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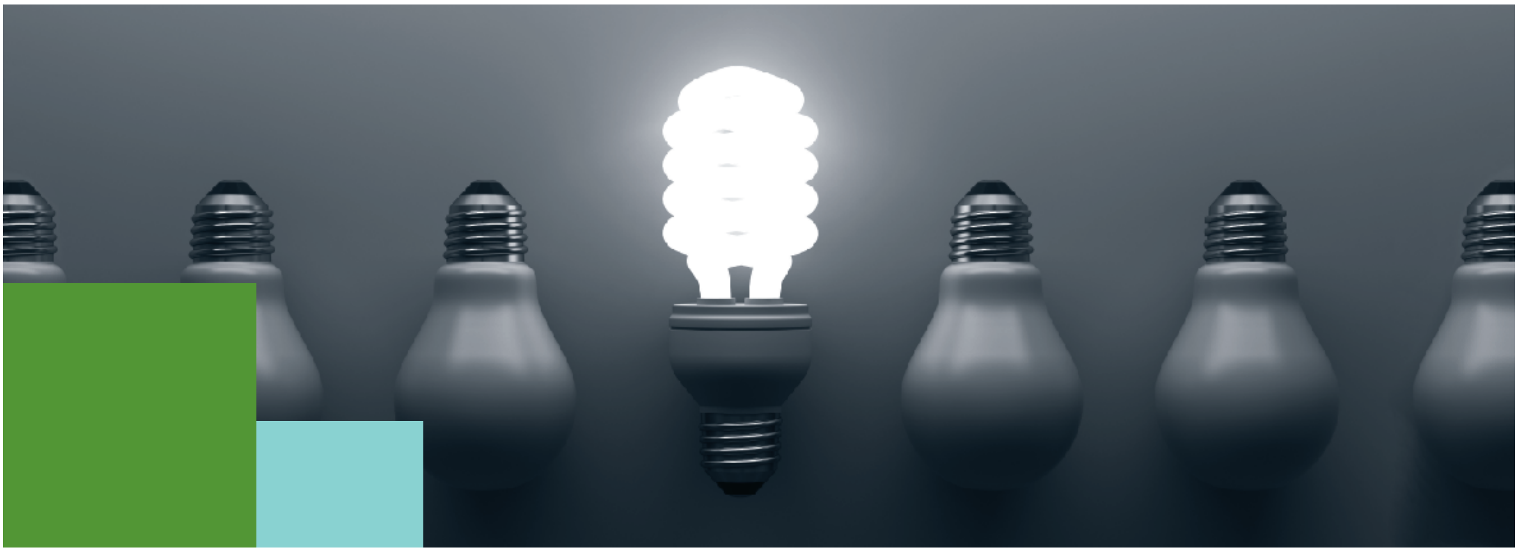
June 2017



From the Editors

Welcome to the June 2017 edition of *IP @ Ashurst*.

In this edition, we cover a range of interesting cases and subject matter – copycat "sheep placenta" cosmetics products found to infringe their competitor's get-up; the latest site-blocking orders to battle internet piracy; findings about the use of combinations of trade marks in an arrangement and in meta-tags on a website; new changes to the GST law which IP lawyers need to know about; the copyright claim by Eminem's record labels in the New Zealand High Court; and the Full Federal Court throwing mud on the previous precedent for determining the earliest date for claiming infringement of an innovation patent.

We hope you enjoy this edition (sheep puns and all)!

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Contents

Federal Court not sheepish about finding for cross-claimant in copycat cosmetics case

HOMART PHARMACEUTICALS PTY LTD v CARELINE AUSTRALIA PTY LTD [2017] FCA 403 (20 APRIL 2017)

What you need to know

- The Federal Court of Australia has held that an Australian cosmetics company, Homart Pharmaceuticals Pty Ltd (Homart), contravened s 18 of the Australian Consumer Law (ACL) by intentionally appropriating the get-up of a trade rival's bio-placenta skincare product.
- The Court restrained Homart from selling, offering for sale, distributing, promoting or marketing bio-placenta skincare products in Australia using the trade rival's misappropriated get-up or any get-up deceptively similar to the trade rival's get-up.
- Homart has filed an application for leave to appeal the decision to the Full Federal Court.

What you need to do

- Companies should be vigilant to ensure that the get-up of their products (including key components of their product packaging) is not misappropriated by competitors. Companies should be aware that, even if the brand name of a competitor's product differs from the company's original product, competitors may be liable under the ACL (and for passing off) if the get-up of the competitor's product is identical or near identical to the original.
- Upon becoming aware of a trade rival's conduct that potentially constitutes a breach of the ACL or an infringement of the company's intellectual property rights, companies should proceed cautiously. In particular, companies should carefully consider all communications to trade rivals, legal representatives and media outlets (including on social media). Poorly worded and/or ill-timed communications may result in unwanted legal action, including claims for misleading or deceptive conduct, injurious falsehood or defamation.

BACKGROUND

Ovine placenta extract (commonly referred to as sheep's placenta) is an increasingly common ingredient of cosmetic products in Asia (in particular China). This case concerns two Australian trade rivals that manufactured, distributed and sold skincare product ranges using a product known as "bio-placenta" (a component of which is ovine placenta extract). The primary target market for "bio-placenta" products in Australia is consumers of Chinese ethnic origin.

Since 2008, Careline Australia (Careline), a health and skincare company, has manufactured and sold a bio-placenta product in Australia known as CHANTELLE SYDNEY (CHANTELLE). The CHANTELLE product is a skincare product that is touted to hydrate and firm skin, whilst improving skin repair and complexion. By all accounts, the CHANTELLE product is a popular product in Australia amongst Chinese residents and Chinese tourists. In 2015-2016, Careline's sales of the CHANTELLE product had tripled from the previous year, to $2,188,730.33.

Having observed Careline's success, in early 2016, Homart Pharmaceuticals Pty Ltd (Homart), a trade rival to Careline, launched its own bio-placenta product. Homart marketed this product under the brand CHÉRI AUSTRALIA (CHÉRI). Like the CHANTELLE product, the CHÉRI product was advertised as a product that hydrates, firms and lightens skin as well as improving skin repair. Also like the CHANTELLE product, the target consumer market for the CHÉRI product is Chinese residents of Australia and Chinese tourists visiting Australia.

Despite the brand name difference, Careline considered that Homart's packaging for its CHÉRI product was the result of blatant copying. In particular, it considered that Homart had copied the gold rectangle carry bag, several aspects of the gold rectangle box and lid and the appearance of ampules of bio-placenta. The packaging for both the CHANTELLE and CHÉRI products is depicted on the right.

