

# Intellectual Property Bulletin

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## PATENTS

# High Court says Federal Court wrong on 'test for obviousness'

*Aktiebolaget Hassle v Alphapharm Pty Ltd* (2002) 194 ALR 485

**A High Court decision provides much-needed guidance on the 'test for obviousness' in patent law. The High Court ruled that the Federal Court had asked the wrong questions on the issue of 'obviousness' and found that if the right question was asked, the invention was not obvious.**

*By Michael Dowling, Partner, and Cynthia Cochrane, Lawyer*

The decision by the High Court of Australia in *Aktiebolaget Hassle v Alphapharm Pty Ltd*<sup>1</sup> (*Losec*) was eagerly awaited by practitioners and their clients because it involved a review of the way the law of obviousness had been evolving in the Federal Court of Australia.

The Federal Court's approach to the assessment of the 'obviousness' of a patented invention (and therefore the patent's validity) has involved circular concepts such as whether the solution involved 'routine steps' or steps 'worthy to try'. This has been frustrating for patentees and practitioners. The clear rejection by the High Court majority of the approach that had been adopted by the Federal Court in *Losec* therefore came as a welcome relief:

The primary judge erred in his identification of the legal concept of obviousness against which the facts were measured. The Full Court also fell into error in this respect [32].

## Implications

As well as providing much-needed guidance on the test for 'obviousness', this five to two majority decision is a turnaround in the fortunes of patentees – in effect, it raises the bar to revocation on the ground of obviousness.

The High Court majority's rejection of the 'worthwhile to try' test is particularly pertinent for those industries where the 'art' progresses by steps of experiment and analysis (for example, the pharmaceuticals industry).

The subject in suit was characterised as a combination invention, so the decision is directly relevant to companies applying research and development resources to come up with new and useful combinations. However, it is also relevant to all inventing because, while it recognises that inventions differ in their making (and so one size does not fit all), it reaffirms that all inventions

are to be assessed by asking 'what is obvious?', not 'could the hypothetical skilled person do it?'.

## Losec case

In *Losec*, *Aktiebolaget Hassle* (*Astra*) owns the patent in question. Astra manufactures and sells the product *Losec* formulated in tablet form as claimed in the patent. The invention involves a combination of compounds that interact with each other. There is a core compound (the active ingredient), a subcoating layer and an outer enteric coating comprising three elements.

The invention solves the problems of the active form becoming unstable during storage and of getting the active ingredient to the site in the intestine where its activity is required. This is achieved through the combination of coatings.

Alphapharm (a generic drug manufacturer) asked the court to revoke Astra's patent on the ground that it was invalid for obviousness (that is, there was no inventive step). Alphapharm succeeded at trial and in the Full Federal Court, but the decisions were overturned by the High Court majority.

## High Court's directions

The High Court noted that there is no single formula for obviousness – for example, to be inventive, subjects are not required to be successful solutions to a problem that had presented a 'long-felt want'. The term 'obvious' does not stand by itself in the statute

to specify a ground for revocation. The reader is required to 'have regard' to what was 'known or used' on or before the particular date. As a general proposition, however, 'obvious' means 'very plain' for the non-inventive person skilled in the art (**PSA**) given the relevant prior art<sup>2</sup> Beyond that, the test has to be adapted to the invention (as characterised by the court).

The majority of the High Court expressly rejected the 'worthwhile to try' test for assessing obviousness (an unhelpful test left to us by the Full Federal Court in the *Losec* case):

First, the statute does not ask whether a particular avenue of research was obvious to try so that the result claimed therefore is obvious; the adoption of a criterion of validity expressed in terms of 'worth a try' or 'obvious to try' and the like begs the question presented by the statute [72].

The High Court majority noted that the Federal Court had adopted this approach with 'apparent encouragement from English authorities', specifically, the decision of the UK Court of Appeal in *Genentech*<sup>3</sup>. The High Court majority then went on to state that:

But cases such as *Genentech* mark a divergence from the treatment of obviousness in the decisions of this Court [70].

Interestingly, the High Court majority stated that the reasoning of the courts of the US in decisions such as *In re O'Farrell*<sup>4</sup> should be accepted in preference

to the path apparently taken in the English decisions.

## High Court approach

The High Court took a two-step approach in coming to its decision.

The first step was to define the invention that was the combination of the three elements. The ingenuity of that combination was the issue, not whether one or more of the components taken individually was routine. The High Court majority stated that:

...it is interaction which is the essential requirement of invention and such a combination may be constituted by integers each of which is 'old' or some of which are 'new' [6].

The High Court majority noted that the danger of 'misuse of hindsight' is particularly acute with combination patents because of the tendency to break the combination up into its individual elements. The High Court majority expressly rejected the 'analysis by dissection' approach adopted by the Federal Court, in which:

...the Full Court considered each integer separately [62].

In the second step, the High Court majority drew on the old 1970 English authority of *Olin Mathieson Chemical Corporation v Biorex Laboratories Ltd*<sup>5</sup> in specifying the line of inquiry appropriate in dealing with the question 'is the claimed outcome obvious?'

