

Australian

# Intellectual Property Law

Bulletin

2017 . Vol 30 No 1

---

## Contents

- page 2    **How to patent a seemingly unpatentable software invention**  
*Paula Natasha Chavez SPRUSON & FERGUSON*
- page 6    **Qantas unsuccessful in opposition to Kangaroo trade mark**  
*Chelsea Parker DIBBSBARKER*
- page 9    **When things don't go to plan — dealing with copyright and moral rights relating to buildings, building models and building plans**  
*Anna Conigrave and Tracy Lu ALLENS*
- page 13    **A puff of clarity: guidance on trade mark “use”, “consent” and tobacco plain packaging in Scandinavian Tobacco Group Eersel BV v Trojan Trading Co Pty Ltd**  
*Kim Leontiev THOMSON GEER*
- page 18    **It is all in the micro-details: Schulke & Mayr GmbH v Ecolab USA Inc**  
*Raya Barcelon LEGALVISION*

### Editorial Panel

*General Editor*

**Sharon Givoni**

*Solicitor, Melbourne*

### Editorial Board

**Rebekah Gay**

*Partner, Herbert Smith Freehills, Sydney*

**Miriam Stiel**

*Partner, Allens, Sydney*

**Allison Manvell**

*Special Counsel, Baker & McKenzie, Sydney*

**Marina Olsen**

*Senior Associate, Banki Haddock Fiora, Sydney*

---

# How to patent a seemingly unpatentable software invention

*Paula Natasha Chavez SPRUSON & FERGUSON*

## Three takeaways

- Creativity and diligence are key in writing patent applications to overcome the subject matter eligibility hurdle in software inventions. First determine if the invention could be characterised as an abstract idea with a bias toward an answer in the affirmative. Then look beyond the abstract idea to see if one or more features worth protecting and arguably inventive can be incorporated into or added to the abstract idea. Question whether the combination forms a technical solution to a technical problem. Focus on the technical solution in writing the patent application.
- Regularly read summaries of US cases where *Alice Corp Pty Ltd v CLS Bank International*<sup>1</sup> (*Alice*) has been overcome for inspiration on how to frame the invention so that it reads on a technical solution to a technical problem.<sup>2</sup>
- Use expedited examination at IP Australia to determine subject matter eligibility. Amend with a divisional if need be. Then use the Patent Prosecution Highway (PPH) to file in the US if the patent application will clear this hurdle. In Australia, expedited examination is free of charge.<sup>3</sup>

## Why we care

Software (and business method) patents are important for many reasons. Venture capitalists often require patents for funding. They are offensive and defensive tools against competitors. They promote a perception of a company's innovativeness. They can add value to a company's balance sheet. There is potential for licensing or selling since patents are transferrable IP assets.

## Subject matter eligibility

The problem of course is how to obtain software patents in the US and in Australia in view of the US Supreme Court's subject matter eligibility decision under 35 USC §101, and in Australia, in view of the Full Federal Court's manner of manufacture decisions under

the Patents Act 1990 (Cth), s 18(1)(a). Following *Alice, Research Affiliates LLC v Commissioner of Patents*<sup>4</sup> (*RA*) and *Commissioner of Patents v RPL Central Pty Ltd*<sup>5</sup> (*RPL*), the patentability of software and business method inventions has become a substantial hurdle to overcome in patent prosecution. That is, while there is not a bar against software and business method patents in either the US or in Australia, intangible inventions are highly scrutinised in the US and Australian patent offices.

While the subject matter tests in Australia and in the US are quite different from one another, a practitioner will write one patent application for both jurisdictions. In the US, examiners consider a claim as a whole. In Australia, a harder test to overcome is whether there is an inventive contribution set out in the claim. Accordingly, an acceptance or rejection in the US and Australia may be for different reasons. When writing, consider passing muster in each jurisdiction individually. Below are combined tips for writing for both jurisdictions.

While these court decisions are known outside of the patent business, the ramifications are not well understood, so managing client expectations is difficult. The patent attorney's job is to help the inventors find or develop patentable subject matter in a seemingly abstract (unpatentable) invention. Sometimes the task is not possible.

## How did we get here?

The reason why software and business method claims are currently under such scrutiny should be understood. The *Alice* holding was that "[a] claim that recites an abstract idea must include 'additional features' to ensure that the [claim] is more than a drafting effort designed to monopolize the [abstract idea]." Thus, the *Alice* holding mitigated risk of pre-emption of an abstract idea. According to the *Alice* court's rationale, granting a limited monopoly on an abstract idea is dangerous because an abstract idea represents a building block of human ingenuity. Tying up building blocks with patents might impede progress rather than foster it, thus contravening the policy behind the patent system, which is to promote

development of the technical arts. That is, claiming an otherwise abstract idea in a limiting way (something more), does not pre-empt the abstract idea. The case law before *Alice* provided the same result.

## Tests of the USPTO and IP Australia

The United States Patent and Trademark Office (USPTO) has issued guidelines to its examiners on how to determine whether a software invention is subject matter eligible, including a two-part test. The first part asks whether the claimed invention is abstract. If it is abstract (or a scheme), then the second part asks if there is “something more” (an additional feature) which provides an inventive contribution. That means part of the subject matter question involves determining whether there is an inventive concept. The courts in both *RA* and *RPL* were looking for something more as well.

USPTO has published a flow chart.<sup>6</sup> This flow chart ends with something more — including, for example, transforming physical material, or data representing physical phenomena, into a different state or thing, to achieve a practical application to be patentable. USPTO has also published examples of subject matter eligible claims.<sup>7</sup>

There has been a bit of a reprieve just recently. In *Amdocs (Israel) Ltd v Openet Telecom Inc*<sup>8</sup> (*Amdocs*), the Federal Circuit said that although the hardware involved was limited generic computer components, “the claim’s enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality”. *RA* and *RPL* also considered whether those claims provided an improvement in computer functionality.

Furthermore, on 2 November 2016, the USPTO issued a memo to examiners in light of the Federal Circuit’s *McRO Inc v Bandai Namco Games America Inc*<sup>9</sup> (*McRO*), (see below), that instructed examiners to not overgeneralize the claim or simplify it into its “gist” or core principles, when identifying a concept as a judicial exception (an abstract idea). The new memo also acknowledges that while the Federal Circuit agreed that each claim element was found in the prior art in *Bascom Global Internet Services Inc v AT&T Mobility LLC*<sup>10</sup> (*Bascom*) (see below), it held that the ordered combination of the claimed elements was not in the prior art. The memo in turn instructs examiners to consider the ordered combination of elements when considering whether a claim amounts to significantly more than an alleged abstract idea. Thus, now the USPTO accepts combinations of steps that together cause a transformation of some type.

This is an evolving space, so more USPTO guidelines are always expected. At IP Australia, thin guidelines are

provided at the Manual of Practice and Procedure (MPP) 2.9.2.7 and 2.9.2.10. At IP Australia, examiners typically base their objections in view of their own interpretation of the language of *RA* and *RPL*.

## Creativity is key

If I find that the invention is patentable, the answer that I give usually does not correspond with the expectations of the inventors. The answer may not be obvious at first, especially when speaking with inventors as they do not think in terms of getting over these hurdles. Finding an angle by which to frame the software invention oftentimes requires that a patent attorney drill down into questions with the inventors and creativity. To avoid an abstract finding, write the application to emphasise that the invention is a technical solution to a technical problem.

## A technical solution to a technical problem

A software invention may solve a software problem such as:

- making the software run faster;
- taking up less data storage space;
- transmitting data in a more efficient manner;
- querying a database in a manner to avoid inappropriately clearing a cache; and
- avoiding wasteful database querying.

Also a software invention may solve any kind of technical problem such as:

- enabling drone altitude and velocity adjustment through self-diagnosis;
- improving how sensors communicate in an Internet of Things application;
- facilitating drug delivery based upon bio-feedback data;
- avoiding crashes between self-driving cars; and
- providing robotic tactile feedback.