Careline Australia:	Homart Pharmaceuticals:
	
	
	

Careline sprang into action. It sent letters to certain of Homart's customers and media outlets to air its grievances. Careline employees also used WeChat (a Chinese social media platform) to complain about Homart's conduct. In tandem, Careline's lawyers sent a letter of demand to Homart alleging that it was engaging in breaches of the ACL and passing off.

On 13 May 2016, Homart sued Careline and sought interlocutory relief to restrain Careline from repeating the representations contained in the letter of demand and posted on WeChat. Careline cross-claimed and argued that Homart was not entitled to relief on the basis that it was engaging in misleading or deceptive conduct by having intentionally adopted a get-up for its CHÉRI product with the purpose of appropriating Careline's reputation in the CHANTELLE product.

THE DECISION

On 20 April 2017, Justice Burley of the Federal Court held that Homart had breached the ACL by engaging in conduct that was misleading or deceptive or likely to mislead or deceive. His Honour also dismissed Homart's original claim and awarded costs in Careline's favour.

CARELINE'S CROSS-CLAIM

In relation to the cross-claim, his Honour held that the unique combination of features that comprise the get-up of the CHANTELLE product are "eye-catching". Those features include the size, shape and internal arrangement of the box and lid (both when displayed to consumers open or closed), the use of the carry bag and the bronze gold colour of the packaging. His Honour held that the combination of these features in situ provided strong visual cues by which a consumer would remember the CHANTELLE product from the overall impression created by those visual cues.

His Honour held that Homart had appropriated all of those visual cues and that, in so doing, had misrepresented to consumers that the CHÉRI product was the same as, or associated with, the manufacturer of the CHANTELLE product, being Careline. His Honour also found that, on the basis of the evidence led at trial, the adoption of the get-up by Homart was intentional.

The Court held that the representation conveyed by the get-up was not dispelled sufficiently by the use of the "CHÉRI AUSTRALIA" brand name. In Justice Burley's view, the CHÉRI mark was a weak mark for distinguishing the otherwise identical products for the three reasons set out below:

- The reputation that Homart had in the CHÉRI mark was weak and had been dissipated by its choice to use the CHÉRI mark with product packaging for the bio-placenta product which was distinctly different to the product packaging used for the balance of the CHÉRI product range.
- The phonetic and visual similarities between the first two letters of both CHANTELLE and CHÉRI ("Ch") diminish the effect of the use of different words on the product packaging. Both names are French sounding and, to those not familiar with French, would serve as a weak means of distinguishing otherwise identical products.
- The addition of the geographic reference "Australia" to the CHÉRI brand has a similar geographic connation to the addition of "Sydney" to the CHANTELLE brand.

In light of the above, his Honour found that a not insubstantial number of persons within the relevant class (consumers of Chinese ethnic origin) who were aware of the CHANTELLE product would have been diverted from searching for that product by the CHÉRI product. Furthermore, a consumer from the relevant class that was familiar with the CHANTELLE get-up may well have purchased the CHÉRI product believing that product to be one and the same. In sum, Homart was pulling the wool over consumers' eyes.

HOMART'S CLAIM

Although his Honour considered each of the impugned communications carefully (including the letter of demand in question), the Court dismissed Homart's claims under the ACL.

Even though his Honour's decision on Homart's claim was positive for Careline, the case serves as a timely reminder to ensure that communications about alleged copycats are measured and controlled (including on social media) and do not expose companies to unwanted legal action.

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Stormy seas for online pirates in the entertainment industry

UNIVERSAL MUSIC AUSTRALIA PTY LIMITED v TPG INTERNET PTY LTD & ORS [2017] FCA 435 (28 APRIL 2017)

What you need to know

- The second judgment under the recently introduced section 115A of the *Copyright Act 1968* (Cth) (Copyright Act) has been handed down by Justice Burley of the Federal Court. The judgment was broadly consistent with the only other judgment to consider this section (handed down in December 2016): *Roadshow v Telstra* [2016] FCA 1503; *Foxtel v TPG & Anor.*
- ISPs have been ordered to block overseas websites which have the primary purpose of infringing copyright, with rights holders to pay compliance costs to the ISPs.
- The orders relate only to the nominated domain names. For new domain names in relation to the infringing site, the Court established a mechanism to extend the orders. Completely new sites will need to be the subject of separate court proceedings.

BACKGROUND

On 28 April 2017, Justice Burley of the Federal Court handed down his much anticipated decision in the site-blocking case brought by the music industry. His Honour ordered various ISPs to take reasonable steps to disable access to the KickassTorrents website, which he determined had the primary purpose of allowing the unauthorised download of musical works, sound recordings, movies and books on an industrial scale.

The orders largely mirror those in the *Roadshow v Telstra* [2016] FCA 1503; *Foxtel v TPG & Anor* decision handed down in December 2016, which is the only other decision made under the relatively new section 115A of the Copyright Act. This section provides a "no-fault" remedy for content holders to pursue organisations (via their ISPs) which operate websites that have the primary purpose of providing access to copyright infringing material. The orders under the two decisions mean that Pirate Bay, SolarMovie, Torrentz, TorrentHound, IsoHunt and KickassTorrents are all now blocked from selected Australian servers by the nominated ISPs.

Justice Burley made the following orders:

- The ISPs must, within 15 days, DNS block (or equivalent) the nominated domain names and redirect users to a website which will display a prominent message that the original website has been disabled because the Court has determined that it infringes copyright or facilitates copyright infringement.
- The orders will be in place for 3 years (and can be extended upon application).
- For any new KickassTorrents domain names not already covered by the orders, the copyright owners can file proposed orders to extend the injunction to the new online location/s, which the Court may grant without further hearing if the ISPs do not object to the orders.
- To block entirely new websites, the copyright owners will need to initiate new proceedings.
- The copyright owners must pay the ISPs' compliance costs of $50 per domain name.

LOOKING FORWARD

These decisions show a willingness by the Court to allow injunctions under the new site-blocking legislation for websites that have the primary purpose of infringing, and to make orders in reasonably consistent terms.

The orders also bring some clarity to the vexed question that has previously plagued the attempts by ISPs and rights holders to agree an industry code of who should pay the compliance costs. In both cases, the copyright owners were ordered to pay $50 per domain name to each ISP towards their compliance costs – the only exception was a privately negotiated bulk payment of $1,500 which Optus agreed to pay Foxtel in the previous proceedings. The copyright owners were not required to reimburse the ISPs for the set-up costs incurred in configuring their systems to give effect to the site-blocking orders. The outcome results in the copyright owners paying significantly less in compliance costs than what was requested by the ISPs.

