

IP @ Ashurst

October 2017



From the Editors

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

In this edition we cover the latest developments in IP law over the last few months, including cases relating to trade marks, copyright, patents and product safety.

We hope you enjoy this edition.



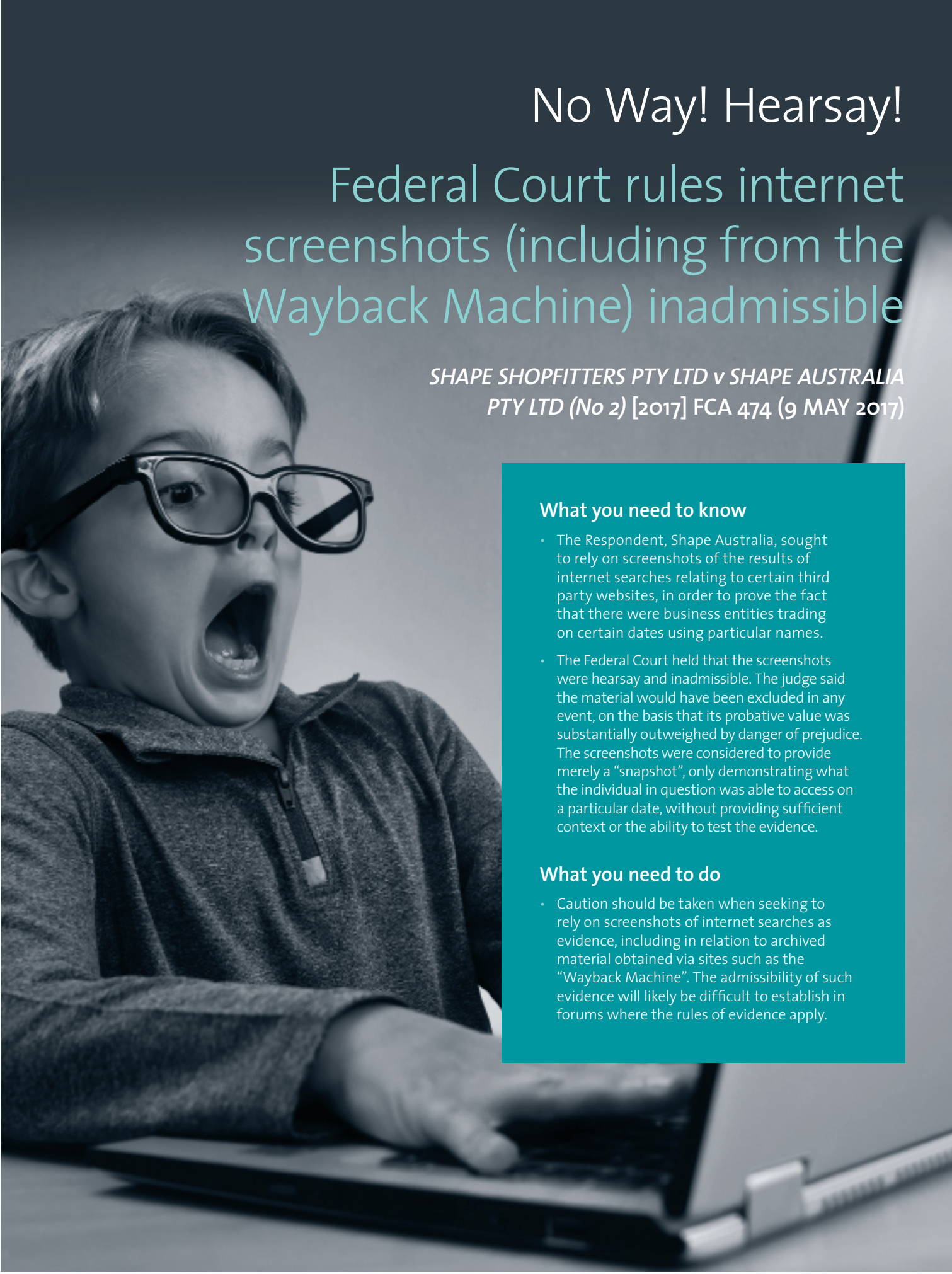
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No Way! Hearsay!

