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IP @ Ashurst

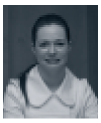
June 2018

FROM THE EDITORS

Welcome to the June 2018 edition of *IP @ Ashurst*.

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

We hope you enjoy this edition.



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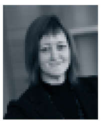

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Managing Intellectual Property

FIRM OF THE YEAR **2018**

Ashurst has been recognised as the Managing IP 2018 Australia Trade Mark Contentious IP Firm of the Year

Contents

Promises worth keeping: the Full Federal Court considers the test for utility in Australian patent law

ESCO Corporation v Ronneby Road Pty Ltd [2018] FCAFC 46

What you need to know

- On 28 March 2018, the Full Court of the Federal Court of Australia (Full Court) reversed a decision of Justice Jessup, finding that a patent owned by ESCO Corporation (ESCO) (ESCO Patent) is valid and not lacking in utility or novelty.
- The case provides an example of how courts will construe the patent specification and claims in order to determine the "promise of the patent" and decide if the claimed invention has utility.

What you need to do

- When drafting patent specifications, patentees should take care not to overstate the practical utility of the claimed invention. Courts will assess whether each claimed invention delivers the benefit(s) promised by the patent specification for that invention.

BACKGROUND

The ESCO Patent (Australian Patent No. 2011201135) is for an invention that "pertains to an improved wear assembly for securing wear members to excavating equipment". In general terms, the invention relates to teeth which are attached to, and which protect, the bucket of an excavator.

OPPOSITION PROCEEDINGS

On 7 February 2013, Ronneby Road Pty Ltd (Ronneby) commenced opposition proceedings against the grant of the ESCO Patent. A delegate of the Commissioner of Patents rejected all grounds of opposition, finding that the ESCO Patent met the requirements under the *Patents Act 1990* (Cth) (Act).

FEDERAL COURT PROCEEDINGS

On 26 February 2015, Ronneby appealed the delegate's decision to the Federal Court on the grounds of lack of novelty, lack of fair basis and lack of utility. The Primary Judge (Justice Jessup) found that the ESCO Patent was invalid on the basis that each claimed invention lacked novelty and utility.

On appeal, the Full Court reversed the Primary Judge's decision and found that the ESCO Patent was valid.

UTILITY

THE PARTIES' CONTENTIONS

Ronneby identified the promises of the invention as six stated enhancements to the equipment, being strength, stability, durability, penetration, safety and ease of replacement. Ronneby contended that each claimed invention lacked utility because it failed to satisfy all six promises, with some promises not being satisfied by any of the claims.

ESCO contended that the enhancements were not promises, but rather purposes of the invention. Further, even if the enhancements were promises, ESCO contended it was not necessary for each claim to individually attain all of the six promises.

THE FINDINGS OF THE PRIMARY JUDGE

The Primary Judge adopted Ronneby's construction of the six enhancements as being one composite promise. The central issue therefore became whether a patent that promises more than one result for a claimed invention must attain all of them. The Primary Judge found that to be the case, and found that none of the claims fulfilled the composite promise. On this basis, all claims were found to lack utility.

THE FINDINGS OF THE FULL COURT

On appeal, the Full Court found that the six enhancements were not promises of the invention, or alternatively, if they were promises, then the six enhancements were to be read disjunctively and the claimed invention need not achieve all of them.

The Full Court's conclusion rested upon its construction of the patent specification, including the claims. The Full Court stated that reading the six enhancements as either a composite promise or a set of promises which apply to all claims (as Ronneby contended) would bring about "discontinuity" and "asymmetry", because the claims address two distinct things (being the wear member and the wear assembly).

The Full Court nevertheless expressed the view that if, properly construed, the promise of the patent specification is a composite promise, then a failure to obtain any one of the elements will render the claimed invention inutile.

NOVELTY

The Primary Judge found that an earlier product named the Torq Lok fell within some of the claims of the ESCO Patent, depriving those claims of novelty. Unlike the Torq Lok, the ESCO Patent specified certain lock positions for attaching the wear member to the base of the excavator. However, the Primary Judge found that these lock positions were not integral to the claimed invention.

The Full Court rejected this construction of the relevant claims, stating that the Primary Judge was wrong to focus on only one function of the lock. The Full Court therefore overturned the Primary Judge's finding that the relevant claims lacked novelty.

