

# INTELLECTUAL AND INDUSTRIAL PROPERTY

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This review covers case law developments in intellectual property in New Zealand since January 2010.

## **Trade Marks**

*Objections to registrability: S17(1)(a) – Prior reputation in an earlier mark; s25(1) prior registered trade mark or prior well-known mark*

The period under review has seen a number of cases dealing with these familiar grounds. On two occasions the Court of Appeal has provided strong guidance and/or reconfirmed established principles.

In *NV Sumatra Tobacco Trading v British American Tobacco*<sup>1</sup>, BAT opposed registration of LUCKY DRAW and LUCKY DREAM in respect of cigarettes and other cigarette related products. BAT relied on its registered trade mark LUCKY STRIKE. It also owned the word mark LUCKIES and other logo marks in class 34 incorporating the words LUCKY STRIKE. NV Sumatra had argued that, in light of the Supreme Court's allowance of WILD GEESE in the face of opposition from WILD TURKEY in the *Stichting Lodestar* decision<sup>2</sup>, its two marks should be allowed registration. The Court of Appeal refused registration under both [s17 and s25]<sup>3</sup>.

In relation to what is now s17(1)(a), the Court of Appeal firmly squashed comments in several High Court decisions that an opponent must show a "substantial reputation" in its earlier mark to rely on this provision. All that is required is *awareness, cognisance or knowledge* of the mark<sup>4</sup>. What amounts to a substantial number of persons in a market will depend "on the nature and size of the market and is relative both to the number of persons involved and their impact on the market".

As to the *rules of comparison*, the Court held that "LUCKY" followed by a single syllable word created a reasonably significant risk of confusion even though neither "draw" nor "dream" sounded like "strike"<sup>5</sup>. The issue of conceptual similarity was one for the judge taking into account any relevant evidence but there was conceptual similarity in the idea behind the respective marks. Although the focus is on the totality of the marks applied for, the Court could properly look at common or essential features of both marks as being key. The first syllable or first word of a composite mark (here "LUCKY") was usually the most important for comparison<sup>6</sup> - reaffirming the judgment of the Court of Appeal in *New Zealand Breweries v Heineken*<sup>7</sup>. Applying the tests of look and sound and imperfect recollection, consumers were likely to remember "LUCKY" in the respective marks<sup>8</sup>. Consumer abbreviation of LUCKY STRIKE to "LUCKIES" reinforced the conclusion. LUCKY STRIKE was also at the fancy end of the continuum with no descriptive connotation in respect of cigarettes<sup>9</sup>.

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<sup>1</sup> (2010) 86 IPR 206.

<sup>2</sup> (2007) 74 IPR 452 SC – both marks covering certain types of alcoholic beverages.

<sup>3</sup> Although the decision was under the 1953 Act (ss 16 and 17) the principles apply equally to the equivalent provisions in the 2002 Trade Marks Act i.e. ss 17 and 25.

<sup>4</sup> *Ibid* [77].

<sup>5</sup> *Ibid* [25].

<sup>6</sup> *Ibid* [31] – [32].

<sup>7</sup> [1964] NZLR 115 (the HEINEKEN – STEINECKER case).

<sup>8</sup> *Ibid* [33].

<sup>9</sup> *Ibid* [63].

In a second case (involving strangely the same appellant) *NV Sumatra Tobacco Trading Company v New Zealand Milk Brands Limited*<sup>10</sup> the Court of Appeal took the opportunity<sup>11</sup> to refine the test applying under s25(1)(b) i.e. where the trade mark is similar to an already registered trade mark. This slightly recalibrated test is:

- (a) Is an applicant's proposed mark (or marks) in respect of the same or similar goods or services covered by any of the opponent's trade mark registrations?;
- (b) If so, is the applicant's proposed mark (or marks) similar to any of the opponent's trade mark registrations *for the same or similar goods identified in the first inquiry?*;
- (c) If so, is use of the applicant's proposed mark likely to deceive or confuse?

The decision also addressed the often-difficult area of comparison between a word mark and a device mark – in this case the word ANGKOR and (separately) a combined word/device mark ANCHOR and the device of an anchor. Given the prominent nature of ANCHOR in the device mark, the Court of Appeal considered it<sup>12</sup> legitimate to compare that word with ANGKOR. It considered that the two marks were similar given the aural similarity and that the length of the words was the same with only two middle letters different. That difference “would not necessarily be picked up by consumers in a normal shopping situation, particularly taking into account imperfect recollection”<sup>13</sup>.

When comparison was also made between ANGKOR and a device only mark comprising a picture of an anchor, the marks were held not to be similar<sup>14</sup>.

The decision also saw a rather unusual application of s26(b) (“other special circumstances”). As a result of separate revocation action taken by another entity against Milk Brands' registrations, the class 30 registrations that had been cited in support of s25(1) grounds had been narrowed. The Court was prepared to find that three of the goods applied for (*cereal, biscuits and confectionary*) could no longer be regarded as similar to the goods now covered by Milk Brands' registration in class 30 so that, by operation of s26(b), Sumatra was no longer precluded from registering its mark in respect of those specific goods. All other goods for which registration was sought in class 30 were ruled out under ss 25(1)(b) and (c) and s17(1)(a).

### *Comparison of marks*

During the period under review, the courts have undertaken various comparisons of marks. Simple comparisons (word for word) can be deceptive because of the need to take into account context, the nature of the products or services, the surrounding circumstances and imperfect recollection. However the courts have held that:

- CUBANAS was not confusing or deceptively similar to HAVAIANAS in respect of goods in classes 18, 25 and services in class 35 (but most particularly *footwear*)<sup>15</sup>.
- MIMI logo was held not to be confusingly similar to Prada's luxury brand MIU MIU (logo) in respect of *footwear*<sup>16</sup>.

<sup>10</sup> (2011) NZCA 264.

<sup>11</sup> *Ibid* [32].

<sup>12</sup> *Ibid* [45].

<sup>13</sup> *Ibid* [51].

<sup>14</sup> *Ibid* [52].

<sup>15</sup> *Sao Paulo Alpargatas SA v But Fashion Solutions Comercio E Industria De Artigos EM Pele Lda* HC Wellington CIV 2010-485-2473, 5 July 2011, Mallon J.

<sup>16</sup> *Prada SA v The Farmers Trading Company Limited* HC Auckland CIV 2010-485-58, 21 September 2010, Priestley J.

- LUCKY DRAW and LUCKY DREAM were confusingly and deceptively similar to LUCKY STRIKE for *cigarettes*<sup>17</sup>.
- ANGKOR for certain goods in class 30 was held to be confusingly or deceptively similar to the ANCHOR word mark in classes 9 and 32 and ANCHOR word/device mark in class 30<sup>18</sup>.

Often under s17(1)(a) the Court is obliged to make a value judgment i.e. how distinctive is the applicant's mark, how similar is the opponent's mark and how close (or distant) are the respective goods or services. In *Higgins Coatings Pty Limited v Higgins Group Holdings Limited*<sup>19</sup> the relatively common nature of the marks in issue led to Simon France J recalibrating the value judgment.