Federal Court rules internet screenshots (including from the Wayback Machine) inadmissible

SHAPE SHOPFITTERS PTY LTD v SHAPE AUSTRALIA PTY LTD (No 2) [2017] FCA 474 (9 MAY 2017)

What you need to know

- The Respondent, Shape Australia, sought to rely on screenshots of the results of internet searches relating to certain third party websites, in order to prove the fact that there were business entities trading on certain dates using particular names.
- The Federal Court held that the screenshots were hearsay and inadmissible. The judge said the material would have been excluded in any event, on the basis that its probative value was substantially outweighed by danger of prejudice. The screenshots were considered to provide merely a “snapshot”, only demonstrating what the individual in question was able to access on a particular date, without providing sufficient context or the ability to test the evidence.

What you need to do

- Caution should be taken when seeking to rely on screenshots of internet searches as evidence, including in relation to archived material obtained via sites such as the “Wayback Machine”. The admissibility of such evidence will likely be difficult to establish in forums where the rules of evidence apply.

BACKGROUND

This decision related to objections made to affidavit evidence under the *Evidence Act 1995* (Cth) (Evidence Act). The proceeding was commenced by Shape Shopfitters Pty Ltd (Shape Shopfitters) in relation to conduct of Shape Australia Pty Ltd (Shape Australia). Both Shape Shopfitters and Shape Australia are commercial construction companies, trading under these names since 2012 and 2015, respectively.

Shape Shopfitters alleged that by using “SHAPE” in its corporate name, marketing and advertising, Shape Australia had made a false representation that there was an affiliation, connection, association or relationship between the parties (contrary to the Australia Consumer Law and the tort of passing off). In particular, Shape Shopfitters claimed that given the similarity of the names, an obvious conclusion is that Shape Shopfitters is the specialist shopfitting arm of Shape Australia, which is not the case. In addition, Shape Shopfitters alleged that Shape Australia had infringed its registered trade mark by promoting and selling commercial construction services using the name “SHAPE”, via a series of marks.

EVIDENCE

In defending the claims, Shape Australia led evidence comprising printouts of ASIC and Australian Business Register records of other entities with the word “SHAPE” in their name. This evidence was not objected to, presumably because these results comprised public records. However, Shape Australia also sought to lead evidence of screenshots of internet searches (resulting from search terms such as “shape building” and “shape development”). The apparent purpose of these searches was to demonstrate the proliferation in the marketplace of the use of the word “shape” by other businesses at the same time. Some of the evidence in question relied on an internet search of archived material sourced via the “Wayback Machine”, a digital archive allowing users to see archived versions of web pages across time.

In objecting to this internet screenshot evidence, Shape Shopfitters contended that all the evidence was able to demonstrate was that when one logged onto a website at the particular date indicated, the screenshots show what appeared on the webpage at that date. It argued that:

- The evidence ought to be excluded under s 135 of the Evidence Act, on the basis that the probative value of the evidence was substantially outweighed by the danger that the evidence might be unfairly prejudicial. Shape Shopfitters considered this evidence to be unrepresentative (as it showed only the use of a word on a particular date on a particular website), and failed to establish the impact of the Shape Australia’s adoption and use of the name SHAPE.

- The evidence was inadmissible hearsay, in that the purpose of tendering it was to prove that the statements contained within the screenshots were true. Shape Shopfitters said the evidence was intended to prove that, on the date specified, the corporate entities named were indeed using a business or trading name that included the word “shape”.

DECISION

Justice Mortimer found that the internet search evidence was hearsay within the meaning of s 59 of the Evidence Act. Her Honour considered that statements made on various internet sites of other business entities constitute a previous representation made by the person/s who constructed the website, wrote the text and inserted the graphics. The purpose of adducing the evidence was to prove the existence of a fact, ie that there were business entities trading on the dates specified, and in the particular industries and markets, using the names identified by the webpages.

Justice Mortimer also indicated that, even if the material was not hearsay, it should be excluded on the basis that the probative value of the evidence was substantially outweighed by the danger of the prejudice. In this regard, her Honour accepted Shape Shopfitter’s submission that the evidence constituted no more than a “snapshot” of what was available through a series of internet searches on a particular date, without any context available to be tested regarding the nature of the businesses identified by the search results. The screenshots were presented without calling evidence from witnesses who operate or control those businesses, nor allowing Shape Shopfitters an opportunity to test similarities or differences between those particular businesses and its own.