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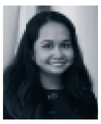

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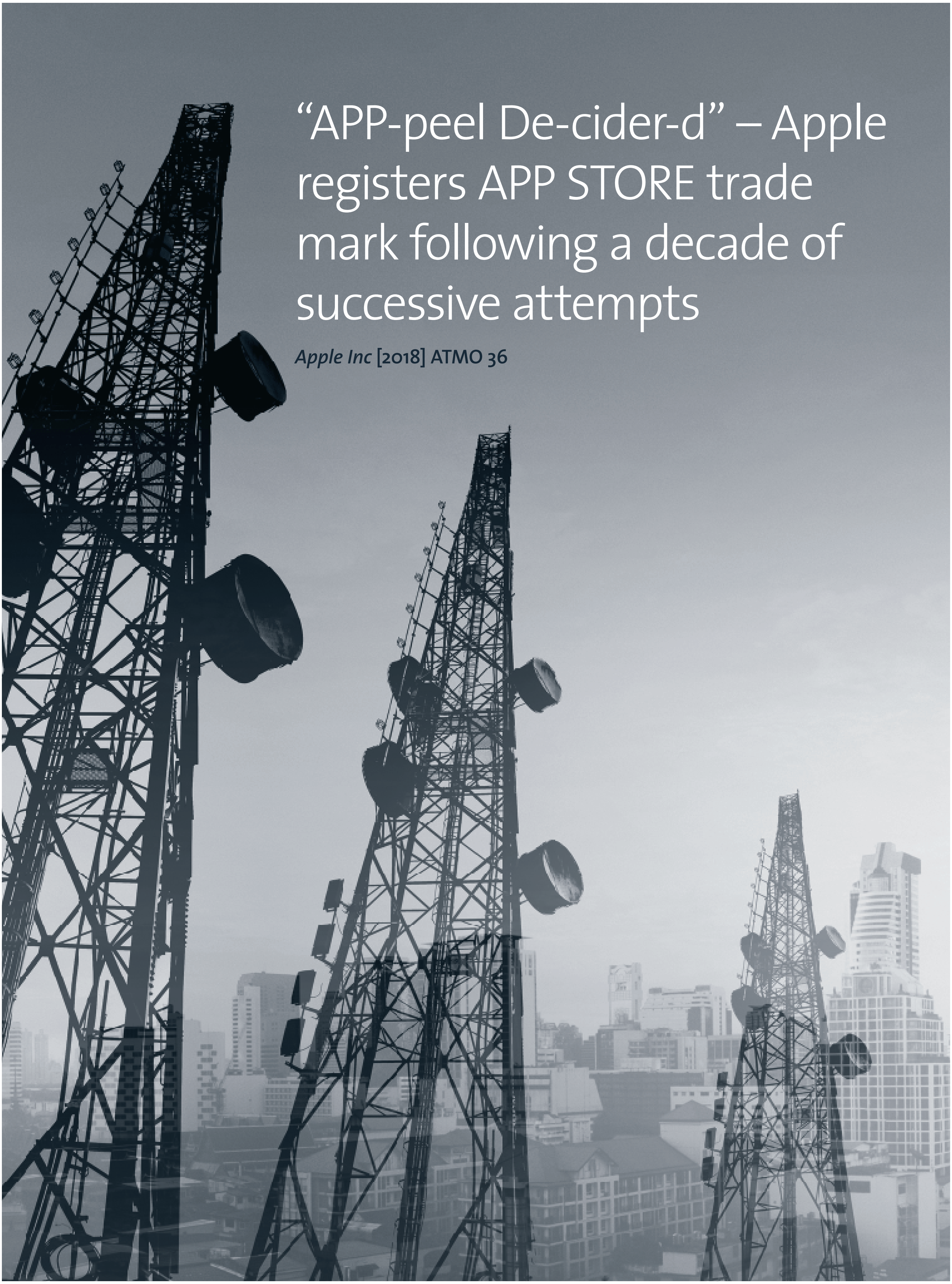
"APP-peel De-cider-d" – Apple registers APP STORE trade mark following a decade of successive attempts

Apple Inc [2018] ATMO 36



What you need to know

- On 14 March 2018, a Delegate of the Registrar of Trade Marks accepted four applications by Apple Inc (Apple) to register the "APP STORE" trade mark in classes 9, 35, 38 and 42.
- The decision follows an unsuccessful appeal by Apple to the Federal Court to have APP STORE registered and signifies the end of a decade of successive attempts by Apple to have the APP STORE trade mark registered in Australia.

