether or not copyright can subsist in data signals in *Seven Network*.

We hope you enjoy this edition!

Elizabeth Ireland
Senior Associate, Sydney
elizabeth.ireland@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

Contents

Crackdown on online copyright infringement

In the last month, there have been three important developments which seek to address the issue of online copyright infringement. These recent developments will serve to streamline the processes by which copyright owners can seek redress against internet piracy, either by obtaining a court order for internet service providers (ISPs) to block access to infringing offshore websites or by taking action directly against individual infringers after ISPs have first sent them a series of educational and warning notices.

Legislative reform

On 26 March 2015, the *Copyright Amendment (Online Infringement) Bill 2015* (Bill) was introduced into Parliament, which would enable copyright owners to seek a court order requiring an ISP to block access to offshore websites which have the predominant purpose of infringing copyright. Copyright owners would not have to establish the ISP's liability for copyright infringement or authorisation of copyright infringement to obtain the injunction, and an ISP would not be liable for the costs of injunction proceedings unless it takes part in them.

Court decision

On 7 April 2015, the Federal Court delivered judgment in *Dallas Buyers Club LLC v iiNet Limited* [2015] FCA 317, ordering preliminary discovery from six Australian ISPs of the names and addresses of 4,726 account holders of IP addresses believed to have infringed copyright in the Oscar-winning film, Dallas Buyers Club.

The Court found it pertinent to impose conditions on the applicants, including that:

- the information can only be used to recover compensation for the infringements and is not otherwise to be disclosed without the leave of the Court; and
- the applicants must submit to his Honour a draft of any letter they propose to send to account holders in order to avoid any "speculative invoicing".

The applicants were ordered to pay the costs of the proceedings, as well as the costs of the ISPs giving preliminary discovery.

Industry code

On 8 April 2015, a new industry code of practice, the Copyright Notice Scheme Code 2015 (the Code) was submitted for registration to the Australian Communications and Media Authority by the Communications Alliance.

The Code creates a scheme through which residential fixed internet users who are alleged by rights holders to have infringed copyright online will receive from ISPs an escalating series of infringement notices. A rights holder may request from an ISP any IP addresses of account holders who have received 3 notices within a 12 month period, and the rights holder may then seek preliminary discovery of the account holders' details. An account holder's details will not be provided by ISPs to rights holders in the absence of a court order.

Marlia Saunders
Senior Associate, Sydney
marlia.saunders@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

Coffee wars: The final instalment

The High Court of Australia clarifies test for distinctiveness of trade marks in Australia and treatment of foreign word marks

Cantarella Bros Pty Limited v Modena Trading Pty Limited [2014] HCA 48

What you need to know

- A majority of the High Court (Justice Gaegler dissenting) held that the marks ORO and CINQUE STELLE are inherently adapted to distinguish Cantarella's goods (namely coffee).
- When assessing whether a mark is inherently adapted to distinguish, the key question to be asked is what the "ordinary signification" (ie, meaning) of the mark is to people in Australia in relation to the relevant goods and whether that meaning has a direct reference to the character or quality of the goods.
- The High Court found that the "ordinary signification" of the marks ORO and CINQUE STELLE did not convey a meaning or idea that was sufficiently tangible to anyone in Australia as directly referring to the character or quality of the goods. Therefore the marks were inherently adapted to distinguish.

Background

This case involves a long running battle between coffee heavyweights, as previously reported in the June 2013, December 2013 and December 2014 editions of *IP @ Ashurst*.

Cantarella Bros Pty Limited (Cantarella) is a manufacturer of various food and beverage products including coffee. It sells its coffee products under a range of brands, the most well-known being VITTORIA. The marks ORO and CINQUE STELLE are used in relation to particular VITTORIA coffee blends.

Modena Trading Pty Limited (Modena) is, among other things, an importer and distributor of an Italian brand of coffee called Molinari. The marks ORO and CINQUE STELLE were used together with the mark CAFFE MOLINARI on the Molinari product packaging. Modena has been Molinari's exclusive distributor in Australia since 2009. Prior to that time, the Molinari products were distributed in Australia by various businesses.

Cantarella took action against Modena for infringement of its ORO and CINQUE STELLE trade marks. At first instance, Cantarella succeeded in having an injunction granted against Modena on the basis that Modena's use of the marks ORO and CINQUE STELLE infringed Cantarella's trade mark registrations. The Court rejected Modena's cross-claim argument that the trade marks should be cancelled or removed from the Register because they were not inherently adapted to distinguish. Modena appealed on the cancellation decision only. The Full Federal Court agreed with Modena and found that the marks ORO and CINQUE STELLE were descriptive and should be removed from the Trade Marks Register on the basis that they were not distinctive. Cantarella applied for special leave to the High Court of Australia, and sought to restore its cancelled trade marks.

The High Court decision

The High Court appeal focused on just one question – whether the marks ORO and CINQUE STELLE are inherently adapted to distinguish the goods for which they were registered from the goods of other persons within the meaning of section 41(3) of the *Trade Marks Act 1995* (Cth).

This decision assessed section 41(3) as it stood prior to 15 April 2013, when the *IP Laws Amendment (Raising the Bar) Act 2012* (Cth) took effect. However, the findings in the case are still relevant because the concept of inherent adaptation is still applicable to the current section 41.

Interpretation of section 41(3)

The majority (with whom Justice Gaegler agreed) confirmed that the applicable principle was that set out by Justice Kitto in *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511: specifically, whether a word trade mark is adapted to distinguish is to be tested:

> "...by reference to the likelihood that other persons, trading in goods of the relevant kind and being actuated only by proper motives – in the exercise, that is to say, of the common right of the public to make honest use of words forming part of the common heritage, for the sake of the signification which they ordinarily possess – will think of the word and want to use it in connection with similar goods in any manner which would infringe a registered trade mark granted in respect of it."

The majority concluded that historical matters (ie, the development of the trade mark registration system and legislation) and the relevant authorities clearly support the position that interpreting section 41(3) requires examining the "ordinary signification" of the words (whether English or foreign) to people in Australia concerned with the goods in question. Once the "ordinary signification" is established, the question can then be asked whether other traders will legitimately want to use the marks in relation to their goods.

In relation to marks consisting of foreign words, the majority stated that it is not the meaning of the foreign words as translated which is critical but rather the meaning that those foreign words convey to those who will be concerned with the relevant goods.

The majority found that the Full Federal Court had misunderstood the expression "ordinary signification" and had misapplied the authorities regarding the desire of other traders to use a mark. The majority said that the correct question to be asked is whether the "ordinary signification" of the word in Australia to persons who will purchase, consume or trade in the goods contains a "direct reference" to the relevant goods or if it makes a "covert or skilful allusion" to those goods. If the latter is the case then the mark is prima facie registrable.

Application to the ORO and CINQUE STELLE marks

In the view of the majority, the "ordinary signification" of the marks ORO and CINQUE STELLE did not convey a meaning or idea that was sufficiently tangible to anyone in Australia as directly referring to the character or quality of the goods. The majority likened the marks to the mark TUB HAPPY (*Mark Foy's Ltd v Davies Coop & Co Ltd* (1956) 95 CLR 190 at 201-202). It was found in that case that the meaning of the mark TUB HAPPY was allusive such that it did not convey a sufficiently tangible idea to amount to a direct reference to the character or quality of the goods (in that case cotton goods).

The majority went on to dismiss the evidence of Modena showing that other traders used the word ORO by saying the use was only in a number of composite marks featuring Italian words which were distinguishable aurally, visually and semantically. In relation to CINQUE STELLE, the majority concluded that the evidence submitted "fell well short" of proving that CINQUE STELLE is understood in Australia by persons concerned with coffee products to be directly descriptive of the character or quality of such goods.

Surprisingly, the majority made no real mention of the knowledge of Italian words in Australia, especially given that was such a large part of the reasoning behind the Full Federal Court's decision ("Cinque Stelle" meaning "five stars", and "Oro" meaning "gold" in Italian).

What will the decision mean?

As a result of this decision, theoretically, it should be easier to register foreign words as trade marks in Australia (particularly in languages that are less commonly known than Italian), even if the English translation of the words would be unlikely to be registrable (eg, because it is laudatory or descriptive of the goods).

In addition, when assessing the registrability of a mark (whether English or foreign), it will be important to consider the ordinary signification or meaning of the mark and whether that meaning makes a direct reference or merely an allusive or metaphorical one to the character or quality of goods or services in question.

Jessica Norgard
Lawyer, Sydney
jessica.norgard@ashurst.com

Annika Barrett
Senior Associate, Melbourne
annika.barrett@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

Burned out: Full Federal Court upholds jail sentence for local DVD store owner over copyright infringements

Ly v The Queen [2014] FCAFC 175

What you need to know

- On 17 December 2014, the Full Federal Court dismissed an appeal from a lower court judgment that imposed lengthy sentences of imprisonment on a DVD store owner, Mr Phong Ly, for commercial scale intellectual property infringement offences.
- The Court held that the sentences imposed by the lower court under the *Copyright Act* and *Trade Marks* Act (12 and 8 months, respectively) were well within the available range of sentences for Mr Ly, given the flagrant and deliberate nature of his offending. The sentences were also appropriate given that Mr Ly had committed similar intellectual property offences in the past.
- This case underscores the importance of cooperation between intellectual property rights holders, law enforcement, and industry representatives in the successful prosecution of commercial scale intellectual property infringement in Australian courts. The case also highlights the role that courts play in deterring potential infringers from committing copyright and trade mark offences for commercial gain.

Background

Mr Phong Ly is the sole director and shareholder of Quoc Phong DVD World Pty Ltd (DVD World), a business operating in Springvale, Victoria. On 7 November 2013, the Australian Federal Police (AFP), acting on a tip off, executed search warrants at three locations, including Mr Ly's home. In the course of executing the warrants the AFP seized approximately 61,000 discs, including a large number of DVDs of movies, computer games and music recordings. The AFP also seized two computer towers, seven DVD burner towers, five printers and an external hard drive.

The discs seized by the AFP were examined with the assistance of industry experts. The AFP determined that the majority of the discs had the key indicia of counterfeit products, including that the discs were recordable (DVD-Rs and CD-Rs) and had poor quality packaging and printing on the inserts and disc surfaces. The discs were copied without licence and appeared to infringe the copyright and registered trade marks of a number of entities, including Television Broadcasts Ltd (TVB), Nintendo Australia Pty Ltd (Nintendo) and several American film companies.

In cooperation with representatives from TVB, Nintendo and the Australian Screen Association, the AFP selected a number of the 61,000 discs as representative of the offending conduct and charged Mr Ly. Mr Ly was charged with offences under sections 132AJ(1) and (2) of the *Copyright Act 1968* (Cth) in respect of 1040 discs (Charge 1) and section 148(1) of the *Trade Marks Act 1995* (Cth) in respect of 175 discs (Charge 2). The maximum penalty for each charge is a fine of not more than $93,500 or imprisonment of not more than 5 years, or both.