CONCLUSION


The use of screenshots from websites, including from the “Wayback Machine”, is common practice in intellectual property disputes, particularly in the Trade Marks Office. However, care should be taken when seeking to rely on such material in forums where the rules of evidence are strictly applied.



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IP Bite: Just because it's on the internet doesn't mean you can use it!

What you need to know

- A recent Federal Circuit Court decision serves as a good reminder that photographs are not freely available public property simply because they have been published online.
- This decision has been handed down at a similar time as Gigi Hadid, the supermodel of the moment, has been sued in the United States for copyright infringement in relation to a photograph she posted on her social media accounts.

What you need to do

- If you want to use a photograph or other material that you find on the internet, you should make enquiries as to the copyright owner and seek to negotiate a licence to allow you to use it without infringing copyright.
- If you receive a letter of demand in relation to your use of certain material, take it seriously and act promptly to take down the material and/or offer to pay a reasonable licence fee.

RECENT AUSTRALIAN CASE

In *Briner v The Happy Herb Company & Ors* [2017] FCCA 1854 (11 September 2017), the Respondents reproduced a photograph of a herb created by the Applicant, an American photographer, which appeared on his website. The Respondents found the photograph on the internet, reproduced it and communicated it to the public from their own website without the licence or authority of the Applicant and without attributing the photograph to him. No licence fee was paid to the Applicant.

The Court held that the Applicant's copyright in the photograph had been infringed, and awarded the Applicant:

- damages in the form of an appropriate licence fee of AUD\$500 (s 115(2) of the *Copyright Act 1968* (Cth) (Copyright Act)); and
- additional damages of A\$1,000 (s 115(4) of the Copyright Act). Judge Driver awarded only modest additional damages because the Respondents' use of the photograph was only incidental to their business and was unknown to those responsible for the business until the infringement was brought to their attention. The Respondents acted promptly to remove the offending image and gave undertakings at the first opportunity following the commencement of court proceedings, avoiding the need for declarations and injunctions.

The Judge referred to the 2014 case of *Tylor v Sevin* [2014] FCCA 445, which involved similar facts, however the breach was more flagrant and the respondents' conduct in the legal proceedings was subject to criticism which warranted a higher additional damages award of A\$12,500. The Judge observed: "Persons downloading photographs from the internet should recognise that there may be a risk of copyright infringement and, once notified of an infringement, they should act promptly and reasonably in order to arrive at an appropriate fee as compensation for the use of the Work. The awarding of additional damages provides a deterrent against other reckless or careless use of copyright works."

COPYRIGHT CLAIMS IN THE UNITED STATES

Less than a week before the Federal Circuit Court delivered this decision, a claim was filed in the US District Court by a photographer against model Gigi Hadid and her agency IMG Worldwide, claiming copyright infringement in relation to a photograph of Gigi which she posted on Instagram and Twitter. The photographer claims he had licensed the photograph to publications such as *The Daily Mail* for a fee, and that Gigi reproduced it from *The Daily Mail* website without attribution.

In a blog post, the photographer has argued that Gigi's alleged infringement "is only the beginning of the problem", since other major publications which would usually go through his agency and pay a fee to use the photograph simply republished the Instagram post instead.

The proceedings are still at an early stage, but it will be interesting to see how they unfold.



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A black and white photograph of three scientists in a laboratory setting. They are wearing white lab coats and safety goggles. The scientist on the left is holding a test tube, the one in the middle is looking at it, and the one on the right is writing on a notepad. There are various lab equipment like beakers and test tubes on the table.

Swiss-type patent claims held ineligible for term extension in Australia

**COMMISSIONER OF PATENTS
v ABBVIE BIOTECHNOLOGY LTD
[2017] FCAFC 129 (18 AUGUST 2017)**

What you need to know

- The Full Federal Court has held that “Swiss-type” patent claims are not eligible for term extension under s 70(2)(b) of the *Patents Act 1990* (Cth) (Patents Act), reversing a decision of the Administrative Appeals Tribunal.
- This decision significantly clarifies the availability of term extensions for Australian patents relating to pharmaceutical substances that are manufactured by processes involving the use of recombinant DNA technology.