Is this the beginning of the end for the Pirate Bays of the world? Foxtel has recently commenced additional proceedings in the Federal Court, this time against TPG Internet Pty Ltd, which is set down for a one day hearing on 8 August 2017.

The use of section 115A of the Copyright Act is an interesting development in the fight to combat online piracy. However, only time will tell whether it will make a long term and meaningful impact on online piracy in Australia.

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HARBOUR LIGHTS appeal shines light on trade mark use issues

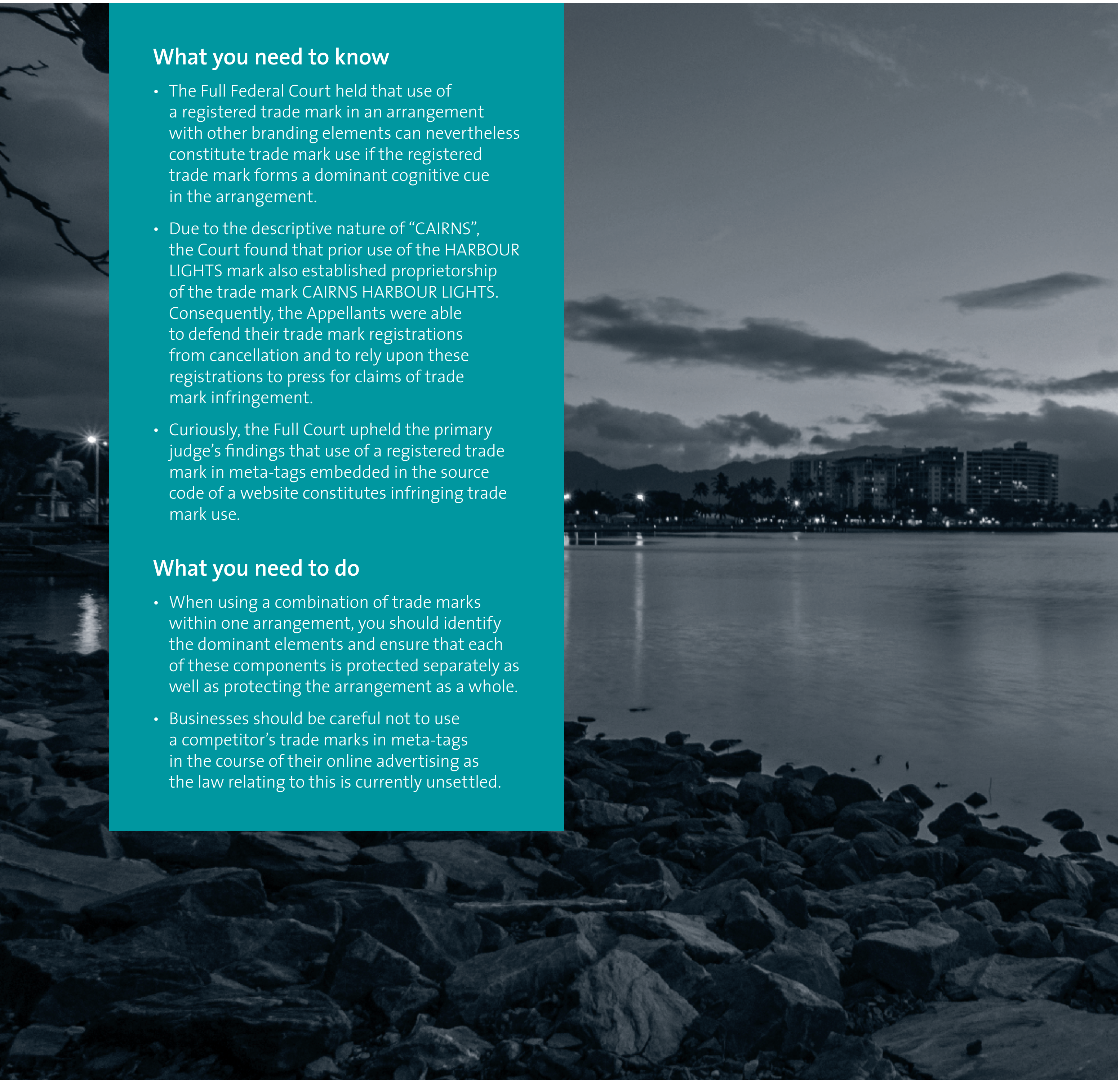
ACCOR AUSTRALIA & NEW ZEALAND HOSPITALITY PTY LTD v LIV PTY LTD [2017] FCAFC 56 (7 APRIL 2017)

What you need to know

- The Full Federal Court held that use of a registered trade mark in an arrangement with other branding elements can nevertheless constitute trade mark use if the registered trade mark forms a dominant cognitive cue in the arrangement.
- Due to the descriptive nature of "CAIRNS", the Court found that prior use of the HARBOUR LIGHTS mark also established proprietorship of the trade mark CAIRNS HARBOUR LIGHTS. Consequently, the Appellants were able to defend their trade mark registrations from cancellation and to rely upon these registrations to press for claims of trade mark infringement.
- Curiously, the Full Court upheld the primary judge's findings that use of a registered trade mark in meta-tags embedded in the source code of a website constitutes infringing trade mark use.

What you need to do

- When using a combination of trade marks within one arrangement, you should identify the dominant elements and ensure that each of these components is protected separately as well as protecting the arrangement as a whole.
- Businesses should be careful not to use a competitor's trade marks in meta-tags in the course of their online advertising as the law relating to this is currently unsettled.



BACKGROUND

The Appellants, Cairns Harbour Lights Pty Ltd (CHL) and Accor Australia & New Zealand Hospitality Pty Ltd (Accor), were the property developers and letting agency (respectively) for a residential apartment complex in Cairns called "Harbour Lights". Construction of the complex commenced in September 2004 and in December that year Accor (then called Mirvac Hotels Pty Ltd) was engaged by CHL to provide various property management and letting services for apartments in the complex. Although apartment owners were free to use Accor or a different agent, only Accor could operate its letting business on-site.

CHL obtained registrations of the HARBOUR LIGHTS and CAIRNS HARBOUR LIGHTS trade marks in 2009 covering a range of accommodation services and, in September 2010, Accor entered into a licence agreement with CHL to use these registered marks.

Meanwhile, in about July 2007, a resident of the complex, Ms Bradnam began to operate a letting service in competition with Accor, trading under the registered business name "Harbour Lights Property Management and Sales". Ms Bradnam also obtained registrations of the domain names cairnsharbourlights.com.au, harbourlightscairns.com.au and harbourlightscairns.com which resolved to a website for the letting business with the heading "hlp Harbour Lights Private Apartments" (Respondent's Website). Interestingly the domain names had previously been used by CHL for its own website (CHL's Original Website) but were allowed to lapse in 2005 and were subsequently registered by Ms Bradnam. In September 2009, Ms Bradnam sold her business, including the right to operate the website, to Liv Pty Ltd (collectively the Respondent).