The appellant, Higgins Coatings, sought registration of the word mark HIGGINS COATINGS and a logo. The opponent, Higgins Group was the owner of the registered trade mark for the word HIGGINS as well as a logo and had been using the mark for more than 50 years in respect of road work services, ready mix concrete, and subdivisional services ranging from earthmoving to drainage services. At first instance, the Assistant Commissioner refused registration on the basis that the addition of "coatings" in the applicant's word mark gave little point of distinction. Further (and critically) the services for which registration was sought i.e. *commercial painting services*, were regarded as "complementary" to those of the opponent so that a substantial number of persons in the relevant market would perceive a connection between the applicant and opponent through some form of endorsement, licensing agreement or even joint venture.

On appeal, Simon France J took a different view of the balance between distinctiveness and the respective services. Overall he felt that, at a policy level, the scope of the Higgins Group monopoly had been broadened too much. The primary services in issue being *commercial painting services* were not low cost services and a degree of diligence by members of the public in engaging them was inevitable. He did not consider that these were complementary services to the opponent's construction services and, in policy terms, "was hesitant to see a mark which is solely a common family name be accorded too broad a penumbra"<sup>20</sup>. Even though there was evidence of confusion shown, it was not of an extent or nature to meet the test of a substantial portion.

But having found for the appellant on this ground, the judge ruled out the appellant's application under s18(1)(b) on lack of distinctiveness. Although he recognised that the Court of Appeal had adopted a low threshold of distinctiveness in the *Intellectual Reserve* case<sup>21</sup>, he was not prepared to find that the HIGGINS logo (which was simply *HIGGINS* with two lines underneath) was sufficiently distinctive i.e.



*Revocation for non-use: What is sufficient genuine use?*

The extent of use which a trade mark owner must show in order to fend off an application for revocation of non-use has exercised both the UK courts<sup>22</sup> and the European Court of Justice<sup>23</sup>. In *Sambbasivam v Chetty & Ors*<sup>24</sup> the High Court was called on to decide whether evidence as to two sales of saris within the relevant three year period was sufficient to

<sup>17</sup> *NV Sumatra Tobacco Trading Co v British America Tobacco* (2010) 86 IPR 206.

<sup>18</sup> *NV Sumatra Tobacco Trading Co v New Zealand Milk Brands Limited* [2011] NZCA 264.

<sup>19</sup> HC Auckland CIV 2009-485-2594 30 June 2010, Simon France J.

<sup>20</sup> At [22].

<sup>21</sup> [2009] NZCA 305 at [38] - [45] for the FAMILY SEARCH mark.

<sup>22</sup> *Gerber Trade Mark* [2003] RPC 1; and *Laboratoire De La Mer Trade Mark* [2006] FSR 5.

<sup>23</sup> *Ansul BV v Ajax Brand Brandbeveiliging* [2003] RPC 40; *Laboratoire De La Mer Trade Mark* [2002] ETMR 34.

<sup>24</sup> HC Wellington CIV 2010-485-1931, 17 May 2011, Dobson J.

prevent removal of two registrations for the mark NALLI'S in class 24 for *textiles* and class 25 for goods including *saris, headgear and footwear*.

The evidence showed the supply of the saris from the trade mark owner's shop in Mumbai. In both cases, the goods had been delivered in New Zealand by the owner's daughter who was studying here and whom the purchasers paid for the items. The wrapping to the saris carried the NALLI'S trade mark. Dobson J held<sup>25</sup> that, while there was no evidence as to how the daughter accounted for the proceeds of sale, one credible inference was that this was to supplement her financial resources in New Zealand. Notwithstanding this reservation, the Court found that these isolated sales appeared "to involve genuine use of the appellant's mark and they do appear to have been undertaken 'for the purposes of trading' as that gloss has been applied to the phrase 'in the course of trade' in s66(1)(a) of the Act"<sup>26</sup>.

Further, the Court was prepared to treat the daughter's involvement as constituting part of activity in New Zealand "for the purpose of trade" – even if the attribution to her of that activity might create an issue as to non-compliance with the terms of her student visa. The judge found that two transactions in the space of a relevant three year period in other contexts such as a high volume manufacturing business might be so insignificant as to not justify a finding that the use was genuine. However, business on a very modest scale as an adjunct to a principal business in Mumbai with branches in other countries "may qualify as genuine without the same minimum level of activity that would be required in other contexts to establish its genuine character"<sup>27</sup>.

The Court therefore found there was sufficient evidence to avoid a finding of revocation for both marks. The case seems to fit within orthodox principles that there is no *de minimis* test, merely the need to show genuine use of the mark on the market. However given that the only use shown was on saris, there was surely a case for partial revocation of the class 25 registration which also covered headgear and footwear.

#### *Registrability issues: s18*

In *Coombe v Coca-Cola Amatil (NZ) Limited*<sup>28</sup> Woolford J upheld the registrability of the mark WORLD FAMOUS IN NEW ZEALAND (WFINZ) for *mineral and aerated waters including soft drinks* in class 32. The opponent had objected to registrability under s18(1)(c) (descriptiveness) on the ground that the phrase WFINZ had been adopted into the New Zealand language and was now effectively a synonym used by the general public to describe all things Kiwiana and was therefore no more than a descriptive phrase. The Court rejected this contention. Rather, it found that WFINZ was an "invented and fanciful slogan," an "oxymoron that produces a quirky, original, and distinctive, incongruous and self-contradictory statement." The mere fact the phrase was well known in New Zealand did not equate to descriptiveness<sup>29</sup>.

The judge noted that the prohibition on registration in s18(1)(c) can apply to intangibles as well as physical characteristics but those intangible characteristics must fall within the scope of s18(1)(c)<sup>30</sup>. The judge held that the phrase WFINZ indicated nothing about the individual elements of s18(1)(c)<sup>31</sup>. As far as "geographical origin" went – the phrase *as a whole* made no express or implied statement about geographical origin, (and was not akin to the phrase "Made in New Zealand"<sup>32</sup>).

<sup>25</sup> At [44].

<sup>26</sup> At [44].

<sup>27</sup> Ibid at [46].

<sup>28</sup> HC Auckland, CIV 2010-485-816, 8 April 2011, Woolford J.

<sup>29</sup> Ibid [25].

<sup>30</sup> Ibid [26].

<sup>31</sup> Ibid [27], [28], [30] to [32].

<sup>32</sup> Ibid [33].

Contrary to the appellant's submission, it was appropriate to look at the use of the phrase "in trade," which in this case was soft drinks trade. The appellant had produced no evidence to indicate that the phrase was normally used or desired to be used *in the soft drinks industry*<sup>33</sup>.

As to distinctiveness under s18(1)(d), the appellant had objected to registrability on this ground, contending that WFINZ had no distinctive character because it was descriptive and generic so that the public could legitimately expect it to be used in relation to relation to *any* product that was well-known in New Zealand (but not elsewhere)<sup>34</sup>.

The court found that phrase should first be considered on its own, assuming no use, and then should also be considered in context<sup>35</sup>. The phrase was original, quirky, and oxymoronic. In the abstract it could remain meaningful as applied to other goods, but this did not mean it did not retain its distinctive character. In context it was also distinctive – it had not been used by other manufacturers of soft drinks<sup>36</sup>. An average consumer would associate the phrase with the respondent's product (L & P) more than other soft drinks more generally or other products in the relevant class. The phrase therefore acted as a badge of origin of the respondents, distinguishing the respondent's goods from others in the soft drinks class<sup>37</sup>.