The court stated that the appropriate inquiry would be – given the problem and the relevant prior art – 'would the PSA be led directly as a matter of course to try the subject at issue in the expectation that it might well produce a solution to the problem?'

## Comment

To be so led to try the subject at issue, the PSA has to see the concept of the solution itself at the outset and have the requisite degree of expectation that trying the concept would succeed.

The High Court put the 'trying by routine steps' approach to the sword in various ways. In one, it pointed out that a course of action (such as occurs frequently in scientific advancement) that is complex, detailed, laborious, and with a good deal of trial and error and retracing of steps, is not the taking of routine steps that the hypothetical skilled person would take as a matter of course.

1. [2002] HCA 59 (12 December 2002); BC200207518.

2. For patents issued under the *Patents Act 1952* (Cth), obviousness is assessed against prior disclosures shown to be part of common general knowledge (CGK). This was broadened for patents issued under the *Patents Act 1990* (Cth) to include single or connected documents not within the CGK but which are publicly available in Australia and which the skilled person would be reasonably expected to locate. This was further expanded by the *Patents Amendment Act 2001* (Cth) to include information in written publications anywhere in the world or for use in Australia and oral disclosures. This reference is not intended to be exhaustive.

3. *Genentech Inc v Wellcome Foundation Ltd* [1989] RPC 147.

4. (1998) 853 F 2d 894 [903] (10 August 1988).

5. [1970] RPC 157.

## COPYRIGHT

# Protection of copyright and the music industry

*Sony Music Entertainment (Australia) Limited v University of Tasmania* [2003] FCA 532

**The issue of music copyright infringement is under the spotlight, with record companies taking action against several universities over alleged copying and distribution of unauthorised copies of copyright sound recordings.**

*By Teresa Ward, Lawyer*

Protection of copyright has always been a significant issue for the music industry. The advent of MP3 technology has seen a rapid increase in copyright infringement as audio files can now be quickly and easily distributed over the Internet.

Record companies have always taken active measures to combat infringement; however, this is proving to be an increasingly complex task as the anonymity of the Internet makes it difficult to identify those involved. Gathering sufficient evidence to commence proceedings is also difficult where information is stored electronically and can be amended or deleted with relative ease. Details of file structures, alteration and deletion details, email traffic and website usage logs can be helpful, particularly where there are gaps in the visible electronic record. Gaining access to electronic records in a format that allows forensic analysis of this information may become important in the context of copyright infringement.

## Background to case

Sony Music, Universal Music and EMI Music (collectively, the **record companies**) identified

that users of networks operated by each of the Universities of Tasmania, Sydney and Melbourne (the **universities**) were involved in copying and distributing audio files containing unauthorised copies of copyright sound recordings. During negotiations, the universities agreed to make backup copies of servers containing relevant websites, email systems and other files, in order to preserve the information for future use.

Subsequent investigations by the record companies could not identify precisely who was involved in infringing their copyright or provide sufficient evidence to determine whether the record companies could commence proceedings for copyright infringement. They sought access to the preserved material through preliminary discovery from the universities to try and further these investigations.

## Preliminary discovery application

An application for preliminary discovery (Order 15A Rule 3 of the Federal Court Rules) from a prospective defendant or non-party may be made to assist

an applicant determine against whom, and on what grounds, the applicant can commence proceedings. Orders will be made only if the applicant has been unable to obtain the information through reasonable enquiries and has reasonable cause to believe that the party has information or documents that may be relevant to the issue of identity or their right to obtain relief.

## Extent of access – protection of privacy and powers of the Federal Court

The record companies proposed orders that would grant them access to all of the preserved material for searching as they saw fit. They argued that the rules governing preliminary discovery were beneficial and so should be interpreted broadly. They contended that any document that contains relevant information (even if it contains other information) was discoverable. As the CD-ROMs and tapes contain some relevant files (and are documents), they were entitled to access all of the information on them.

The universities were concerned that such an order did not protect the legitimate interests of the Universities or their users. They argued that the protection of the privacy of non-involved users of their networks was an important public interest and the access sought by the record companies allowed an impermissible degree of 'fishing'. They contended that only individual records that were relevant to the issue of identity, or a right to obtain relief, fell within the scope of the rules, and so orders for discovery could be made only in relation to those individual records.

## A balancing act

Justice Tamberlin acknowledged that there was a tension between allowing broad access to the CD-ROMs and tapes, which impacts on third parties' rights to keep information confidential and the universities' rights to maintain claims of privilege, and allowing limited access, which may limit the usefulness of the discovery exercise for the record companies. His Honour said that the real issue for the court was exercising its discretion in a manner that balanced these competing interests.

Justice Tamberlin accepted the technical evidence given by the computer forensic expert called by the record companies as the basis for his orders and proposed the following process.