What you need to do

- Applicants should be aware that even if a trade mark application is not inherently adapted to distinguish the goods and services sought, extensive use can result in the trade mark application becoming distinctive.
- When seeking to have an application accepted, applicants should consider submitting evidence of third parties referring to the trade mark in isolation, without any additional evidence.
- In order to have applications accepted, applicants should be willing to amend or narrow specific classes of goods and services if provided an opportunity by the examiner or delegate of the Registrar.

WHAT IS THE APP STORE?

Apple launched its software and retail download service under the name APP STORE on 11 July 2008. Users of Apple's iOS mobile operating system, which operates iPhones, iPods and iPads, were provided a means of having software products directly delivered to their devices.

According to Apple's evidence, 200 million global users of the APP STORE made 15 billion downloads by July 2011. At this time, the APP STORE in Australia offered 425,000 software programs, with this figure rising to 1 million by December 2014. Australian downloads from the APP STORE in May 2013, numbered 50 billion and rose to 3 billion in the month of December 2013 alone.

WHY HAD APPLE BEEN UNSUCCESSFUL IN THE PAST?

On 3 December 2014, in *Apple Inc v Registrar of Trade Marks* [2014] FCA 1304 (App Store Case), Apple was unsuccessful in an appeal to the Federal Court over an earlier application to register the APP STORE trade mark under the *Trade Marks Act 1995* (Cth) (Act) for a broad range of good and services (see our article "App, App and Away – Apple appeals decision refusing registration of APPSTORE trade mark" in the June 2013 edition of *IP @ Ashurst* on the original Trade Marks Office decision). The Federal Court found APP STORE was not to any extent inherently adapted to distinguish the relevant services at its filing date on 18 July 2008.

On 23 December 2014, Apple applied to register three trade marks in classes 35, 38 and 42 under the Act and on 15 May 2015, Apple lodged a divisional application for a fourth trade mark in class 9.

The Trade Marks Office examiner identified a ground for rejection under section 41 of the Act. To the examiner, the applications' use of the words APP STORE suggested that the goods or services are provided by a facility or store that supplies computer applications (apps). The examiner considered that other traders of apps should be able to use the words APP STORE in connection with similar goods or services.

Apple requested a hearing before a delegate of the Registrar (Delegate) on the question of whether the examiner had a valid ground for rejecting the applications under section 41. Apple submitted that the examiner's objection was invalid as the expression APP STORE was capable of distinguishing Apple's goods and services from those of other traders.

WHAT MADE THE DIFFERENCE THIS TIME?

The Delegate gave significant consideration to whether consumers regarded and relied upon APP STORE alone as a badge of trade origin for the goods and services, and was ultimately persuaded on this point in relation to a number of the applications.

In particular, the Delegate:

- found that the expression APP STORE, while not to any extent inherently adapted to distinguish the goods and services, could become distinctive through use;
- considered that while some of Apple's competitors have used different trade marks to identify their software retail and download services eg Google Play, the competitors do not and have not used APP STORE for the sake of its ordinary meaning;
- stated that the expression APP STORE has often been used by itself, without another mark or identifier, to identify that the services offered under the APP STORE are those of Apple;
- stressed that the level of use of APP STORE at the priority dates was extremely high, with millions of Australian consumers being exposed to and regularly using Apple's software distribution service identified by the expression APP STORE; and
- highlighted that, unlike in the App Store Case where the expression APP STORE had only been used in Australia for 8 days at the priority date, in the present applications APP STORE had been used extensively in Australia for over 6 years at the priority dates.

Evidence of how the APP STORE trade mark had been referred to by third parties, including media and software developers advertising their products as being available for download on the service, was critical to the Delegate's decision. The evidence suggested third parties commonly used "APP STORE" without any additional identification to indicate the name of Apple's software retail and download service. The Delegate considered that the evidence showed that at the priority date the trade mark had become distinctive.

The Delegate did not initially accept the applications in relation to all classes sought due to a lack of sufficient evidence in some broad classes. Apple was provided an opportunity to narrow the applications for class 9 goods and class 42 services, after which the Delegate accepted all applications.