First Instance Hearing

On 5 August 2014, Mr Ly pleaded guilty to both charges in the County Court of Victoria. At the plea hearing, Mr Ly admitted to using Torrent to download and machines to burn a number of movies. Mr Ly also admitted to paying a business associate $25,000 a year to copy various media for sale at his DVD World shop. Mr Ly conceded that although he knew that his conduct was wrong, he sold between 20 and 50 DVDs per day since 2009, earning approximately $2,000 to $3,000 a week, of which 50% was profit.

On 13 August 2014, Judge Maidment found Mr Ly guilty of both charges and sentenced him to imprisonment. His Honour sentenced Mr Ly to 12 months for Charge 1 and 8 months for Charge 2. The Court held that the sentences were to be served consecutively and made an order that Mr Ly be released on his own recognizance after 8 months imprisonment, pursuant to section 19AC of the *Crimes Act 1914* (Cth).

In sentencing Mr Ly, his Honour considered a range of factors pursuant to section 16A(1) of the *Crimes Act*. In particular, his Honour focused on the wider commercial context in which Mr Ly's offending occurred and noted that deterrence was a critical factor in sentencing (especially given Mr Ly's history of offending). The Court also indicated that there was very little evidence that Mr Ly was genuinely remorseful for his conduct, which was held to be "deliberate, flagrant, calculated offending motivated by the prospect of substantial profits" and driven by "greed, not need".

On Appeal

Mr Ly appealed the sentencing decisions to the Full Federal Court, which determined that it had jurisdiction to hear the matter. In a unanimous decision, Justices Kenny, Bennett and Wigney dismissed Mr Ly's appeal and rejected each of the eight grounds of appeal that had been argued by Mr Ly. In rejecting the grounds of appeal, their Honours considered a number of issues that are relevant to sentencing for intellectual property offences under the *Copyright* and *Trade Marks Acts*.

The relevance of uncharged conduct

Mr Ly argued that the lower Court had erred by impermissibly punishing him for certain uncharged conduct and otherwise improperly treating that conduct as aggravating. The relevant uncharged conduct referred to by the lower Court related to Mr Ly's admission that he personally burned a number of films and had a number of devices for burning discs at both his home and the DVD World store.

In rejecting this ground of appeal, the Court held that the lower Court's sentencing remarks did not support Mr Ly's submission that the sentencing Judge either punished Mr Ly for the uncharged conduct or treated that conduct as aggravating. The Court held that the conduct referred to by the lower Court was relevant to Mr Ly's intention to sell infringing products pursuant to section 132AJ(1) of the *Copyright Act*, and established that the offending took part in a wider commercial context. It followed, that although Judge Maidment referred to uncharged conduct in the course of sentencing, his Honour did not err in doing so.

Genuine remorse as a mitigating factor

Mr Ly argued that the lower Court's sentencing remarks were severe and that Judge Maidment had erred in finding that Mr Ly had failed to establish that he was genuinely remorseful for his conduct. Mr Ly pointed to a number of factors as being evidence of his genuine remorse, including an early guilty plea, cooperation with law enforcement, consent to a destruction order of the infringing discs and the closing down of the DVD World Store. Mr Ly submitted that such factors should have mitigated his sentence.

Their Honours rejected this ground of appeal on the basis that it was open to the lower Court to find that the factors pointed to by Mr Ly were not evidence of genuine remorse. In particular, the Court found it difficult to see how consent or non-opposition to a destruction order required by law could amount to genuine remorse. The Court further noted that evidence that Mr Ly had attempted to downplay his conduct in interviews with the police and a psychologist cast significant doubt on whether Mr Ly was remorseful.

Manifestly excessive sentences

Mr Ly submitted that that the sentences imposed for Charges 1 and 2 were manifestly excessive. In support of this submission, Mr Ly pointed to the fact that he was the first person in Victoria to be sentenced to a term of immediate imprisonment for committing the offences. He argued that he should have been given credit for his early guilty plea and cooperation with the authorities. Mr Ly also drew the Court's attention to evidence that established that he was a good prospect for rehabilitation.

The Court rejected Mr Ly's submissions and held that he had not established that the sentences imposed were manifestly inadequate, in the sense that they were wholly outside the range of sentences available to the lower Court. Their Honours held that taking into account the circumstances of Mr Ly's offending and his past conduct, the sentences were well within the applicable range. The Court also noted that general deterrence was an important factor in Mr Ly's case given that his offences were difficult, time consuming and expensive to detect and prosecute.

Paul Dimitriadis
Lawyer, Sydney
paul.dimitriadis@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

Patent "life-support" through licensing? Full Federal Court clarifies termination rights under section 145

Regency Media Pty Ltd v MPEG LA, L.L.C. [2014] FCAFC 183

What you need to know

- In December 2014, the Full Court of the Federal Court held that Regency Media Pty Ltd (Regency) could not rely on section 145 of the *Patents Act 1990* (Cth) (*Patents Act*), to terminate a licence with MPEG LA, L.L.C. (MPEG), until all the Australian patents for the inventions covered by the licence had expired.
- The statutory right to terminate under section 145 is intended to prevent patentees from extending the scope of their statutory monopoly by licensing or leasing a patent for a period beyond the date expiration.
- *Regency Media v MPEG*, is the first case to test the scope of the statutory termination rights under section 145.

What you need to do

- Parties cannot rely on section 145 to terminate a patent licence until all the Australian patents, for all the inventions the subject of the licence, have expired.
- To avoid patentees using a licence as "life-support" for nearly expired patents, careful consideration must be given to the scope of the patented inventions covered by the agreement.
- If a licence covers multiple patents, the licensee should negotiate a tiered royalty payments structure, to reflect patent expiry dates during the term of the licence.
- Careful drafting will also be required where the parties intend a licence to cover Australian and international patents, as well as "know-how". To minimise the impact of section 145, parties should consider separate licence agreements for Australian patents.

Background

Facts

MPEG represented patent owners in relation to various patent pools, including the MPEG-2 Standard (an international standard relating to video data compression and data transport). Regency manufactured and sold media storage. In its capacity as licensing administrator, MPEG granted Regency a licence (the Patent Portfolio Licence Agreement (PPL Agreement)) in respect of the MPEG-2 patent pool.

The PPL Agreement

The licence was granted for inventions which were described and defined in the PPL Agreement as 3 classes of Australian and international patents:

- MPEG-2 Decoding Products;
- MPEG-2: Encoding products; and
- MPEG-3 Packaged Medium (Media).

Termination under section 145

Regency seeks to terminate the PPL Agreement

Under the PPL Agreement, Regency could not terminate the licence prior to 31 December 2015, and was required to pay royalties for as long as one or more of the patents in the portfolio remained in force. The PPL Agreement included a tiered royalty payment system, so that Regency's royalty payments decreased as patents from the pool expired.

By July 2012, seven of the Australian patents under the PPL Agreement had expired. Regency relied on section 145 of the *Patents Act* to terminate the PPL Agreement. MPEG challenged Regency's ability to invoke the statutory right to terminate under section 145, where some of the patents covered by the licence subsisted.

Section 145

Under section 145(1) of the *P*atents Act, either party to a "contract relating to" a lease or "licence to exploit" a "patented invention" can terminate the contract by giving 3 months notice "at any time after the patent, or all the patents by which the invention was protected" at the time of contracting have ceased to be in force.

Providing a statutory right to terminate patent licences (or leases) is intended to prevent patentees from extending the effective term of a patent by licensing or leasing it for a period beyond its expiry date.

What is a "patented invention" under section 145?

The meaning of a "patented invention" under section 145 was a key issue at first instance and on appeal.

Trial decision (Justice Flick) – "patented invention" defined by the licence

At first instance, Justice Flick accepted MPEG's argument that for the purposes of section 145, a "patented invention" is any patent-eligible subject matter (ie, product or process), which is protected by one or more patents, which can be identified by reference to the defined terms in the licence agreement. On this basis, each of the "products" defined in the PPL Agreement was a separate "patented invention". His Honour found that Regency's right to terminate under section 145 arose where all the patents relating to each product had expired, and not upon the expiry of any Australian patent.

Arguments on appeal

On appeal, Regency contended that the "patented invention" should be determined in light of the *Patents Act* and the relevant specification, rather than by the terms of the PPL Agreement. Regency also submitted that where an invention the subject of the licence is no longer covered by a subsisting patent, it would be contrary to the policy of the *Patents Act* to hold a licensee bound by the contract and its continuing obligation to pay royalties.

MPEG submitted that Justice Flick had adopted the correct approach by determining a "patented invention" by reference to the definitions in the PPL Agreement. MPEG also relied on section 23(b) of the *Acts Interpretation Act 1901* (Cth) and contended that "a patented invention" should be taken to include the plural (ie, "patented inventions").

Full Court – "patented invention" determined by the Patents Act

The Full Court held that the right to terminate a licence under section 145 arises only after the expiry of all of the Australian patents for all the inventions covered by the licence.

Regency succeeded in its argument on appeal that "patented invention" is not defined by the subject matter of the PPL Agreement, but in accordance with how that term is conventionally used in the *Patents Act*, namely where "a patent has been granted for a patented invention". The Court considered that section 145 does not require an inquiry into whether or not the invention is patentable for the purposes of section 18(1) of the *Patents Act*.

However, the Full Court also accepted MPEG's contention that the reference to the singular includes the plural. The Court considered that it could not be assumed that the intention of section 145 was to apply only to one patented invention. It would be an "absurd result" if parties to a patent pool would be required to enter into multiple contracts in order to license the inventions covered by the pool.

Implications for licence drafting

The Full Court's decision clarifies that section 145 provides a statutory right to terminate a licence agreement where all the Australian patents of the inventions covered by the contract, have ceased to be in force. What constitutes a "*patented invention*" in each case will be determined by reference to the *Patents Act*, rather than the subject matter of the licence.

If a licence covers multiple patents, the licensee should negotiate a tiered royalty payments structure, to take into account Australian patents which will expire during the term of the licence.

However, it remains unclear how section 145 will operate where:

- A licence covers many "patented inventions" for unrelated products: licensees need to pay close attention to the "inventions" covered by the agreement, to protect against patentees seeking to extend their statutory monopoly by including patents in the agreement for unrelated products with long expiry dates.
- A licence covers both Australian and foreign patents, or other intellectual property (IP) rights (eg, know-how): to avoid early termination of the licence in relation to the foreign patents or other IP rights, parties should consider a separate licence agreement for the Australian patents to quarantine the operation of section 145.