1. After giving appropriate undertakings as to

confidentiality, the expert (or another nominee) was to be given access to all of the CD-ROMs and tapes to search the material using the techniques and search tools he had suggested.

2. Information extracted from the searches was to be given to the universities. The universities could then seek legal advice in relation to claims of privilege or confidentiality (His Honour considered that this was an important protection.).
3. The universities were to prepare an affidavit of documents and allow inspection of those documents contained in the affidavit.

## What does this mean?

The decision shows the willingness of the court to adapt existing frameworks, developed in

the context of paper files, to deal with the challenges presented by electronic records. Armed by technical evidence given by experts, the court will make orders that seek to recognise both the challenges and opportunities that electronic records present for parties.

The exercise of the court's discretion to make appropriate orders will be a key limitation. It appears that the court will rely heavily on expert evidence to inform it as to the amount, and type, of electronic information that should be accessible. Expert evidence that is appropriate and user-friendly will go a long way to ensuring that the court understands the technical issues and makes orders that appropriately balance the competing interests of the parties and other uninvolved third parties.

## COPYRIGHT UPDATE

### Federal Court Appeal: *Universal / Warner & ors v ACCC*

*By Jim Dwyer, Partner*

On 22 August this year, the Full Court of the Federal Court handed down its decision in the much publicised appeal brought by two major record companies, Universal Music Australia and Warner Music Australia (and senior executives from each of those companies) from a decision of Justice Hill. The Australian Competition and Consumer Commission (**ACCC**) had been successful in proceedings alleging certain breaches of the *Trade Practices Act 1974* (**TPA**) at first instance.

The Full Court of the Federal Court held that Universal and Warner had not breached section 46 of the TPA because the evidence had not established that the record companies had 'a substantial degree of power in the wholesale market for recorded music in Australia'. The record company appeals, however, were unsuccessful in relation to the findings of breaches of other provisions of the TPA (s47). The appeals by the executives of each record company were

largely unsuccessful. The court increased the penalty imposed on Universal Music and Warner Music to \$1 million each (from the penalty imposed by Justice Hill of \$450,000 each) and reduced the penalty on one executive from \$50,000 to \$45,000; however, the other employee penalties were not altered. The unsuccessful appellants were ordered to pay 50 per cent of the costs of the ACCC, both at first instance and on appeal.

## IP PROTECTION

# Is your IP keeping pace with your business?

## Some practical tips on protecting intellectual property for companies looking to update and re-launch key brands.

By *Samantha Christie, Senior Associate*

Mary Marketing Director reviews sales figures and market research for her company's, Airlie Springs, stable of branded products. The market research indicates strong recognition and equity in one key brand, but that consumers are increasingly attracted to new competitor products. Mary decides to update and re-launch the key brand to give it a fresher, more modern look, with the aim of re-capturing lost market share. Mary briefs the design, production, marketing and sales teams, and within months of positive focus group testing, the re-launched product is showing strong sales performance.

Sound like a familiar strategy to boost sales and market share? In order to protect Airlie Springs' intellectual property, with all the underlying investment of time, resources and expenditure, Mary needs to involve her intellectual property specialists at the research and planning stage. A strategy such as the one outlined has the potential to raise many IP issues, including trade marks, designs and copyright.

### Trade mark issues

- Has Airlie Springs conducted searches to make sure that the newly updated brand will not infringe any third party rights? The use of new trade marks, logos or

packaging could easily do this. If the updated branding and packaging does infringe another company's rights, Airlie Springs could be faced with the threat of an injunction and forced to remove all its fast-selling product from the market, as well as change advertising material, the branding and/or 'get up' of the product packaging or labelling.

- Has Airlie Springs reviewed its registered trade mark protection? It is important to ensure that the updated branding is protected before the product launch, as the last thing Airlie Springs would want is another company using its new and very successful trade marks. If the modernised branding differs sufficiently from the 'old' brand and/or is used in relation to expanded product or service offerings, then fresh trade mark applications should be considered. It's also a good idea to make sure the 'old' brand is still required and, if so, will not be vulnerable to removal from the Trade Marks Register for lack of use. Trade mark law is underpinned by a 'use it or lose it' philosophy. In most cases, if five years has passed since a registered trade mark

was applied for, and the trade mark is not genuinely used in a commercial way for a continuous period of three years, an application can be made to deregister it.

### Design issues

- If the product or packaging design has also been freshened up for the re-launch, then Airlie Springs' registered design protection should be reviewed. Design registration generally protects 2 or 3D visible, striking or distinctive features of shape, configuration, pattern or ornamentation applicable to an article. If the re-launched product or packaging design is new or original, then fresh applications for design registration should be considered.
- As with trade marks, Mary should also ensure at the research and planning stage that the freshened product or packaging design will not infringe any third party design rights, so as to avoid potential threats of an injunction and possible product recall.

