

# IP @ Ashurst

March 2018



## From the Editors

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

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

We hope you enjoy this edition.



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**FIRM OF THE YEAR  
2018**

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

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# Heinz in “Shredz” over misleading children’s snack food packaging

*Australian Competition and Consumer Commission v H.J. Heinz Company Australia Limited [2018] FCA 360*

Heinz has been found to have engaged in misleading and deceptive conduct in relation to the packaging of its Little Kids “Shredz” products. The Federal Court issued its decision on 19 March 2018. The proceedings related to three products in the Little Kids range which were sold under the name “Shredz”. The ACCC alleged that the packaging for the Shredz products contravened sections 18, 29(1)(a), 29(1)(g) and 33 of the *Australian Consumer Law*. In particular the ACCC alleged that the statements and images on the product packaging represented that the products were of an equivalent nutritional value to the natural fruit and vegetables depicted on the packaging, were nutritious foods and were beneficial to the health of children aged 1 to 3 years, and encouraged the development of health eating habits for children aged 1 to 3 years.

Justice White held that he was satisfied that the packaging of the products (the combination of imagery and words) conveyed a representation that the food is a nutritious food and beneficial for the health of children aged 1 to 3 years. However, Justice White only found the representation that the products were beneficial for the health of children was misleading or deceptive in contravention of sections 18 and 29(1)(g) of the ACL (because of their high sugar content and sticky texture). His Honour stated that Heinz ought to have known that it was making that representation in relation to each product and that the representation was false or misleading. Justice White concluded that the evidence did not establish that the products were not nutritious, therefore that representation was not misleading or deceptive. His Honour was also not satisfied that the other representations raised by the ACCC were made. His Honour also indicated that he would make appropriate declarations but will be heard by the parties before making them, as well as on what other orders should be made. The matter is next scheduled for a further case management hearing in April 2018.



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# Nurofen advertising campaign causes more pain for Reckitt

*GlaxoSmithKline Australia Pty Ltd v Reckitt Benckiser (Australia) Pty Limited (No 2) [2018] FCA 1*



## WHAT YOU NEED TO KNOW

- In January 2018, the Federal Court of Australia held that Reckitt Benckiser's (Reckitt) advertising campaign comparing Reckitt's ibuprofen product Nurofen® against paracetamol for "common headaches" was misleading, deceptive and false in breach of sections 18, 29(1)(a) and 29(1)(g) of the *Australian Consumer Law* (ACL).
- Reckitt admitted that the advertising campaign (consisting of print advertisements and TV commercials) conveyed the representations that Nurofen® was "better than" or "superior to" paracetamol (including Glaxo SmithKline's (GSK) Panadol® products) for common headaches, including tension-type headaches (TTH), and provided faster and more effective pain relief than Panadol® for common headaches (the Comparative Nurofen® Campaign). Reckitt also admitted that its advertisements conveyed to consumers that these representations were based on adequate scientific knowledge.
- In finding that Reckitt's conduct breached the ACL, Justice Foster considered that the single scientific study relied on as the foundation for the representations in the campaign was not supported by subsequent studies and meta-analyses. It was thus misleading or deceptive, and false, for Reckitt to represent the superiority of ibuprofen over paracetamol for common headaches.
- His Honour granted a permanent injunction preventing Reckitt from making the same, or similar claims, and ordered that Reckitt pay GSK's costs.

## WHAT YOU NEED TO DO

- Be cautious when making comparative product claims as comparative advertising is likely to attract close attention from competitors and regulators. When in doubt, obtain legal advice before commencing the advertising campaign.
- When engaging in comparative advertising, it is essential that any factual assertions are accurate and that the comparison is made between the same or equivalent features of a competitor's product.
- If your comparative advertising campaign makes claims of a scientific nature, the representations may breach the ACL absent a proper scientific basis for making the claim, or where the scientific foundations are inadequate.
- Ensure that any scientific studies relied upon to support the claims are supported by other similar studies on the same subject matter, and not contradicted or undermined by subsequent research in the same field. This is particularly acute in the pharmaceutical industry. Before relying on a single clinical trial to support a claim of improved efficacy between medicines, it is important to ensure that the trial conclusions are consistent with other studies, or meta-analysis such as Cochrane reviews.