Below are the five examples where the US Federal Circuit found patentable subject matter:

- enhancing data in a distributed fashion (*Amdocs*);
- Automatically animating lip synchronisation and facial expression of 3D characters by obtaining rules that define an output morph weight set stream as a function of phoneme sequence and time of the sequence, and “generating a final stream of output morph weight sets at a desired frame rate” (*McRO*);
- a system by which a remote internet service provider (ISP) server filters content that a client computer requests from a website (*Bascom*);

- a self-referential table for a computer database (*Enfish LLC v Microsoft LLC (Enfish)*);<sup>11</sup> and
- a method by which an operator of one website can recognise the source of a link from which a consumer reached the website. (*DDR Holdings LLC v Hotels.com LP*).<sup>12</sup>

These and many other subject matter eligibility cases of the Patent and Trademark Appeals Board and lower US Federal Courts where patents were allowed or validated are discussed at IP Spotlight.<sup>13</sup>

### The art of writing software patent applications

Because it is a subjective call, examiners are inclined to find a claimed software invention abstract. Therefore, it is best if the invention is not perceived as abstract in the first place. Claims in which a computer is merely a tool will result in an abstract finding. Instead, preemptively focus on the technical solution to avoid an abstract finding. Still an examiner may find the invention abstract. Further prosecuting the claims to argue there is something more, an inventive contribution, can be difficult. Be honest with yourself about the prospects for success.

Apply the transformation test. Does something change? Does the input arrive in one form and then something happens to it, causing it to change into a new structure?

Does the claimed invention result in a physical effect? Software inventions that generate a physical change in the physical world are less likely to be viewed as abstract. The physical effect should be directly caused by the claimed invention. Delivering generated data for use by another system will probably not satisfy this test.

It is tricky to find an inventive concept in data manipulation. Sorting or distributing the data without something more will not overcome the hurdle. Are you just moving content or data from one place to another without changing the data or creating new data? Watch out for this. Suffice to say, if a computer carries out programming steps where the computer is simply a tool, those steps will be found a scheme in Australia and abstract in the US.

Ask whether a new data type is created in the process as per the transformation test? Is there an association between two types of data that creates a new data file or type, even temporary data that causes something to happen? Even still, find other features that can be added to the claims to create a combination of elements.

Consider if the claimed invention could be carried out by hand. Consider whether a computer is really necessary to carry out the invention? That is, remove the computer from the method to see if the computer is required. At least one court found that claims had been carried out by Middle Eastern merchants around the time of Christ.

Likewise, draft claims so they do not read on mental steps. If you can carry out the invention in your head, it could be found lacking subject matter eligibility. Look for a software invention that does not read on mental steps.

Does the invention improve computing functionality? In *Enfish*, the Federal Circuit found the self-referential table for a computer database not abstract because the problem solved was a software-based problem and the invention improved computer functionality. The computer was not merely a tool.

If you list objects, list only technical objects of the invention in the description. Do not list business or human manipulation objects as an examiner will use these against you. Examiners are looking for these objects to argue that the motivation is not a technical one.

Claim the way it works, not the result. But also use means-plus-function claims in addition to your method and system claims. In *Enfish*, the US Federal Circuit found means-plus-function claims cleared the hurdle because the description was adequate. Either way, write a complete description of how the means carry out the function, with as many figures and equivalents as possible. Technical details of the description should be specific, not loosely defined. For example, refer to “display output driven by the processor”, rather than just “displayed”. If your inventors have not yet implemented their invention and there are technical problems foreseen, explore those and write about potential solutions in detail. Be wary of a leap in logic or missing steps. Also, do not admit off-the-shelf solutions for technical problems.

Take the method beyond the computer and involve a system architecture by adding one or more physical layers to the process. Are remote devices receiving and/or transmitting signals in the process? Is a remote server involved in the process? In *Bascom*, the Federal Circuit found an inventive concept (something more) was in the non-conventional and non-generic arrangement of known, conventional pieces including the remote ISP server filters.

Involve the user interface. If there is a new way of driving the display of something that requires a new processor-level method, that may overcome the hurdle. Is there a new type of data or a data transformation?

Make your preamble long, identifying the field to which the invention relates so that the claims do not pre-empt all fields to which the solution could be applied. Long preambles make the claims look narrower. Pre-emption was why *Alice* was decided as it was. If your solution applies to different fields, write more applications to those fields.

Keep tabs on the progress of implementation, looking for technical problems that have surfaced during development. File top-up provisional applications to describe further solutions. Also, expedited examination can early on determine whether the application will overcome the hurdle.

The art of writing software patent applications to clear the subject matter eligibility hurdle has taken interesting turns. It has been found that there are some examination groups in the USPTO that simply do not grant patents.<sup>14</sup> Write the title of the invention to avoid these groups when the group assignments are made at the USPTO. Telling also are the reasons for allowances in examining groups related to your technology (according to an International Patent Classification (IPC)).

Look to allowed and validated cases for inspiration. Rejected or invalidated cases, especially in the US lower courts are fraught with the application of inconsistent standards. The 2 November 2016 USPTO memo in fact instructs examiners to avoid relying on lower court decisions. Accordingly, time is better spent on reviewing allowed and validated cases.

Have you claimed some kind of transformation? Does the claimed invention change or create something? Does the software invention extend beyond one computer to another physical layer? Have you claimed how it works? Have you described in detail how the invention works? Does the invention improve the functioning of a computer? If so, you will have a better chance of overcoming the subject matter eligibility hurdle.



**Paula Natasha Chavez**  
Of Counsel  
Spruson & Ferguson

#### **About the author**

*Paula holds a BA Physics, UCLA, 1986 and a JD, Loyola Law School, 1989. Paula practised in USA from 1990 to 2004 when she moved her practice to Southern*

*France. In 2010 she arrived in Australia, was a patent examiner at IP Australia, received a NSW unrestricted practising certificate in 2014 and joined Spruson & Ferguson in 2016.*

#### **Footnotes**

1. *Alice Corp Pty Ltd v CLS Bank International* (2014) 106 IPR 633; (2014) 189 L Ed 2d 296; (2014) 134 S Ct 2347.
2. J Singer “Patent-eligibility after Alice: a summary of decisions that found software inventions eligible for patenting” (25 November 2014) *IP Spotlight*, <https://ipspotlight.com/2014/11/25/patent-eligibility-after-alice-a-summary-of-decisions-that-found-software-inventions-eligible-for-patenting/>.
3. P Chavez “Hop on the Patent Prosecution Highway (PPH) via Australia” (8 August 2016) *IP Watchdog*, [www.ipwatchdog.com/2016/08/08/patent-prosecution-highway-pph-australia/id=71689/](http://www.ipwatchdog.com/2016/08/08/patent-prosecution-highway-pph-australia/id=71689/).
4. *Research Affiliates LLC v Commissioner of Patents* (2014) 316 ALR 135; (2014) 109 IPR 364; [2014] FCAFC 150; BC201409413.
5. *Commissioner of Patents v RPL Central Pty Ltd* (2015) 328 ALR 458; (2015) 115 IPR 461; [2015] FCAFC 177; BC201512457.
6. “Legal analysis to support proposed examination guidelines for computer-implemented inventions” (3 October 1995) *USPTO*, [www.uspto.gov/web/offices/com/hearings/software/analysis/softlaw.pdf](http://www.uspto.gov/web/offices/com/hearings/software/analysis/softlaw.pdf).
7. “Examples: abstract ideas” *USPTO*, [www.uspto.gov/patents/law/exam/abstract\\_idea\\_examples.pdf](http://www.uspto.gov/patents/law/exam/abstract_idea_examples.pdf).
8. *Amdocs (Israel) Ltd v Openet Telecom Inc* (Fed Cir 2016).
9. *McRO Inc v Bandai Namco Games America Inc* (Fed Cir 2016).
10. *(Bascom) Global Internet Services Inc v AT&T Mobility LLC* (Fed Cir 2016).
11. *Enfish LLC v Microsoft LLC* (Fed Cir 2016).
12. *DDR Holdings LLC v Hotels.com LP* (Fed Cir 2014).
13. Above n 2.
14. S Garber “Avoiding Alice rejections with predictive analytics” (31 May 2016), [www.ipwatchdog.com/2016/05/31/avoiding-alice-rejections-predictive-analytics/id=69519/](http://www.ipwatchdog.com/2016/05/31/avoiding-alice-rejections-predictive-analytics/id=69519/).