The appellant further submitted that WFINZ was merely a "limping mark" (i.e. that the phrase was more properly referred to as a tag line, a slogan or a catch phrase, rather than a trade mark, and that additional information conveyed in an advertisement or on a label would really be what educated the consumer regarding the goods)<sup>38</sup>. The Court rejected this submission: two marks may be used together in advertising the same product, and that will not necessarily mean that one is "limping" on another. A trade mark that has *only* been used in combination with other marks can still be distinctive<sup>39</sup>.

In any event, WFINZ was capable of standing on its own as a badge of origin<sup>40</sup>.

*Does the owner of a cited mark have standing to appeal against acceptance of a later application?*

A further matter clarified by the High Court is whether a third party owner whose mark is cited against acceptance of an application, has any standing to appeal against subsequent acceptance of that application - where there is acceptance on the basis of honest concurrent use or other special circumstances under s26(b). The short answer is "no".

In *The Muir Electrical Company Pty Limited v The Good Guys Group Limited (No. 2)*<sup>41</sup> the appellant was the owner of a series of registered trade marks for THE GOOD GUYS in a number of classes, most pertinently, class 35 for *retailing services in respect of electronics, electrical goods and whiteware*. Its registrations were dated 30 July 2002 and 14 June 2006.

The respondent operated in an area of door-to-door retail services via trucks. It had traded under the name THE GOOD GUYS in New Zealand since 1993. It had subsequently expanded its retail services from clothing and manchester to incorporate (inter alia) whiteware and home appliances.

On 16 June 2006 the respondent applied to register THE GOOD GUYS in class 35 for retailing services including *electronic goods* and *whiteware*. The Commissioner initially

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<sup>33</sup> Ibid [29].

<sup>34</sup> Ibid [41].

<sup>35</sup> Supra [42].

<sup>36</sup> Supra [43].

<sup>37</sup> Ibid [44].

<sup>38</sup> Ibid [45].

<sup>39</sup> *Société des Produits Nestlé SA v Mars UK Ltd* C-353/03 (ECJ) [46], [47].

<sup>40</sup> Supra [48].

<sup>41</sup> HC Wellington CIV 2010-485-1955, 31 March 2011, Gendall J.

objected to the application based on the appellant's prior registrations. The application was put in abeyance pending certain proceedings. In June 2010 the respondent sought to have its application accepted under s26(b) on the basis of honest concurrent use or other special circumstances. IPONZ indicated its willingness to accept the application if the specification of services was limited to retailing services 'provided door-to-door or in relation to a Christmas Club'.

The appellant, which had been monitoring the application, wrote to the Commissioner asking that acceptance be withdrawn under s42(1)(a) on the basis that "the application was accepted because of an error or omission made by the Commissioner". The Commissioner, in a written determination on 28 September 2010, advised that the allegations made by the appellant as to the respondent's evidence were of a serious nature but that the opposition process was the appropriate forum. The Commissioner also stated that any question as to the integrity of the respondent's evidence in support of honest concurrent use was not an error or omission on the part of the Commissioner. He therefore stated he could not revoke acceptance under s42(1)(a).

The appellant then filed a notice of appeal against the Commissioner's refusal to revoke acceptance under s42(1)(a). On appeal, Gendall J held that under s42(1)(a) a third party may be able to bring to the Commissioner's notice or attention, facts/matters/submissions as to why acceptance should be revoked by the Commissioner<sup>42</sup>, but there was no standing for the appellant to appeal. The Commissioner's decision was a decision not to propose to revoke. It was a deliberate decision or refusal to do what the appellant wanted. The parties could only be "aggrieved" (with standing to appeal) if the decision was something in which the legislature envisaged they could appeal<sup>43</sup>.

The Court held that the meaning of "aggrieved person" must be obtained from the Act and within the statutory framework of the Act and Regulations. It did not include, for the purposes of appeals, persons who wished to contest a decision of the Commissioner refusing to "propose" to invoke the mechanism for revocation<sup>44</sup>. The "aggrieved person" references in the Act other than in s170, all applied to post registration situations<sup>45</sup>.

As to whether there was an error omission under s42, Gendall J held that it was not any mistake or ignorance of fact that qualifies as an "error or omission", but rather:

- (a) the mistake or ignorance of fact must negate basic principles of research and examination;
- (b) such that a proper examination has not occurred and the *necessary* information is not before the examiner.

But that was not the case here. Where facts alleged were denied, it could not be said that there was a complete absence of them – that required later determination (for example in opposition proceedings). In the exercise of the initial duty (under s39) in the context of the Act, it was not an error for the examiner to decline at the preliminary stage to look behind the applicant's (respondent's) statutory declaration. The Commissioner may do so, but does not have to. There may be many situations that do not lead to his 'satisfaction' that error or omission exists. Simply because the appellant might point to potential instances of confusion, or areas of contested claims, did not mean that an examiner erred or omitted by not considering that aspect. The time for resolving that conflict was at an inter-parties' objection (opposition) hearing<sup>46</sup>.

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<sup>42</sup> Ibid [42].

<sup>43</sup> Ibid [50].

<sup>44</sup> Ibid [54] and [56].

<sup>45</sup> Ibid [55].

<sup>46</sup> Ibid [67] [69].

## Copyright

### *Commissioning a copyright work*

Section 21(3) of the Copyright Act provides that where a person commissions and pays or agrees to pay for the making of certain works<sup>47</sup> and the work is made in pursuance of that commission, then the commissioning party is the owner. The issue as to when a work can be regarded as having been commissioned was closely considered by the Court of Appeal in *Oraka Technologies Limited v Geostel Vision Limited*<sup>48</sup>.

A dispute had arisen between the appellant (which had been developing an asparagus grading machine) and the third respondent, an engineering company that the appellant had arranged to produce certain drawings and to manufacture certain components created by the appellant. The appellant asserted that it had commissioned the third respondent to produce the drawings.

The circumstances of the alleged commissioning were that the third respondent claimed that it had offered a “free design service” to its customers in order to attract in new customers with a view to securing later tooling and manufacturing work. There were findings of fact that indeed the third respondent had not charged the appellant for the work done and that the appellant had not made any payment *for the drawings*. At first instance, the High Court divided the dealings into two – the first transaction being the provision of the free service to prepare concept and design drawings; the second being for the later drawings of the tool, production of the tool and manufacture of components.

The High Court found that the third respondent was paid \$26,000 for the second transaction only. The Court of Appeal overturned the finding of no commissioning, holding that whether there is a commissioning at law requires the following:

- (1) A request to make the drawings; and
- (2) An antecedent payment or an agreement to pay for them in money or monies worth; and
- (3) The making of the drawing.

The critical element was element (2) and such an obligation could be expressed or implied.