The Appellants alleged that the Respondent's use of the brands CAIRNS HARBOUR LIGHTS and HARBOUR LIGHTS infringed CHL's trade marks. The Respondent cross-claimed that CHL had not demonstrated first use of the registered trade marks in respect of certain services and, in any event, that the trade marks did not possess a sufficient level of distinctiveness to warrant registration.

USE OF HARBOUR LIGHTS MARK IN AN ARRANGEMENT

The primary judge divided the accommodation services covered by CHL's HARBOUR LIGHTS and CAIRNS HARBOUR LIGHTS trade marks into hotel services and commercial real estate agency services (Group A) and rental, leasing and letting services (Group B) .

At the outset, the primary judge determined that CHL's Original Website only related to the services in Group A. The primary judge went on to consider whether various advertisements published by CHL between April 2005 to October 2006 (predating the launch of the Respondent's Website) demonstrated use of the trade marks on Group B services. The primary judge accepted that some of CHL's advertisements made reference to rental, leasing or letting services. However, he noted that the words HARBOUR LIGHTS were used with other elements as below:

The primary judge described the arrangement of HARBOUR LIGHTS in the first example together with the stars device and the words "A New Star Shines" to be a composite mark. Similarly the primary judge found that the inclusion of the words "THE SEBEL" with HARBOUR LIGHTS created a new "composite expression". In both examples, the primary judge concluded that use of composite marks did not amount to use of the HARBOUR LIGHTS mark as registered. As such, his Honour determined that Ms Bradnam was the first user of the HARBOUR LIGHTS mark on the Group B services at the time the Respondent's Website was launched.

The Full Court disagreed and found that the additional elements did not substantially affect the identity of the HARBOUR LIGHTS mark. Rather, their Honours held that the words HARBOUR LIGHTS remained the dominant cognitive cue which the viewer would take away. As such, CHL was able to demonstrate first use of the HARBOUR LIGHTS mark on all of the registered services.

VALIDITY OF THE CAIRNS HARBOUR LIGHTS MARK

The Full Court agreed with the primary judge that the words "Harbour Lights" were not directly descriptive of accommodation services. However, the primary judge found a person looking at the mark CAIRNS HARBOUR LIGHTS would understand this to describe a place, being Cairns Harbour. The Full Court found this analysis to be "artificial", particularly in light of CHL's reputation in the HARBOUR LIGHTS mark. Their Honours held that the term HARBOUR LIGHTS would be recognised as the dominant cognitive cue, with the word CAIRNS conveying an association with a geographical place. As such, the Full Court concluded that both marks HARBOUR LIGHTS and CAIRNS HARBOUR LIGHTS possessed a sufficient level of inherent distinctiveness to be registered.

The Respondents also sought to cancel the HARBOUR LIGHTS and CAIRNS HARBOUR LIGHTS registrations by arguing that they formed part of the "common heritage" and should therefore be available for other traders to use. This claim was refused both at first instance and on appeal, on the basis that words of "common heritage" contemplated the name of a city or town and not the name of a particular building.

INFRINGEMENT

Given that the Appellants were held to be the owners of the HARBOUR LIGHTS mark on all the relevant services, it followed that the Respondent's conduct was found to constitute trade mark infringement. This included use of CHL's trade marks on the domain names *cairnsharbourlights.com.au* and *harbourlightscairns.com.au* as well as in the metatags used in the source data of the Respondent's Website.

This latter finding was made on the basis of evidence that the metatags, which were embedded in the Respondent's Website and influenced search results, could be visible to those who knew what to look for. This conclusion seems to depart from recent Federal Court rulings that use of a competitor's mark in Google AdWords (another form of digital identifier) does not constitute trade mark use.

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GST on inbound supplies of intangibles and low value goods: improving "GST integrity" or creating headaches?

New amendments to the GST law affecting foreign suppliers of intangible items and low value goods to take effect from 1 July 2017 and 1 July 2018 respectively

What you need to know

- From 1 July 2017, Australia's GST law will be broadened to capture supplies of intangible items from foreign suppliers to Australian "non-business" consumers. The amendments will be wide-reaching, with the potential to impact foreign suppliers of online content (eg movies, television shows, apps and music) and advisory and professional services (eg brokering, legal and financial advisory services) who make supplies to Australian based consumers and who otherwise have no business connection with Australia.
- The GST law is also proposed to be amended with effect from 1 July 2018 to impose GST on supplies of low value goods (ie goods with a value of less than $1,000) from foreign suppliers to Australian consumers. Under the proposed amendments (which, at the time of writing this article, have not been passed as legislation), foreign suppliers (or deemed suppliers) of low value goods to Australian consumers may be required to register for, collect and remit GST on supplies of low value goods to Australian consumers.
- There are a number of practical complexities and issues which are raised by these amendments, in particular, the need for foreign suppliers or deemed suppliers who meet the annual registration turnover threshold of A$75,000 or more to now register for Australian GST with the Australian Taxation Office (ATO).

What you need to do

- Foreign suppliers of intangible items and low value goods to Australian consumers should determine whether they will be subject to the new provisions and, if so, take steps to register for Australian GST.
- Foreign suppliers will also need to review their business systems and processes to ensure that they are capable of complying with the new information requirements in preparation for the start dates of 1 July 2017 and 1 July 2018.

BACKGROUND

The reach of Australian GST on inbound supplies is set to expand considerably under new measures which commence from 1 July 2017 and 1 July 2018. There are two relevant aspects of the changes:

- Foreign suppliers making supplies of intangible items (basically, anything other than real property or goods) to Australian "non-business" consumers may be required to register for, collect and remit Australian GST of 10% in respect of those supplies.
- The supply of low value goods (ie where the value of the goods is less than A$1,000) from a foreign supplier (or deemed supplier) to Australian consumers will attract GST payable by the supplier.

INBOUND SUPPLIES OF INTANGIBLES

Currently, inbound supplies of things other than real property or goods generally only attract Australian GST where the supplier makes the supply through a business they carry on in Australia. This means, for example, a customer in Australia can download digital products from a supplier outside Australia without the supplier needing to register and remit any Australian GST.

Under the new provisions, GST will apply if all of the following requirements are met, even where the supplier has no presence in Australia:

- the customer is an Australian resident; and
- either:
  - the customer is not registered for Australian GST; or
  - if registered, the customer does not acquire the thing supplied for the purpose of a business they carry on (Australian consumers); and
- the supplier makes or expects to make supplies to Australian consumers with a value of approximately A$75,000 or more in any rolling 12 month period (which means that the supplier is required to register for Australian GST).