# Qantas unsuccessful in opposition to Kangaroo trade mark

*Chelsea Parker DIBBSBARKER*

## Introduction

After a lengthy trade mark opposition before Australia's Trade Marks Office and subsequent appeal to the Federal Court of Australia, Qantas Airways Limited (Qantas) has received judgment in its challenge of a trade mark application for a logo comprising a stylistic representation of part of a kangaroo, set against a contrasting t-shirt element.<sup>1</sup>

Yates J of the Federal Court ultimately found against Qantas, providing a useful summary of the two most frequently relied upon grounds of opposition to registration of a trade mark under the Trade Marks Act 1995 (Cth) (the Act) — deceptive similarity (s 44) and prior reputation (s 60).

## Key points

- When relying upon s 44(1) to oppose registration of a later mark, it is important to consider the scope of the prior mark, particularly when assessing whether the goods and services claimed by the marks are “closely related”.
- Trade mark specifications should be framed in broad enough terms to protect the registrant's use of the mark in a multitude of circumstances, but not be so broad that they are “all encompassing”, which could result in limited protection under s 44(1) of the Act.
- When considering whether a mark is “deceptively similar” to another mark (under s 44) or whether use of the later mark is likely to cause confusion in the market (under s 60), one should take a holistic view of the marks, by reference to the overall impression given by each of them. If that holistic view suggests that the dissimilarities are more noteworthy than the similarities (as was the case for Qantas), it may be difficult to prove deceptive similarity between the marks.
- Where a prior registration is relied upon to prevent a later mark from being registered, it is important

to consider the context in which the prior mark is used, particularly when relying on prior reputation under s 60.

- If the prior mark has been used alongside other identifiers or in unique circumstances (as was the case for Qantas, with its marks being accompanied by the word QANTAS and being used on the tail fin of a plane), it may prove difficult to establish this ground of opposition.

## Background

The trade mark application subject of the long fought opposition and appeal was a logo comprising this stylistic representation of part of a kangaroo, set against a contrasting t-shirt element, filed in 2010 in class 25 for “Clothing; footwear; headwear; shirts; T-shirts” (the Respondent's Goods).



(the T-shirt Mark)

Registration of the T-shirt Mark was opposed by Qantas on multiple grounds of the Act, including:

- s 44, on the basis that the T-shirt Mark was deceptively similar to a number of Qantas trade marks; and
- s 60, on the basis that the T-shirt Mark was similar to a number of Qantas trade marks through which Qantas had acquired a prior reputation in Australia, such that use of the T-shirt Mark by the respondent would be likely to deceive consumers, or cause confusion in the market.

Throughout the opposition and appeal, Qantas relied upon a number of its prior registered marks (together referred to as the Qantas Marks), the earliest of which was adopted by Qantas in 1984.



(1984 and 2007 Kangaroo/tail fin mark(s))



(1984 and 2007 Kangaroo mark(s))

Yates J’s judgment provides useful guidance for trade mark owners seeking to oppose a trade mark on the basis of deceptive similarity, or on the basis that confusion would arise as a result of the reputation acquired in their own mark. The decision is a stark reminder of the holistic approach that must be taken when assessing competing trade marks (including consideration not only of similarities and dissimilarities between the competing marks, but overall context as well).

### **Section 44(1) — deceptive similarity**

Under s 44(1), Qantas relied upon the prior registration of the 1984 Kangaroo/tail fin mark, which was registered in 1996 in class 35 for “advertising, marketing and merchandising services” (Qantas Services). In doing so, Qantas claimed that the Respondent’s Goods were “closely related” to the Qantas Services, and further, that the T-shirt Mark was deceptively similar to the 1984 Kangaroo/tail fin mark.

Yates J accepted that the question of deceptive similarity between allegedly conflicting marks will be partly informed by the closeness of the relationship between the goods and services in respect of which the marks are (or are sought to be) registered. However, his Honour held that the two matters were to be considered separately.

#### *Are the Qantas Services closely related to the Respondent’s Goods?*

Qantas argued that “merchandising services” are concerned with or related to the promotion or sale of goods and services, and may include the selling or giving away of goods in connection with the promotion of a business. This could include giving away clothing and headgear goods (such as those sold by the respondent). Qantas here referred to the decision in *Smith v Car2Go GmbH*,<sup>2</sup> in which the Hearing Officer held that:

... goods such as clothing, headgear and footwear are commonly used by businesses as promotional merchandise and that deception or confusion may arise by virtue of the mistaken belief that such items are promoting the business of the opponent.<sup>3</sup>

However, Yates J held that all-encompassing services such as the merchandising services contemplated by Qantas can be provided in respect of any goods or services whatsoever, as they are not directed towards any particular goods or services, or any particular line of trade or commerce. Yates J held that nothing made the Respondent’s Goods related (or closely related) to Qantas’ Services, other than that the Respondents Goods are capable of being advertised, marketed or merchandised.<sup>4</sup>

#### *Is the T-shirt Mark deceptively similar to the 1984 Kangaroo/tail fin mark?*

Having found that Qantas’ Services were not closely related to the Respondent’s Goods,<sup>5</sup> Yates J could have disposed of the s 44(1) objection entirely. However, his Honour nonetheless went on to assess whether the T-shirt Mark is deceptively similar to the 1984 Kangaroo/tail fin mark. In doing so, Yates J highlighted the need to focus on each mark as a whole, giving equal attention to the elements of each mark that are similar and dissimilar.

While accepting that the stylised kangaroo is a prominent element in each of the marks, Yates J stated that the key points of difference between the marks cannot be ignored. Those differentiators include the contrasting triangular element (the tail fin) in the 1984 Kangaroo/tail fin mark, or the t-shirt element of the T-shirt Mark. His Honour highlighted that these elements not only provided context in the sense that they put the stylised kangaroo element of each mark in a visual setting; they provide a significant point of distinction which, although simple, was memorable.<sup>6</sup> When considered in combination, these distinguishing elements contribute to a visual impression of each mark which is quite different to the other.

Even accounting for imperfect recollection of each of the marks, Yates J concluded that an ordinary member of the public would view the two marks as different, and dismissed the ground of opposition.

### **Section 60 — reputation of a prior mark**

Under s 60 of the Act, Yates J considered whether the reputation acquired by Qantas in the Qantas Marks at the “priority date” (April 2010, the date of filing of the trade mark) was such that use of the T-shirt Mark would be likely to deceive or cause confusion in the marketplace.

Unsurprisingly, Yates J accepted that Qantas had attained a reputation through use of the 1984 and 2007 Kangaroo/tail fin marks. However, his Honour was less convinced of a strong reputation by use of the 1984 and

2007 Kangaroo marks. Here, his Honour considered the context of the relevant use of the Qantas Marks, and the reputation therefore derived from that use.

Yates J also noted that because the Qantas Marks are often used alongside the word QANTAS, or on the tail fin of a plane, consumers are not likely to associate the Respondent's Goods with Qantas, unless the T-shirt Mark is used in the context of promoting airline services. Interestingly, Yates J reached this decision despite Qantas' submission that the marks are used on clothing items such as Qantas pyjamas, the uniforms of teams and organisations Qantas sponsor, staff uniforms, and Qantas hats and caps available for sale to the public.<sup>7</sup>

Again, Yates J highlighted that when comparing the overall impression created by each of the T-shirt Mark and the Qantas Marks, and assessing the potential for consumers to be confused between the marks, one should focus on the differences between marks (such as the t-shirt element in the T-shirt Mark), not just any similarities. On that assessment, Yates J held that the dissimilarities between the marks were too profound to be seen as being related to the Qantas Marks, and therefore unlikely to deceive or cause confusion in the marketplace.

His Honour was also not persuaded that brand evolution and extension had a part to play in the appeal.

## Conclusion

Yates J of the Federal Court ultimately found against Qantas on both grounds of appeal.

His Honour's judgment provides useful guidance for trade mark owners seeking to oppose a trade mark on the

basis of deceptive similarity, or on the basis that confusion would arise as a result of the reputation acquired in their own mark. The decision is a stark reminder of the "holistic" approach that must be taken when assessing competing trade marks (including consideration not only of similarities and dissimilarities of competing marks, but overall context as well).

In this case, his Honour's consideration of the context in which the marks were used included whether the prior mark has been used alongside other identifiers or in unique circumstances (as was the case for Qantas, with its marks being accompanied by the word QANTAS and being used on the tail fin of a plane).