The starting point was that under the Copyright Act, the author of a work holds copyright. But the Court of Appeal held<sup>49</sup> that there may be some cases in which, in addition to issues around the right to use the copyright works, issues as to the right to exclude the contractor from using the work and the ability to enforce the copyright against a third party could arise. One of these was where a contractor creates a work which is derivative from a pre-existing design of the client, for instance when a draftsman is engaged to turn designs of an article or sketch drawn by the client into formal manufacturing drawings. The draftsman cannot then use the drawings himself without infringing the underlying right of the client.

The Court of Appeal found that the dividing of the events into two transactions was artificial and did not accord with the commercial realities – rather what had transpired was one seamless transaction<sup>50</sup>. In commercial terms, the agreement was that if the third respondent could come up with satisfactory drawings, it would then get to do the manufacturing work and be paid for that manufacturing work if an appropriate price could be worked out. On the

<sup>47</sup> Photographs, computer programs, paintings, drawings, maps, charts, plans, engravings, models, sculptures, films or sound recordings.

<sup>48</sup> (2010) 88 IPR 227.

<sup>49</sup> *Ibid* [38].

<sup>50</sup> *Ibid* [56].

facts, the third respondent has represented that any subsequent tooling would be owned by the appellant and that it would have the right to use that tooling. It made every day commercial sense for this potential business opportunity (to the third respondent) to fall within the rubric of “money’s worth”<sup>51</sup>.

Above and beyond this the Court of Appeal found that the commissioning provision was satisfied in that arising from the request to prepare the drawings, there was an implied obligation that the appellant would pay in money or money’s worth if satisfactory drawings led to the manufacturing work. That implied obligation arose before the work was undertaken and was a normal and necessary incident of the request by the appellant that drawings be prepared. There was no evidence that the third respondent’s usual representation (that it did not usually charge for the drawings) was in fact conveyed to the appellant. There was no reason why s21(3) of the 1994 Act may not apply to a conditional agreement of this type where that condition is subsequently satisfied (as it was in this case) by the appellants’ satisfaction with the drawing and its entering into a subsequent contract with the third respondent to prepare further working drawings and proceed with manufacture<sup>52</sup>. Overall the appellants were found to be the owners of copyright in the drawings<sup>53</sup>.

For the appellants there was a sting in the tail. In a subsequent judgment on whether there was in fact infringement, the plaintiffs failed. Allan J concluded<sup>54</sup> that this was ‘one of those rare cases’ where, notwithstanding clear evidence of use of the plaintiffs’ work as a starting point, the plaintiffs’ claim failed. The Court was not satisfied as to sufficient objective similarity between the copyright works and those of the defendants. Allan J found<sup>55</sup> that, given the constraints imposed by the structure and operations of the asparagus grading apparatus (over which the plaintiffs enjoyed no intellectual property protection) “the similarities identified by the plaintiffs are no greater than might be expected even if completely independently designed. They are similarities in principles, but not in expression”.

*Compensatory damages – ability of plaintiff to claim royalty damages on infringing units that did not result in lost sales to plaintiff – should be there apportionment of damages where product only partially infringes?*

The case *Electroquip Limited v Craigo Limited (No. 2)*<sup>56</sup> deals with a number of important damages issues in copyright. At a liability hearing, the first and second defendants were held to have infringed the plaintiffs’ copyright in an automatic sheep jetter. The Court made a declaration as to infringement and granted a permanent injunction. A further hearing determined damages. The plaintiffs sought compensatory damages and additional damages under s121(2) of the Copyright Act, having regard to the flagrancy of the infringement. The defendants opposed the additional damages claim and contended that compensatory damages should be reduced because:

- (a) The defendants did not know and had no reason to believe that copyright existed in the works; and
- (b) Only parts of the defendants’ jetter infringed copyright.

The first head of compensatory damages was for lost sales. The defendants had been selling the infringing electronic sheep jetter for a period of four years and had sold a total of 154 units. The plaintiffs claimed that they would have sold 154 units, had the defendants not infringed.

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<sup>51</sup> Ibid [57].

<sup>52</sup> Ibid [58].

<sup>53</sup> Ibid [62] and [67].

<sup>54</sup> *Oraka Technologies Limited v Geostel Vision Limited (No. 2)*, HC Hamilton CIV 2005-419-809, 7 April 2011 at [176].

<sup>55</sup> Ibid [174].

<sup>56</sup> HC Auckland CIV 2006-404-6719, 29 April 2010, Rodney Hansen J.



Rodney Hansen J held that the relevant inquiry was in fact how many of the 154 units sold by the defendants were sales the plaintiffs *would have made* had their copyright works not been copied. While some of the defendants' sales were substitutions for the plaintiffs' sales, a substantial number would have been additional sales by the defendant – many of them substituting for the defendant's mechanical jetter<sup>57</sup>. The Court concluded that the plaintiffs lost a total of 40 sales - being a value of \$216,432<sup>58</sup>.

In addition, the plaintiffs also claimed a royalty of 10% on all of the defendants' infringing units which had not resulted in lost sales to Electroquip i.e. outside the lost sales claim above<sup>59</sup>. The Court was initially concerned that this head of claim was not readily reconcilable with the principle of compensatory damages - i.e. it was not required in order to restore the plaintiffs to the position they would have been in had infringement not occurred.

While there was no New Zealand case on point, the Court noted *Blayney v Clogau St David's Gold Mines Limited*<sup>60</sup> where the first instance judge had awarded damages based on profits from sales the claimant would have made but for infringement *and* a royalty for infringing sales by the defendant which the claimant could not show he would have made. Applying that case (and comments by Lord Nicholls in *Attorney General v Blake*<sup>61</sup>), Rodney Hansen J indicated the New Zealand Court's preparedness to grant both types of damages<sup>62</sup>.

A further key issue was when did damages run from. The defendants submitted that s121(1) of the Copyright Act operated so as to postpone the date from which damages could start to run. The provision states that:

"Where, in proceedings for infringement of copyright, it is proved, or admitted that at the time of the infringement, the defendant did not know, and had no reason to believe, that copyright existed in the work to which the proceedings relate, the plaintiff is not entitled to damages but, without prejudice to the award of any other remedy, is entitled to an account of profits."

The defendants claimed that they did not know or have reason to believe that copyright existed until full and final disclosure had been made of the artistic works relied on i.e. 10 February 2008<sup>63</sup>.

Rodney Hansen J contrasted the inquiry under the secondary infringement provisions (i.e. whether the importer/seller knew or had reason to believe the object was an infringing copy) with s121. In the latter case, the inquiry is whether the defendant knew or had reason to believe that copyright existed in the work to which the proceedings relate<sup>64</sup>.

The court held that the test is not the knowledge of a reasonable person but what inferences might be drawn from all the circumstances. The Court found that a reasonable person in the second defendant's position would have believed that at least some of the features he copied would have been the subject of artistic works in the forms of drawings and prototypes. The fact that he was not aware that these would confer legal rights on the plaintiffs did not assist him. The second defendant's actions in checking to see whether there was patent protection and keeping the existence of the machine concealed was consistent with the belief on his part that the plaintiffs were or might have been in a position to assert legal rights in their product.

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<sup>57</sup> Ibid [15].

<sup>58</sup> Ibid [19] – [21].

<sup>59</sup> Ibid [25].

<sup>60</sup> [2003] FSR 19.