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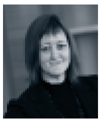

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Fairy finishes off competitor's injunction against comparative advertising

***Reckitt Benckiser (Australia) Pty Limited v Procter & Gamble Australia Pty Limited* [2018] FCA 378**

What you need to know

- A television commercial and in-store promotion claimed that Fairy Platinum dishwashing tablets cleaned stuck-on food better than Finish Quantum.
- Reckitt Benckiser (Australia) Pty Limited, the owner of the Finish branded products, filed an application for an interlocutory injunction to immediately discontinue the broadcast of the Fairy Platinum advertisement and in-store promotion.
- In determining whether the advertisement was misleading or deceptive in contravention of the *Australian Consumer Law*, the overall impression and dominant message of the advertisement were key considerations.
- Where a claim is substantiated by scientific testing, the court will rely on those findings where no other evidence to the contrary has been adduced.

What you need to do

- Be cautious when engaging in comparative marketing – the competitor is likely to closely scrutinise your claims and whether these can be substantiated.
- Always ensure any comparative claim is accurate and substantiated by evidence.
- When assessing what representations are conveyed by an advertisement, consider the overall dominant message or impression as well as specific, express claims.

BACKGROUND

As outlined by Justice Lee in his judgment, "[t]he gentle rinse of dishwashing detergent is not reflective of the vigorous thrust of commercial rivalry between the protagonists". On this occasion, the conflict between the parties concerned comparative advertising of dishwashing tablet products.

This proceeding was commenced by Reckitt Benckiser (Australia) Pty Limited (Reckitt Benckiser), the company behind the well-known Finish dishwashing products. It was brought in relation to a comparative television advertisement and in-store promotion run by a competitor, Procter & Gamble Australia Pty Limited (Procter & Gamble), which sells dishwashing products under the Fairy brand. Reckitt Benckiser sought an interlocutory injunction to immediately discontinue the broadcast of the advertisement and in-store promotion.

In summary, the advertisement was a 15 second video commencing with a woman holding a transparent baking dish, and asking herself questions as to why the dish remained dirty after washing. A blue packet in the background was marked with the words "*Leading tablet*". Neither party disputed that the reference was to Finish products. A superscript at the bottom left of the frame bore the words "*Baked on starch*". A voiceover stated "*It's not your fault, try a new tablet*". Fairy Platinum was then introduced to the commercial with the admonition to "*Switch to Fairy Platinum*". The voiceover stated "*With triple action, it beats Finish Quantum at cleaning stuck-on food on the first wash*". A further white superscript appeared in the frame that read "*Third party laboratory tested with Finish Quantum in market as of Nov 2017 using baked on starch and baked on pasta*". Similarly, the in-store promotion included the wording "*Cleans Better than Finish Quantum* Even on stuck on food*". The asterisk connected to a similar disclaimer regarding the third party laboratory testing.

WHAT WERE THE REPRESENTATIONS CONVEYED?

The proceeding required consideration of whether the advertisement conveyed representations that were false, misleading or deceptive or likely to mislead and deceive under sections 18 and 33 of the *Australian Consumer Law* (ACL).

Reckitt Benckiser submitted that the advertisement conveyed a number of representations, including that Finish dishwashing tablets are faulty, that Fairy Platinum is better than Finish Quantum at cleaning all stuck-on foods, that Fairy Platinum is superior to Finish Quantum for all stuck-on foods, and that there was current adequate foundation in scientific knowledge for each of the representations.

DID THE TESTING SUPPORT THOSE REPRESENTATIONS?

Procter & Gamble supported its advertising claims with the findings of a third party laboratory test which assessed the cleaning performance of both Finish Quantum and Fairy Platinum. This test was conducted in accordance with the IKW Standard, which is an internationally accepted industry standard for the assessment of the cleaning ability of dishwashing tablets.

In assessing the dishwashing tablets' ability to wash seven different types of "soils" (including pasta, minced meat, starch and egg yolk), Fairy Platinum performed significantly better than Finish Quantum in four soil classes, and was sufficiently close to be regarded as comparable in the remaining three. However, his Honour found that the report supported the conclusion that Fairy Platinum had an overall generally better cleaning performance than Finish Quantum.

Reckitt Benckiser did not supply any evidence in respect of the testing of the tablets, and so the laboratory results were not contradicted.

FINDINGS

His Honour explained that in order to determine if the advertisement and in-store promotion constituted misleading or deceptive conduct, a two-step analysis was required. Inquiry had to be made as to:

- whether or not any of the pleaded representations are conveyed in the advertisement; and
- whether any of the representations conveyed are false, misleading or deceptive or likely to mislead or deceive.