What you need to do

- Patent owners should carefully review their patent portfolio and consult with their legal advisors on the application of Australia’s patent term extension regime.
- To increase the prospects of obtaining a valid term extension, Australian patents relating to pharmaceutical substances made using recombinant DNA technology should include product or product-by-process claims wherever possible.

BACKGROUND

AbbVie Biotechnology Ltd markets the biological medicine adalimumab under the brand name Humira® for the treatment of certain inflammatory and autoimmune diseases. Adalimumab is a fully human monoclonal antibody produced using recombinant DNA technology.

AbbVie applied to the Australian Patent Office for patent term extension (PTE) of three patents. All of the claims in each of the three patents were “Swiss-type” medical use claims. Swiss-type claims are purpose-limited process claims, generally having the form “use of drug [x] in the manufacture of a medicament for use in treatment of disease [y]”. The claims at issue in this case were directed to the use of adalimumab in the manufacture of a medicament for use in the treatment of specified inflammatory and autoimmune disorders.

In selected circumstances, the term of an Australian pharmaceutical patent may be extended to compensate the patent owner for delay between grant of the patent and regulatory approval to market the pharmaceutical in Australia. Relevantly for this case, term extension may be available where a pharmaceutical substance produced by recombinant DNA technology falls within the scope of the patent’s claims, and the period between grant of the patent and first regulatory approval for the pharmaceutical substance exceeds 5 years.

At first instance, each of AbbVie's PTE applications was refused by the Patent Office, on multiple grounds.

The Deputy Commissioner of Patents considered that a pharmaceutical substance when produced by recombinant DNA technology does not, in substance, fall within the scope of a Swiss-type claim. In those circumstances, the Deputy Commissioner found that the three patents were not eligible for PTE at least for the reason that the requirements of section 70(2)(b) of the Patents Act had not been satisfied.

AAT DECISION

AbbVie applied to the Administrative Appeals Tribunal (AAT) for a review of the Deputy Commissioner's decision. AbbVie was successful on some, although not all, grounds of appeal.

Notably, the AAT disagreed with the Deputy Commissioner's finding that Swiss-type claims are ineligible for PTE because they are not directed to a "pharmaceutical substance ... produced by a process that involves the use of recombinant DNA technology", as required by s 70(2)(b) of the Patents Act.

The AAT noted that, by contrast to s 70(2)(a) of the Patents Act, s 70(2)(b) refers to a "pharmaceutical substance" rather than a "pharmaceutical substance *per se*". The AAT considered that the absence of the term "*per se*" from s 70(2)(b) was significant and the provision should be interpreted as extending to process claims which involve the use of recombinant DNA technology.

The Commissioner of Patents appealed from the decision of the AAT to the Full Federal Court on a question of law regarding the correct interpretation of s 70(2)(b).

FULL FEDERAL COURT DECISION

The Full Federal Court set aside the finding by the AAT that a PTE may be based on Swiss-type claims.

In reaching this decision, the Full Court considered the meaning of "pharmaceutical substance" in s 70(2), referring to existing case law and to the Explanatory Memorandum for the Bill which inserted the current PTE provisions into the Patents Act. The Court concluded that, to be eligible for PTE, a patent must include at least one claim that is directed to a product, rather than a method or process. Further, to meet the requirements of s 70(2)(b), that product must have been produced by a process involving the use of recombinant DNA technology. The Full Court found that those requirements are not satisfied by Swiss-type claims, which are directed to a method or process in which a pharmaceutical substance is used to produce a medicament, further limited by the therapeutic purpose for which that medicament is to be used. Swiss-type claims were therefore considered by the Court to be fundamentally different from the type of claims to which s 70(2) is directed.

The Full Court held that the AAT had erred in finding that production of a pharmaceutical substance by a process involving recombinant DNA technology was, of itself, sufficient to satisfy the requirements of s 70(2)(b). According to the Full Court, the AAT had "overlooked the requirement in s 70(2)(b) that, even though produced by a process involving recombinant DNA technology, the pharmaceutical substance must also, in substance, fall within the scope of the claim or claims of the [patent] specification in suit". According to the Full Court, "[p]roperly construed, this means that it is the pharmaceutical substance that must be the subject matter of the claim or claims, not methods or processes (beyond recombinant DNA technology) concerning or involving the pharmaceutical substance".