### Copyright issues

Airlie Springs' re-launched product is so successful that it is stealing a march on competitors. It has a catchy new name, fancy coloured packaging and, as part of a new promotion, an insert that sets out, in table form, all Australian Football League (AFL) grand finalists since the start of the competition. Mary's competitor intelligence team learns that a competing product, copying substantially Airlie Springs' new product packaging and promotional AFL insert, has

been launched into the market. Mary's company makes an urgent application to the court for an injunction, based on passing off and breach of the *Trade Practices Act 1974* (Cth), in relation to the similar branding and get-up, and for copyright infringement of the special promotional AFL item. However, checking into who prepared the AFL promotional insert, Mary finds it was third party graphic designers in conjunction with the AFL, rather than her inhouse design department, and that there has been no copyright assignment or exclusive licence granted to Airlie Springs.

Finding out that Airlie Springs does not actually own, or have an exclusive licence for, the copyright in the AFL promotional insert for its stellar sales product does not impress the Airlie Springs' board. Mary approaches the graphic designers to get an assignment, but finds that her contact there is away on holidays and that the necessary paperwork will not be able to be finalised in time for the urgent application to court.

In the post-injunction debrief, the company's board decides to commit part of Airlie Springs' marketing budget to a legal compliance program to ensure that all company intellectual property is properly protected. This will ensure that the company has the full armoury of legal options if it is again faced with a similar situation.

## Conclusion

Before developing any new branding or product or service offerings, it is worthwhile to invest some time to make sure the IP underlying the preferred option is appropriately protected and keeps pace with your business. Involving intellectual property specialists early on at the research and planning stage can save time, money and angst down the track, will ensure that product revenue streams are based on solid IP foundations, and prevent your competitors ripping off your top-selling products.

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## TRADE MARKS

# Protected names for wine brands – which name not to choose

**Registering wine names as trade marks is not as simple as it seems, as the issue of registered geographic names for wines must also be considered when choosing a wine name.**

*By Samantha Christie, Senior Associate*

A Victorian winemaker has the idea of using the name SAND HILLS for her new red wine. The winemaker runs this idea past her marketing people and they do the usual checks to see if the name is available for use. At first glance, use of this name appears to present no problems as:

1. market research does not reveal anyone else using this name;
2. the wine is not usually grown among sand hills, so the name does not appear descriptive;
3. the name (or one similar to it) is not already registered as a trade mark by a third party; and
4. market research also shows use of this name will not otherwise be misleading and in breach of consumer protection laws.

However, when using wine names or seeking to register them as trade marks, the matter is not so simple. The issue of registered geographical indications for wines must also be considered – even in a case where the proposed name has a perfectly innocent meaning in the English language and does not appear geographical in nature.

In the case of SAND HILLS, because Sand is a registered protected name, intentional use of SAND HILLS by our Victorian winemaker will likely be illegal if the grapes from which the wine is made do not come from the area of Sand in Germany for which the name is registered.

The same principle applies to the use of numerous other protected names for wine, such as the words DOCTOR, ST. MARTIN, and BARON.

## Register of Protected Names

Anyone dealing commercially with wine should also consult the Register of Protected Names (**Register**) to determine if use of a proposed wine name or any component word will be illegal. The Register of Protected Names resulted from Australia's wine agreement with the European Union. It is maintained by the Australian Wine and Brandy Corporation (**AWBC**). The Register records and protects (among other things) Australian and European Union geographic regions of origin for wines. These registered geographic names are known as Geographical Indications (**GIs**). The rationale behind the Register is to officially protect

the GIs so that (subject to limited exceptions) only wine made from grapes grown in the GI region can be 'described or presented' (see below) using the registered Geographical Indication.

In the example given above, Sand is a GI registered for the German region of Rheinhessen. As our Victorian winemaker will not be using grapes grown in Rheinhessen to make her SAND HILLS red, but rather her own local grapes, she will (subject to limited exceptions) be committing an offence if she intentionally sells, imports or exports her SAND HILLS wine. This offence is one of strict liability and applies regardless of whether or not SAND HILLS is registered as a trade mark.

## Practical implications

What does this mean in practice for winemakers and marketers?

An offence will be committed if wine is intentionally sold, exported or imported with a 'false description and presentation'. Under the *Australian Wine and Brandy Corporation Act 1980* (Cth) (**AWBC Act**), the 'description and presentation' of wine is false if it includes a registered GI and the wine did not originate in the country, region or locality in relation to which the geographical indication is registered. A wine can be said to 'originate' from a particular place if the grapes used in making the wine come from that place. The AWBC<sup>1</sup> take the view that, in practice, a wine that carries a GI must consist of a minimum of 85 per cent of fruit grown from the region for which the GI is registered. While the Regulations to the AWBC Act provide for an 85 per cent rule for the separate

offence of intentionally selling, exporting or importing wine with a 'misleading description and presentation', it is (somewhat inconsistently) arguable that this 85 per cent rule does not apply to the offence of intentionally selling, importing or exporting wine with a false description and presentation. This is because there is no express 15 per cent leeway in the definition of 'originates' in the AWBC Act.