Colette Downie
Lawyer, Melbourne
colette.downie@ashurst.com

Kellech Smith
Partner, Melbourne
kellech.smith@ashurst.com

ACCC accepts court enforceable undertaking regarding misleading claims by funeral care company

The Australian Competition and Consumer Commission (ACCC) has accepted a court enforceable undertaking from funeral care company, InvoCare Limited, after it allegedly made a false or misleading representation to consumers.

In January 2011, InvoCare revised its standard consumer contract to require customers at its cemeteries to purchase a memorial (such as a monument, headstone or plaque) at the time of using a burial site and purchase the memorial exclusively from InvoCare. The contract provided that if a memorial for the site was not purchased from InvoCare within 60 days after the death of the nominated user, InvoCare had the right to terminate the agreement and all rights to use the site would cease.

A number of consumers who had pre-purchased burial sites prior to these changes taking effect made complaints to the ACCC that InvoCare had told them that they were contractually obliged to purchase memorials from InvoCare at the time of using a burial site for a family member, when this was not the case. The family members were obviously in a very vulnerable state at the time these representations were made by InvoCare.

In response to the complaints, the ACCC raised concerns with InvoCare that it had contravened sections 18 and 29(1)(l) of the Australian Consumer Law (ACL), by engaging in conduct, in trade or commerce, which was likely to mislead or deceive or which amounted to a false or misleading representation about the need for memorials.

To address the ACCC's concerns and to avoid legal proceedings being commenced, InvoCare co-operated with the ACCC and undertook internal investigations to identify affected customers, contact the customers to offer redress, revise its ACL compliance polices and undertake compliance training for its staff. InvoCare also revised its consumer contract to remove the obligation to purchase a memorial.

InvoCare also agreed to pay a penalty of $102,000 and to provide a court enforceable undertaking that, for a period of three years, it will:

- not represent to any customer that they are subject to terms inconsistent with the terms of their contract;
- not require any customer who purchases a burial site to purchase a memorial, including those customers who hold existing contracts containing this condition and have not yet purchased a memorial;
- allow customers who do choose to have a memorial to source bronze plaques from a supplier of their choosing;
- make available the Chief Operating Officer of InvoCare Australia to handle complaints of conduct similar to the alleged conduct; and
- update its consumer law compliance program, with particular measures for risk assessment, complaints handling and staff training.

Marlia Saunders
Senior Associate, Sydney
marlia.saunders@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

ACCC deals out court enforceable undertaking to deal-buying site over misleading and deceptive conduct

In December 2014, the Australian Competition and Consumer Commission (ACCC) accepted a court enforceable undertaking from LivingSocial Pty Ltd (Living Social) in response to the ACCC's concerns regarding a range of conduct on its group buying website.

In particular, the ACCC considered that:

- during 2011 and 2012, Living Social engaged in misleading and deceptive conduct and made false representations on its website regarding consumers' refund rights;
- from 2011, Living Social made false or misleading representations on its website regarding the price of certain deals; and
- from January 2012 to November 2014, Living Social's terms and conditions included an unfair provision that permitted Living Social to make substantive changes to its terms and conditions without notifying its customers or voucher purchasers.

Living Social acknowledged that its conduct may have contravened various provisions of the *Australian Consumer Law* (ACL).

Accordingly, Living Social provided an undertaking to the ACCC that it will:

- not make false or misleading representations with respect to price, rights, remedies or guarantees;
- give voucher purchasers refunds in circumstances where they are entitled to a refund under either Living Social's terms or the consumer guarantee provisions of the ACL;
- display prices of deals including all additional mandatory fees, except for delivery fees;
- not use comparison price statements that are misleading as to the savings that can be achieved;
- notify its subscribers via email when substantive updates are made to its terms and conditions;
- send a corrective notice to its subscribers via email; and
- implement an ACL compliance program.

In February 2015, the ACCC announced that consumer issues in the online marketplace were one of its compliance and enforcement priorities for 2015. In particular the ACCC has said that it will seek to ensure that "the rights and obligations that exist in the bricks and mortar world are not ignored online".

Online group buying businesses have been a focus for the ACCC since they first commenced trading in Australia in around 2010. The ACCC also took action against Scoopon Pty Ltd in 2013 (as reported in the March 2014 edition of *IP @ Ashurst*), and has recently instituted proceedings against Spreets Pty Ltd for engaging in misleading and deceptive conduct.

Elizabeth Ireland
Senior Associate, Sydney
elizabeth.ireland@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

The Debrief vs Debrief Daily: Bauer loses "Debrief" battle

Bauer Consumer Media Ltd v Mamamia.com.au Pty Ltd [2014] FCA 1400

What you need to know

- Bauer, publisher of UK website *The Debrief*, a lifestyle publication aimed at women in their 20s, was unsuccessful in obtaining an interlocutory injunction preventing Mamamia from launching a website called *Debrief Daily*, also a lifestyle publication but aimed at women in their 40s.
- The Court accepted there is a reputation of THE DEBRIEF brand in Australia but that reputation did not have sufficient strength to justify interlocutory relief against the launch of *Debrief Daily*, which is directed to a different target audience.
- Justice Rares found that the two demographics, women in their 20s and women in their 40s, are likely to have different interests and these differences matter to the goods and services of the publishers.

What you need to do

- This case serves as a useful reminder that a full availability search can be a useful tool before launching a new brand in the Australian market. A full availability search will help to highlight any risks or road blocks to a new brand, thereby identifying or managing risks with third party brand owners.

Background

On 17 December 2014, Justice Rares dismissed an interlocutory application sought by Bauer Consumer Media Limited (Bauer UK) and Bauer Media Pty Limited (Bauer Australia) (together, Bauer) against Mamamia.com.au Pty Ltd (Mamamia).

Bauer and *The Debrief*

Bauer sought an injunction restraining Mamamia from launching a new online publication named *Debrief Daily*. During 2013, Bauer UK had published material, aimed at women in their 20s, under the name *The Debrief* at the website www.thedebrief.co.uk, as well as associated publications generally regarding "lifestyle" stories. Bauer also has social media pages under the brand THE DEBRIEF including on Facebook, Twitter, Instagram and Pinterest, which, along with the website, attracted paid advertising sponsorship from numerous brands. *The Debrief* is published electronically and is accessible internationally, including in Australia.

THE DEBRIEF is registered as a trade mark in the United Kingdom and European Union and a trade mark application was filed in Australia on 25 September 2014. Bauer has plans to roll out THE DEBRIEF brand in Australia and Bauer Australia has registered four URLs for the proposed Australian *The Debrief* website. Bauer Australia plans to establish an Australian editorial and sales team to secure advertisers and sponsors, which includes significant use of the goodwill and content in Bauer UK's *The Debrief* website.

Mamamia's plans – *Debrief Daily*

Mamamia owns, publishes and operates a website at www.mamamia.com.au, aimed at women of all ages, and operates associated websites under its *Mamamia Women's Network*. The *Debrief Daily* is one of three websites under the network and covers topics including relationships, news, entertainment, travel and finance, and is targeted at women over 40. Mamamia has also launched social media pages for *Debrief Daily* on Facebook, Pinterest, Instagram and Twitter.

Other than a reference to working on development of the concept and preparation of a vision board to conceptualise the look and feel of the publication, it is not clear how or why *Debrief Daily* was chosen as a name for the publication. There was evidence that the Mamamia publisher suggested the domain name debriefdaily.com after discovering that dailydebrief.com was unavailable. Mamamia has registered debriefdaily in the .com, .co.uk and .com.au domain spaces. The evidence was that no one within Mamamia was aware of *The Debrief* brand, website or associated media until shortly before Bauer complained of Mamamia's use of the word "Debrief" in November 2014.

Mamamia proffered an undertaking to the Court that it will insert on the homepage of www.debriefdaily.com a disclaimer: "Please note this is NOT "The Debrief" website run by Bauer Consumer Media Limited (UK) and is not approved, endorsed or sponsored by it", which still appears on the website.

Bauer's arguments: consumer confusion and passing off

Bauer claimed relief by way of interlocutory injunction, restraining Mamamia from using the name *Debrief Daily* or any other name materially similar to *The Debrief*.

Bauer argued that:

- that there is a likelihood of confusion among Australian consumers, or of passing off, arising from Mamamia's use of the word "debrief";
- the key and dominant word in both names in issue is "debrief", which it argued is distinctive (not descriptive) in Bauer's own brand;
- there is an overlap in the women who would be interested in searching for the offerings of both publications. It contended that Mamamia's website and social media platforms were capable of, or likely to create, an association with Bauer's name, or that *Debrief Daily* could be seen as a subset of Bauer's brand, or had some affiliation or approval from Bauer; and
- the evidence established it has a sufficient reputation in Australia for the name THE DEBRIEF to entitle it to seek protection.

Bauer contended that damages would not be an adequate remedy and would be extremely difficult to calculate if interlocutory relief were not granted. This argument was based on the nature of the business models of each party which depend on receiving advertising revenue from sponsors, based on readership numbers. Bauer argued that it has an established reputation worldwide, including in Australia with people who have visited its website and social media pages, which, it argued, contrast with the mere potential reputation of Mamamia's competitor site, if it were to launch (it had not launched at the time of the hearing).

Did Bauer's reputation extend to Australia?

Bauer had submitted evidence from Google Analytics for an 11 month period of its website and social media hits. The evidence was that around 41,000 unique viewers accessed *The Debrief* website from Australia. The Court considered that there was some evidence that Bauer has a reputation in Australia but that it was difficult to assert the size of that reputation and its endurance in the jurisdiction, noting that there was little in the authorities to deal with the nature of reputation gained by single visits of people to websites.

Bauer did not have a sufficiently strong prima facie case

When deciding the strength of the possibility of Bauer succeeding in establishing a *prima facie* case, Justice Rares accepted the possibility there will be a risk of confusion between the two names: both use "debrief" as the principal reference point for people who would be conducting web search of scanning results of a web search. However, Justice Rares was not satisfied that Bauer established a sufficiently strong case to warrant the grant of interlocutory relief within the principles of *Australian Broadcasting Corporation v O'Neill* (2006) 227 CLR 57.

Justice Rares found that Bauer sought an order that would effectively prevent Mamamia being able to launch a brand using a descriptive word which has not become distinctive of Bauer in Australia. While Justice Rares accepted there is a reputation of THE DEBRIEF brand in Australia, in his Honour's opinion it did not have any sufficient or particular strength to justify interlocutory relief against the launch of a website that is likely to be found at trial, on the strength of the evidence, to be directed to a different target audience and is not likely to confuse any of the relevant audiences. Justice Rares found that the two demographics, women in their 20s and women in their 40s, are likely to have different interests and these differences matter to the goods and services of the publishers. For these reasons, Justice Rares was not satisfied that there was a likelihood that Bauer would succeed at a trial to warrant the grant of interlocutory relief.

Interestingly, Mamamia filed a trade mark application for DEBRIEF DAILY on 19 November 2014, two days after Justice Rares delivered his judgment. Bauer discontinued the proceedings on 2 February 2015.