Responsibility for the GST liability may be shifted to the operator of an electronic distribution platform (EDP) if the supply is made though an EDP and the operator controls any of the key elements of the supply, such as price, terms and conditions or delivery arrangements. Operators and suppliers may also agree in writing that the operator will assume liability.

The complexities for foreign suppliers in applying these rules are obvious. Here are a few common questions and some guidance:

How do suppliers identify whether the customer is an Australian resident?	The supplier can treat a supply as not made to an Australian consumer if the supplier has satisfied particular evidentiary requirements, and reasonably believes that the customer is not an Australian consumer. The ATO has sought to provide guidance on what steps a foreign supplier should take to establish whether a customer is an Australian resident in its draft public ruling GSTR 2016/D1. In particular, the ATO accepts that a supplier can satisfy the residency test relying on information gathered through existing business systems (such as address or credit card details) where these provide a reasonable basis for believing the customer is not a resident of Australia.
How do suppliers know if their customer is registered for Australian GST?	The ATO's view is that a supplier can only rely on this exception where the customer has disclosed an Australian Business Number (ABN) and provided a declaration or other information that indicates that they are registered for GST. An ABN alone is not sufficient as a customer can have an ABN and not be registered for GST. Suppliers can check a customer's ABN and whether they are registered for Australian GST on the public register at https://www.ato.gov.au/Newsroom/smallbusiness/GST-and-excise/Are-your-suppliers-registered-for-GST-/. However, the ATO view suggests that a supplier cannot rely on this information alone.
If the customer is registered for Australian GST, how do suppliers know if they will use the thing supplied in connection with their business?	GSTR 2016/D1 does not provide guidance on this test, other than to note that it would be unusual for a registered entity to make an acquisition for a purpose other than the enterprise carried on by it. Where the items supplied could be used for private or domestic purposes, a foreign supplier could consider seeking this information as part of the declaration referred to above.
If a foreign supplier becomes liable to register and pay GST, what is involved?	Foreign suppliers can either register for GST under the normal rules (requiring monthly or quarterly lodgements) or can elect to adopt a simplified reporting method with a limited registration. Under a limited registration (which can be revoked by the supplier at any time), foreign suppliers are not entitled to claim back Australian GST on their acquisitions by way of input tax credits, are not entitled to an ABN, do not have their details recorded on the public ABN register and must lodge quarterly returns. No tax invoices or adjustment notes are required to be issued by foreign suppliers.
Can suppliers recover their GST liability on top of the price they charge to the customer?	No, unless the GST has been included in the price charged, or there is a contractual right to recover GST from the customer under the relevant terms and conditions, the supplier will need to absorb this cost. Suppliers who may be affected by these rules should check their standard terms and conditions and revise price lists as appropriate.
When do the provisions start?	The provisions apply to all supplies made on or after 1 July 2017 (including the component of a periodic supply that occurs on or after 1 July 2017), regardless of whether the supplier can recover the GST from Australian customers.

INBOUND SUPPLY OF GOODS

The second measure involves a change in procedures for the importation of goods which are brought into Australia with the assistance of a supplier (or deemed supplier), with the removal of the low threshold value of A$1,000 from 1 July 2018.

Where the provisions apply, it will be the supplier (or deemed supplier) who will be liable to register and remit GST to the ATO. Operators of EDPs and re-deliverers will be deemed suppliers. To address the potential for double taxation, where the supplier (or deemed supplier) reasonably believes that GST will apply to the supply under the existing taxable importation rules, no GST will be payable by them.

In most cases the A$1,000 threshold is determined based on customs value, and on the basis of the value of each individual item in a single consignment. For example, if a consignment includes six items with a customs value of A$200 each, the low value threshold will apply even though the total customs value of the consignment exceeds A$1,000. Where any individual item in a consignment has a customs value in excess of A$1,000, it will be treated as a separate supply of that item and the current rules will apply (so that GST will be payable at the border on importation by the party entering the item for home consumption). Affected suppliers will need to be able to distinguish these 2 categories of supplies.

As for the inbound supply of intangibles:

- the liability only arises where the supply is to an Australian consumer;
- suppliers can reasonably rely upon information provided by the customer to form a reasonable belief that the customer is not an Australian consumer; and
- the supplier (or deemed supplier) will only need to register and remit GST if they make or anticipate making supplies to which the rules apply with a value of A$75,000 or more on an annualised basis.

While the supplier (or deemed supplier) is also relieved from the obligation to issue tax invoices, they must notify the customer in the approved form of the amount of Australian GST (if any) that is payable in relation to the supply.

Under transitional rules, the new measures will generally only apply where invoices are issued or payment received on or after 1 July 2018, even where the goods do not reach the customer until after that date.

The Bill to implement this new measure (*Treasury Laws Amendment (GST Low Value Goods) Bill 2017*) has passed the Senate and is currently awaiting assent. Two key amendments were made to the Bill in the Senate:

- The proposed start date for the measure has been postponed to 1 July 2018 (from the initial proposed start date of 1 July 2017); and
- The amendments to the GST law must be referred by the Productivity Minister to the Productivity Commission for inquiry. Specifically, the Productivity Commission must analyse the effectiveness of the amendments and whether models for collecting GST other than the proposed vendor registration model might be more suitable. The Productivity Commission must report on its inquiry by 31 October 2017.

INTERNATIONAL ASPECTS

Australia is not alone in introducing provisions to capture value added taxes on inbound supplies of intangibles and goods to consumers.

Businesses supplying digital services to consumers in the European Union (EU) generally have to register and account for VAT on those supplies in the jurisdiction in which the consumers are resident (unless, where applicable, the VAT is accounted for by the local platform through which the digital services are provided). It is also possible for those businesses to register in one member state and use that registration to account for VAT on all their digital supplies to consumers across the EU.

The online selling of goods has also come under scrutiny. In the UK, for example, non-EU sellers supplying goods which are already in the UK at the point of sale through an online marketplace need to register and account for VAT on those supplies even if they have no business establishment in the UK. Furthermore, both the online marketplace and any representative of that overseas seller can be held jointly and severally liable for any failure by the overseas seller to account for the proper amount of VAT.

It is perhaps not surprising that Australia is now considering its own provisions and, as the digital economy continues to grow in the global marketplace, it is probably safe to assume that more and more jurisdictions will adopt similar provisions and Revenue authorities will look beyond the actual supplier to ensure collection where they do not believe that the proper amount of VAT, GST or other sales tax is being accounted for.