His Honour outlined that it was necessary to view the conduct as a whole, and that the dominant message was of crucial importance. His Honour relied on authority that stated that a false dominant impression will not be ameliorated by the accuracy derived from careful analysis of all of the constituent parts of the whole.

His Honour also considered the principles of granting or refusing an injunction, including the requirement that the party bringing the interlocutory application must demonstrate a "relatively strong" *prima facie* case.

His Honour found that the overall and predominant claim conveyed in the advertisement and in-store promotion was that "*Fairy Platinum cleans better than Finish Quantum*", and that this was made in respect of "*stuck-on food*", and not baked-on food. It was also found that a representation was being made that the overall better performance of Fairy Platinum had a reasonable foundation based in scientific material.

In considering the scientific material, his Honour found that, taken as whole, the (unchallenged) test results demonstrated that Fairy Platinum did achieve a better overall result. This meant the representations were not found to contravene the ACL. His Honour considered that a relatively strong *prima facie* case was not established by Reckitt Benckiser, and so on the balance of convenience dismissed the interlocutory application.

CONCLUSION

While Procter & Gamble engaged in comparative advertising with a fierce competitor, it successfully resisted the interlocutory application by being able to substantiate the representations made within its advertisement.

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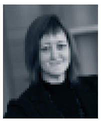

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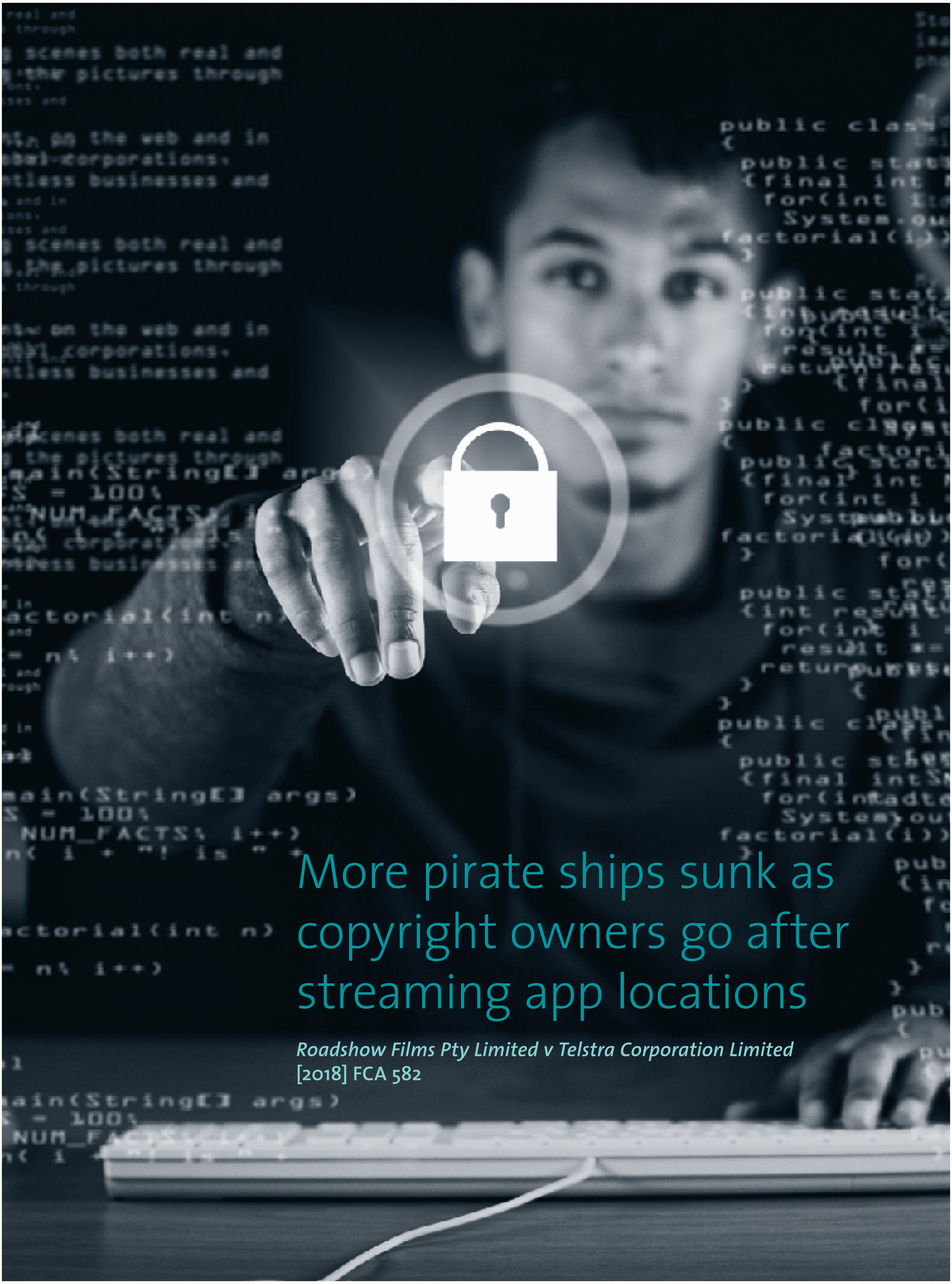