Mary Papadopoulos
Lawyer, Sydney
mary.papadopoulos@ashurst.com

Peter Chalk
Partner, Melbourne
peter.chalk@ashurst.com

Hi Honey? ACCC issues infringement notice to supplier of misleading "honey" product

In December 2014, Hume Import & Export (Australia) Pty Ltd, trading as Bera Foods (Bera Foods), paid a penalty of $10,200 after the Australian Competition and Consumer Commission (ACCC) issued an infringement notice regarding its "Hi Honey" product.

Bera Foods was using the word "honey", the "Hi Honey" product name and a map of Australian on the label of its "Hi Honey" product. However, Bera Foods' "Hi Honey" product was predominantly made from plant sugars instead of honey produced by honey bees, and was made in Turkey. The ACCC considered that the labelling of the product was likely to misrepresent to consumers that the product was honey and was made in Australia. The labels for the "Hi Honey" product did include a "made in Turkey" country of origin statement, but there was a large map of Australia on the front of the product and the label used a green and gold colour scheme.

Under the *Australia New Zealand Food Standards Code*, products can only be described as "honey" in Australia if they comprise honey produced by honey bees and accord with other strict compositional requirements regarding reducing sugars and moisture.

Accordingly, the ACCC issued an infringement notice to Bera Foods on the basis that the ACCC had reasonable grounds to believe that Bera Foods was making false or misleading representations regarding the composition and origin of its "Hi Honey" product.

In issuing the infringement notice to Bera Foods, the ACCC reaffirmed that credence claims, including claims regarding the composition and origin of food products, remain a priority area for the ACCC in 2015.

The infringement notice to Bera Foods also follows a number of other infringement notices issued by the ACCC to suppliers of other "honey" products, which were not entirely comprised of honey produced by honey bees.

Infringement notices are an important consumer protection power of the ACCC and provides an alternative to commencing court proceedings for conduct the ACCC believes to be in breach of the *Australian Consumer Law* (ACL). The ACCC can issue an infringement notice where it has reasonable grounds to believe that certain provisions of the ACL have been breached. The payment of an infringement notice is not an admission of a contravention by the recipient and once the infringement notice has been paid, the ACCC cannot commence court proceedings in relation to the alleged contravention of the ACL, however, the payment of the infringement notice will be published by the ACCC.

Elizabeth Ireland
Senior Associate, Sydney
elizabeth.ireland@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

Application to register DUNLOP for aircraft tyres grounded

The Goodyear Tire & Rubber Company v Dunlop Aircraft Tyres Limited [2015] ATMO 14

What you need to know

- The Goodyear Tire & Rubber Company (Goodyear) successfully opposed an application by Dunlop Aircraft Tyres Limited (DATL) to register DUNLOP and the "Flying D" device (the Dunlop Marks) for aircraft tyres and tyre re-treading services in Australia.
- Goodyear's opposition succeeded based on its prior registrations of the Dunlop Marks. DATL was unable to persuade the Delegate to exercise the Registrar's discretion to nevertheless allow DATL's applications onto the Register.
- Goodyear's opposition also succeeded based on its prior rights acquired through first use of the marks in Australia for aircraft tyres. The Delegate did not accept DATL's argument that Goodyear had lost these common law rights through abandonment, acquiescence or otherwise.

Key implications

- This opposition considered the extent to which an overseas manufacturer could acquire trade mark rights in Australia by virtue of the manufacture and supply of branded goods to the Australian trade mark owner.
- More broadly the opposition concerned whether ceasing the local manufacture of goods in favour of a third party manufacturer overseas could amount to abandonment of an Australian trade mark.
- While DATL was unsuccessful in its claims to have acquired trade mark rights in Australia, DATL's appeal to the Federal Court is likely to result in further consideration of these questions.

A tale of two countries

Since the early 20th century, DUNLOP branded aircraft tyres have been manufactured and sold in the UK and Australia by two independent businesses. A series of agreements were in place between the owners of the UK and Australian businesses. The agreements geographically restricted the territories in which each business could register and trade under the Dunlop Marks.

The UK DUNLOP aircraft tyres business underwent a series of ownership changes and, in 2009, its current owner DATL applied to register the Dunlop Marks in Australia in respect of aircraft tyres and re-treading services.

The applications were opposed by Goodyear, the current owner of the Australian DUNLOP aircraft tyres business. Goodyear relied on section 44 of the *Trade Marks Act 1995* (Cth) (Act), based on its prior registrations of the Dunlop Marks in respect of the same goods and services, which dated back to 1910. Goodyear also relied on section 58 of the Act, arguing that DATL was not the owner of the Dunlop Marks because the Australian business had a long history of using them.

DATL's arguments

The key fact that DATL relied upon was that, in 1987, the Australian business had ceased to manufacture DUNLOP branded aircraft tyres in Australia. Instead, the Australian business started importing and selling DUNLOP branded aircraft tyres that were manufactured by the UK business now owned by DATL. DATL contended that, because of these arrangements, and because of the regulated nature of the aircraft tyre market, at least since 1987, customers in Australia had identified the UK business as the manufacturing source of DUNLOP branded aircraft tyres.

In effect, DATL argued that its status as the manufacturing source of DUNLOP branded aircraft tyres since 1987 "trumped" Goodyear's prior registrations of, and common law rights in, the Dunlop Marks. DATL contended that:

- applying the High Court's decision in *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 (*Gallo*), DATL as the overseas manufacturer of DUNLOP branded aircraft tyres since 1987 had projected those goods into the course of trade in Australia, such that any sales of those goods in Australia constituted DATL's use of the Dunlop Marks;
- in addition, a number of other circumstances, meant the Registrar should exercise her discretion to allow DATL's applications on to the Register pursuant to section 44(3)(b) of the Act, notwithstanding Goodyear's prior rights;
- if the Registrar exercised her discretion pursuant to section 44(3)(b) of the Act, then Goodyear's opposition based on its historical use of the marks could not succeed because section 58 was subject to the exception in section 44(3)(b); and
- in any event, Goodyear had lost any common law rights arising from historical use, through abandonment, acquiescence or otherwise.

The decision

The Delegate, Nicole Worth, did not consider it appropriate to exercise the Registrar's discretion under section 44(3)(b) of the Act to allow DATL's applications on to the Register.

The Delegate found that *Gallo* did not provide DATL with any great assistance. In *Gallo*, the question was whether an overseas registered proprietor of Australian trade marks had unknowingly used the trade marks in Australia. In this case, the question was who obtained the benefit of the use of the trade marks in Australia, in the context of a long term division of ownership between the overseas and Australian businesses.

The Delegate also noted that DATL had applied to register the Dunlop Marks with full knowledge of Goodyear's rights and without seeking to remove Goodyear's prior registrations. These facts spoke against the appropriateness of allowing DATL's applications on to the Register.

In relation to the section 58 ground, the Delegate found that Goodyear was a prior user of the Dunlop Marks in Australia and had not lost its common law rights through abandonment, acquiescence or otherwise. The Delegate's conclusion on section 44(3)(b) meant that she did not need to decide whether section 58 was subject to section 44(3)(b), though she stated that she was inclined to think that it was not.

DATL has appealed the decision of the Delegate to the Federal Court of Australia.

Stuart D'Aloisio
Senior Associate, Melbourne
stuart.d'aloisio@ashurst.com

Kellech Smith
Partner, Melbourne
kellech.smith@ashurst.com

Copyright infringer can't hide behind a different business – additional damages awarded

Motorcycle Aftermarket Spares Pty Ltd v Tamworth Cycle Tune Pty Ltd [2014] FCA 1433

What you need to know

- The Respondents were infringing copyright in photographs and text owned by the Applicant. After being put on notice of the conduct, the respondents continued the conduct via another business, owned and operated by the same director.
- While the damages awarded for the photograph and text reproductions were only $7,500, the Court awarded additional damages for $54,000 under section 115(4) of the *Copyright Act 1968* (Cth). The Court had regard to a number of factors when awarding the additional damages, including the continued engagement in the infringing conduct by merely transferring it from one business to another.

What you need to do

- Businesses should be careful to monitor the conduct of any offenders after putting them on notice of copyright infringement. Copyright infringers cannot avoid liability merely by "shifting" the conduct from one business it controls to another.
- The diligence of the Applicant in monitoring the Respondents' conduct in this case was worthwhile. The evidence it collated, including a trap purchase, helped to contribute to the Court's reasons to award additional damages.

Infringement of copyright in photographs and text

This case concerned the assessment of damages arising out of copyright infringement in photographs. In November 2014, the Federal Court granted permanent injunctions restraining Tamworth Cycle Tune Pty Ltd (Tamworth Cycle), Motorcycle Parts Online Australia Pty Ltd (MPOA) and Stephen James Nagle (together, Respondents) from reproducing photographs and the related trade text owned by the applicant, Motorcycle Aftermarket Spares Pty Ltd (Motorcycle Spares). Motorcycle Spares elected to claim damages rather than an account of profits.

Mr Nagle, the sole director of both Tamworth Cycle and MPOA, appeared in person at the cost proceedings and argued that due to his bankruptcy and general impecuniosity there was no point to Motorcycle Spares pursuing the claim.

The Respondents' conduct – use of photographs and trade descriptions

Motorcycle Spares is a Brisbane-based motorcycle spare parts retailer which has been retailing goods for over 23 years. It operates a store on eBay called "Motorcycle Recyclers" and has over 9,000 items for sale. Motorcycle Spares uses photographs and descriptive texts to advertise and promote the sale of its products on the eBay store.

In September 2013, Motorcycle Spares became aware that its photographs and trade text were being reproduced on an eBay store operated by Tamworth Cycle and it reported the matter to eBay operators. In November 2013, an employee of Motorcycle Spares spoke to Mr Nagle and told him that Motorcycle Spares considered Tamworth Cycle was infringing copyright in the photographs and text.

Motorcycle Spares conducted an online search of the Tamworth Cycle eBay site and identified that Tamworth Cycle was using 398 of its photographs and trade texts. Two days later, it sent a letter to Mr Nagle asserting that Motorcycle Spares owned the copyright subsisting in a wide range of photographs and the item descriptions relating to those photographs for motorcycle parts.

After receiving a response from lawyers for Tamworth Cycle, Motorcycle Spares conducted further searches of the Tamworth Cycle eBay store and was satisfied that it had taken down the store. However, it soon discovered that another store was operating on eBay under the name "Motorcycle Parts Online Australia", operated by MPOA. A further search in January 2014 of the MPOA store revealed that more than 330 photographs and 330 item descriptions of Motorcycle Spares were being used.

A trap purchase in January showed that product ordered through the MPOA eBay store was being supplied under the name "Tamworth Cycle Tune" under an ABN registered in the name of Mr Nagle. The Court found that Mr Nagle moved from using Tamworth Cycle, after having been put on notice, to using MPOA for the same purpose.