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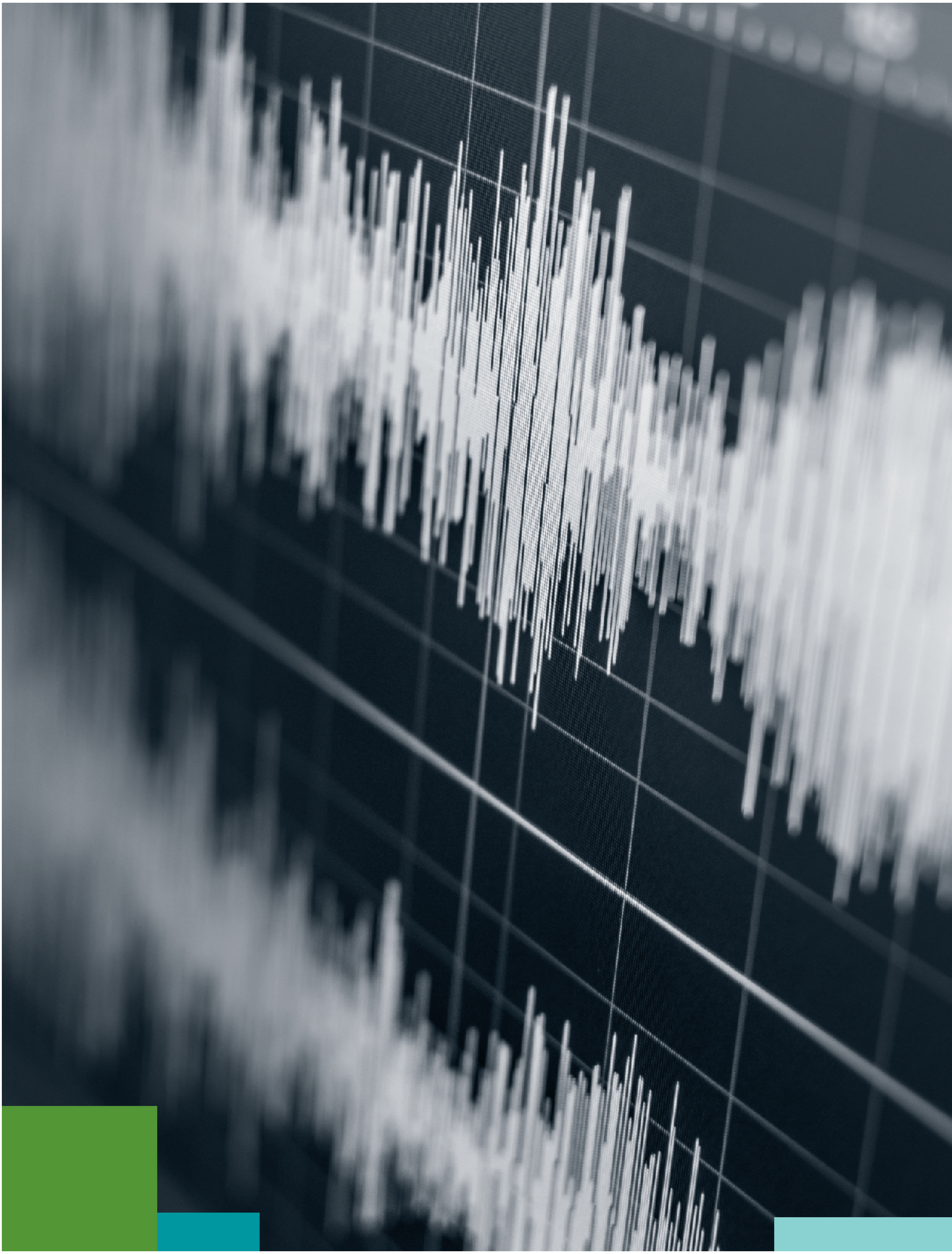

IP Bite: Eminem copyright case a reminder how not to "Lose Yourself" some money (and credibility)!

Eminem's record labels claim copyright infringement in New Zealand High Court

What you need to know

- In May 2017, the New Zealand High Court heard a copyright claim commenced by Eminem's record labels.
- The music publishers claimed the New Zealand National Party used an unlicensed version of the song "Lose Yourself" in an television advertisement for their 2014 election campaign.
- The Court has reserved its decision and is expected to deliver a judgment in the next few months.

What you need to do

- The proceedings are a high profile example of the issues which may arise when creating advertising and marketing material. Ensure that you have obtained all necessary rights and licences for your intended use of copyright material.
- When relying on third parties to create advertising material, review your contractual arrangements to ensure that IP warranties and indemnities have been obtained to sufficiently protect your use of the advertising material.
- Where there is similarity between the material you intend to use and another earlier work, consider whether to do further due diligence and potentially seek a licence from the owner of the earlier work.
- Be mindful of the risks and consider alternatives. Be particularly wary of the reputational element to potentially infringing conduct and the negative publicity that may result.

Case summary

In the case, it was alleged that the instrumental track used in the advertisement (titled "Eminem Esque") resembled the guitar riff used in "Lose Yourself".

Before being incorporated into the National Party advertisement, the music track had passed through the hands of 5 other parties, originating with an entertainment agency registered in California which provided the track as part of a library of production music offered for commercial use (Labrador). The National Party joined third parties to the proceedings by pleading contractual arrangements that purported to authorise its use of the music, and claimed indemnity or contribution to any liability.

The National Party, having indirectly obtained the track from AMCOS NZ (the collecting society which collects and distributes music on behalf of copyright owners) via a stock music company, believed it had the necessary licences to use the music in its campaign advertisement. However, the record labels claimed it had not granted Labrador any rights, and that "Eminem Esque" was an unauthorised version of "Lose Yourself". Interestingly, members within the National Party had raised concerns over the use of the track because of its similarity to "Lose Yourself", however these concerns were not acted upon and the track proceeded to be used in the advertisement.

The National Party applied for a split trial, in order to have the issue of liability determined prior to the quantum of damages. This can reduce the cost of litigation by shifting the evidentiary burden of determining damages to another trial, which will only occur if liability is established in the first trial. The application of the National Party was refused by the Court which, among its reasons, stated that it was unlikely that the parties would avoid the second trial and that splitting the trial would be inefficient due to the number of parties involved.

In Australia

The case has echoes of the Australian decision in *EMI Songs Australia Pty Ltd v Larrikin Music Publishing Pty Ltd* (2011) 191 FCR 444, in which the Full Federal Court found that the flute riff in the song "Down Under" by Men at Work infringed copyright in the nursery rhyme "Kookaburra Sits in the Old Gum Tree". In making this finding, the Court analysed the objective similarity in terms of melody, key, tempo, rhythm, harmony, context and structure on both a qualitative and quantitative basis in determining whether "Down Under" reproduced a substantial part of "Kookaburra".