More pirate ships sunk as copyright owners go after streaming app locations

Roadshow Films Pty Limited v Telstra Corporation Limited
[2018] FCA 582

What you need to know

- The Federal Court has handed down its fifth decision considering the application of section 115A of the *Copyright Act 1968* (Cth) (Copyright Act).
- ISPs have been ordered to block access to 16 online locations which have the primary purpose of facilitating the infringement of copyright.
- This was the first site blocking case to consider online locations accessed by apps in smart TV boxes, or set top boxes, rather than websites accessed by individuals.
- The orders made relate only to nominated domain names. For new domain names in relation to the infringing online locations, the Court established a mechanism to extend the orders. Completely new sites will need to be the subject of separate proceedings.
- The copyright owners will have to pay compliance costs to the ISPs for the site-blocking.

BACKGROUND

On 27 April 2018, Justice Nicholas of the Federal Court handed down the latest decision in the series of site-blocking cases. His Honour ordered various ISPs to take reasonable steps to disable access to 16 online locations, which his Honour determined had the primary purpose of facilitating the infringement of copyright in films and television broadcasts on a large scale.

The orders largely mirror those handed down in *Roadshow Films Pty Ltd v Telstra Corporation Limited* [2016] FCA 1503 (as discussed in our October 2017 *IP @ Ashurst*), *Universal Music Australia Pty Limited v TPG Internet Pty Ltd & Ors* [2017] FCA 435 (as discussed in our June 2017 edition of *IP @ Ashurst*), *Roadshow Films Pty Ltd v Telstra Corporation Limited* [2017] FCA 1041 and *Foxtel Management Pty Limited v TPG Internet Pty Ltd* [2017] FCA 1041 (both discussed in our October 2017 edition of *IP @ Ashurst*). These decisions relate to section 115A of the Copyright Act, which 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.

Unlike the previous section 115A decisions, the online locations in this case were not websites, but rather were specific online locations used by three apps operating through smart TV boxes to download infringing content.

The three apps in question were in fact three versions of the same app, which came pre-installed on the X-96 Smart TV box. These apps could also be installed on any Smart TV box running Android software. The apps required users to purchase a subscription, after which users could use the apps to stream a wide variety of movies and various TV channels without the consent of the copyright owners. The online locations to which these proceedings related were used by the apps to stream this infringing content to the Smart TV boxes.

THE ORDERS

Justice Nicholas made the following orders:

- The ISPs must, within 15 days, DNS block (or equivalent) the nominated online locations 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 online locations 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 of the online locations.

LOOKING FORWARD

This decision shows a willingness by the Court to apply section 115A beyond websites to online locations accessed by apps, rather than by individuals. Smart TV boxes are an increasingly popular way to access content, and many can be used with apps that allow access to infringing content. This is likely to be an increasing area of focus for copyright owners, and therefore the courts, in pursuing online piracy.

The decision also further supports the precedent set by the earlier site-blocking cases for broadly consistent orders where online locations (whether websites or otherwise) are found to have the primary purpose of infringing copyright.

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The devil is in the detail: Optus' reputation works against it in trade mark dispute

***Singtel Optus Pty Limited v Optum Inc* [2018] FCA 575**

What you need to know

- The Federal Court held that the different consonant endings between OPTUS and OPTUM was enough to make the two marks substantially distinct.
- General or broad descriptions of services may not be enough for the Court to make an assessment of whether services the subject of two marks are similar.
- Optus' longstanding reputation in Australia was a relevant factor against there being any likelihood that consumers would be deceived by the use of the OPTUM marks.