In the sample images and text produced in evidence, the Court noted that in almost all cases the photographs were identical reproductions and the text was either an exact or substantial reproduction.

Additional "flagrancy" damages awarded

The Court was satisfied that the number of reproductions amounted to approximately 200 images and awarded damages for $7,500.

Justice Greenwood awarded additional "flagrancy" damages under section 115(4) of the *Copyright Act 1968* (Cth) for $54,000 having regard to the following factors:

- the large number of photographs involved;
- the circumstances under which the reproductions continued notwithstanding Motorcycle Spares' continued attempts to draw the conduct to Mr Nagle's attention;
- Mr Nagle's continued resistance to the claims of Motorcycle Spares and continued engagement in the offending conduct simply by transferring the conduct from Tamworth Cycle to MPOA;
- the fact that Motorcycle Spares and Mr Nagle (through the entities he controlled) were direct competitors; and
- Mr Nagle's attempt to gain sales through the use of Motorcycle Spares' photographs.

His Honour stated that he awarded the additional damages, "in part at least, to discourage in both a particular and general sense, Mr Nagle from engaging in such conduct again". The total award of damages awarded to Motorcycle Spares was $72,500.

Mary Papadopoulos
Lawyer, Sydney
mary.papadopoulos@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

Between a rock and a hard place – assessing inventive step and other patent construction issues

Garford Pty Ltd v DYWIDAG Systems International Pty Ltd [2015] FCAFC 6

What you need to know

- The proper enquiry in considering whether a combination patent involves an inventive step is not whether the function performed by each integer is obvious but whether the whole of the combination of integers is obvious.
- A problem and solution approach to inventive step may be appropriate in certain cases, where there is clearly no inventive step in the mere idea of addressing the problem.
- A claim to an apparatus "for" a particular purpose will generally be construed as a claim to an apparatus that is suitable for that purpose, not an apparatus that is used for that purpose.

Background

Garford owns Australian Patent No (770594) (Patent) which claims an apparatus and a method for manufacturing bulbed, multi-strand rock bolts.

DYWIDAG Systems and DSI Australia (DSI Parties) sued Garford alleging unjustified threats by Garford of the Patent. Garford then cross-claimed for infringement of the Patent in response to which the DSI Parties sought to have the Patent revoked for invalidity.

In February 2013, Justice Yates held that all claims of the Patent were invalid for lack of inventive step, claims 12 to 14 were invalid for prior secret use and claim 12 was invalid for lack of novelty (as reported in the June 2013 edition of *IP @ Ashurst*).

The Full Court recently decided Garford's appeal from aspects of Justice Yates' judgment as well as the DSI Parties' cross-appeal, which raised additional grounds of invalidity rejected by the primary Judge.

The Patent

Bulbed multi-strand cable bolts are typically inserted into bore holes of roofs or walls of mines and rock tunnels to prevent cave-ins and rock falls.

Claim 1 of the Patent is directed to an apparatus for the manufacture of multi-strand rock bolts formed with bulbs in which the feed material is fed from a rotatable reel.

Inventive step

Was the combination obvious?

In considering whether the Patent involved an inventive step, Garford argued that the primary Judge had placed undue emphasis on the fact that the product claims comprised known integers used to perform their known functions.

In considering whether the combination as claimed in the Patent involved an inventive step, the Full Court stated that the proper enquiry is not whether the function performed by each integer is obvious but whether the whole of the combination of integers is obvious. The Full Court held that the primary Judge had indeed addressed this question in deciding that the combination was obvious.

What was the correct starting point?

Garford argued that Justice Yates' obviousness analysis adopted an incorrect starting point by assuming the person skilled in the art would wish to make such an apparatus in the first place given the other "cablebolt" products available in the market.

The Full Court found that the apparatus described in the Patent could properly be understood as a solution to the problem of how to manufacture continuous bulbed cable, which was a known product.

The Full Court also found no reason to doubt the correctness of Justice Yates' finding that there could be no inventive step involved in conceiving the idea to make an apparatus for the manufacture of continuous bulbed cable given the Judge's earlier finding that continuous bulbed cable was common general knowledge at the priority date (a finding the Full Court also accepted).

The Full Court also found no reason to doubt the correctness of Justice Yates' finding that it would have been obvious to the person skilled in the art who wanted to construct an apparatus to make continuous bulbed cable date to construct an apparatus within each of the relevant claims.

Secondary indicia of inventive step

Garford also tried to rely on an argument based on "unfelt want" by relying on the fact that others had not sought to design a machine for the manufacture of continuous bulbed cable. The Full Court recognised that in certain cases, the commercial success of a claimed invention may give rise to an inference that the invention has satisfied a demand for a product that was not appreciated before its conception. In this case, however, the Full Court noted that Garford had not advanced evidence that any commercial success of the product was the result of the claimed invention.

Construction / novelty

As part of its cross-appeal, the DSI Parties argued a number of the claims of the Patent were not novel because they were anticipated by Garford's earlier patent application that disclosed an apparatus for the manufacture of a multi-strand rock bolt. In particular, the DSI Parties argued that it disclosed a feed means suitable for supplying cable from a rotatable supply reel.

The DSI Parties argued that the phrase "a feed means for supplying a multi-strand cable from a rotatable supply reel" in claim 1 of the Patent does not require that the apparatus have a supply reel but just a feed means that is suitable for that purpose.

In finding anticipation of this aspect of claim 1, the Full Court noted that a claim to an apparatus for a particular purpose is a claim to an apparatus that is suitable for that purpose, and to establish infringement (or anticipation as the case may be) of such a claim it is not necessary to establish that the apparatus is intended to be used for that purpose but rather that the apparatus is suitable for that purpose.

Secret use

The Full Court also reconsidered the primary Judge's finding that Garford's use of an old apparatus did not constitute secret use.

Claim 1 of the Patent also requires a "means for determining the position of the cable to stop operation of the feed means to enable a further bulb to be formed". Justice Yates had found that the "stop marker" of Garford's old apparatus did not satisfy this element of claim 1 because it required human intervention – ie, it relied on an operator to visually line up the last bulb in the cable with the "stop marker" and tell another operator to stop the machine.

The Full Court, however, agreed with DSI that the primary Judge had imported a limitation of mechanical or electronic means into the claim that was not supported by the language of the claim. The Full Court therefore found the relevant claims to be invalid for secret use.

Christina Forsyth
Senior Associate, Sydney
christina.forsyth@ashurst.com

Ben Miller
Partner, Sydney
ben.miller@ashurst.com

Fisher & Paykel extends the truth with misleading extended warranty claims

Australian Competition and Consumer Commission v Fisher & Paykel Customer Services Pty Ltd [2014] FCA 1393

What you need to know

- Disclaimers in fine print will not necessarily assist in correcting a more prominent false or misleading representation.

What you need to do

- In addition to ensuring that companies do not expressly contract out of their obligations under the *Australian Consumer Law* (ACL) in their customer terms and conditions, including in relation to the mandatory consumer guarantees, companies will also need to take care not to suggest that consumers do not have these statutory remedies available to them.

Background

The Australian Competition and Consumer Commission (ACCC) sought various remedies in relation to the misleading or deceptive conduct engaged in by Fisher & Paykel Customer Services Pty Ltd and Domestic & General Services Pty Ltd in connection with an offer of extended warranties to purchasers of Fisher & Paykel appliances, including ovens, cookers, dishwashers, refrigerators, freezers, washing machines and dryers.

The respondents had sent a letter to 48,214 purchasers 12 months after they had purchased their appliance, which prominently stated that there was only 12 months of their warranty remaining, after which their appliance would not be protected against repair costs. The letter offered an extra 2 years of warranty protection against "unexpected repair bills", during which time they would repair or replace the appliance if it broke down. These statements appeared in the main text of the letter and in a highlighted box on the front page.

The reverse side of the letter contained the terms and conditions of the offer in fine print, which included a reference to the *Australian Consumer Law* (ACL) and the existence and effect of the statutory consumer guarantees. It stated:

> "You are entitled to a replacement or refund for a major failure and compensation for any other reasonably foreseeable loss or damage. You are also entitled to have the goods repaired or replaced if the goods fail to be of acceptable quality and the failure does not amount to a major failure."

Relevant provisions of the ACL and ASIC Act

Section 54 of the ACL creates a statutory guarantee of the acceptable quality of goods, which includes that they are fit for purpose, acceptable in appearance and finish, free from defects, safe and durable. This guarantee applied to the Fisher & Paykel appliances purchased by the consumers who were sent the extended warranty letters. The effect of section 64 of the ACL is that, amongst other things, the guarantee as to acceptable quality cannot be excluded, restricted or modified by a term of a contract.

Section 259 of the ACL creates a right of action against a supplier in respect of, amongst other things, non-compliance with a guarantee of acceptable quality. The available remedy for non-compliance depends on whether or not the failure is a major failure which cannot be remedied. The right of action under section 259 of the ACL contains no time limit – the right of action does not cease 2 years after purchase, or upon the expiry of any warranty provided by the manufacturer or supplier. A consumer can take action at any time so long as the terms of section 259 are satisfied.

Given that the extended warranty was a "financial product", the conduct of the respondents in sending the extended warranty letters related to the provision of financial services. Sections 12DA and 12DB of the *Australian Securities and Investments Commission Act 2001* (Cth) (ASIC Act) contain equivalent provisions to those in sections 18 and 29 of the ACL, and provide (relevantly) that a person must not, in trade or commerce:

- engage in conduct in relation to financial services that is misleading or deceptive or is likely to mislead or deceive;
- make a false or misleading representation concerning the need for any financial services; or
- make a false or misleading representation concerning the existence, exclusion or effect of any condition, warranty, guarantee, right or remedy in connection with the supply, possible supply or promotion of financial services.

Findings

The Court found that the letters made a representation that the consumers would not be protected against repair costs for the appliance after a period of 2 years from the date of purchase of the appliance unless the consumer purchased the extended warranty. This was largely because these statements appeared prominently in the letter whereas the references to the ACL in the terms and conditions were in relatively fine print on the reverse side of the letter – the respondents conceded that this fine print was not sufficient to qualify the clear representation that had been made.

The representation was held (and admitted by the respondents) to be false or misleading because the consumer may have been protected under the ACL against repair costs for the appliance after a period of 2 years from the date of purchase of the appliance, even if the consumer did not purchase the extended warranty, by virtue of the guarantee as to acceptable quality.

The Court therefore found that the respondents had engaged in misleading or deceptive conduct and made false or misleading representations to consumers in contravention of sections 12DA, 12DB(1)(h) and 12DB(1)(i) of the ASIC Act.