<sup>61</sup> [2001] 1 AC 268.

<sup>62</sup> Ibid [29].

<sup>63</sup> Ibid [32].

<sup>64</sup> Ibid [35] – [36].

The final important issue dealt with was an argument as to *apportionment of damages*. The defendants submitted that damages should be reduced to take account of the fact that only *parts* of the defendants' jetter – not the whole machine – infringed the plaintiffs' copyright.

As to *compensatory damages*, the Court held<sup>65</sup> that apportionment was at odds of the purpose of compensatory damages and should not apply to that head of claim. Further all the cases, with one exception, where apportionment had arisen involved *accounts of profits* or *damages for conversion*. The one case which provided support for apportionment was the Australian decision *Norm Engineering v Digga Australia*<sup>66</sup>. Rodney Hansen J held that the reasoning of that decision was flawed and that in compensatory damages it is erroneous to introduce a consideration which is appropriate only if conversion damages are sought.

However, in the case of *royalty damages*, the argument for apportionment had quite different implications. These were intended to compensate the copyright owner for the benefit derived by the defendant from the use of the copyright. In the absence of precise information enabling an accurate assessment (the Court having found earlier that the defendants' machine infringed copyright in five features) the damages based on royalty were reduced by 50%<sup>67</sup>.

### *Copying; Communicating works to the public*

An interesting issue as to copyright infringement arose in respect of television set top boxes in *Munhwa Broadcasting Corporation & Ors v Young International 2009 Limited & Anor*<sup>68</sup>. The first three plaintiffs were Korean and Hong Kong-based broadcasters who licensed their content to the fourth plaintiff – a New Zealand-based company that broadcast the plaintiffs' content in New Zealand via the Sky Television Network. The plaintiffs brought proceedings against the defendants alleging that the defendants were advertising for sale, distributing and broadcasting material in New Zealand in breach of the plaintiffs' copyright in that material.

The defendants had operated a system called "Baro TV". The defendants arranged for certain broadcasts to be received in Korea. If the broadcast was of a pay service broadcast, a fee for this subscription was paid by the first defendant on behalf of each of its New Zealand customers. The broadcasts were received in Korea by a device called Digizon standarding or Digizon STD – with each New Zealand customer either leasing or owning their own device. All the devices were stored together in a warehouse. Each customer in New Zealand also had a receiving device called a "Digizon On TV" device (either leased or owned). This was then connected to the customer's television set in New Zealand.

The device in Korea received the local broadcast. The broadcast was then sent via the Internet to New Zealand, received by the customers' devices in New Zealand and viewed by the first defendant's customers in New Zealand. The device in Korea digitised the signal and the New Zealand receiving device enabled the customers to view the content on their television. This involved the digitisation of what was an analogue signal in Korea. The New Zealand customers could view the broadcast in real time.

There was no dispute that the broadcasting works were works in which copyright subsisted (as 'communication works') and that the first three plaintiffs' owned that copyright. The key issue was whether there was infringement and in particular whether:

- (a) the defendants had copied the copyright works; and
- (b) the defendants had communicated the copyright works to the public.

<sup>65</sup> Ibid [43].

<sup>66</sup> (2007) FCA 761.

<sup>67</sup> Ibid [53].

<sup>68</sup> HC Auckland CIV 2010-404-203, 17 December 2010, Potter J.

Because of conflicts of expert evidence as to the process and whether encryption and decryption were involved, whether servers were used and whether time shifting was permitted, Potter J was unable to answer<sup>69</sup> whether copying occurred in respect of those aspects. But this left open whether the Baro TV system involved copying of the copyright works by the digitisation process in any material form. Potter J accepted the plaintiffs' submissions that copying did occur here:

- (a) upon the reproduction or copying of the work on a television monitor at a point and time when the viewer watched the broadcast on his or her domestic television set in New Zealand; and
- (b) when the "Digizon On TV" device received and converted the digitised signal into a viewable form.<sup>70</sup>

Although the reproduction and retention of data was transient, it nonetheless constituted copying in terms of the definition of "copying" in s2.

The Court rejected the defendants' submissions that the first three plaintiffs, by broadcasting their content in Korea, had given permission to view the content in New Zealand. Potter J held that copyright is territorial, as evidenced and confirmed by the requirement to extend to New Zealand the rights of the plaintiffs as copyright owners in the Copyright (Application to Other Countries) Order 1995. This right was also confirmed by the provisions in the Act relating to exclusive licences (ss123 and 124) and the provisions providing protection for rebroadcasters in New Zealand (s228).<sup>71</sup>

A critical issue was whether s43A provided an exception for the defendants. The criteria for this defence are that the reproduction:

- "(a) Is transient or incidental; and
- (b) Is an integral and essential part of a technological process for:
  - (i) making an order receiving a communication work that does not infringe copyright; or
  - (ii) enabling the lawful use of, or lawful dealing in, the work; and
- (c) Has no independent economic significance."

Although the reproduction of the works by the defendants might meet criteria (a) and (c), it did not meet the requirements of (b). The defendants had failed to show that the reproduction of the plaintiffs' copyright work was an integral and essential part of a technological process for making and receiving communication that did not infringe copyright nor enable the lawful use of or dealing in the work.<sup>72</sup>

As to communicating the copyright works to the public. The defendants contended that the communication here was not a restricted act because it did not involve a communication of the work "to the public". Potter J was prepared to find that there was a serious question to be tried on this issue.

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<sup>69</sup> This being an interlocutory decision.

<sup>70</sup> Ibid [59] and [68].

<sup>71</sup> Ibid [71] and [74].

<sup>72</sup> Ibid [78] and [83].

*Copyright Tribunal issues important decision on broadcasting of sound recordings and streaming over Internet*

Copyright Tribunal decisions are relatively infrequent in New Zealand. During the period under review, an important decision was issued by the Tribunal in *Phonographic Performances (NZ) Limited v RadioWorks Limited and The Radio Network of New Zealand Limited*<sup>73</sup>.

PPNZ, the collecting society acting for sound recording copyright owners in New Zealand, filed an application with the Copyright Tribunal seeking approval of a new licensing scheme for the playing of sound recordings on the two major commercial radio networks in New Zealand. In its licensing scheme, covering a proposed five year period, PPNZ sought (inter alia):

- A substantial increase in royalty payments. Under the expired licensing scheme, those radio stations playing over 50% music paid a royalty of 1.75% of Broadcast Gross Income. Low use music stations paid a royalty of 0.1%. PPNZ sought increases to 6% and 1% respectively.
- Changes to the bands of music. PPNZ sought just two bands: 0-20% use of music and 20% + use of music.
- The introduction of a royalty rate where radio stations streamed sound recordings over the Internet.
- A back payment to 1 December 2007.

In relation to the increased royalty rate, the application raised a substantial range of issues including what (if any) economic models might be used to value the appropriate royalty; the value of airplay to recording companies and copyright owners; and the appropriateness of other comparators in setting the royalty rate.

Following a 15 day hearing in 2009, the Tribunal issued a lengthy decision on 19 May 2010.