**Chelsea Parker**

Associate

DibbsBarker

[chelsea.parker@dibbsbarker](mailto:chelsea.parker@dibbsbarker)

---

## Footnotes

1. *Qantas Airways Ltd v Edwards* (2016) 119 IPR 271; [2016] FCA 729; BC201605053.
2. *Smith v Car2go GmbH* (2013) 104 IPR 359; [2013] ATMO 103; BC201316317.
3. Above n 2, at [122].
4. Above n 1, at [126].
5. Above n 1, at [129].
6. Above n 1, at [136].
7. Above n 1, at [156].

---

# When things don't go to plan — dealing with copyright and moral rights relating to buildings, building models and building plans

*Anna Conigrave and Tracy Lu ALLENS*

## Key points

- Copyright and moral rights may subsist in relation to buildings, building models and building plans.
- Copyright in building plans can be infringed by way of a 2D reproduction or a 3D reproduction.
- In the absence of any formal contract, the preparation of building plans by an architect “on spec” can give rise to an implied copyright licence in favour of the developer to use the building plans (although the use may be limited to certain purposes).
- A number of specific exemptions to copyright infringement exist in relation to buildings and building models.
- Moral rights of an author of building plans may be exercised after the author's death, by their legal personal representative.

## Introduction

Copyright and moral rights protection can apply to buildings, building models and building plans.

This article provides an overview of some recent cases relating to the infringement of copyright and moral rights in the context of construction and discusses some practical measures which can be taken to minimise disputes over such infringement.

## Subsistence of copyright in buildings, building models and building plans

Copyright protects artistic works.<sup>1</sup> Artistic works are defined under the Copyright Act 1968 (Cth) (Copyright Act) as including “building[s] or model[s] of building[s], whether ... of artistic quality or not”.<sup>2</sup> Building plans have also been held to be artistic works.<sup>3</sup> Therefore, copyright protects buildings, building models and building plans.

Copyright in buildings, building models and building plans, as artistic works, lasts for 70 years after the death of the author.<sup>4</sup> Copyright belongs to the author of the work (eg the architect) unless an exception exists.<sup>5</sup>

If an individual architect is employed by a firm of architects to create a building plan in the course of his or her employment, then the copyright would be owned by the firm as the employer.<sup>6</sup>

On the other hand, if an architect is commissioned by a developer or a homeowner to create a building plan as an independent contractor, then the developer or homeowner should secure a proper assignment or licence from the architect, in order to ensure that the developer or homeowner can use the building plan for the commissioned purpose.

It has been held that architects grant their clients an implied licence to build according to the building plans that are commissioned, unless there is a written agreement to the contrary.<sup>7</sup> This is true whether or not the architect received payment from the client.

## Infringement of copyright in buildings, building models and building plans

### *The rights*

The owner of copyright in buildings, building models and building plans, as artistic works, has the exclusive rights to do, or to authorise a person to do, certain acts in relation to the relevant work, which include the rights to:<sup>8</sup>

- reproduce the work (including reproduction in two dimensions or three dimensions);
- publish the work; and
- communicate the work to the public.

These rights are infringed when a person other than the copyright owner, without a licence from the copyright owner, does, or authorises the doing of, any such acts.<sup>9</sup>

### *Exemptions to infringement*

There are a number of provisions in the Copyright Act which deal specifically with exemptions to infringement in respect of buildings, building models and building plans. These include:

- section 73(1), which provides that where copyright subsists in a building, the copyright is not infringed by a reconstruction of that building;
- section 73(2), which provides that a later reconstruction of a building does not infringe the copyright in architectural drawings or plans in which copyright subsists, if the building had been constructed by or with the licence of the owner of the copyright; and
- section 66, which provides that the copyright in a building or a building model is not infringed by the making of a painting, drawing, engraving or photograph of the building or model, or by the inclusion of the building or model in a cinematograph film or in a television broadcast.

### Recent disputes

#### *Coles v Dormer*<sup>10</sup>

In the case of *Coles v Dormer*, a homeowner, Coles, alleged copyright infringement by his neighbours, the Bredens and the Bredens' builders, Port Douglas Builders (PDB), for constructing a house which is the same as his house.

Coles had purchased a house from the Spicers. The house was designed by an architect, Skyring, on the basis of some ideas provided by Mr Spicer, and was constructed by PDB. The Bredens missed out to Coles on purchasing the Spicers' house and subsequently asked PDB to build them the same house, close to the house purchased by Coles.

Coles heard about the Bredens' plans and acquired an assignment of copyright in the building plans from Skyring. Coles put PDB and the Bredens on notice that he objected to the building of the Bredens' house, but PDB proceeded to build the house anyway.

Coles then commenced court proceedings against PDB and the Bredens for copyright infringement of the building plans. PDB and the Bredens denied reproducing the plans. In addition, they argued that Coles did not own the copyright in the plans on the basis that Mr Spicer, rather than the architect Skyring, was the proper owner of the copyright as Skyring "merely transcribed [Mr Spicer's plans] into usable form".<sup>11</sup>

The court rejected PDB and the Bredens' arguments. It confirmed that Skyring was the original copyright owner of the plans, as Mr Spicer had only provided "occasional suggestions and feedback".<sup>12</sup> It also found that there had been "obvious copying on a substantial scale"<sup>13</sup> and that both the Bredens' plans (which was a 2D reproduction of the Skyring plans), and the Bredens' house (which was a 3D reproduction of the Skyring plans), were unlawful reproductions.

While the court did not go as far as to order that the Bredens' house be demolished, it did order that changes be made to it, including the removal of roofs and replacement of windows. It also awarded Mr Coles \$70,000 in compensatory and additional damages.<sup>14</sup>

*Tamawood Ltd v Habitare Developments Pty Ltd (Admin Apptd) (Recs and Mgrs Apptd); Mondo Architects Pty Ltd v Tamawood Ltd; O'Mara v Tamawood Ltd*<sup>15</sup>

In this case, Habitare, a developer, entered into discussions with Tamawood, a design and building firm, about a housing development in Brisbane. Tamawood prepared plans for the development, which Habitare lodged as part of a development application (DA).

The plans were prepared on spec by Tamawood on the assumption that Tamawood would be appointed as the builders if the DA was approved. Habitare and Tamawood were ultimately unable to agree on the terms of a building contract.

However, Habitare did not wish to lose the benefit of the DA and it engaged Mondo, an architecture firm, to prepare new plans for the development. As one of the conditions of the DA was that the development must be carried out "generally in accordance with the approved drawing(s)",<sup>16</sup> Habitare instructed Mondo to prepare plans which were to be generally in accordance with Tamawood's plans but without infringing Tamawood's copyright. Habitare subsequently engaged Bloomer, a builder, to build houses according to Mondo's plans.

Tamawood took court action for copyright infringement against Habitare, Mondo and Bloomer and some of their directors. It argued that they infringed, or authorised infringements, of copyright by reproducing Tamawood's plans in two-dimensional drawings and three-dimensional structures.

Habitare and Mondo denied infringement, arguing that reproduction was not substantial and that Tamawood had granted Habitare a licence to use Tamawood's plans.

The court found there to be substantial reproduction. While it accepted that Tamawood had granted Habitare a bare licence to use Tamawood's plans, it held that there was an implied term that the licence would terminate if Habitare decided not to engage Tamawood to build the development. Accordingly, Habitare, Mondo and Bloomer infringed copyright and Habitare's directors authorised that infringement.

Bloomer was successful in its defence that it was an innocent infringer on the basis that it "had no awareness of anything to do with Tamawood and had no reason for suspecting any infringement of copyright".<sup>17</sup>

### Moral rights in buildings, building models and building plans

#### *The rights*

Since buildings, building models and building plans are artistic works for the purposes of the Copyright Act, their authors have moral rights.

*The right of attribution of authorship*

This means the right to be identified as the author of the work if “attributable acts” are done.<sup>18</sup> Attributable acts in relation to an artistic work include reproducing, publishing, exhibiting and publically communicating the work.<sup>19</sup>

This right is infringed when a person does, or authorises the doing, of an attributable act without identifying the author.<sup>20</sup>

*The right not to have authorship falsely attributed*

This means the right to prevent “acts of false attribution”.<sup>21</sup> Such acts in relation to an artistic work include:<sup>22</sup>

- incorrectly identifying, or authorising the incorrect identification of, the author on the work or a reproduction of the work;
- dealing with the work or a reproduction of the work with knowledge that the author has been incorrectly identified; and
- communicating the work to the public with knowledge that the author has been incorrectly identified.