Having regard to the reasoning of the Full Court in this case, it appears that s 70(2)(b) should be understood as directed to "product-by-process" claims, where the process involves the use of recombinant DNA technology. However, further judicial interpretation will be required to fully assess the scope of operation of s 70(2)(b) of the Patents Act.

CONCLUSION

The Full Court's decision suggests that, under the Patents Act, term extension will only be available where a patent includes at least one product claim directed to a pharmaceutical substance itself, or at least one product-by-process claim directed to a pharmaceutical substance when produced using recombinant DNA technology. Claims directed to a second (or subsequent) medical use of a pharmaceutical substance, including Swiss-type claims, will not be eligible for patent term extension in Australia. This applies regardless of whether the pharmaceutical substance in question was produced by a process involving recombinant DNA technology.

It is worthwhile bearing in mind that AbbVie did not contest this matter before the Full Federal Court. For this reason, the Court did not have the benefit of a contradictor to present arguments in support of the proposition that Swiss-type claims should be eligible for term extension under the Patents Act. Notwithstanding this limitation, the Full Court's decision does represent strong authority against term extension eligibility for Swiss-type claims in Australia.



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Calm seas as site blocking for pirates sails through the courts

ROADSHOW FILMS PTY LTD v TELSTRA CORPORATION LIMITED [2017] FCA 965

FOXTEL MANAGEMENT PTY LIMITED v TPG INTERNET PTY LTD [2017] FCA 1041

What you need to know

- The Federal Court has handed down the latest round of judgments which considered the application of s 115A of the *Copyright Act 1968* (Cth) (Copyright Act).
- The proceeding initiated by Village Roadshow saw Justice Nicholas block access to 42 piracy sites; while the proceeding initiated by Foxtel saw Justice Burley block access to a further 17 piracy sites.
- These judgments were broadly consistent with the previous judgments which have considered this section, in that:
 - ISPs have been ordered to block overseas websites which have the primary purpose of infringing copyright.
 - Rights holders must pay compliance costs to the ISPs for the site-blocking.
 - The orders relate only to the nominated domain names. For new domain names in relation to the infringing sites, the Court established a mechanism to extend the orders. Completely new sites will need to be the subject of separate proceedings.

THE DECISIONS

In August 2017, Justices Burley and Nicholas handed down substantially similar decisions ordering various ISPs to take reasonable steps to disable access to websites which were determined to have had the primary purpose of allowing the unauthorised download of movies and TV shows on a large scale.

The orders largely mirror those previously handed down under s 115A of the Copyright Act. This section provides a “no-fault” remedy for content holders to compel ISPs to disable access to websites that have the primary purpose of providing access to copyright infringing material.

The orders have now seen the likes of Pirate Bay, SolarMovie, Torrentz, TorrentHound, IsoHunt, KickassTorrents, Kiss Carton, WatchFree, Movie4K, yesMovies, Watch Series 1 and Watch Series 2 all being blocked from selected Australian servers by the nominated ISPs.

THE ORDERS

Broadly, the orders were:

- 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 domain names for these sites 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 were ordered to pay the ISPs’ compliance costs of \$50 per domain name.

The ISPs did not participate or seek to be heard in these proceedings. The owners and operators of the relevant websites have not appeared in any of the proceedings so far.

LOOKING FORWARD

These decisions provide further support for the precedent set by the Court that site blocking orders will be made in broadly consistent terms where websites are found to have the primary purpose of infringing copyright.

Interestingly, the chairman for Creative Content Australia and co-CEO of Village Roadshow, Graham Burke, has issued a warning for anyone who continues to access pirated materials, and indicated that Village Roadshow will start pursuing infringing individuals. Village Roadshow will need to seek preliminary discovery from ISPs to obtain the names and addresses of suspected infringers. Unlike the Dallas Buyers Club saga where this was attempted, Mr Burke has reportedly indicated that Village Roadshow will not engage in speculative invoicing.