Remedies

After the ACCC notified the respondents that it was investigating their conduct in relation to the extended warranty program, the respondents undertook a voluntary consumer refund program. The respondents also fully cooperated with the ACCC's investigation, voluntarily providing information and documents, meeting with the ACCC and offering to resolve the matter by way of administrative action.

The parties made joint submissions as to the appropriate remedies to be ordered by the Court, but differed on the terms of the injunctions to be ordered. Taking these submissions into account, the Court:

- made declarations that the respondents had contravened the ASIC Act;
- ordered injunctions restraining the respondents, for a period of 3 years, from sending to consumers, in trade or commerce, any written material in connection with the supply, possible supply or promotion of financial services in the nature of extended warranties in relation to domestic electrical appliances purchased by consumers where:
  - the written material represents to the consumer that the consumer will not be protected against repair costs for the appliance after a certain period from the date of purchase of the appliance unless the consumer purchases an extended warranty plan; and
  - the circumstances are such that the consumers may be protected against repair costs for the appliances after the stated period even if no extended warranty plan is purchased because a guarantee that the appliance is of acceptable quality applies by reason of section 54 of the ACL and, in the event of a failure to comply with that guarantee, the consumer may be able to take action under section 259 of the ACL after the stated period;
- made non-punitive orders requiring the respondents to review and improve their respective compliance programs;
- ordered that each respondent pay a pecuniary penalty of $200,000 (noting that the maximum penalty payable by a body corporate in respect of such contraventions at the time was $1.1 million). In finding that this was the appropriate pecuniary penalty, the Court had regard to "all relevant matters", including that although the conduct of the respondents involved serious and significant contraventions of the ACL and occurred at a senior level, the contraventions were not deliberate, the respondents cooperated with the ACCC's inquiry and neither respondent had been found by a court to have previously engaged in conduct similar to the contravening conduct; and
- ordered that the respondents pay a fixed sum contribution to the ACCC's costs of, and incidental to, the proceedings in the amount of $15,000.

Marlia Saunders
Senior Associate, Sydney
marlia.saunders@ashurst.com

Anita Cade
Partner, Sydney
anita.cade@ashurst.com

Not APPening: the Federal Court rules APP STORE not inherently adapted to distinguish

Apple Inc. v Registrar of Trade Marks [2014] FCA 1304

What you need to know

- Justice Yates dismissed Apple Inc.'s appeal against the decision of the Registrar of Trade Marks to reject Apple's application to register APP STORE.
- APP STORE, which is comprised of words of ordinary meaning, is to be understood compositionally as a store which sells computer applications.
- To date, Apple has not appealed the decision of Justice Yates to the Full Federal Court.

What you need to do

- Applicants for trade marks should bear the following in mind when faced with objections under section 41 of the *Trade Marks Act 1995* (Cth):
  - the date for assessing factual distinctiveness is the filing date, and not an earlier priority date.
  - being the first user of a mark does not establish that the mark is inherently adapted to distinguish the first user's goods and services from those of others.

Background

On 3 December 2014, Justice Yates dismissed Apple Inc.'s (Apple) appeal against the decision of the Registrar of Trade Marks (Registrar) to reject Apple's application to register APP STORE in classes 35, 38 and 42. We reported on the Registrar's decision in the June 2013 edition of *IP @ Ashurst*.

Inherently adapted to distinguish

Pursuant to section 41 of the *Trade Marks Act 1995* (Cth), the issue was whether APP STORE was inherently adapted to distinguish Apple's retail services for computer software provided online for use on handheld mobile devices.

Apple adduced evidence that APP STORE could only be understood non-compositionally. Apple argued that before it "coined" the term, "app" was only used by experts in the field of computing, and was not widely understood as referring to computer applications, particularly in relation to handheld mobile devices. Apple also contended that "store" was not understood to be non-physical, offer intangible goods or showcase goods from different sellers. Apple emphasised that items sold through the APP STORE were not computer applications, but rather, licences to use computer applications.

Justice Yates rejected Apple's characterisation of APP STORE, agreeing with the Registrar that APP STORE was understood by the meaning of its constituents, "app" and "store". As at the filing date, it was well established that "app" was a reference to computer application software. Apple's own press releases in relation to its APP STORE used "app" and "applications" interchangeably, demonstrating that Apple did not propound any new meaning to the term "app". Justice Yates further found that the term "store" was well understood to include online stores. Therefore, the compound term, APP STORE, described a place where computer applications were offered for sale. His Honour did not consider it relevant that the acquisition of computer applications were by way of licence.

As we have reported previously, Trade Mark Number 1156967 for APPSTORE was cited against Apple's application for APP STORE. Apple overcame this citation by obtaining an assignment of APPSTORE. Based on the registration of APPSTORE, Apple argued that APP STORE was inherently adapted to distinguish. However, Justice Yates noted that that the distinctiveness of APPSTORE was not before him, and in any case, it was arguable that a conjoined term may be inherently adapted to some extent because of that fact.

Factual distinctiveness

Pursuant to section 41(6), Justice Yates then considered whether, because of the extent to which Apple had used APP STORE, the mark did distinguish the designated services from those of other traders (even though APP STORE was not, in itself, inherently adapted to distinguish).

His Honour determined that the correct date on which factual distinctiveness was to be determined was the filing date. Apple must demonstrate sufficient use of APP STORE prior to the filing date, such that consumers regarded APP STORE as a "badge of trade origin". As Apple had only used APP STORE in press releases, which were made in Apple's global launch of the App Store a mere seven days prior to filing the application for APP STORE, his Honour determined APP STORE had not acquired sufficient distinctiveness.

First to use

Apple claimed that it was the first to use the term APP STORE and relied on this fact to show distinctiveness. Justice Yates rejected this argument, finding that the prior owner of APPSTORE, which was applied for in 2006, was the first to use this term in relation to similar services, and in any case, first use did not establish that a mark is inherently adapted to distinguish.

Conclusion

It followed from Justice Yates' reasoning above that APP STORE was not to any extent inherently adapted to distinguish, and was not factually distinctive. His Honour considered APP STORE comprised words with ordinary meaning, was entirely descriptive and other traders would, in good faith, desire to use the term in relation to similar services.

To date, Apple has not appealed this decision to the Full Federal Court.

Julie Chiu
Lawyer, Sydney
julie.chiu@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

No copyright in data signal used to provide live coverage of the Olympic Games

Seven Network Ltd v Commissioner of Taxation [2014] FCA 1411

What you need to know

- The Federal Court considered whether copyright subsisted in a data signal used by Seven Network in providing live coverage of the 2004, 2006 and 2008 Olympic Games.
- Considering the technical aspects and nature of the data signal, Justice Bennett found that it was not capable of being protected by copyright and that the transaction by which Seven Network acquired the data signal did not involve a dealing with intellectual property, only a right to access a stream of data.
- It followed that the relevant payments did not attract royalty withholding tax.

What you need to do

- When dealing with signals, recordings and broadcasts, ensure that any acquisition or licensing agreements reflect the precise nature of the technology and the rights intended to be dealt with and are mindful of any taxation consequences.

Background

The International Olympic Committee (IOC) owns the broadcast rights to the events and competitions of the Olympic Games. It licenses these rights to media companies around the world, including the Seven Network in Australia.

The relevant deed of agreement between the IOC and the Seven Network provides for the Seven Network to be provided with "international television signals (picture and sound) to be produced...for use in connection with Australian Broadcasting during the Games period". The Seven Network made stipulated payments to the IOC in relation to that data signal, totalling some $97.5 million between March 2006 and August 2008 alone.

The Seven Network sought a declaration from the Federal Court that it was not required to withhold tax on its payments to the IOC. On the other hand, the Commissioner of Taxation (Commissioner) argued that the payments should be characterised as royalties for the use of "copyright or other like property or right" and that the Seven Network was therefore required under the relevant double taxation agreement to withhold tax and remit it to the Commissioner. The critical question was whether the transaction involved a dealing with intellectual property and, in particular, whether the data signal could be characterised as a sound recording or cinematograph film in which copyright subsists.

The data signal as a sound recording or cinematograph film

The data signal could be protected as a sound recording or cinematograph film under the *Copyright Act 1968* (Cth) (Act) if the Commissioner could show that it was an "aggregate of sounds or visual images embodied in an article or thing". For the relevant sounds and visual images of the Olympic Games to be taken to be embodied in the data signal, they must have been capable of being reproduced from that data signal.

Here, the Court distinguished between the data signal's capacity to *produce* the sounds and images (which was certainly possible as Seven Network produced its broadcasts from the data signal) and the capacity to *reproduce* the sounds and images, as required for the purposes of the Act. Justice Bennett found that since the data signal "is more in the nature of the fleeting use of a medium of communication than an aggregate of sounds and visual images that may convey a cinematograph film of the Olympic event to the viewer", the signal was not capable of embodying the sounds and images as required and therefore did not attract copyright protection.

Justice Bennet was of the opinion that the sounds and images in the data signal were first embodied in an article or thing only after a receiving device in Australia, such as the Seven Network's television receiver, converted the signal. It was important that once Seven Network had the data signal in hand it was free to use or alter it as it wished and it was at the point of embodiment that copyright was created. This was distinguishable from, for example, a computer game that was capable of independently reproducing the sounds and images aggregated within it and which therefore attracted copyright protection (see *Galaxy Electronics Pty Ltd v Sega Enterprises Ltd* (1997) 75 FCR 8).

Outcome and comments

Since the Court found that the data signal or stream was not protected by copyright, it followed that the amounts paid by Seven Network to acquire the data were not payments that attracted a liability to withhold tax and remit it to the Commissioner.

The decision is significant for broadcasters, particularly those engaged in the acquisition and delivery of live entertainment and sporting streams. Given the significant revenue implications of this decision for the Commissioner it is unsurprising that the Commissioner has now lodged an appeal.

Victoria Garrington
Senior Associate, Sydney
victoria.garrington@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

Additional damages for trade mark infringement – that will show them who's boss

Hugo Boss Trade Mark Management GmbH & Co Kg v Sasalili Oxford Fia [2014] FCA 1328

What you need to know

- In addition to damages to compensate an applicant for trade mark infringement, the court may award an additional amount if it considers it appropriate to do so.
- This award of additional damages is discretionary and for flagrant trade mark infringements, as well as to deter similar infringements, eg, in cases of intentional counterfeiting.

Background

Sasalili Oxford Fia and Kellie Brooke Tos (Respondents) manufactured and offered for sale men's, women's and children's clothing and hats bearing the mark BOSSIT. The products were advertised and sold on the Respondents' Facebook page and were also displayed and sold at stalls in three markets in New South Wales.

On 5 May 2014, *Hugo Boss Trade Mark Management GmbH & Co Kg* (Applicant) brought proceedings against the Respondents, alleging infringement of registered trade marks including BOSS (Hugo Boss Trade Marks).