This right is infringed when a person does an act of false attribution without the written consent of the author.<sup>23</sup>

*The right of integrity of authorship*

This means the right not to have the work subjected to derogatory treatment.<sup>24</sup> Such treatment in relation to an artistic work includes:<sup>25</sup>

- the doing of anything, in relation to the work, that results in a material distortion of, the destruction or mutilation of, or a material alteration to, the work that is prejudicial to the author’s honour or reputation;
- an exhibition of the work that is prejudicial to the author’s honour or reputation, because of the manner or place in which the exhibition occurs; or
- the doing of anything else in relation to the work that is prejudicial to the author’s honour or reputation.

This right is infringed when a person subjects the work, or authorises the work to be subjected to, derogatory treatment; or reproduces, publishes or publically communicates the work as derogatorily treated.<sup>26</sup>

*Exemptions to infringement*

The right of integrity of authorship in a building or building plans is not infringed by a change in, or the relocation, demolition, or destruction of, the building, where the owner of the building:<sup>27</sup>

- after making reasonable inquiries, cannot discover the identity of the author or a person representing the author; or
- has complied with the following requirements:
  - given a notice to the author or a person representing the author, of the change, relocation, demolition or destruction, which states that the person to whom the notice was given may seek access within a 3-week period to make a record of the work or consult in good faith with the owner about the change, relocation, demolition or destruction;
  - given the 3-week period access if requested; and
  - removed the author’s identification from the building in the case of a change or relocation if requested.

*Recent disputes*

There have been few court cases concerning moral rights in respect of building plans. This was anticipated by the Australian Government, which, at the time moral rights were introduced, said:

... the government envisages — that enforcement of moral rights through the courts will be an exceptional occurrence. We believe that the main impact of the new legislation will be to build upon existing good industry practice and, where necessary, to raise awareness in an educative way of the need to respect the creativity of authors and artists.<sup>28</sup>

One such case took place in 2003, involving renowned architect Mr Harry Seidler, who had prepared the plans for the Riverside Centre in Brisbane. He was not notified of changes made to the building to accommodate the new Pig ‘N’ Whistle pub on the ground floor. These included the addition of a Perspex fence and signs for the pub. Mr Seidler took court action against the owners of the building and the pub for infringement of his right of integrity of authorship.<sup>29</sup> The parties settled the matter out of court and released a statement that:

Parties agree (without admissions) that Harry Seidler was not given notice of, was not consulted and had no input into the design of the Pig ‘N’ Whistle at the Riverside Centre.<sup>30</sup>

In 2005, Mr Robin Gibson, an architect, threatened to take action against the Queensland Government for infringement of his right of integrity of authorship.<sup>31</sup> Mr Gibson prepared the plans for the Queensland Performing Arts Centre (QPAC). He was notified of, and consulted on, changes to the QPAC aimed at improving access, but complained that they would prejudice his honour and reputation. The government said it would “take on board” Mr Gibson’s concerns,<sup>32</sup> but proceeded with at least some of the changes.<sup>33</sup>

Nine years later, in 2014, the family of the then deceased Mr Gibson said it would “consider upholding [Mr Gibson’s] moral rights” in relation to the proposed redevelopment of Brisbane’s Cultural Precinct.<sup>34</sup> Part of

the draft master plan for the redevelopment was the building of a 30-storey skyscraper over the QPAC. Ultimately, this did not go ahead due to a heritage listing, which ensured that any changes to the QPAC “remain true to the spirit of its original design”.<sup>35</sup>

## Conclusion

In short, businesses should be made aware that copyright and moral rights exist in relation to buildings, buildings models and building plans. To avoid infringement and disputes, commercial parties should:

- properly and clearly record any assignments and licences of copyright;
- agree on the terms of moral rights consents required to carry out the relevant project (including to agree on any appropriate form of attribution of the author);
- consider and deal with the risks of moral infringement when changing, relocating, demolishing or destroying a building; and
- consider and deal with the risks of copyright infringement when reproducing existing designs, whether in 2D or 3D.



**Anna Conigrave**

Law Graduate

Allens

Anna.Conigrave@allens.com.au

www.allens.com.au



**Tracy Lu**

Senior Associate

Allens

Tracy.Lu@allens.com.au

www.allens.com.au

## Footnotes

1. Copyright Act 1968 (Cth), s 32.
2. Above n 1, s 10.
3. *Coles v Dormer* (2015) 117 IPR 184; [2015] QSC 224; BC201507365 at [11].
4. Above n 1, s 33(2).
5. Above n 1, s 35(2).
6. Above n 1, s 35(6).
7. *Gruzman Pty Ltd v Percy Marks Pty Ltd* (1989) 99 FLR 116 at 118.
8. Above n 1, ss 13(2), 14(1) and 31(1)(b).
9. Above n 1, s 36(1).
10. Above n 3.
11. Above n 3, at [9].
12. Above n 3, at [43].
13. Above n 3, at [75].
14. *Coles v Dormer (No 2)* (2016) 330 ALR 151; (2016) 117 IPR 204; [2016] QSC 028; BC201601042.
15. *Tamawood Ltd v Habitare Developments Pty Ltd (Admin Apptd) (Recs and Mgrs Apptd); Mondo Architects Pty Ltd v Tamawood Ltd; O'Mara v Tamawood Ltd* (2015) 112 IPR 439; [2015] FCAFC 65; BC201504223.
16. Above n 15, at [6].
17. Above n 15, at [213].
18. Above n 1, s 193(2).
19. Above n 1, s 194(2).
20. Above n 1, s 195AO.
21. Above n 1, s 195AC(2).
22. Above n 1, s 195AE(2).
23. Above n 1, ss 195AP and 195AWA(2).
24. Above n 1, s 195AI(2).
25. Above n 1, s 195AK.
26. Above n 1, s 195AQ(2) and (4).
27. Above n 1, s 195AT(3) and (3A).
28. Hon D Williams MP, “Copyright Amendment (Moral Rights) Bill 1999 Second Reading Speech” speech delivered at the Parliamentary Debates, House of Representatives (8 December 1999) p 13027.
29. See M Sainsbury *Moral Rights and Their Application in Australia* The Federation Press 2003 p 181.
30. Dr M Rimmer *The Garden of Australian Dreams: The Moral Rights of Landscape Architects* (2006) 12, quoting K MacDermott “Seidler’s pig pub brawl ends quietly with deal” (2003) *Australian Financial Review* 10.
31. See Rimmer, above n 30.
32. Rimmer, above n 30, quoting J Walker “Cultural Centre criticism draws Beattie pledge” (2004) *The Courier Mail* 4.
33. F Petersen and J King, *Obituary: Robin Gibson, Influential Architect Who Helped Reshape Brisbane*, 31 March 2014, www.abc.net.au/news/2014-03-31/robin-gibson-brisbane-queensland-architect-designed-qpac-dies/5352028.
34. J Walker, *Family of Dead Architect Wield ‘Moral Rights’ to Challenge South Bank Development*, 31 May 2014, www.theaustralian.com.au/national-affairs/family-of-dead-architect-wield-moral-rights-to-challenge-south-bank-development/news-story/46a18937c3c601902e8a61daccfc4629.
35. ABC News, *Brisbane’s South Bank Cultural Precinct Heritage Listed, High-Rise Plan Scrapped*, 12 June 2015, www.abc.net.au/news/2015-06-12/brisbane-riverside-cultural-precinct-gains-heritage-listing/6542222.