## BACKGROUND

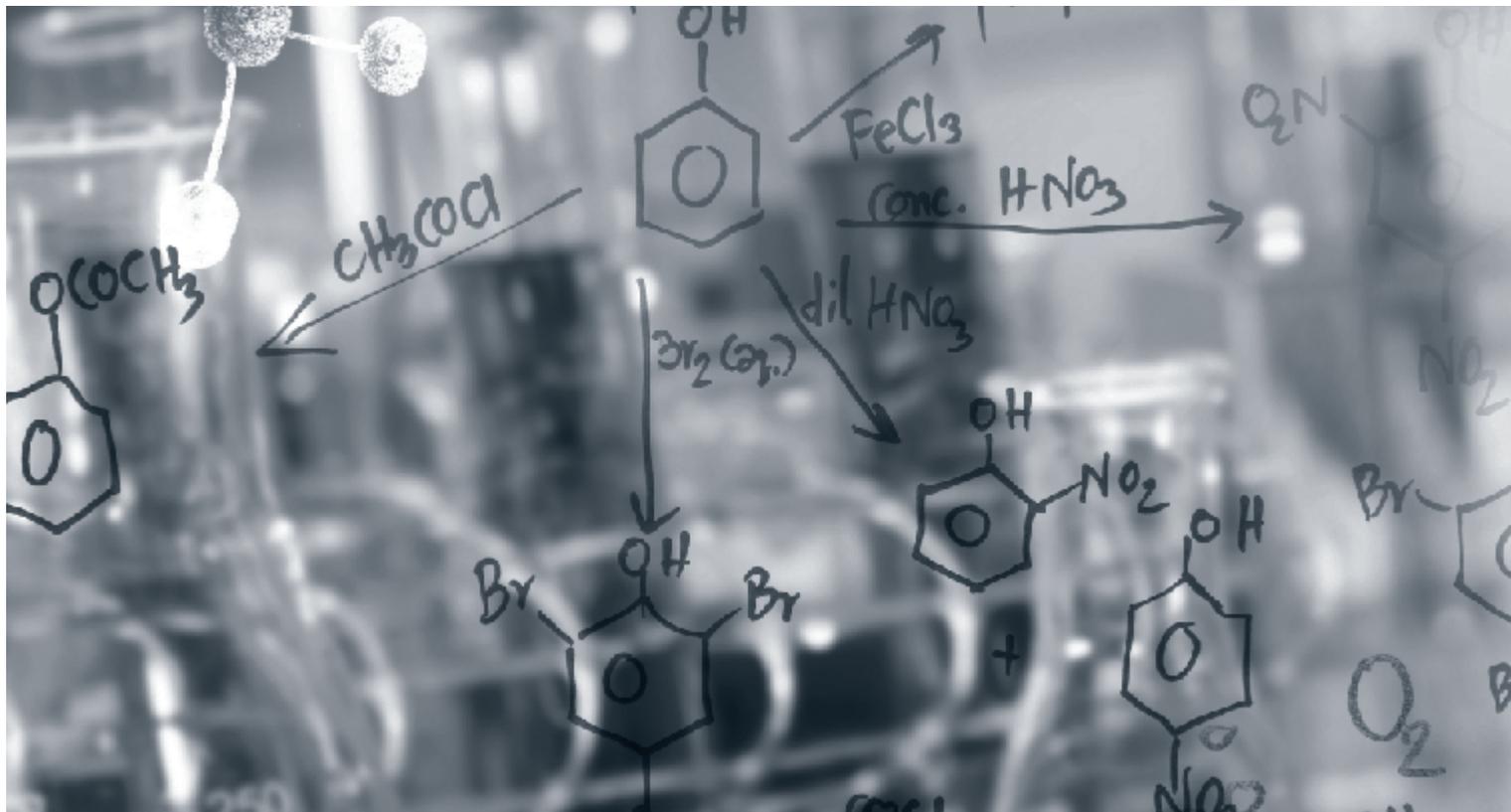
The dispute with GlaxoSmithKline Australia Pty Ltd and GlaxoSmithKline Consumer Healthcare Australia Pty Ltd (GSK) in relation to the Comparative Nurofen® Campaign, is the second time in recent years that Reckitt has been placed under scrutiny for its Nurofen® advertisements. As we reported last year in our [April 2017 Consumer Law and Pharmaceutical Update](#), Reckitt was ordered to pay \$6 million in penalties following a finding that its sale and marketing of a range of pain-specific Nurofen® products contravened section 33 of the ACL.

The Comparative Nurofen® Campaign was first launched by Reckitt in around August 2015. GSK successfully sought an interim injunction to restrain Reckitt from conducting the Comparative Nurofen® Campaign (or any similar advertisements) until Reckitt's liability for the alleged breaches of the ACL had been finally determined (*GlaxoSmithKline Australia Pty Ltd v Reckitt Benckiser (Australia) Pty Ltd* [2016] FCA 1196).