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Unhappy ending for Daiso in its product safety toy story

*DIRECTOR OF CONSUMER AFFAIRS VICTORIA
v DAISO INDUSTRIES (AUSTRALIA) PTY LTD
[2017] FCA 683 (16 JUNE 2017)*

What you need to know

- Mandatory standards prescribe requirements for the design and construction of certain toys, including projectile toys, aquatic toys and toys for children up to and including 36 months.
- A number of Daiso's goods were found to be toys for children up to and including 36 months of age, being objects manufactured, designed, labelled or marketed as "playthings". Daiso admitted that the toys did not comply with the mandatory standards for toys for children under 3 years, and Daiso was found to have contravened the safety standards.

What you need to do

- Toy suppliers must ensure that toy products meet the mandatory standard requirements under the Australian Consumer Law (ACL), including toys containing magnets, aquatic toys, projective toys, toys containing lead and toys for children up to and including 36 months.
- When assessing whether a toy is for a child up to and including 36 months, it is possible that a child under the age of 3 will still play with the toy meaningfully, even if the child lacks the motor ability to use the toy as intended.
- Disclaimers on toys stating that they are not for children under 36 months, or for a higher age bracket, will not be effective where the disclaimers are not prominent or are difficult to understand.



BACKGROUND

The Director of Consumer Affairs Victoria (the Director) brought action against Daiso Industries (Australia) Pty Ltd (Daiso), a Japanese department store, alleging contraventions of product safety and product information provisions. The Director alleged that, from November 2013 to May 2016, Daiso supplied for sale five categories of products which did not comply with safety standards or information, being projectile toys, sunglasses, elastic luggage straps, cosmetics and toys for children under 3 years of age.

Daiso admitted its liability with respect to the projectile toys, sunglasses, elastic luggage straps and cosmetics, however it did not admit contraventions in respect of the toys argued by the Director to be for children under the age of 36 months.

Daiso argued that these toys were not “toys for children up to and including 36 months of age, being objects manufactured, designed, labelled or marketed as playthings” within the meaning of the Consumer Product Safety Standard. The parties

agreed that, if the toys did fall within the age category, they did not comply with the applicable mandatory product safety standard and would contravene the ACL. Justice Moshinsky was tasked with assessing each of the toys and determining whether each fell within the meaning of a toy for children up to and including 36 months of age.

PRODUCT SAFETY REGULATIONS

The ACL provides that a person or entity must not supply particular goods if a safety standard for the goods is in force and the goods don't comply with that standard. Mandatory standard *Consumer Protection Notice 14 of 2003* (Notice) sets out the requirements for toys for children up to and including 36 months. The Notice outlines that toys for children up to and including 36 months of age include toys for use in a bath tub, puzzles and toy cars and other vehicles.

The Director claimed that Daiso's toys did not comply with the Notice because, when tested in accordance with the required testing provisions, the toys either contained or liberated small parts which could present a choking hazard. The Director argued that the Daiso Toys accordingly failed the “reasonably foreseeably abuse” test and the “small parts” test.

ASSESSMENT

Justice Moshinsky relied on expert evidence in determining that each of Daiso's toys in issue could be considered a toy for children up to and including 36 months of age. In considering the toys, the experts identified that children can interact with toys meaningfully, even if the child lacks the motor ability to use the toys as intended. His Honour found that it would undermine the purpose of the consumer safety regime if product safety standards were not applied to toys which children have meaningful play, notwithstanding whether or not the children use the toys as intended.

In addition, Justice Moshinsky found that the nature of a toy, and its overall look and feel, can be used to determine if a toy would be purchased for a child under the age of 3. In this instance, his Honour found that the plastic bath toys, even if not used to their full potential, are likely to appeal to a child under the age of 36 months.

The majority of Daiso's toys had disclaimers that the toys were for children of a different age (in all circumstances, above 3 years old). However, his Honour found that these disclaimers were not sufficient because they were in very small print, were not prominent enough or could not be interpreted as a disclaimer (such as use of a large number “6” to indicate the minimum age of the children the toy was intended for, with no further text to explain this).

CONCLUSION

Daiso was therefore found to have contravened the ACL in relation to these toys. A further hearing will occur in relation to the nature of the relief to be ordered in respect of the contraventions, including any pecuniary penalties.



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