---

# A puff of clarity: guidance on trade mark “use”, “consent” and tobacco plain packaging in *Scandinavian Tobacco Group Eersel BV v Trojan Trading Co Pty Ltd*

*Kim Leontiev THOMSON GEER*

The decision of the Full Federal Court in *Scandinavian Tobacco Group Eersel BV v Trojan Trading Co Pty Ltd*<sup>1</sup> (*STG v Trojan*) has brought instructive clarity to Australian trade mark law in relation to the concepts of “use” and “consent” in parallel importation and related scenarios. In particular, the decision highlights that:

- for the purposes of determining trade mark infringement under s 120(1) of the Trade Marks Act 1995 (Cth) (TMA),<sup>2</sup> importing or (re)selling goods bearing a registered Australian trade mark in Australia will be considered “use as a trade mark” by the importer or (re)seller;
- the concept of “use as a trade mark” under s 120(1) applies equally to the importation or (re)selling of genuine goods where the trade mark on the goods being imported or (re)sold was applied by (or with the consent of) the trade mark owner and non-genuine goods to which the trade mark was applied by a third party without the consent of the trade mark owner;
- section 123 will, however, provide a defence to trade mark infringement under s 120(1) if the use as a trade mark was with the consent of the trade mark owner;
- so long as the trade mark was originally applied to the goods by (or with the consent of) the trade mark owner, the defence under s 123 will extend even to situations where the trade mark is removed and then reapplied to the goods, as for example when the goods are removed from their original packaging and repackaged by the importer or reseller; and
- remedies under the Australian Consumer Law and the tort of passing off will however be available to trade mark owners where the repackaging damages or dilutes the goodwill in the trade mark.

## Background facts

*STG v Trojan* was an appeal from the decision of Allsop CJ in the Federal Court of Australia on 9 October 2015 (original proceedings). The original proceedings were commenced by the Denmark-based manufacturer of cigars and related products, Scandinavian Tobacco Group Eersel (STG Eersel) and its Australian subsidiary (STG Australia) (together, STG) against Trojan Trading Co Pty Ltd (Trojan), an Australian-based importer, wholesaler and distributor of tobacco products including cigar products manufactured by STG Eersel. The cigar products manufactured by STG Eersel include a number of famous brands such as “Café Crème”, “La Paz” and “Henri Wintermans” which are registered trade marks in Australia owned by STG Eersel (STG Marks).

The proceedings arose from Trojan’s importation for sale in Australia of cigars manufactured by STG Eersel bearing the STG Marks, which Trojan acquired in Europe and imported to Australia (STG Goods). After the commencement of the Tobacco Plain Packaging Act 2011 and Tobacco Plain Packaging Regulations 2011 (together, plain packaging laws), Trojan was no longer able to simply import the STG Goods into Australia in their original packaging from Europe. Instead, Trojan had to repackage the STG Goods so that they could be legally imported and sold in Australia in compliance with the plain packaging laws. While the plain packaged STG Goods still bore the STG Marks, the STG Marks were applied not by STG Eersel (as with the original packages) but by Trojan. Trojan’s imports were in commercial competition with the compliant plain-packaged cigar products imported by STG Australia as authorised Australian distributor for STG Eersel.

## Statutory context and issues on appeal

Section 120(1) provides that:

A person infringes a registered trade mark if the person *uses as a trade mark* a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered. [Emphasis added.]

The meaning of use of a trade mark in relation to goods more generally however is covered in s 7(4) as “use of the trade mark upon, or in physical or other relation to, the goods (including second-hand goods)”.

In line with this distinction, Trojan admitted that there had been trade mark use on the repackaged STG Goods it distributed, but denied it had used the STG Marks as trade marks within the meaning of s 120(1) because its use of the STG Marks on the plain packaged STG Goods was no more than indicating the connection between the STG Goods and STG.

In the event that it had used the STG Marks pursuant to s 120(1), Trojan argued that the use was not infringing use due to the defence under s 123(1) which relevantly provides that:

In spite of section 120, a person who uses a registered trade mark in relation to goods that are similar to the goods in respect of which the trade mark is registered does not infringe the trade mark if the trade mark has been applied to, or in relation to, the goods by, or with the consent of the owner of the trade mark.

In the original proceedings, Allsop CJ found that Trojan’s conduct did constitute use of STG Marks in accordance with s 120, but that Trojan had a valid defence to infringement in that its use of the STG Marks was with STG’s consent within the meaning of s 123.

STG appealed to the Full Federal Court (Besanko, Nicholas and Yates JJ) in relation to the s 123 finding and Trojan raised a notice of contention in relation to the finding that it used the trade mark under s 120. The questions on appeal in *STG v Trojan* therefore were:

- Did Trojan’s use of each of the STG Marks constitute “use as a trade mark” pursuant to s 120?
- If so, did s 123(1) apply to such use to provide a defence to infringement?

## Use as a trade mark

The critical considerations in relation to the first question turned on the meaning of “use” under s 120 and the significance of the requirement of the use to be use as a trade mark.

In considering the meaning of use as a trade mark, the court noted the more recent case law which has held that a person will have used a mark as a trade mark if that person, in the course of trade, imports or sells goods to

which a registered trade mark has been applied, including instances where the application of the trade mark had been by or with the consent of the trade mark owner.

## Current position

As observed by the court, this position has been confirmed in previous decisions of *Transport Tyre Sales Pty Ltd v Montana Tyres Rims & Tubes Pty Ltd*,<sup>3</sup> *Paul’s Retail Pty Ltd v Lonsdale Australia Ltd*<sup>4</sup> (*Lonsdale*); *Paul’s Retail Pty Ltd v Sporte Leisure*<sup>5</sup> (*Sporte Leisure*); and in the High Court decision in *E & J Gallo Winery v Lion Nathan Australia Pty Ltd*<sup>6</sup> (*Gallo*), although this decision was made in the context of a removal for non-use application and the High Court left open the question as to whether importation and sale of goods to which the registered trade mark has been applied by or with the consent of the trade mark owner constitutes trade mark use by the importer.<sup>7</sup> While the court in *Sporte Leisure* did not expressly address use, it did note that the High Court’s comments in *Gallo* did not rule out the Federal Court’s view in *Gallo* that there may be non-infringing use of a trade mark by other than the registered owner.<sup>8</sup> In *Lonsdale*, the court expressly rejected the argument that importation and sale of goods to which the trade mark has been applied by, or with the consent of, the trade mark owner or its licensee does not involve trade mark use by the importer or seller and held that such importation and sale will constitute trade mark use.

## Contrary views in older authorities?

The court noted that despite the position taken in the above cases, there has remained some doubt with there still being authority in older decisions suggesting that a person who merely sells goods to which a registered mark has been applied by, or with the licence of a trade mark owner, does not use the mark. This principle is largely derived from the case of *Champagne Heidsieck et Cie Monopole Societe Anonyme v Buxton*<sup>9</sup> which involved a situation where a defendant sold in England the plaintiff’s Brut champagne product to which the plaintiff trade mark owner had applied its mark. Although the Brut champagne was genuine and the mark had been applied by the plaintiff, the plaintiff had claimed to make the Brut champagne product exclusively for sale in France and claimed that the defendant’s sale of the Brut champagne in England was an infringement of its trade mark. Clauson J rejected this submission noting that the statutory rights of a trade mark owner extend only to the right to use the mark as a trade mark — that is, indicating the goods upon which the mark is placed as the owner’s goods and excluding other traders from being able to do the same.

While Clauson J’s reasoning could also be taken as authority that the use by the importer and/or seller in

such circumstances is not an infringing use, this interpretation was not prevalent and by the time of the drafting of the current TMA, the question of use had not been fully settled. Accordingly, in seeking to explain the current position in contradistinction to the older authorities, the court provided a useful review of the jurisprudence on use and the principles to be taken into consideration.

### *Relevant principles for use as a trade mark*

Notwithstanding the considerable judicial interpretation of the concept of use as a trade mark, context<sup>10</sup> and the indication of a “badge of origin” or connection between the goods/services and the person applying the trade mark to the goods/services<sup>11</sup> have remained core founding principles. In parallel import scenarios, the two strains of jurisprudence developed in the decisions of *WD & HO Wills (Aust) Ltd v Rothmans Ltd*<sup>12</sup> (*Rothmans*) and *Estex Clothing Manufacturers Pty Ltd v Ellis & Goldstein Ltd*<sup>13</sup> (*Estex*) have been of particular significance.

*Rothmans* was a High Court appeal concerning a removal for non-use action under the repealed Trade Marks Act 1905 (Cth) (1905 TMA) in which the court needed to address whether or not the importation of trade-marked “Pall Mall” cigarettes into Australia from the US constituted use of the trade mark by the Australian trade mark owner *WD & HO Wills (Australia) Ltd* (*Wills*). Critically, although the cigarette packs had the words: “Made in USA for the proprietors in Australia, *WD & HO Wills (Australia) Ltd*,” the court noted that since the importation was conducted by overseas purchasers for customers in Australia who bore the risk of the consignment, there was no use of the trade mark by *Wills*. In fact, because the cigarettes were imported for consumption rather than (re)sale, there was no use of the trade mark in Australia at all. There could have been use of the trade mark if the purchaser decided to resell the cigarettes instead of smoking them, but that use would have been an unlawful (infringing) use of the trade mark by the purchaser rather than use by *Wills*.