## RECKITT'S ADVERTISING CAMPAIGN

The Comparative Nurofen® Campaign consisted of print advertisements in major magazines and trade publications (such as *Retail Pharmacy* and the *Australian Journal of Pharmacy*), in-store advertisements, outdoor advertising, promotional banners and television commercials.

Each of the advertisements contained statements to the effect that Nurofen® was "superior to paracetamol", "better than paracetamol", "more effective" for TTHs or common headaches and/or provided "faster pain relief". These statements were displayed alongside a graph which depicted a relative relationship between the impact of Nurofen® and paracetamol on pain (based on patient relief ratings) over time (in hours). Although there were minor differences between each advertising format, this graph was substantially reproduced from a clinical trial (the Schachtel Study) which was referenced as a footnote below the graphs in the advertisements.



## THE REPRESENTATIONS: ADMITTED AND DISPUTED

Reckitt admitted that the Comparative Nurofen® Campaign conveyed the following representations:

- Nurofen® is better than Panadol® (or paracetamol) for common headaches;
- Nurofen® is superior to Panadol® (or paracetamol) for common headaches;
- Nurofen® is superior to paracetamol for TTH;
- Nurofen® gives faster pain relief and is more effective than Panadol® (or paracetamol) for common headaches.

GSK alleged that the Comparative Nurofen® Campaign conveyed the following additional representations, which were denied by Reckitt:

- Nurofen® is better than Panadol® (or paracetamol);
- Nurofen® is superior to Panadol® (or paracetamol); and
- Nurofen® gives faster pain relief and is more effective than Panadol® (or paracetamol).

Reckitt contended that all representations were confined to specific pain conditions (ie relieving pain from common headaches, including TTH), and were adequately founded on scientific knowledge current at the time each representation was made.

Justice Foster found that the Comparative Nurofen® Campaign:

- expressly represented that Nurofen® (and thus ibuprofen) when taken in the recommended dose, as directed by the manufacturer, generally delivers faster and more effective relief from pain caused by common headaches (including TTH) than does Panadol® (or paracetamol);

- expressly represented that Nurofen® was better than Panadol® for the treatment of common headaches (including TTH) and performs in a superior manner in delivery of pain relief for these types of headaches; and
- impliedly represented that, at the time when the campaign was conducted, there was an adequate scientific knowledge to support the express representations.