The New Zealand High Court may employ a similar analysis in determining the similarity between "Eminem Esque" and "Lose Yourself".


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Full Federal Court digs deeper: damages for infringement of divisional patents

CORETELL PTY LTD v AUSTRALIAN MUD COMPANY PTY LTD [2017] FCAFC 54 (3 APRIL 2017)

What you need to know

- The Full Federal Court has held that the earliest date from which a patentee may claim relief for infringement of an innovation patent is the date of grant (overruling *Britax Childcare Pty Ltd v Infa-Secure Pty Ltd (No 3)* [2012] FCA 1019 (*Britax*)).
- It is now less appealing for patentees awaiting the grant of standard patents to target their competitors by strategically filing divisional innovation patent applications which will proceed to grant more quickly than their standard patent parents, as a patentee cannot be compensated for acts occurring before an innovation patent is granted.
- The Full Federal Court also confirmed that in the case of a divisional standard patent, the earliest date from which a patentee may claim relief for infringement is the date the divisional patent application became open to the public, and not from the date of the parent patent application.

What you need to do

- When considering whether to commence a claim for patent infringement of a divisional innovation patent, patentees should be aware that they can only claim damages from the date of grant of the innovation patent (and not from the date of publication of the parent patent).
- Inventors should carefully consider whether an innovation patent or a standard patent is more appropriate for a particular invention. Consider whether the speed and ease of obtaining protection via an innovation patent is a worthwhile exchange for the shorter patent term and potentially reduced availability of damages for infringement.

BACKGROUND

Australian Mud Company Pty Ltd (AMC) owns two innovation patents for core sample orientation (the Patents). The Patents are for a system (System Patent) and method (Method Patent) for orienting core samples extracted from the ground. The System Patent was filed on 2 December 2010 and granted on 16 December 2010, and the Method Patent was filed on 16 August 2011 and granted on 15 September 2011.

The Patents claimed priority from an earlier "grandparent" patent, with a filing date of 5 September 2005.

AMC and its exclusive licensee initially sued the appellants in this case for infringement of the Patents. One of the appellants, Coretell Pty Ltd (Coretell), filed a cross-claim alleging invalidity. The primary judge found infringement and dismissed the cross-claim for invalidity, and implicitly found that the relevant date for assessing infringement was 5 September 2005.

The appellants did not challenge the finding of infringement, but appealed on other grounds, including that the primary judge erred in determining that a cause of action for infringement accrues on the date of the patent, rather than the date of grant.

The applicable versions of the *Patents Act 1990* (Cth) (the Act) and *Patents Regulations 1991* (Cth) were those immediately prior to the passing of the *Raising the Bar* legislation.

SUBMISSIONS

The primary judge implicitly followed the *Britax* case in finding that the correct date for the purposes of determining infringement, and thus calculating damages, was the date of the Patents, being 5 September 2005.

Coretell submitted that the decision in *Britax* was incorrect, and that the reasoning applied resulted in a "surprising and incorrect outcome", as they were found to have infringed the Patents from a time before they even existed or were made available for public inspection. The appellants thus contended that the correct date should be the dates of grant of the Patents, and that they could only be liable for infringing acts after those dates.

AMC argued that a cause of action for infringement accrues upon the commencement of the term of the Patents – in this case, they said, their cause of action accrued between five and six years before the filing and grant of the Patents.

DECISION

The Full Court reached its decision by analysing the language of the Act, and having regard to its context and legislative history. The Court overruled *Britax,* and concluded that the patentee's ability to claim relief for infringement is only enlivened after grant, as the infringement provisions of the Act refer to a granted patent.

While section 57 of the Act expressly provides for compensation prior to the grant of a standard patent application, this is only after the complete specification becomes open to public inspection (and after a comprehensive pre-acceptance examination process). In the case of an innovation patent, publication only occurs after grant.

Justice Burley (with whom Justices Jagot and Nicholas agreed) found that *Britax* led to "unattractive" and "anomalous" results. Under *Britax,* where a patentee filed a divisional patent based upon an older standard patent, their competitor could be liable for infringement well before the invention is properly drafted or defined in the divisional specification. Justice Burley noted: "The construction that I prefer leads to the conclusion that the right of a patentee for relief for an act of infringement will be preceded by the grant of the patent and the publication of the specification and claims, regardless of whether the patent is based on a divisional application."

Given that publication is the consideration that a patentee gives in exchange for their monopoly, and also given that competitors are unable to understand the scope of the patentee's monopoly until publication occurs, the Court's conclusion aligned with the relevant policy considerations. On this basis, the Court also observed that a claim for infringement based on a divisional standard patent could not seek relief from a date before the publication of the divisional standard patent application, that is, could not seek relief from the date of publication of the parent or grandparent patent application.

Accordingly, Coretell was only liable for infringing acts occurring after the System Patent and Method Patent were granted, ie after 6 December 2010 and 15 December 2011, respectively (not 5 September 2005). This will result in a substantial reduction in the amount of compensation that can be awarded to AMC for infringement of the Patents, which remains to be determined by the primary judge.

IMPLICATIONS

This decision significantly reduces the amount of compensation available to patentees of divisional innovation patents for acts of infringement.

As a result of the Court's overruling of *Britax*, patentees might now be discouraged from strategically using the innovation patent as a tool to directly target their competitors for patent infringements occurring during the earlier prosecution of parent patent applications.

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Federal Court clarifies requirements for substantial identity and timing of ownership