*Estex* was another High Court appeal concerning an application for removal for non-use, this time under the Trade Marks Act 1955 (Cth) (1955 TMA). In *Estex*, the Australian trade mark owner was an English company which manufactured garments bearing the Eastex mark and sold these to Australian retail traders in England who then resold these garments in Australia under the Eastex mark. The NSW applicant seeking removal of the Eastex mark for non-use argued that because the trade mark owner of the Eastex mark sold the garments bearing the trade mark in England, use of the trade mark by the trade mark owner was in England, not Australia. The court rejected this argument and held that the Eastex

trade mark was in fact used by the registered owner (not the Australian retailers) in Australia.

The court observed the conceptual difficulty arising from the jurisprudence of the above decisions whereby a reseller who supplies genuine goods does not use a trade mark which the registered owner previously applied to those goods, but does use the trade mark when supplying goods to which the trade mark had been applied by a third party without the consent of the trade mark owner. Ultimately, however, this conceptual difficulty is resolved by the provisions of the current TMA, specifically s 123 which implies that a person selling or importing goods to which the trade mark has been applied by or with consent of the owner will be using the mark. As noted by the court, the earlier jurisprudence reflects its specific statutory context under the 1905 TMA and 1955 TMA both of which did not have a provision equivalent to s 123. Seen in this light, these decisions are not necessarily in conflict with the present position and ultimately reinforce the core considerations in determining use — specifically whether the goods bearing the trade mark remain in the course of trade (ie imported for resale as in *Estex* as opposed to consumption as in *Rothmans*) and whether the trade mark is used as a trade mark, that is to establish a connection between the goods and the trade mark owner.

### Consent

Having found that *Trojan*’s conduct constituted use of the STG Marks for the purposes of infringement under s 120(1), the court considered the application of s 123(1). This section too has been the subject of competing interpretations. The two interpretations considered were:

- that the section required that the use of the trade mark occur in relation to the goods which have had the trade mark applied to them and continue to bear the trade mark as applied by or with the consent of the trade mark owner; and
- that the section does not require that the goods bearing the mark continue to bear the mark as applied by or with the consent of the trade mark owner, but only that there had been prior application of the mark upon the goods by or with the consent of the trade mark owner.

The court upheld the second interpretation (as held by Allsop CJ in the original proceedings). In support of this interpretation, the court noted that the language of s 123 does not import the requirement of continuity as contained in the first interpretation, rather the only temporal requirement is that at some point in the past, the goods had the trade mark applied to them by or with the consent of the trade mark owner. Additionally the court noted that s 123, in accordance with s 9, is not limited to

the physical application of a trade mark to goods, thus permitting use of a trade mark on documents provided with the goods and other commercial practices such as the use of the trade mark in advertising the goods. Accordingly, on the second interpretation of s 123, the defence of consent applies to the reapplication of a trade mark in the repackaging of goods in packaging bearing the mark where the original packaging is damaged during consignment.

While STG did make submissions that applying the second interpretation would mean consumers may be led to falsely assume that Trojan's repackaged goods were packaged by STG (when they were not), and that this could damage the goodwill associated with the mark, the court rejected this argument noting that this did not affect the interpretation of s 123 and adequate remedies available under the Australian Consumer Law and the tort of passing off. Section 121 also gives trade mark owners additional protection in being able to include prohibited acts such as applying the trade mark to goods or using the trade mark in physical relation to goods after the packaging in which the goods were originally offered had been altered.

In considering Trojan's actions of removing the goods from the original packaging and packaging the goods in plain packaging compliant with the Australian plain packaging laws to which the STG Marks were applied by Trojan, the court noted that the critical factor for the purpose of s 123 was that the STG Marks were originally applied to the STG Goods by STG Eersel and Trojan's actions did not alter that situation. Accordingly, Trojan's application of the STG Marks to the (repackaged) STG Goods was use of the STG Marks with STG's consent under s 123 because the STG Marks were originally applied to the STG Goods by or with the consent of STG Eersel.

Finally, it is worth noting that although the plain packaging laws provide that compliance with plain packaging requirements will not affect use requirements under the TMA ensuring a trade mark will not become vulnerable to removal for non-use, there is no specific provision addressing the question of use of the trade mark as a trade mark for the purposes of s 120(1). As can be gleaned from the court's decision, the fact that Trojan had repackaged the STG Goods for the sake of compliance under the Australian plain packaging laws, was not a determinative factor. Accordingly, the principles of *STG v Trojan* are applicable more broadly to other scenarios of (re)application of trade marks in relation to genuine goods to which the trade mark was originally applied by or with the consent of the trade mark owner.

## Implications

The decision in *STG v Trojan* reinforces the approach developed by earlier decisions in the interpretation of use of a mark as a trade mark for the purposes of

s 120(1), but clarifies the underlying principles of this approach in relation to the older authorities decided under the 1905 TMA and the 1955 TMA. In particular, the decision highlights that s 120(1) does apply to importation and/or sale in Australia, including in relation to genuine goods to which the trade mark owner has applied or consented to the application of the trade mark. The chief consideration for the purposes of s 120(1) remains whether or not the trade mark is used as a trade mark the determination of which requires consideration of the context of use, the goods being in the course of trade (rather than consumption) and the mark being used to establish a connection between the goods and the trade mark owner.

The decision however also safeguards importers and resellers of genuine goods through the interpretation of s 123. The court's broader reading of s 123 ensures that so long as the trade mark was originally applied to the goods by the trade mark owner or with their consent, the use of the trade mark in relation to the goods to which the trade mark has been applied is not restricted to physical application by the owner of the mark. Accordingly, the removal and reapplication of the trade mark in relation to goods or ancillary materials such as advertising in respect of goods to which the trade mark owner has originally applied the mark will not preclude the defence of consent under s 123. Other remedies are of course available for use in a manner that dilutes the trade mark or otherwise causes confusion or deception. The removal, reapplication or ancillary use of the trade mark on genuine goods will however not revoke consent under s 123.



**Kim Leontiev**

Lawyer

Thomson Geer

[kleontiev@tglaw.com.au](mailto:kleontiev@tglaw.com.au)

[www.tglaw.com.au](http://www.tglaw.com.au)

## Footnotes

1. *Scandinavian Tobacco Group Eersel BV v Trojan Trading Co Pty Ltd* (2016) 119 IPR 247; [2016] FCAFC 91; BC201605107.
2. All section references are to the Trade Marks Act 1995 (Cth) unless specified otherwise.
3. *Transport Tyre Sales Pty Ltd v Montana Tyres Rims & Tubes Pty Ltd* (1999) 93 FCR 421; [1999] FCA 329; BC9901214.
4. *Paul's Retail Pty Ltd v Lonsdale Australia Ltd* (2012) 294 ALR 72; [2012] FCAFC 130; BC201206766.
5. *Paul's Retail Pty Ltd v Spote Leisure Pty Ltd* (2012) 202 FCR 286; [2012] FCAFC 51; BC201202001.
6. *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144; [2010] HCA 15; BC201003137.

7. Above n 6, at [53].
8. See *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386; [2009] FCAFC 27; BC200901836 at [59].
9. *Champagne Heidsieck et Cie Monopole Societe Anonyme v Buxton* [1930] 1 CH 330; (1929) 47 RPC 28.
10. See *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407; [1963] HCA 66; BC6300320 (Kitto J).
11. Above n 6.
12. *WD & HO Wills (Aust) Ltd v Rothmans Ltd* (1956) 94 CLR 182; (1956) 1B IPR 511; BC5600090.
13. *Estex Clothing Manufacturers Pty Ltd v Ellis & Goldstein Ltd* (1967) 116 CLR 254; (1967) 40 ALJR 515; (1967) 1A IPR 491.