On 6 June 2014, Justice Middleton ordered that the Respondents:

- withdraw the application for the trade mark BOSSIT;
- be permanently restrained from infringing the Hugo Boss Trade Marks; and
- pay the Applicant damages to be assessed for infringement of the Hugo Boss Trade Marks, or, at the Applicant's election, an account to be taken of the Respondents' profits.

The Applicant elected that the Respondents pay the Applicant damages, including additional damages, together with interest. On 5 December 2014, Justice Middleton determined the amount of damages.

Compensatory damages

Justice Middleton noted that authorities support the following propositions:

- The purpose of damages for trade mark infringement is to compensate the applicant for loss or injury suffered as a result of infringement, so as to as far as possible put the applicant in the same position as he or she would have been in if he or she had not sustained the wrong.
- Where a trade mark has been infringed by the sale of goods, it may be appropriate to award damages on the basis that the sale of such goods tends to diminish the reputation of, and devalue, the trade mark. Damage to reputation is compensable, despite being difficult to quantify.

Justice Middleton awarded the Applicant $20,000 in compensatory damages, together with interest until payment.

His Honour was satisfied that products bearing the BOSSIT mark received significant exposure over a non-insignificant period of time. His Honour was also satisfied that the presence of the infringing products would diminish the reputation and exclusivity of the Hugo Boss Trade Marks and tarnish the Applicant's brand because Australian consumers may choose not to purchase the Applicant's products if it is seen, as a result of the Respondents' conduct, that its brand is going down-market and its products are the subject of cheaper infringements.

Additional damages

In addition to compensatory damages, the court may include an additional amount in an assessment of damages for infringement, if the court considers it appropriate to do so, pursuant to section 126(2) of the *Trade Marks Act 1995* (Cth) (Act). This provision was inserted into the Act by the *Intellectual Property Laws Amendment (Raising the Bar) Act 2012* (Cth).

Justice Middleton stated that, in making an assessment as to whether additional damages should be awarded, the Court should have regard to the factors set out in section 126(2), which include the flagrancy of the infringement, the need to deter similar infringements, the conduct of the infringing party that occurred after it was informed of the alleged infringement and any benefits shown to have accrued to that party.

His Honour was satisfied that the Respondents had a disregard for the Applicant's rights in the Hugo Boss Trade Marks. His Honour considered the Respondents' continued failure to comply with the Applicant's letters of demand. Justice Middleton labelled the infringement "insidious" and in need of deterrence because the Respondent's conduct has the potential to damage the Applicant's general image, reputation and brand.

Justice Middleton awarded the Applicant $10,000 additional damages, together with interest until payment. His Honour stated that this would be a suitable sum:

> "...to deter the Respondents from engaging in the infringing conduct in the future, but would also serve as a deterrent and make infringement unattractive to other retailers in the Australian marketplace."

David Watson
Lawyer, Sydney
david.watson@ashurst.com

Lisa Ritson
Partner, Sydney
lisa.ritson@ashurst.com

UK Court of Appeal agrees Topshop's use of Rihanna's distinctive image is unlawful

Robyn Rihanna Fenty & Others v Arcadia Group Brands Limited & Others [2015] EWCA Civ 3

What you need to know

- The UK Court of Appeal has upheld a High Court judgment in the recent case *Robyn Rihanna Fenty v Arcadia Group Brands Limited,* finding that Topshop's unauthorised use of Rihanna's image on a t-shirt constituted passing off.

Background

In 2012, the appellants (collectively, "Topshop", the well-known high street fashion retailer), sold a t-shirt bearing a recognisable image of the famous artist, Rihanna, which was derived from a photograph taken when she was on a video shoot for a single from her "Talk That Talk" album. The photograph, which shows Rihanna with her hair tied above her head in a head scarf and was used in connection with her album, was taken by an independent third party photographer, who licensed the image to Topshop.

Rihanna did not own the copyright or any IP rights in the image, however she brought a claim against Topshop in the UK High Court, successfully arguing that their use of her image constituted unlawful passing off. Justice Birss granted an injunction prohibiting Topshop from continuing to sell the t-shirt without clearly informing customers that it was not authorised by the artist. Topshop appealed this decision.

The UK High Court decision

As reported in the September 2013 edition of *IP @ Ashurst*, in the UK High Court, Justice Birss found that Rihanna had established the requisite elements of passing off, ie:

- that she had relevant goodwill / reputation in connection with her business activities (both as an artist, and a style icon);
- that there was a misrepresentation by Topshop that would be likely to lead the public to believe that the t-shirt was endorsed or approved by her; and
- that she had suffered damage as a result of this belief.

In reaching his decision, Justice Birss considered it important that Topshop has made a "considerable effort to emphasise its connection with various famous stylish people, including Rihanna". In particular, a Topshop competition in 2010, offered the winner a personal shopping appointment with Rihanna, and the artist's visit to the London Oxford Street store in 2012 was highly publicised.

Justice Birss noted that the image itself was also an important factor. It is a striking image that fans would recognise from the music video shoot for Rihanna's album. The video, which was filmed in Northern Ireland, had received a lot of publicity in the UK due to the risqué clothing that Rihanna was wearing, which led to complaints from the owner of the land on which it was filmed. Justice Birss was satisfied that many of Rihanna's fans would recognise the image, and wish to buy the product because they would, mistakenly, think that she had endorsed or approved it.

The UK Court of Appeal Decision

The leading judgment in the Court of Appeal was delivered by Lord Justice Kitchin, who began by emphasising that "there is in English law no 'image right' or "character right" which allows a celebrity to control the use of his or her name or image...". However, in this case, Lord Justice Kitchin considered that Rihanna had successfully overcome the two "critical" hurdles in a claim for passing off in a merchandising case, namely:

- "the application of the name or image to the goods has the consequence that they tell a lie"; and
- "the lie is material".

Lord Justice Kitchin considered that Justice Birss had made no error of principle in finding that "the sale of this t-shirt bearing this image amounted to a representation that Rihanna had endorsed it". The Court emphasised that, while Rihanna has no right to control the use of her image in general, it was the fact that the image was used in a way which gave rise to this misrepresentation that meant the conduct amounted to passing off. The Court held that Topshop was essentially arguing for the right to use the image, even if in particular circumstances, this would give rise to a misrepresentation, and stated that "to accede to that submission would be to sanction a trade which results in the deception of the public".

Lord Justice Kitchin also rejected Topshop's submission that Justice Birss ought to have assessed the factors objectively, from the perspective of customers who were not necessarily fans of Rihanna, and therefore for whom the presence of an image on clothing was origin neutral. However, as the t-shirts were being sold through Topshop's stores, the Court held it was "plainly relevant" to consider customers who both (i) shop in Topshop, and (ii) are fans of the artist. Topshop's history in promoting its connection with Rihanna should therefore be taken into account.

Comments

It is clear from this judgment that a celebrity's image on a product cannot be used in such a way as to amount to a misrepresentation that the celebrity has endorsed that product without committing the tort of passing off. However, the decision also emphasises that the principle that celebrities do not have a general right to control the use of their image still applies, and Lord Justices Underhill and Richards regarded this case as "close to the borderline".

This decision essentially resulted from the specific features of the image in question (ie, that the image is associated with an authorised music video and implies that the use of the image is similarly authorised) and Rihanna's past association with Topshop. Lord Justice Underhill noted that neither of these factors alone would have been likely to suffice but that the trial Judge was entitled to find that the combination of the two features were capable of giving rise to a misrepresentation. The decision was therefore quite fact-specific and the Court confirmed that the hurdles to demonstrating the requisite misrepresentation are not easily overcome. Despite this and other similar cases passing off should not be considered a "back-door" introduction of an "image right" into English law.

The position in Australia

If a similar case were to occur in Australia, the legal arguments would also be similar. Where there is a licence from the owner of the copyright, there can be no claim for copyright infringement. In addition, there is no legal concept of "image rights" in Australia. However, an action for common law passing off (which is based on the same principles here as in the UK) would be available. In addition, there would be the additional possibility of an action for conduct in breach of the Australian Consumer Law (ACL). For example, Rihanna could have made a claim under section 18 of the ACL which prohibits misleading or deceptive conduct, as well as under sections 29(1)(g) and (h) of the ACL which prohibits false representations that goods have a sponsorship or approval or that the person making the representation has a sponsorship, approval or affiliation that they do not have.

Danica Barley
Solicitor, London
danica.barley@ashurst.com

Mark Lubbock
Partner, London
mark.lubbock@ashurst.com

Going with the flow – recent analysis of indirect infringement and exclusive licensee issues

Blue Gentian LLC v Product Management Group Pty Ltd [2014] FCA 1331

What you need to know

- The supply of a product, together with instructions for use of the product in an infringing manner, constitutes an indirect infringement of a patent.
- Only the patentee and the "exclusive licensee" of the patented invention have standing to bring infringement proceedings. In order to be an "exclusive licensee", the licence must confer on the licensee all of the patentee's rights to exploit the patented invention to the exclusion of all others, including the patentee. The grant of some of those rights is not sufficient.
- Parties to licence agreements who intend that the licensee will enforce the relevant patents against third parties should review their licence terms to consider whether the grant of rights is sufficient to confer standing on the licensee.

Background

The Applicants (Blue Gentian) are the owners of Australian innovation patents nos 2012101797 and 2013100354, both titled "Expandable and Contractible Hose" (together, the Patents).

Blue Gentian brought proceedings against Product Management Group (PMG) alleging direct and indirect infringement of the Patents in respect of PMG's "Pocket Hose" brand garden hose. PMG cross-claimed alleging the Patents were invalid.

The Patents

The Patents are directed to a garden hose that expands substantially in length when water pressure is introduced, ie, a tap to which the hose is attached is turned on, and which returns to its original length once the water pressure decreases, ie, the tap is turned off. The expansion and contraction of the claimed garden hose is enabled by an elastic inner tube and an inelastic outer tube. The water pressure causes the inner tube to expand in length and diameter until it reaches the outer tube and a decrease in water pressure allows the inner tube to contract.

Benefits of the invention include that the hose is lightweight, has the ability to expand without bursting and is kink resistant.

Justice Middleton's findings

In considering PMG's arguments against the validity of the Patents, Justice Middleton ultimately found that the inventions claimed in each of the Patents were novel over the prior art and involved an innovative step. His Honour also found that the relevant claims did not lack clarity and were fairly based. An argument based on insufficiency also failed. Based on his construction of the claims, his Honour also found that PMG's Pocket Hose directly infringed each of the Patents.

Indirect Infringement

A key finding made by the Justice Middleton was that PMG was also liable for indirect infringement of certain claims of the Patents despite the product itself not possessing each of the integers of those claims.

Under section 117 of the *Patents Act 1990* (Cth) (Act), the supply of a product the use of which infringes a patent will constitute an infringement if the product is supplied together with instructions or an inducement to use a product in an infringing manner.