As to the royalty rate, the Tribunal ordered increases to 3% for stations playing 20% + music and to 0.75% for low use music stations. The Tribunal's methodology involved a process of judicial estimation taking into account a number of factors:

- As to economic evidence, the Tribunal found that the Shapley model of economic game theory was useful as it showed how the parties might deal with each other in a hypothetical scenario and how a royalty rate for the sound recording licence might be reached.
- As to the value of airplay, the Tribunal held that there was some value to sound recording companies but that this value could not be precisely quantified.
- The APRA licence with the radio networks was also a comparator to be considered.
- Other relevant factors were the ability of the radio stations to pay, as well as past negotiations and changes that had taken place in the radio industry.

The Tribunal endorsed a new royalty rate based on methodology used by the Canadian Copyright Tribunal where radio stations streamed sound recordings over the Internet.

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<sup>73</sup>

Copyright Tribunal, 19 May 2010.

Back payments were ordered to be paid to PPNZ but the absence of a specific statutory provision allowing the Tribunal to award interest prevented it from adding an interest component to that back payment. The term of the licensing scheme was also extended to June 2014.

*Copying – issuing to the public - personal liability - damages*

During the period in review, Woodhouse J issued something of a *tour de force* with his lengthy judgment in *Inverness Medical Innovations Inc & Anor v MBS Diagnostics Limited & Anor*<sup>74</sup>. The judgment concerned infringement of copyright in pregnancy testing devices and involved findings that the importation and sale of the defendants' devices infringed the plaintiffs' copyright. The case provides helpful elucidation of a number of aspects of copyright:

(a) *Assessment of copying – the absence of design path*

The Court was critical of the absence of a reliable design path showing how the defendants' version 4 product came into existence. Another indication of copying was that although there was a coherency of design development in the copyright products, this was not the case with the defendants' product where there was evidence of changes over time. Inferences adverse to the defendant were drawn from some of the changes that were made to the defendants' products. There were also cosmetic changes designed to suggest an absence of copying<sup>75</sup>. The similarities were not commonplace or unoriginal features and could not therefore be discounted on that ground. Further, the features did not come from constraints on design arising from underlying science or other technical aspects. Much of the defendants' case invited speculation and the evidence did not assist the defendants<sup>76</sup>.

(b) *Authorising copying*

Woodhouse J held that the infringing act of authorising copying under s16(1) is directed to authorising another person to make a copy *in New Zealand* as opposed to overseas<sup>77</sup>.

(c) *Issuing to the public*

An infringing act which has been little used in New Zealand to date is *issuing to the public*. The Court found that a release of a copy to the market so that it may be passed on to other members of the public was sufficient to constitute the infringing act<sup>78</sup>.

(d) *Personal liability of the second defendant*

Woodhouse J held that, when it came to personal liability for infringement, the primary inquiry was whether the provisions of the Act applied i.e. in this case ss 16, 29, 30, and 31. The Court held that the corporate defendant was liable for issuing copies to the public. On the facts, the second defendant, Dr Appanna, had authorised that active infringement by the company and the Court was in no doubt that the requisite authority had come from him. In the alternative, if the question of personal liability were to be assessed by determining whether Dr Appanna directed or

<sup>74</sup> HC Auckland CIV 2007-404-748, 24 June 2010, Woodhouse J.

<sup>75</sup> Ibid [215], [218], [220] and [225].

<sup>76</sup> Ibid [228], [229] and [232].

<sup>77</sup> Ibid [250].

<sup>78</sup> Ibid [252], [253] and [256].

procured the infringing, there was abundant and clear evidence that he had done so<sup>79</sup>.

(e) *Damages*

Damages were awarded on a notional royalty basis of 5%.

## Patents

### *Patent infringement and patent construction*

The significance of the Court of Appeal decision in *Hammar Maskin AB & Ors v Steelbro New Zealand Limited*<sup>80</sup> is in the adoption of a purposive approach to interpretation of a patent not just if the claims are ambiguous and capable of more than one meaning<sup>81</sup>. This was a successful appeal by the patentee in which the Court of Appeal found that Steelbro had infringed HM's patent in respect of a new support beam for a sidelifter. (A sidelifter is a truck fitted with a crane enabling the lifting of a container crane on to the bed of the truck.) The patent covered a new type of support leg which was stowed (when not being used) at a negative incline as opposed to the previous practice of horizontally. By doing this, a gain could be made in the length of leg without exceeding vehicle width – giving greater stability and use.

HM asserted that Steelbro had infringed its patent. The key issue was one of construction. What was the meaning of “a bearing” in the phrase “an extension part which is moveably arranged in a bearing in the first support part”?

For Steelbro it was argued that the use of the indefinite article “a” made the meaning of the phrase clear. Recourse could only be made to the body of the specification if the claims were ambiguous<sup>82</sup>. The Court of Appeal rejected this stating<sup>83</sup> that:

“Claims must always be interpreted in the overall context and by reference to the object and description in the body of the specification. That said, we accept that the specification can only assist interpretation. It cannot modify the monopoly the inventor has clearly marked out in the claims.”<sup>84</sup>

Taking the word “bearing” in the context of the specification as a whole, the Court noted<sup>85</sup> that despite the word “bearing” appearing in Claim 1, there was no reference in the specification to a bearing of the nature contended for by Steelbro – namely a discrete physical component situated in the outer support sleeve. Nor was there any separate physical bearing shown in the drawings. If there had been intended to be an additional integer, then it would be expected to appear in the body of the specification in the drawings. “Instead what permeates the whole of the specification is the functional concept of bearing.” For all these reasons, the Court considered, taking a purposive approach to construction of the patent and claim that HM's construction was correct.

### *Infringement – judicial review*

The use of judicial review in relation to actions of the Commissioner of Patents was undertaken in *Aventis Pharma SA v Pharmaco NZ Limited & Anor*<sup>86</sup>. In that case Aventis held a patent for formulations of Docetaxel used in the treatment of cancer. The second

<sup>79</sup> Ibid [298] and [300].

<sup>80</sup> [2010] NZCA 83.

<sup>81</sup> Consistent with the decision of the Supreme Court in *Lucas v Peterson Portable Sawing Systems Limited* [2006] 3 NZLR 721 at [25] – [28]; *Kirin-Amgen Inc v Hoechst Marion Roussel Limited* [2005] RPC 169 HL.

<sup>82</sup> Ibid [48].

<sup>83</sup> Ibid.

<sup>84</sup> Ibid [48].

<sup>85</sup> Ibid [54].

<sup>86</sup> HC Auckland CIV 2010-404-1670, 4 June 2010, Harrison J.

defendant, InterPharma, tendered to Pharmac to supply a generic Docetaxel product, considering that it did not infringe the patent. Aventis put InterPharma and its distributor on notice of a range of its patents but took no action. After public announcement of the tender, Aventis applied to amend its patent (in its 17<sup>th</sup> year). This amendment went unnoticed by InterPharma and was granted by the Commissioner. Aventis then sued for infringement based on the *amended* claims.

InterPharma issued judicial review proceedings alleging that the Commissioner's decision to amend was not in accordance with s40(1) and further, that Aventis had failed to disclose to the Commissioner the prior art that the amended application was allegedly designed to cure. The Commissioner accepted (in pleadings) that he "could not properly have formed the view that the application for amendment met the criteria in the Act before making his final decision".