# It is all in the micro-details: Schulke & Mayr GmbH v Ecolab USA Inc

*Raya Barcelon LEGALVISION*

## Key takeaways

A review of this hearing decision suggests:

- For trade marks with descriptive features, in relation to the test for deceptive similarity, the weight given to the aural and visual comparison of the trade marks is much greater than its perceived conceptual similarity.
- Opposition based on s 60 of the Trade Marks Act 1995 (Cth) requires two considerations — first, a consideration of a trade mark’s reputation and second, whether, as a result of the trade mark’s reputation, use of the opposed trade mark will cause confusion in the relevant market.
- In considering evidence in relation to a trade mark’s reputation you should be able to isolate reputation attributed to the trade mark from the reputation of other marks used together with the trade mark.
- In determining likelihood of confusion, there must be a real and tangible danger of confusion. Consideration is given to trade channels, the relevant market or customers purchasing the goods and how the goods are purchased.

## Facts

Ecolab USA Inc (the Applicant) filed trade mark application number 1496926 with the following details:

**Trade Mark:** MICROGUARD (the Opposed Mark)

**Filing Date:** 15 June 2012 (the Priority Date)

**Goods and Services:** (the Claimed Goods)

**Class 3** — *Skin care products, namely, hand soaps, hand washed, moisturizing lotions*

**Class 5** — *Skin care products, namely, antibacterial hand soaps, antibacterial skin cleansers and waterless antibacterial hand rinses; surgical scrubs*

The trade mark application was examined, accepted and advertised for opposition. Just before the opposition period ended, Johnson & Johnson Inc opposed registration of the trade mark on grounds under ss 44 and 60 of the Trade Marks Act 1995 (Cth) (the Act).<sup>1</sup>

Johnson & Johnson is the owner of the following registered trade marks, which claims the same goods as the Applicant’s trade mark:

- Trade Mark No 487747 — MICROSHIELD;
- Trade Mark No 596060 — MICROSHIELD; and
- Trade Mark No 596061 — MICROSHIELD.

On September 2015, the hearing officer was advised that Johnson & Johnson Inc has assigned its business and rights to the MICROSHIELD trade marks to Schulke & Mayr GmbH (the Opponent).

## Section 44

The parties did not contest priority dates and the similarity of the goods claimed in the trade marks. Both parties also agreed that MICROGUARD and MICROSHIELD were not substantially identical.

The hearing officer considered the test for deceptive similarity and referred to s 10 of the Act and to the decision in *Shell Company of Australia v Esso Standard Oil (Australia) Ltd.*<sup>2</sup> When comparing the marks MICROGUARD and MICROSHIELD, it was considered that the trade marks were not aurally and visually similar. Regardless, it was considered that the trade marks shared similar features.

The marks consisted of the prefix MICRO and ordinary English words GUARD and SHIELD. There were two possible meanings for the prefix MICRO proposed by the parties. First, it means small or very small. Second, it alludes to “microbial” and its use refers to the anti-bacterial properties of the goods claimed.

In consideration of the goods claimed and the meanings derived from the words GUARD and SHIELD, the second definition was regarded as the appropriate one to be applied in this case.

Both marks MICROSHIELD and MICROGUARD refer to the characteristic of the goods to guard or shield against microbes or bacteria. The question then turns to whether this conceptual similarity is sufficient to show that there is a real, tangible danger of confusion.<sup>3</sup>

To answer this question, the descriptive characteristics of the marks which refer to their antibacterial qualities were taken into account. For this reason, the delegate gave more importance to the visual and aural assessment of the marks. He concluded that the aural

and visual differences in the marks “will easily fix in the mind and will be readily recalled”<sup>4</sup> by the relevant market despite conceptual similarity.<sup>5</sup>

## Section 60

Under s 60 of the Act, a trade mark may be refused if an opponent can successfully demonstrate that before the priority date of the opposed trade mark:

- another trade mark had acquired a reputation in Australia;
- for the same or similar goods; and
- because of this reputation, use of the opposed trade mark would cause confusion.

The hearing officer discussed the test for reputation as set out in *McCormick & Company Inc v McCormick*<sup>6</sup> which refers to the recognition of the trade mark by the general public. Evidence of reputation would include large volume of sales and substantial advertising expenditures or promotional activities.<sup>7</sup>

The hearing officer examined the evidence of reputation provided by the opponent for its products bearing the MICROSHIELD trademarks. It was observed that the trade mark MICROSHIELD was almost always presented together with the name of the opponent’s predecessor, JOHNSON & JOHNSON MEDICAL and the subordinate mark ANGEL. As a result, the reputation attributed to the mark MICROSHIELD was difficult to isolate from the reputation that is attributed to Johnson & Johnson.

In addition to this, the way the goods are sold by Johnson & Johnson sales representatives and distributors to the relevant market, being well informed hospital purchasers, doctors and nurses, was considered. The hearing officer decided that it is unlikely for the purchasers of Johnson & Johnson products who are aware of the MICROSHIELD trade marks to mistake or

confuse goods labelled MICROGUARD with goods labelled MICROSHIELD, in light of MICROSHIELD’s reputation.

The ss 44 and 60 grounds of opposition have not been established.

## Conclusion

This hearing decision demonstrates that when assessing whether trade marks are deceptively similar, the visual and aural comparison of the marks is given more weight than perceived conceptual similarity between marks.

It also demonstrates the importance of being able to prove with evidence, a trade mark’s reputation in isolation from the reputation of other marks, most especially if the other marks are significantly more well-known.



**Raya Barcelon**

Lawyer

LegalVision

raya.barcelon@legalvision.com.au

www.legalvision.com.au

---

## Footnotes

1. *Schulke & Mayr GmbH v Ecolab USA Inc* [2016] ATMO 8; BC201604452.
2. *Shell Company of Australia v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407.
3. *Registrar of Trade Marks v Woolworths* (1999) 45 IPR 411; (1999) AIPC 91–499; [1999] FCA 1020; BC9904205.
4. Above n 1, at [30].
5. *Cooper Engineering Co Pty Ltd v Sigmund Pumps Ltd* (1952) 86 CLR 536; (1952) 25 ALJR 731; [1952] HCA 15; BC5200550.
6. *McCormick & Company Inc v McCormick* (2000) 51 IPR 102; (2000) AIPC 91–637; [2000] FCA 1335; BC200005491.
7. Above n 6.



## Lexis® Learning Continuing Professional Development

### Achieve your mandatory CPD units with Lexis® Learning

LexisNexis® supports you and your continuous professional development. Visit our eStore to see the CPD online courses that we offer. You can do these online and in your own time. Using Lexis Learning you can track your learning, keep records and build a library of courses. Each course is equivalent to 1 mandatory CPD unit.

- Register and purchase online
- Pre-plan your program prior to deadline
- Module design allows for flexible completion and access to materials
- Expert presenters provide quality content
- Attain Certificates of Completion



Courses



Webinars

For more information:

-  [lexisnexis.com.au/onlinecpd](http://lexisnexis.com.au/onlinecpd)
-  1800 772 772



© 2016 Reed International Books Australia Pty Ltd trading as LexisNexis. LexisNexis, LexisNexis Red® and the Knowledge Burst logo are registered trademarks of RELX Intellectual Properties SA, used under license.

0982018CC

For editorial enquiries and unsolicited article proposals please contact Genevieve Corish at [genevieve.corish@lexisnexis.com.au](mailto:genevieve.corish@lexisnexis.com.au) or (02) 9422 2952.

Cite this issue as (2017) 30(1) *IPLB*

SUBSCRIPTION INCLUDES: 10 issues per volume plus binder [www.lexisnexis.com.au](http://www.lexisnexis.com.au)

SYDNEY OFFICE: Locked Bag 2222, Chatswood Delivery Centre NSW 2067

CUSTOMER RELATIONS: 1800 772 772

GENERAL ENQUIRIES: (02) 9422 2222

ISSN 1035-1353 Print Post Approved PP 255003/00767

This newsletter is intended to keep readers abreast of current developments in the field of intellectual property law. It is not, however, to be used or relied upon as a substitute for professional advice. Before acting on any matter in the area, readers should discuss matters with their own professional advisers. This publication is copyright. Except as permitted under the Copyright Act 1968 (Cth), no part of this publication may be reproduced by any process, electronic or otherwise, without the specific written permission of the copyright owner. Neither may information be stored electronically in any form whatsoever without such permission.

Printed in Australia © 2017 Reed International Books Australia Pty Limited trading as LexisNexis