The question of whether a wine labelled with a GI will be 'falsely described and presented' under the AWBC Act when only 85 per cent of the grapes it is made from come from that GI region has not been tested in the courts. The issue of whether such labelling would be considered misleading and deceptive under the *Trade Practices Act 1974* (Cth) or the relevant Fair Trading Acts should also be considered if such labelling gives the impression that the whole contents of the bottle come from the named GI region.

The AWBC has indicated that they will seek amendments to the AWBC Act and/or Regulations to clarify the issue of when a wine can be said to originate from a particular place. In practical terms, as noted above, selling a wine labelled with the word SAND, whether as part of a trade mark or in another context, would therefore be a problem if the grapes used are not from Rheinhessen. But the issue goes well beyond what is on the label of the wine bottles.

## Description and presentation

Description and presentation is defined very broadly in the AWBC Act to mean:

All names (including business names) or other descriptions, references (including addresses), signs, designs and trade marks used to distinguish the wine and appearing:

- (a) on the container (including on the device used to seal the container or on a label affixed to the container), on any tag attached to the container or, if the container is a bottle, on the sheathing covering the neck of the bottle; or
- (b) on protective wrappings (such as papers and straw envelopes of all kinds), cartons and cases used in the packaging of the wine or the transport of the wine; or
- (c) in documents relating to the transport of the wine or in other commercial documents (for example, invoices or delivery notes) relating to the sale or transport of the wine; or
- (d) in advertisements relating to the wine.

This definition will cover all relevant commercial uses of SAND HILLS, not just use on the bottle label. An offence could therefore be committed even before bottles labelled 'falsely' with a registered GI reach the retail market.

Another thing to be aware of is that the offence can be committed by any person commercially dealing with a wine with a false description and presentation, and not just by the wine manufacturers. There is therefore potential liability for third parties (such as retailers,

restaurateurs, advertisers) who may seek contribution from the maker of SAND HILLS in the event they face legal action as a result of dealing with the SAND HILLS product.

So if SAND is used in relation to the wine in the ways noted above under the heading 'Description and presentation', and the wine (not originating in the German region of Rheinhessen) is intentionally sold, exported or imported, the AWBC Act will likely be contravened<sup>2</sup>.

## Sanctions

Contravention of the AWBC Act may amount to an offence or give rise to a civil action.

## Offences

Prosecution of an offence under the AWBC Act may result in imprisonment and/or a fine. The penalty under the AWBC Act for intentionally selling, importing or exporting wine with a false description and presentation is imprisonment for two years, and the *Crimes Act 1914* allows a court to impose an appropriate fine instead of, or in addition to, a term of imprisonment. Currently,<sup>3</sup> the maximum fine that can be imposed on an individual is \$13,200 and \$66,000 for a body corporate.

## Civil right of action

The AWBC Act also allows application to the Federal Court for an injunction to restrain conduct in contravention of the AWBC Act, or to require performance of particular acts. Apart from being expensive to defend, an application for an injunction, or indeed any legal action, may give rise to

negative publicity for the wine manufacturer.

Any interested party, located in Australia or overseas, can bring proceedings in relation to contravention of the AWBC Act. This is what happened in the La Provence case<sup>4</sup>, where public bodies from the French region of Provence brought legal action under the AWBC Act against the husband and wife owners of a Tasmanian vineyard who were selling wine under the name 'La Provence'. In this case, the main focus was on whether the Tasmanian husband and wife winegrowers knowingly used the GI 'Provence' in contravention of the AWBC Act.

The judge held that the winegrowers had not knowingly sold their wine with a false description and presentation as they were not aware of the existence of the Register, nor the fact that it contained the name 'Provence' as a GI. The judge therefore refused to grant an injunction against the winegrowers requiring them to stop selling their wine on the basis that knowledge acquired after the court proceedings had commenced was insufficient to support such an order. In practical terms, however, the winegrowers would likely have had to change their wine labelling as they would no longer be able to rely on the defence of not knowing that 'Provence' was a registered GI.

The AWBC Act has since been amended to substitute 'intention' for the 'knowledge' element as a result of standardisation of fault elements by the *Criminal Code Act 1995* (Cth). The fault element of intention is the direct *Criminal Code* equivalent of

'knowingly' where the latter is applied to physical elements of conduct.

## Use of non-registered trade mark

As noted above, the relevant offence is to intentionally sell, export or import wine with a false description and presentation. The AWBC Act's extensive definition of 'description and presentation' would include use of an unregistered trade mark. This means that dealing commercially with the SAND HILLS wine (assuming the wine is not sourced from the GI region of Rheinhessen in Germany) will still likely contravene the AWBC Act, regardless of whether or not trade mark registration has been sought for SAND HILLS.