Aventis sought an interim injunction. InterPharma sought interim relief in the judicial review proceedings to stay the infringement action. Harrison refused the interim injunction finding that the issues were "powerfully and evenly balanced" but that damages would be an adequate remedy. Further, InterPharma had ongoing liabilities to Pharmac for penalties for non-supply (\$900,000) that would be triggered if an injunction were granted. Delay by Aventis was a further factor<sup>87</sup>.

### Procedural decisions

During the period in review there were a number of decisions on procedural aspects of patent oppositions and infringement proceedings.

In *Timtech Chemicals Limited v Osmose New Zealand Limited*<sup>88</sup>, the context was an appeal from a decision of the Assistant Commissioner of Patents dismissing opposition proceedings and allowing the patent application to proceed to grant. As part of its appeal the unsuccessful opponent sought leave to file further evidence in support of the appeal. Much of the "new" evidence related to a prior use ground of opposition which was not a ground of opposition at first instance. Nor, of course, was there any appeal on that ground.

Ronald Young J refused leave to file the evidence. The key principles to be applied were<sup>89</sup>:

- (a) The evidence sought to be admitted should be new. "New" in this sense means that it could not with reasonable diligence have been discovered before the first hearing;
- (b) The evidence must be relevant and likely to be of significance or importance in deciding the appeal;
- (c) The High Court as an appellate court should avoid hearing a different case on appeal; thus a hearing before the Assistant Commissioner should not be reduced to a 'dummy run';
- (d) It must be overall in the interests of justice that the new evidence be admitted.

The application was refused because most if not all the evidence was not "new" and could with reasonable diligence have been discovered. The fact that the applicant's previous lawyers may not have been "diligent" was not a basis for claiming that the evidence was "new"<sup>90</sup>. Three of the key witnesses would have been available. A fourth witness had given evidence in the opposition proceedings and his "new" evidence was not new but essentially an attempt to improve on the evidence given before the Commissioner. A further difficulty

<sup>87</sup> Ibid [45]. The judicial review claim has subsequently gone to trial and a decision is presently awaited.

<sup>88</sup> HC Wellington CIV 2010-485-2487, 16 May 2011, Ronald Young J.

<sup>89</sup> Ibid [21].

<sup>90</sup> Ibid [27].

was that the prior use ground had been abandoned and there was therefore no live ground of appeal on this issue<sup>91</sup>.

Finally as to overall justice, if the evidence were allowed, this would effectively be a new case. Yet the Court would not have the benefit of a first instance decision by a specialist Tribunal and the statutory appellate process would also be compromised. The respondent would not have a merit based right of appeal if such evidence was permitted. All of these factors were decisive against leave being granted.

### ***Appeals in opposition proceedings***

Both opposition proceedings and appeals against opposition decisions are difficult for an opponent. In opposition, the applicant is to be given the benefit of the doubt<sup>92</sup> and, on appeal, the tests to be applied are<sup>93</sup>:

- (a) Is the claim to the patent manifestly untenable?;
- (b) Is there a prima facie case for the grant of the patent?;
- (c) Does the justice of the case require the applicant to be permitted to resist the claim for invalidity in properly constituted revocation proceedings?

During the period in review, there have been a number of appeals in opposition proceedings – two of them successful on the basis that the opponent had shown that the claim to the patent was manifestly untenable.

In *Assa Abloy New Zealand Limited v Aluminium Systems NZ Limited*<sup>94</sup>, the issue was whether the alleged invention comprising improvements to fastening systems for aluminium window frames was obvious. The opponent relied on the second limb of the obviousness test i.e. having regard to what was used in New Zealand before the priority date. The appellant had been given leave to file additional evidence on appeal which proved critical in the overall assessment since it showed use in New Zealand of a clear wedge plate or tapered strip that the appellant itself had produced well prior to the priority date.

The Court considered this was part of the common general knowledge – as was evidence of use of clear adhesives. Given these findings “only a small modification would be necessary to items available to the person skilled in the art, to achieve the object to which the invention was directed<sup>95</sup>. The investigation of available materials was held to be precisely the type of inquiry that the unimaginative but skilled practitioner in the art would undertake”.<sup>96</sup> Further, there was no synergy between the two known elements<sup>97</sup>.

In *Carter Holt Harvey v Weyerhaeuser Company*<sup>98</sup>, the opposed application claimed invention in respect of tagging tree seedlings with radio frequency identification (RFID) tags, recording information about the trees on the tags, maintaining a separate database and using electronic means to read the tags and pass information between the tags and the information database. Duffy J could not see any inventive concept in the individual integers, nor any synergistic effect from them<sup>99</sup>. Here the claimed invention was no more than an

<sup>91</sup> Ibid [47].

<sup>92</sup> Swift & Co.'s Application [1962] RPC 37, 46.

<sup>93</sup> *Beecham Group Limited v Bristol Myers Co (No. 2)* [1980] 1 NZLR 192.

<sup>94</sup> HC Wellington CIV 2010-485-2, 7 March 2011, MacKenzie J.

<sup>95</sup> Ibid [33].

<sup>96</sup> Ibid [35].

<sup>97</sup> A requirement noted in *Lucas v Peterson Portable Sawing Systems Limited* [2006] 3 NZLR 721 at [57] SC.

<sup>98</sup> HC Auckland CIV 2009-485-244, 31 March 2010, Duffy J.

<sup>99</sup> Ibid [84] – [85] and [92].



aggregate of well-known integers each working as they were intended to do<sup>100</sup> and this precluded the grant of a patent.

The test of obviousness in opposition proceedings – using the well-known *Windsurfing* test<sup>101</sup> was corrected in *Huhtamaki Australia Pty Limited v SEDA SpA*<sup>102</sup>. Earlier in the *Carter Holt* case, Duffy J had undertaken a restatement of the *Windsurfing* formulation as to Steps 2 and 3<sup>103</sup>.

Rodney Hansen J held<sup>104</sup> that the original Steps 2 and 3 should properly be as stated in the case namely:

- “2. Assume the mantle of the normally skilled but unimaginative addressee at the priority date and impute to him what was the common general knowledge of the art.
3. Identify what, if any, differences exist between the prior published matter and the invention as claimed.”

In that case the appellant was unsuccessful in its appeal that an invention for double walled paper cups was obvious. Even though one of the witnesses for the opponent had identified in his evidence the solution and therefore the inventive step (without having read the patent application), the Court was not prepared to find this evidence determinative. Rodney Hansen J held that this required resolution of factual issues which opposition proceedings were not designed to resolve<sup>105</sup>. The applicant’s evidence, while it might be lacking in supporting data, was not without credibility and the patent should not be killed in its infancy<sup>106</sup>.

In *Ballance Agri-Nutrients Limited v Ravensdown Fertiliser Co-op Limited & Anor*<sup>107</sup>, the appellant similarly failed to overturn the first instance decision finding against prior publication, obviousness and not an invention. There the invention was for the method of applying the nitrification inhibitor DCD to grazed pasture soil so as to reduce nitrate and cation leaching, reduce nitrous oxide emissions and increase pasture production. A noteworthy part of the judgment was Courtney J’s rejection of the contention that this was not an invention as defined by s2 of the Act. It was claimed that the invention was a mere discovery, an elucidation of how a nitrification inhibitor works and that this was not the proper subject matter for an invention.