Here, PMG supplied the Pocket Hose with instructions to connect the hose to a tap, connect the other end to a spray nozzle and turn on the water supply to allow the hose to fully expand. Justice Middleton found that the use of the Pocket Hose in accordance with these instructions was use of a garden hose having all the features of the relevant claims.

Exclusive licensee

An further issue decided by Justice Middleton was determining whether Brand Developers, the Second Applicant, was an exclusive licensee of the Patents.

Under section 120 of the Act, only the patentee and an "exclusive licensee" are entitled to commence infringement proceedings. The issue in this case was whether the patentee must grant to the licensee some or all of the patentee's rights to exploit the patented invention to the exclusion of all others, including the patentee.

Justice Middleton followed the decision of Justice Yates in *Bristol-Myers Squibb Company v Apotex Pty Ltd* (No 5) (2013) 104 IPR 23 in which the Court held that the grant of an exclusive licence in respect of only some of the rights of the patentee to exploit its patent (without a right to manufacture) did not constitute an "exclusive licence" under section 120(1) of the Act. After judgment in this case, Justice Yates decision was unanimously affirmed on appeal in *Bristol-Myers Squibb Company v Apotex Pty Ltd* [2015] FCAFC 2.

Here, Justice Middleton found there were two purported "exclusive licences", one to Brand Developers and another to a third party, neither of which granted all of the patentee's rights to exploit the invention, for instance, the right to manufacture and the right to hire or otherwise dispose of the licensed products were not included. Accordingly, Justice Middleton held that Brand Developers lacked standing to bring the infringement proceedings.

Appeal

PMG has filed an application for leave to appeal Justice Middleton's decision. The application and any appeal will be heard in May 2015.

Christina Forsyth
Senior Associate, Sydney
christina.forsyth@ashurst.com

Ben Miller
Partner, Sydney
ben.miller@ashurst.com

Heating up or cooling down? Federal Court considers whether Dulux's advertising conveys allegedly misleading representations

Australian Competition And Consumer Commission v Duluxgroup (Australia) Pty Limited [2014] FCA 1158

What you need to know

- Whether a disclaimer is an effective means of qualifying more prominent headline statements and images will depend in part on the class of consumers to which the advertising is directed, and whether they are likely to pay careful attention to the advertising material in deciding whether to make a purchase.

What you need to do

- Care should also be taken to not use definitive statements in advertising claims when there are in fact limitations that apply. The use of qualifying words (such as "helps" or "may ") upfront can assist to avoid making misleading representations. But this is not always the case – context is key!
- Seeking that a preliminary issue be determined separately and in advance of the remainder of the case may significantly reduce the issues in dispute between the parties at trial.

Background

The Australian Competition and Consumer Commission (ACCC) commenced proceedings against DuluxGroup (Australia) Pty Limited (Dulux) in the Federal Court of Australia, claiming that Dulux had engaged in misleading or deceptive conduct, and made false or misleading representations, in contravention of both the *Trade Practices Act 1974* (Cth) (in respect of conduct prior to 2011) and the *Australian Consumer Law* (in respect of conduct post 2011). The ACCC alleged that Dulux's advertising between 2008 and 2012 had misrepresented the qualities of its AcraTex InfraCOOL roof paint and Weathershield Heat Reflect wall paint, and the effect of applying such paint to the roof and walls of a house.

Justice Siopis ordered that the question of whether the language and / or get-up of Dulux's advertising gave rise to the representations relied upon by the ACCC be tried as a preliminary issue. This judgment therefore dealt only with the construction of the advertisements and what representations they conveyed, and did not consider whether the representations were in fact misleading or deceptive.

General principles

His Honour made some general observations about the relevant principles to be applied in assessing the meaning conveyed by each of the representations in this case, including that:

- it is necessary to identify the class of consumers to which the representation is addressed, and then to identify whether an ordinary or reasonable member of that class of consumers would be, or would be likely to be, misled or deceived; and
- regard should be had to the overall effect of the advertisement, including any headline words and images likely to have a powerful effect on the mind of an ordinary or reasonable consumer which needed to be qualified and whether the qualifying material was sufficiently prominent to overcome the initial effect of the main claim or image.

Representations

InfraCOOL roof paint

The ACCC claimed that a colour chart and fact sheet published by Dulux conveyed certain representations about the InfraCOOL roof paint. Dulux denied this, and advanced its own version of the representations:

ACCC's representations	Dulux's representations
Applying InfraCOOL paint to the roof of a house *can and will* reduce the interior temperature of the living zones of that house by 10°C.	Applying InfraCOOL paint to the roof of a house can reduce the interior temperature of the living zones of that house by *up to* 10°C.
Applying InfraCOOL Paint to the roof of a house can and will *significantly* reduce the *cooling* energy consumption costs associated with that house, by reducing the interior temperature.	Applying InfraCOOL Paint to the roof of a house can and will reduce the energy consumption costs *with respect to cooling* associated with that house, by reducing the interior temperature, *which reduction may be significant*.
Applying InfraCOOL paint to the roof of a house can and will *significantly* reduce the carbon footprint, or environmental effect, associated with that house, by reducing energy consumption.	Applying InfraCOOL paint to the roof of a house can and will reduce the carbon footprint, or environmental effect, associated with that house, by reducing energy consumption *with respect to cooling, which reduction may be significant*.

The marketing materials included an image which compared the difference in the impact of painting a roof with Dulux roof paint rather than conventional roof paint, and depicted two rooms with a thermometer showing the interior temperature of each room as being 10°C different. The ACCC pointed to the use of blue to depict the inside of the Dulux-painted house as being cool, whereas orange/red was used to show the inside of the other house as being hot. Although there was fine print beneath the image that said: "Actual temperatures may vary due to wind conditions, site location and construction variables", the ACCC claimed this fine print was unlikely to be read by most consumers.

The Judge rejected the ACCC's contentions, finding its representations were not conveyed. His Honour observed that the documents were addressed to consumers who would be contemplating a reasonably large expenditure on paint, and would therefore carry out research before purchasing the paint and read the marketing materials with care. His Honour found that an ordinary or reasonable consumer would understand that the underlying representations made by the documents were those contended for by Dulux.

Weathershield Heat Reflect wall paint

In relation to the Weathershield Heat Reflect wall paint, the ACCC contended that flyers, advertisements on Dulux's website and Facebook page, labels on Dulux's paint cans, advertisements in newspapers and magazines, television commercials and a YouTube advertising video contained one or more of three representations as to the benefits of using the paint. Dulux denied this, and again advanced its own version of the representations:

ACCC's representations	Dulux's representations
Applying Heat Reflect Paint to the exterior walls of a house can *and will* reduce the surface temperature of those walls by up to 15°C.	Applying Heat Reflect Paint to the exterior walls of a house can reduce the surface temperature of those walls by up to 15°C.
Applying Heat Reflect Paint to the exterior walls of a house can and will *significantly* reduce the interior temperature of that house.	Applying Heat Reflect Paint to the exterior walls of a house can and will reduce the interior temperature of that house.
Applying Heat Reflect Paint to the exterior walls of a house can and will significantly reduce the energy consumption costs with respect to cooling associated with that house by reducing the interior temperature.	Applying Heat Reflect Paint to the exterior walls of a house, by reducing the interior temperature, may reduce the energy consumption costs with respect to cooling associated with that house.

In advancing the first two representations in relation to a flyer distributed by Dulux, the ACCC relied on the headline statement: "Reflects heat to keep your home cooler", which was followed by the words: "Revolutionary technology that reflects radiant heat, lowering the surface temperature of your home" and an image of a blue arrow with the words "up to 15 degrees cooler". In an image showing a comparison between two rooms, the wall painted with standard paint was depicted as not deflecting any of the three orange/red heat arrows, with the consequence that the heat appears in the interior of the house, whereas the picture of the wall painted with the Dulux heat reflect paint is depicted as being totally effective in deflecting all three orange/red heat arrows. The colour blue was used to depict the cool interior temperature of the Dulux house, as opposed to orange/red colours used in the other house. Although the fine print stated that the surface temperature reduction "varies", the ACCC contended that the fine print was in very small font and on the reverse side of the flyer, and was not sufficiently prominent.

The Court considered that the Heat Reflect advertising was directed at consumers who may be thinking of painting the walls of their homes at some time in the future, but would not be as cautious as an ordinary or reasonable member of the class of consumers to which the InfraCOOL roof paint advertising was directed. His Honour thought that an ordinary or reasonable consumer would view the flyer without taking care to scrutinise or analyse the contents of the documents.

Taking this into account, his Honour held that an ordinary or reasonable consumer would regard the promotional material as conveying the representations contended for by the ACCC. In light of the power of the message conveyed by the room comparison image and the other headline statements, it was held that the use of the word "may" and the disclaimer in the fine print were inadequate to convey the qualified message contended for by Dulux.

His Honour reached similar conclusions in relation to the Dulux advertisements which had been published in other media, which made similar claims and used similar imagery. In relation to the advertisements that were published on the Dulux website and Facebook page, the ACCC also contended that these conveyed the third representation, in relation to reducing energy consumption costs. Dulux submitted that there was only limited reference to energy savings in each of the advertisements, that the express reference to energy costs savings was couched in qualifying words such as "helps" and "may assist", and that quantitative words such as "significant" were not used. The Court accepted these submissions, and agreed that only the representation advanced by Dulux was conveyed, as opposed to the stronger representation advanced by the ACCC.

The Court also found that in relation to some of Dulux's print advertisements, the ACCC's "interior temperature" representation was also not made out, because the asterisk and qualifying text used in those ads were close in proximity to the headline statement (on the same page and only separated by a few lines of text) and in similar sized typeface.

Conclusion

Of the 47 representations claimed by the ACCC, the Court found that only 27 were conveyed. The decision has therefore significantly reduced the scope of the issues to be determined at the final hearing.

The proceeding has been listed for trial, commencing on 5 October 2015, at which the Court will hear evidence (including expert evidence) as to whether the representations found to be conveyed were in fact misleading or deceptive.

Marlia Saunders
Senior Associate, Sydney
marlia.saunders@ashurst.com

Anita Cade
Partner, Sydney
anita.cade@ashurst.com

Previous editions

You can find links to all our previous editions of *IP @ Ashurst* on our website at: www.ashurst.com/ip@ashurst

Ashurst Australia contact details

Sydney	Lisa Ritson	61 2 9258 6093
	Ben Miller	61 2 9258 6431
	Anita Cade	61 2 9258 6960
	Robert Todd	61 2 9258 6082
Melbourne	Mary Padbury	61 3 9679 3262
	Grant Fisher	61 3 9679 3471
	Peter Chalk	61 3 9679 3106
	Kellech Smith	61 3 9679 3864
Brisbane	Amanda Ludlow	61 7 3259 7164