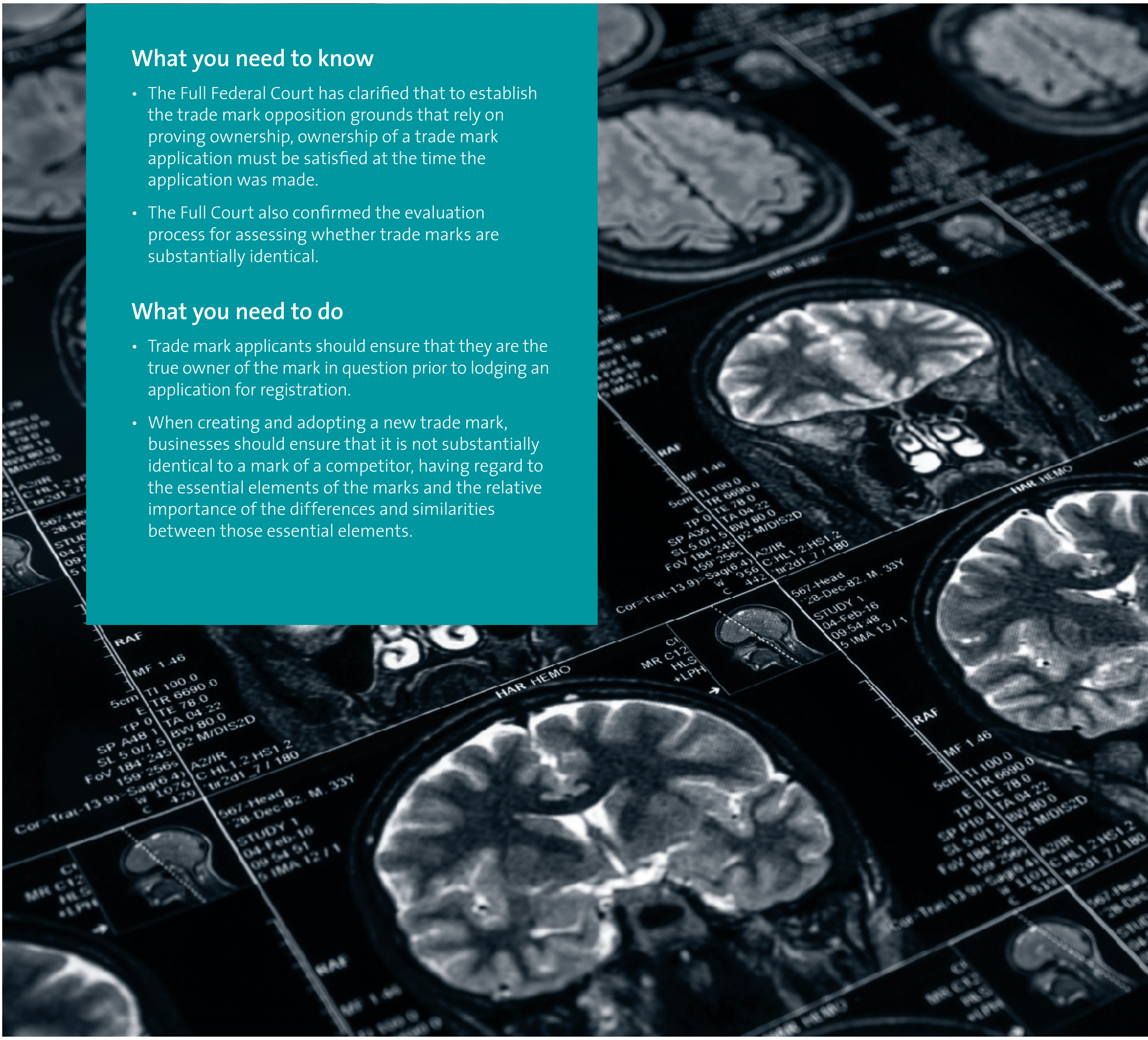
PHAM GLOBAL PTY LTD v INSIGHT CLINICAL IMAGING PTY LTD [2017] FCAFC 83 (26 MAY 2017)

What you need to know

- The Full Federal Court has clarified that to establish the trade mark opposition grounds that rely on proving ownership, ownership of a trade mark application must be satisfied at the time the application was made.
- The Full Court also confirmed the evaluation process for assessing whether trade marks are substantially identical.

What you need to do

- Trade mark applicants should ensure that they are the true owner of the mark in question prior to lodging an application for registration.
- When creating and adopting a new trade mark, businesses should ensure that it is not substantially identical to a mark of a competitor, having regard to the essential elements of the marks and the relative importance of the differences and similarities between those essential elements.



BACKGROUND

The parties to this dispute were in the business of providing radiology services. Insight Clinical operates in Western Australia and commenced trading under its mark (depicted below) in 2008.

inSight Clinical Imaging

Pham Global (previously known as Insight Radiology) commenced trading in 2012 in New South Wales using the mark depicted below.

insightradiology

Insight Clinical successfully opposed Pham Global's application to register its mark before the Registrar of Trade Marks. A single judge of the Federal Court dismissed Pham Global's appeal against the refusal to register the mark, and found that Pham Global's use of the mark infringed Insight Clinical's mark and amounted to misleading or deceptive conduct under the Australian Consumer Law and passing off. Pham Global appealed the decision to the Full Federal Court.

THE DECISION

While Pham Global was granted leave to appeal, all of its grounds of appeal were dismissed. The Full Court also found in favour of Insight Clinical on additional grounds.

Ownership

A focus of the decision was the question of ownership. The INSIGHT RADIOLOGY device mark was applied for in the name of Mr Pham, the owner of Insight Radiology. However, the judge at first instance found that Mr Pham was not the owner of the mark and never intended to use the mark for radiological services – rather it was Insight Radiology who was the owner of, and used, the mark.

Insight Clinical argued that the ground of opposition under section 58 of the *Trade Marks Act 1995* (Cth) (the Act) (which provides that registration may be opposed on the grounds that the applicant is not the owner of the mark) should succeed because Mr Pham (who was the applicant) was not the owner of the mark. The judge at first instance dismissed this argument, concluding that the requirement that the applicant own the mark may be satisfied at any time during the currency of the application and because Mr Pham assigned the mark to Insight Radiology that requirement was satisfied.

This finding was overturned by the Full Court. The Full Court concluded that ownership by the applicant must be satisfied at the time the application was made and cannot be satisfied at any time thereafter. The Full Court pointed to numerous earlier decisions and provisions of the Act that support that conclusion.

Substantially identical

The Full Court also found that the INSIGHT RADIOLOGY device mark was substantially identical to the INSIGHT CLINICAL IMAGING device mark. The Full Court stated that the primary judge's process of evaluation when assessing substantial identity miscarried because the primary judge did not refer to the essential elements of the marks or assess the relative importance of the differences and similarities having regarding to those essential elements. In the Full Court's view, the essential elements of both marks are the word "insight" and the circular device. The Full Court concluded that, not only is there a total impression of resemblance between the marks, but also the differences are slight having regarding to their essential elements. Accordingly, section 58 of the Act was satisfied because it was Insight Clinical not Mr Pham or Insight Radiology that was the owner of the INSIGHT RADIOLOGY Device mark.

Reputation

While not crucial to the outcome of the case, the Full Court also made some comments on how reputation is established in a trade mark in Australia. Of particular note, the Full Court stated that given current modes of communication and discourse and free and unfettered rights of travel within Australia, a substantial reputation in Western Australia in a national industry can constitute a sufficient reputation for the grounds of opposition which rely on reputation to be engaged.

A version of this article has been published in World Trademark Review.

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