## SCIENTIFIC BASIS OF REPRESENTATIONS WAS INADEQUATE

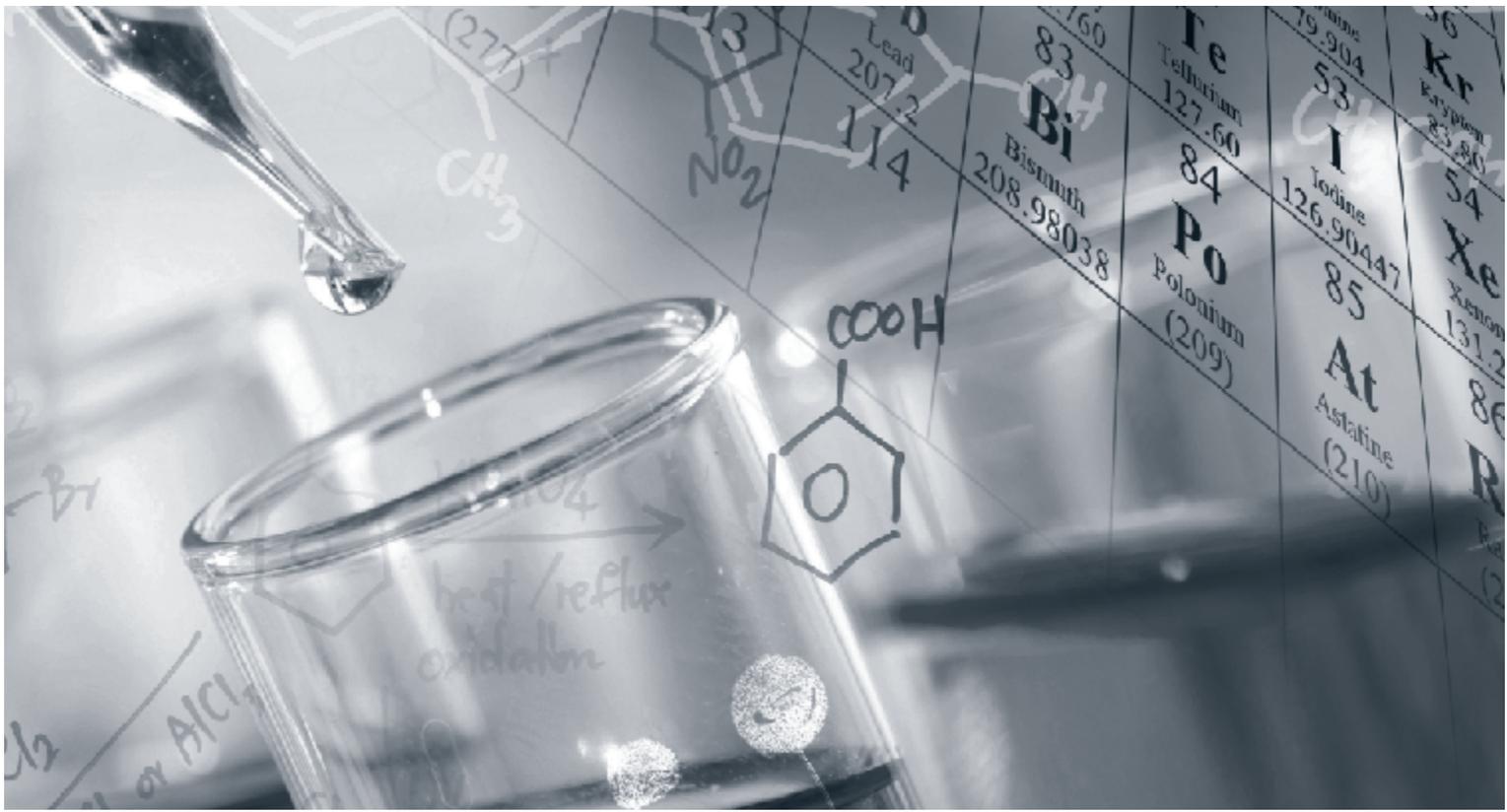
Justice Foster’s findings on the adequacy of the scientific basis for Reckitt’s representations were central to the determination of Reckitt’s liability under the ACL.

## RELEVANT SCIENTIFIC LITERATURE

In assessing whether the body of science relied on by Reckitt at the time the representations were made provided a reasonable basis for the claims, his Honour considered evidence of three clinical trials (the Schachtel Study, Study NL9701 and the NCT Study), three “meta-analyses” (two Cochrane reviews from 2015 and 2016, and the Moore Study), and testimony from the parties’ expert witnesses opining on the relevance of the studies.

A meta-analysis is a systematic review of literature which applies scientific and arithmetical computer programs to identify, appraise, and synthesise all high quality research evidence on particular research questions. The parties’ experts agreed that the Cochrane meta-analyses were the “gold standard” for evaluating and comparing medication efficacy.

The relevant publications comparing paracetamol and ibuprofen in terms of speed and efficacy of treatment were as follows:



- **Schachtel Study:** the Schachtel Study was a single clinical trial conducted in 1996, and reported statistically significant superiority of ibuprofen (400mg) over paracetamol (1000mg) in the treatment of muscle contraction headaches.
- **Study NL9701** and the **NCT Study:** Study NL9701 was commissioned by pharmacy chain Boots in 1998. The study compared the effectiveness of 400mg ibuprofen with 1000mg paracetamol and placebo four hours post-administration, for treatment of TTH. The authors concluded that there was no statistically significant difference between ibuprofen and paracetamol after 2 hours. While not supporting the conclusion reached in the Schachtel Study, neither Study NL9701 nor the NCT Study supported the opposite proposition either.
- **Moore Study:** the Moore Study was a 2014 meta-analysis which reviewed the outcomes reported in studies considering the efficacy of treatments for TTH. The Schachtel Study and Study NL9701 were included in the analysis. Reckitt's expert witness acknowledged that the Moore Study did not support a difference in being pain free at two hours between ibuprofen and paracetamol.
- **Cochrane Reviews:** the 2015 Cochrane Review concluded that 400mg ibuprofen was "*probably not much different from any other treatment*" and that "*no authoritative comparisons between active treatments is possible in the present state of knowledge*". The 2016 Cochrane Review (although not available at the time Reckitt launched the Comparative Nurofen® Campaign), found that there was "very low quality evidence" suggesting a statistical difference between being pain free at four hours for paracetamol and ibuprofen, and no difference at two hours.