## Seeking trade mark registration

If trade mark protection is sought for SAND HILLS, the Australian Trade Marks Office will likely object to the application unless our winemaker agrees that SAND HILLS will only be used in relation to wine originating in the German region of Rheinhessen. Such an objection would be based on the 'contrary to law' provision in the *Trade Marks Act*.<sup>5</sup> This provision requires that an application for the registration of a trade mark must be rejected if its use would be contrary to law. Unless the SAND HILLS wine is sourced from Rheinhessen, as discussed above, use of SAND HILLS for the wine will likely be in breach of the AWBC Act, and thus 'contrary to law'. Southcorp Wines' 1998 trade mark application for QUEEN ADELAIDE REGENCY for wines was rejected on this basis,

despite Southcorp having two longstanding registrations for trade marks that include the words QUEEN ADELAIDE.<sup>6</sup> Both of these registrations predate Australia's wine agreement with the European Union. Southcorp's QUEEN ADELAIDE REGENCY application was rejected on the 'contrary to law' basis, even though Southcorp argued that its trade mark referred to the consort of King William IV, rather than the registered geographical area of Adelaide in South Australia. This is a good example of the applicability of the AWBC Act to use of a word having a non-geographical meaning and used in a non-geographical context.

## Summary

When use of any wine name is contemplated, the Register of Protected Names should be considered early on in the brand development process. Even a seemingly innocuous wine brand such as SAND HILLS or a wine name that is not intended to signify a locality, such as QUEEN ADELAIDE, should be checked against the Register. In particular, it is necessary to check each word, eg Sand and Hills, separately against the Register and not just the combined term, eg SAND HILLS. This could save an unnecessary waste of time and resources resulting from an unusable brand, and ensure that the wine will not need to be withdrawn from the market or relabelled. Consulting the Register of Protected Names could also save the expense of an unsuitable application to register the wine name as a trade mark.

There are limited exceptions to the GI rules, and these can be explored if the wine brand

in question is still of interest, notwithstanding issues raised by the GI rule. Use of alternatives to a trade mark such as SAND HILLS may also raise issues under the AWBC Act if they can be said to be so closely resembling a registered GI that any of them are likely to be mistaken for the GI, and the wine does not originate from the country or region in relation to which the GI is registered. Care therefore also needs to be taken when considering alternatives to wine brands that raise GI issues.

<sup>1</sup> [www.awbc.com.au/winelaw/gi/gi\\_information.asp](http://www.awbc.com.au/winelaw/gi/gi_information.asp) accessed 28 May 2003.

<sup>2</sup> Unless one of the limited exceptions applies.

<sup>3</sup> As at 17 July 2003.

<sup>4</sup> *Comite Interprofessionnel Des Vines des Cotes de Provence and Another v Bryce and Another* 35 IPR 170.

<sup>5</sup> 1995 (Cth).

<sup>6</sup> Re Application by Southcorp Wines Pty Ltd 50 IPR 655.

## TRADE MARKS

# Victory for the Gunners

### **A case concerning the selling of unauthorised football merchandise in England has been resolved in favour of the Arsenal Football Club.**

*By Nichola Buchanan, Senior Associate, and Sally Box, Research Assistant*

The long-running saga of the dispute in England between Arsenal Football Club and a distributor of unauthorised merchandise, Mr Reed, has finally been resolved by the Court of Appeal.<sup>1</sup>

The dispute involved the sale by Mr Reed, a self-employed proprietor of wholesale and retail football merchandise, of unauthorised memorabilia and clothing. This memorabilia and clothing was sold from a stall outside Highbury, Arsenal's football stadium, and bore the registered trade marks and registered devices of Arsenal.

Above the stall from which the unauthorised merchandise was sold, Mr Reed had erected a large notice, which stated the following:

The word or logo(s) on the goods offered for sale, are used solely to adorn the product and does not imply or indicate any affiliation or relationship with the manufacturers or distributors of any other product, only goods with official Arsenal merchandise tags are official Arsenal merchandise.

The issue was whether Mr Reed's distribution of the unauthorised merchandise, from a stall that prominently displayed the disclaimer, constituted trade mark infringement in England.

Mr Reed asserted that there could not be infringement unless the use complained of indicated trade origin. Mr Reed maintained that use as a badge of support for or affiliation to the trade mark proprietor could not be trade mark infringement. Having referred a number of preliminary questions to the European Court of Justice, Justice Laddie dismissed Arsenal F. C.'s claims of trade mark infringement.

The Court of Appeal subsequently overturned Justice Laddie's decision, and held that Mr Reed's use of the marks and devices infringed Arsenal F. C.'s trade mark and device registrations. Although the decision is based on English law and turned on issues irrelevant to Australian law, it raises important issues for owners of Australian trade marks.

What appeared, at first glance, to be a straightforward case of trade mark infringement, culminated in referrals of preliminary questions to the ECJ, and, ultimately, an appeal to the Court of Appeal.

The question arises: if Mr Reed set up a similar stall in Australia outside one of the AFL or NRL grounds, affixed – without the permission of the owner of the registered trade marks – such marks to memorabilia, and erected a similar disclaimer, would the trade mark owners also become embroiled in protracted

litigation, or could they rely on the provisions of the Australian *Trade Marks Act* and be victorious at first instance?