At first instance the Assistant Commissioner had found that the use of the method solved longstanding problems and had economic significance. The Court noted that the enlarged Board of the European Patent Office in *Mobil Oil Corp v Chevron Research Co*<sup>108</sup> had held that a patent could be granted for the new use of an oil additive to reduce friction, the additive previously having been used for inhibiting rust. Acknowledging that if a claimed invention relates only to a discovery, it would not support a patent, the EBA nevertheless held that a patent could be granted if the proper interpretation of the claim was the achieving of a new technical effect which underlay the new use. The appellant argued that the New Zealand Court should not adopt the approach taken in *Mobil* and that the principle of technical effect articulated in the decision had not been approved by any subsequent Court. Courtney J however noted that in New Zealand the Court of Appeal in *Pharmaceutical Management Agency v Commissioner of Patents*<sup>109</sup> had determined that Swiss form claims were valid under the Patents Act and had not accepted the difficulties said to arise from the

<sup>100</sup> With no synergy.

<sup>101</sup> *Windsurfing International Inc v Tabur Marine (Great Britain) Limited* [1985] RPC 59 at 73-4.

<sup>102</sup> HC Auckland CIV 2010-485-509, 19 April 2011, Rodney Hansen J.

<sup>103</sup> *Carter Holt* supra at [45].

<sup>104</sup> *Huhtamaki* at [22] – [24].

<sup>105</sup> *Ibid* [63].

<sup>106</sup> *Ibid* [65].

<sup>107</sup> HC Auckland CIV 2009-404-2171, 4 March 2011, Courtney J.

<sup>108</sup> Decision G02/88 [1990] Official Journal EPO 93.

<sup>109</sup> [2000] 2 NZLR 529.

*Mobil* approach. Courtney J found that the *Ravensdown's* claim advanced the use of an existing compound in a new way and for new purposes:

"Its claim is of the type considered to be valid in both *NRDC* and *Mobil*. There has never been criticism of the *NRDC* decision. In view of the comments in *Pharmaceutical Management Agency* and *Actavis* I am satisfied that the *Mobil* approach is both consistent with *NRDC* and valid in New Zealand."<sup>110</sup>

### **Registered designs**

Registered design cases in New Zealand are relatively rare – this being primarily a function of the ready availability of copyright protection for industrially applied articles without the need for prior registration (as necessary for a registered design). A further issue counting against registered design popularity is the need to file an application before the design is published or commercially used – thus requiring the designer to incur application costs without knowing for certain whether the design is likely to be successful.

In *Brand Developers Limited & Anor v EziBuy Limited*<sup>111</sup>, the plaintiffs sought an interim injunction to restrain breach of its registered design by the defendants importing, selling or offer for sale personal exercise equipment known as the AB EXCEED or AB TWIST. The plaintiffs had extensively advertised and promoted via infomercials their AB CIRCLE PRO, being the product protected by the registered design.

The statement of novelty in the registered design was:

"The design is to be applied to an Exercise Machine and the novelty resides in the features of shape and configuration of the Exercise Machine having a tubular ring and pair of pivotally mounted knee rests movably supported on the tubular ring, as shown in the accompanying representations."

Asher J noted<sup>112</sup> that any feature not set out in the statement of novelty was excluded from protection and only those features singled out in the statement of novelty would be considered. Here the statement drew attention to the tubular ring *and* a pair of pivotally mounted knee rests movably supported on it. Therefore both were required.

Asher J found that the defendant's product did not contain a tubular ring or circle but only part of a circle. Further, when correctly construed, the statement of novelty required that both pivotally mounted knee rests pivot from a central point, whereas the defendant's product did not have this feature.

Under the New Zealand Designs Act in order to ascertain infringement, it is necessary to consider the similarities and differences between the registered design and the alleged infringing item against the history of any prior art, the level of novelty and originality and those aspects of the design protected by the statement of novelty<sup>113</sup>. The prior art in this case included a predecessor to the plaintiffs' product which showed the same pivotally mounted knee rests. So this feature was not in fact novel and therefore not protected by the registered design. Given the Court's conclusion that the defendant's product did not contain the same tubular ring, there was therefore no serious question as to infringement and an injunction was refused.

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<sup>110</sup> Ibid [141].

<sup>111</sup> HC Auckland CIV 2010-404-7593, 4 February 2011, Asher J.

<sup>112</sup> Ibid [26].

<sup>113</sup> Ibid [43].

### **Passing off; s9 Fair Trading Act**

The only noteworthy case in this period is *Frucor Beverages Limited v Red Bull GmbH*<sup>114</sup>. The plaintiff and defendant were major players in the New Zealand energy drinks market. The plaintiff's energy drink was marketed under the label V. The defendant's energy drink was labelled as RED BULL. Both had competed in the New Zealand market for some 12 years. In 2009, both the plaintiff and defendant released new energy shot products being smaller and more concentrated versions. The defendant's energy shot was marketed as RED BULL ENERGY SHOT and was sold in a blue and silver container using the same getup as its RED BULL energy drink product. It was released to the trade in April 2009 and to the public from 6 August 2009. The plaintiff's energy shot was called V POCKET ROCKET and adopted features from its V range of products. It was released to the trade from 15 June 2009 and to the public from 26-27 August 2009.

The plaintiff sought an interim injunction to restrain the defendant from using the mark POCKET ROCKET alleging both passing off and a breach of s9 Fair Trading Act 1986 (misleading or deceptive conduct).

The key issue for the Court was that the plaintiff was unable to show prior reputation or goodwill in POCKET ROCKET prior to the defendant's first use. As was made clear by the Privy Council in *Cadbury Schweppes*<sup>115</sup> and by the Court of Appeal in *Wineworths*<sup>116</sup> for passing off the relevant date for determining whether a plaintiff has established the necessary goodwill or reputation is the date of commencement of the conduct complained of. In this case, when the defendant's use commenced, the plaintiff had not established any reputation or goodwill in V POCKET ROCKET. There was therefore no misrepresentation by the defendant. The defendant was entitled to continue with conduct that was innocent in its inception<sup>117</sup>.

As to whether there was any different approach for s9 of the Fair Trading Act, Potter J held that there was no misrepresentation in adopting a name at a point before any other trader had acquired a reputation in that name. Even if there was an arguable case for breach of s9 when the defendant continued to use the name<sup>118</sup>, there was no evidence of actual confusion in the marketplace after 3½ months side-by-side trading. An injunction was therefore refused.

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<sup>114</sup> (2010) 88 IPR 198.

<sup>115</sup> *Cadbury Schweppes Pty Limited v Pubsquash Co Pty Limited* [1981] 1 All ER 213.

<sup>116</sup> *Wineworths Group Limited v Comité Interprofessionel du Vin-Champagne* [1992] 2 NZLR 327; 338.

<sup>117</sup> (2002) 88 IPR 198 at [45] – [50].

<sup>118</sup> A point that was left for final determination at a substantive hearing.