What you need to do

- If you are disputing a trade mark application, you must provide evidence with sufficient detail of the nature and content of the goods or services to which your dispute relates.
- If you own a mark with a particular notoriety or familiarity in the Australian market, you must be prepared to provide reasons as to why, despite that reputation, Australian consumers would still be deceived by the use of a mark similar to yours.

BACKGROUND

This decision relates to an appeal by Singtel (owner of the OPTUS marks) of a decision of a delegate of the Registrar of Trade Marks rejecting Singtel's opposition to Optum's two trade mark applications for the OPTUM word mark and OPTUM logo mark. Singtel operates a telecommunications business whereas Optum provides information and support services to the healthcare industry.

Singtel's appeal relied on the grounds of ownership (section 58 of the *Trade Marks Act 1995* (Cth)), prior registrations (section 44) and reputation (section 60). Optum cross-claimed for the removal of the OPTUS word mark in relation to class 35 services.

THE APPEAL

Justice Davies rejected all of Singtel's grounds of appeal.

OWNERSHIP

Justice Davies determined that the difference between the consonant endings of "S" and "M" was enough to make the two word marks substantially distinct from each other both aurally and visually. Furthermore, the different last letters meant that each mark evoked words with different meanings; OPTUM evoked optimal or optimum and OPTUS evoked opt or choice.

Justice Davies further concluded that even if the marks were substantially identical, common law ownership was not found. On this point, Justice Davies accepted that Singtel had used the OPTUS marks before the priority dates of the OPTUM marks in relation to various non-telecommunications services in the healthcare sector as evidenced by various presentations and expressions of interest made to healthcare organisations bearing the OPTUS mark or making reference to Optus as a badge of origin.

The services referenced in these documents and further explained by witness evidence included technology consulting, application development, data centres, project management and system integration. However, Justice Davies determined that the descriptions of the services provided by the evidence was too general to determine whether the services promoted by Singtel and the designated services in Optum's trade mark applications were similar.

PRIOR REGISTRATIONS

The relevant assessment to determine whether the OPTUM marks were deceptively similar to OPTUS is to consider whether there is a real risk that Optum's use of the trade marks would cause confusion as to the origin of those services.

In applying this test, Justice Davies determined that the OPTUM marks were not deceptively similar. In addition to the marks bearing aural and visual differences, the notoriety of the OPTUS mark within telecommunication services minimised the risk of any real confusion amongst consumers between the OPTUM and OPTUS marks.

Justice Davies further concluded that even if the marks were deceptively similar, there were other circumstances which permitted the registration of the OPTUM marks. Those other circumstances included the following:

- the OPTUM marks use Optum's name;
- all of Optum's business in Australia is conducted under the OPTUM name and trade mark;
- while Optum had not used the marks in Australia until 2011, the mark was first registered in the US in 1993, and was used extensively overseas in the healthcare industry such that preventing Optum from registering its mark in Australia would cause substantial prejudice; and
- there was no evidence of confusion since use of the OPTUM marks commenced in Australia.

REPUTATION

Justice Davies concluded that the evidence did not establish that the OPTUS word mark had a reputation in Australia beyond telecommunications. Justice Davies then proceeded to conclude that even if her assessment was incorrect, the notoriety of the OPTUS marks to Australian consumers meant that it was unlikely that consumers would be confused or deceived by the use of the OPTUM marks.

THE CROSS-CLAIM

In relation to the cross-claim, Justice Davies found that Singtel only rebutted the allegations of non-use made with respect to business consultancy services in class 35. The parties agreed that further submissions should be made before the Court makes any orders on the removal or redrafting of registrations in relation to those services where no use has been demonstrated.

LESSONS LEARNED

Parties looking to establish ownership through prior use should be mindful of the evidentiary burden that comes with proving that services are the same as or the same kind of services the subject of the disputed application. In particular, parties should be prepared to provide evidence of the nature and content of those services to a significant level of detail.

Furthermore, parties with a mark that has a longstanding reputation in Australia should be wary that this will be a factor against the likelihood of there being any confusion between similar marks for the purposes of establishing deceptive similarity.