Infringement of a registered trade mark in Australia requires, in general terms, the party infringing the registered trade mark to use as a *trade mark* a sign that is substantially identical with, or deceptively similar to, the registered trade mark. That is, the sign should indicate trade origin that the goods are sourced from or approved by the trade mark owner.

Would the disclaimer entitle Mr Reed to maintain that he was not using the trade marks within the ambit of the Australian *Trade Marks Act*, and claim that the use of the trade marks is merely a badge of support for, or affiliation to, a particular club?

However, why would Mr Reed erect such a disclaimer if it were not to circumvent a claim that his use is use as a trade mark? It is arguable that, if Mr Reed genuinely believed the registered trade marks were not infringed, then there would not have been the need to erect such a disclaimer. Indeed, the Court of Appeal found the disclaimer was effectively an admission that the words and logos constituted badges of origin. They did, therefore, function as trade marks.

## Disclaimers in Australia

In Australia, the effectiveness of a disclaimer in a trade mark infringement or passing off situation is a question of fact dependent on the circumstances of the case. The approach taken by the Australian courts

is conveniently summarised in the much publicised Duff Beer Case: *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd*.<sup>2</sup> In that case, Justice Tamberlin held (at 251) that, when deciding this question, the court must consider the target market, the nature and strength of the associations conveyed by the use of the name; the way in which the product is distributed; and the way in which the use of the name is calculated to attract the market. He went on to say that, because these circumstances will vary in every case, it is unsafe to treat any particular decision as a precedent.

The use of a disclaimer is relevant under the Australian *Trade Marks Act* when determining whether the actual use of a sign is likely to deceive or cause confusion. For a disclaimer to be effective in this context, it must be clear and unequivocal so as to totally prevent the public from being deceived or confused.

In the Duff Beer case, the defendants sought to produce and market a product called Duff Beer, which is the name of an imaginary beer used in the animated television series, *The Simpsons*. The defendants argued that the word

**'unauthorised'**

on the beer can along with use of the statements:

**'this beer is not authorised by the Simpsons' or 'this beer has no association with the Simpsons'**

would not be deceptive or cause confusion. However, Justice Tamberlin held that it was too simplistic to suggest

that the word 'unauthorised' would automatically dispel any association with the Simpsons. He referred to the decision of the full Federal Court in *Abundant Earth Pty Ltd v R & C Products Pty Ltd*,<sup>3</sup> which held that the efficacy of a disclaimer, however prominent, can not be assumed where a product is inexpensive.

Australian courts have tended to be critical of attempts to use a disclaimer so as to avoid the consequences of infringement of a trade mark. It would be likely that an Australian court dealing with the facts of the Arsenal case would conclude that there had been trade mark infringement, notwithstanding the presence of the disclaimer. The argument is that the mere fact that a disclaimer is used is an admission that the name, get up, or marketing of the product is likely to deceive or cause confusion.

<sup>1</sup> *Arsenal v Reed*, 21 May 2003

<sup>2</sup> (1996) 34 IPR 247

<sup>3</sup> (1985) 58 ALR 211

## NEW ZEALAND UPDATE

# New Trade Marks Act in New Zealand

**Changes to trade marks legislation in New Zealand will align its law more closely with Australian law and will be a welcome change for companies with operations in both countries.**

*By Philip Macken, Partner*

After a wait of about 10 years, the promised changes to the trade marks legislation in New Zealand have now been effected. The New Zealand Trade Marks Act 2002 came into effect on 20 August 2003. The changes make the law in New Zealand much more closely aligned to that in Australia (and many other countries). This is a particularly welcome change for companies with operations in both countries.

The major changes include the following:

- Term of Registration – A renewable 10-year term. (Previously, the initial registration term was seven years, followed by 14-year renewal periods.)
- Multi-classes – An application may include more than one class of goods and/or services. (Previously, an application could cover only a single class.)
- Types of Trade Marks – Shapes, smells, sounds and tastes are expressly included in the definition of ‘sign’ and, if they function as trade marks, can be registered. (Previously, there was significant doubt about the registrability of such ‘signs’.)
- Abolition of Parts A and B of the Register – The Register of Trade Marks will no longer be divided into Parts A and B and the distinctiveness threshold for registrability will be the same for each trade mark, namely ‘at least capable of distinguishing the goods and services of one person from those of another person’. (Previously, Parts A and B of the Register were for trade marks having higher and lower (respectively) degrees of inherent distinctiveness and there were certain benefits conferred on trade marks registered in Part A.)
- Defensive Trade Marks – These have been abolished. (Trade marks previously registered as defensive trade marks will be treated as ordinary registered trade marks and, consequently, they will be more vulnerable to removal on the basis of non-use.)
- Removal for Non-Use – A trade mark can be removed for non-use of the trade mark for three years and the procedural steps have been simplified. (Previously, the relevant non-use period was five years.)
- Series of Trade Marks – Series applications are permissible and it seems that (unlike Australia) a series application may include goods and services in more than one class.