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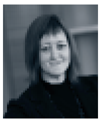

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Thermomix burnt by $4.6m fine for consumer law contraventions

***Australian Competition and Consumer Commission v Thermomix in Australia Pty Limited* [2018] FCA 556**

What you need to know

- Thermomix Australia Pty Ltd (Thermomix) admitted to contravening the *Australian Consumer Law* (ACL) by making misrepresentations about the safety of its products and consumers' rights under the consumer guarantee provisions of the ACL.
- The Federal Court of Australia ordered Thermomix to pay penalties of more than $4.6 million.

What you need to do

- Suppliers of consumer products should maintain ACL compliance programs, training and policies to ensure they act quickly and responsibly when product safety issues arise.
- In particular, businesses involved in the supply of consumer goods should ensure they are familiar with their obligations to notify the Australian Competition and Consumer Commission (ACCC) promptly of any injuries occurring through the use of their products.

BACKGROUND

Between June 2012 and July 2014, a number of Thermomix purchasers suffered serious burn injuries as a result of a safety issue concerning the Thermomix TM31 appliance.

Thermomix became aware that the lid of the TM31 could open whilst in use, causing hot liquid to escape. Thermomix senior management were aware of serious injuries occurring and were also in receipt of over 500 service reports from Thermomix's service department regarding defective TM31 lids.

Despite knowing of the safety issue from 7 July 2014, Thermomix continued to sell a further 9,443 TM31 appliances to Australian consumers.

Thermomix finally warned consumers of the safety issue via its Facebook page on 23 September 2014. On 7 October 2014, the German manufacturer of Thermomix, Vorwerk, issued a voluntary recall notice through the ACCC and distributed 104,000 replacement sealing rings to Australian customers.

Curiously, Thermomix then decided to deny there was any issue whatsoever with the TM31. Thermomix engaged a public relations agency and on 4 March 2016, issued a press release stating:

- there had been no recall of the TM31;
- the TM31 was absolutely safe; and
- there were no safety issues with the TM31 lid.

The ACCC commenced an investigation and issued Federal Court proceedings against Thermomix in June 2017 for contraventions of the ACL.

ACL CONTRAVENTIONS

The matter had been set down for a 4 day hearing, however less than 2 weeks before the hearing was due to commence, Thermomix reached an agreement with the ACCC and admitted to the contraventions. The Court made a series of declarations stating that Thermomix had made a number of false or misleading representations and had, on multiple occasions, engaged in misleading and deceptive conduct.

MISREPRESENTATIONS REGARDING SAFETY

The Court found that by failing to alert consumers to the safety issue, and by continuing to sell thousands of appliances to Australian consumers between July and September 2014, Thermomix senior management deliberately exposed a large number of consumers to a risk of injury through burns. The Court also found that this decision allowed the company to generate millions of dollars in profit from sales of the TM31 during this period.

MISREPRESENTATIONS REGARDING THE RECALL

The Court remarked on the significance and seriousness of Thermomix deliberately publishing a false and misleading media statement. Thermomix's press release was in the context of Vorwek's voluntarily recall of the product under section 128 of the ACL, and Thermomix itself being aware of at least 35 injuries being caused by the TM31. The Court stated that the press release potentially undermined the instructions given in the recall notice.

MISLEADING CONSUMERS REGARDING REFUNDS

Unrelated to the safety issues, consumers who had purchased appliances which subsequently suffered major failures were denied refunds by Thermomix. Thermomix was found to have falsely represented to four customers that they were not entitled to a refund or replacement, or that Thermomix could impose conditions on a refund (eg a confidentiality clause).

FAILURE TO REPORT

On 14 occasions between June 2012 and July 2016, Thermomix failed to comply with its mandatory requirement to report to the ACCC any serious injury suffered by a consumer through use of its products. Section 131 of the ACL requires the report to be made within 2 days of becoming aware of the injury, however Thermomix's delay in reporting injuries to the ACCC exceeded 3 years in some cases.

PENALTIES

In recognition of the significant and serious contraventions of the ACL, Thermomix was ordered to:

- pay a total penalty of $4.6 million;
- pay $230,000 of the ACCC's costs;
- publish a notice on its website and pin a post to its Facebook page; and
- establish and maintain a comprehensive consumer compliance program which involved developing policy, training, procedures and an injury reporting system.

Both the scope of Thermomix's ACL contraventions and the quantum of the penalties awarded by the Court in this case were significant.

This case is also the highest penalty resulting from a contravention of the ACL's mandatory reporting obligations. The fine for this contravention comprised $108,000 of the total penalty.

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