The above changes are welcome and are likely to provide trade mark owners with better protection in a more cost-effective way. Several of our patent attorneys are registered in New Zealand and are able to file and prosecute trade mark applications without having to retain local attorneys in New Zealand.

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## INTERNET

# Cybersquatter restrained

**The Federal Court orders a cybersquatter to transfer domain names after finding the registration of the domain names constituted a breach of the *Trade Practices Act*.**

*By David Yates, Senior Associate*

In *CSR Limited v Resource Capital Australia Pty Limited*,<sup>1</sup> the Federal Court, in a judgment handed down on 4 April 2003, made orders restraining a company and its director from using, as part of a domain name or otherwise, the 'CSR' or 'CSR Sugar' names, and requiring the company to transfer the domain name 'csrsugar.com' to CSR Limited, among other related orders. The court also directed that a copy of the judgment be forwarded to the relevant domain name registry, Melbourne IT, with suggestions for its future dealings with the company or its director in an effort to avoid further disputes.

The respondent company and director, who had a history of 'cybersquatting', had registered various business names and then registered with Melbourne IT the domain names 'csrsugar.com' and 'csrsugar.com.au'. (During the proceedings, the com.au domain name was cancelled because a relevant business name was deregistered.) The business names were registered for 'sales & supply of sugar & related products'. The respondents came to the attention of CSR Limited when they offered to sell the domain name 'constructionmaterials.com.au'. CSR Limited did not accept the offer, but did complain

about the 'csrsugar.com' and 'csrsugar.com.au' domain names. Correspondence ensued, with the director making wide-ranging and, at times, bizarre allegations of impropriety against CSR Limited and its lawyers, while at the same time attempting to persuade CSR Limited to resolve the matter 'commercially'. Proceedings were commenced by CSR Limited on 24 October 2002.

CSR Limited claimed that the respondents had breached ss52 and 53 of the *Trade Practices Act* 1974 (Cth) and had infringed its various 'CSR' trade marks registered for 'construction materials' (broadly described) under s120 of the *Trade Marks Act* 1995 (Cth). The court determined that the business of the respondent company was, or included, the registering of domain names and turning those names to account, whether for money by transferring the domain names or by seeking to induce companies it targeted to enter into agreements under which the company would provide 'intellectual property services' for reward. In doing so, it acted in trade or commerce. The director was knowingly concerned in these activities and his interest in obtaining domain names with the word 'csrsugar' had nothing to do with actually trading in

sugar. In the court's view, the registration of both 'csrsugar.com' and 'csrsugar.com.au' implied that the domain name belonged to CSR Limited or, if it was noted that the respondent company was shown as the owner of the names, that that company was in some way connected with CSR Limited. The act of obtaining registration of both domain names constituted conduct that was misleading and deceptive or was likely to mislead and deceive persons and breached s52 of the *Trade Practices Act*. In reaching this conclusion, the court applied well known authorities, in particular *Equity Access Pty Ltd v Westpac Banking Corporation*<sup>2</sup>.

The court was not required to determine the claim for trade mark infringement, but suggested that there was 'real difficulty' in relief being given for such a claim in the present case. Could it be said that the respondent company had used the domain name as a trade mark in relation to goods or services for which CSR Limited had registrations or closely related to either goods or services? The court considered that 'There could be a threatened infringement if one were to take seriously the suggestion that RCA intended to engage in the sugar trade. Clearly, however, that was not the real intention of RCA or Mr Boland, who at no time used or intended to use the domain names as trade marks in relation to either goods or services.'

The issue that troubled the court appears to have been whether the respondent company's 'registration' of the domain name amounted to 'use' or

threatened use of the sign that comprised that domain name 'as a trade mark' for the purpose of infringement (cf *British Telecommunications plc v One in a Million Ltd* 42 IPR 289 at 307). Would the situation have been different if CSR Limited had established that its 'CSR' mark was 'well known in Australia' for the purpose of s120(3) of the *Trade Marks Act 1995* (Cth)? Probably not, because the court appears to have been of the view that the respondents' registration and intended sale of the domain name without more would not have been use of a sign comprising the domain name 'as a trade mark' in respect of any goods or services.

1 [2003] FCA 279

2 (1990) 16 IPR 431

## DESIGNS UPDATE

### Designs Bill receives Senate Committee approval

*By Susan McMaster, Senior Associate*

A Senate Economics Committee has reviewed the Designs Bill 2002 and the Designs (Consequential Amendments) Bill 2002, recommending that they be passed.

The Committee considered particularly the spare parts right of repair defence and concluded it strikes an

appropriate balance between encouraging design, providing consumers with choice, and allowing third parties to enter the market for spare parts. The Committee has recommended the Government examine whether the Bills will adversely affect safety standards for spare parts.

Much of the detail of the new system for designs will be in the regulations. The Committee has said these should be published as soon as possible. With the Committee's stamp of approval, it is expected that the Bills will shortly become law.

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