To defend GSK's allegations, Reckitt relied principally on the results of the Schachtel Study, and the fact that no other clinical trial had proven the opposite of those results or put those results into doubt.

## FINDINGS

Justice Foster considered that the balance of the scientific evidence did not "speak with one voice" on the issue of whether ibuprofen (Nurofen®) provides faster and more effective relief than paracetamol (Panadol®). Significantly, the findings of the Schachtel Study were not corroborated by the meta-analyses undertaken on the issue.

For these reasons, the Court held that it was misleading or deceptive, or likely to mislead or deceive consumers, for Reckitt to simply cite and reproduce the results of the Schachtel Study as a foundation for the claim that ibuprofen (Nurofen®) provides faster and more effective relief from pain caused by common headaches including TTH than does paracetamol (Panadol®). These representations were also held to be false within sections 29(1)(a) and 29(1)(g) of the ACL as the balance of scientific knowledge weighed against the Schachtel Study.

## RELIEF

His Honour proposed to grant a permanent injunction and declaratory relief against Reckitt, as well as ordering Reckitt to pay GSK's costs. GSK had previously sought, but subsequently abandoned, a claim for an order for corrective advertising.

Reckitt has appealed the decision to the Full Federal Court.



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# Hep-C Patent “DAST”-up:

## Full Court upholds Gilead’s challenge to Idenix’s anti-viral patent

*Idenix Pharmaceuticals v Gilead Sciences* [2017] FCAFC 196

### WHAT YOU NEED TO KNOW

- In December 2017, the Full Court of the Federal Court of Australia upheld the first instance decision of Justice Jagot, and held that Gilead had successfully invalidated Idenix’s patent (the Idenix Patent) for compounds for the treatment of flaviviridae infections (including hepatitis C virus (HCV)) on the grounds on insufficiency and inutility.
- Gilead manufactures and sells its sofosbuvir containing drug Solvadi®. Solvadi®, which has been heralded as a cure for certain types of HCV, is currently the second most subsidised drug on Australia’s Pharmaceutical Benefits Scheme (PBS), receiving billions of dollars in Government subsidies since its inclusion on the PBS in 2016.
- In March 2016, Gilead successfully invalidated the Idenix Patent on the grounds of insufficiency and inutility (*Gilead Sciences Pty Ltd v Idenix Pharmaceuticals LLC* [2016] FCA 169). The owners of the Idenix Patent, Idenix Pharmaceuticals LLC, Università degli studi di Cagliari, Centre national de la recherche scientifique and Université De Montpellier (together, **Idenix**) appealed Justice Jagot’s first instance decision, alleging that the Primary Judge erred in her conclusions on insufficiency, fair basis and inutility. Gilead filed a notice of contention, submitting that the Idenix Patent should also be invalid for lack of novelty, and that her Honour erred on aspects of her fair basis analysis.
- In the Full Court, Justices Nicholas, Beach and Burley dismissed Idenix’s appeal and rejected Gilead’s grounds of contention. The Full Court upheld her Honour’s findings that the Idenix Patent:
  - a) lacked utility, as it disclosed compounds which could not, in fact, be synthesised, and
  - b) was insufficient, as it failed to disclose sufficient information to enable the skilled team to synthesise a compound falling within claim 7 without new invention or prolonged study of matters presenting initial difficulty.
- In a separate decision (*Idenix Pharmaceuticals LLC v Gilead Sciences Pty Ltd (No 2)* [2018] FCAFC 7), the Full Court ordered Idenix pay 90% of Gilead’s costs in the appeal, including the notice of contention.
- Idenix has filed an application for special leave to appeal the Full Court’s decision on invalidity to the High Court of Australia.

## WHAT YOU NEED TO DO

- When seeking to revoke a patent for lack of sufficiency, proof of the inventor's own repeated and prolonged failures to make something within a claim can be powerful evidence of insufficiency. In this case, the fact that Idenix's specialised internal team spent numerous years repeatedly failing to make a compound within claim 7 of the Idenix Patent was material to the Court's findings on insufficiency.
- To prove that information is common general knowledge it must be generally accepted without question by those in the art as forming part of the "*background knowledge and experience which is available to all in the trade*". It is not enough that information is found in a journal, even if widely read. In this case, the route of synthesis which Idenix failed to prove as CGK was considered "*unlikely to work*" at the relevant date by Gilead's experts, and only known to Idenix's experts through their work on specific projects and reading of non-common general knowledge publications.
- Although proving lack of inutility in pharmaceutical cases is often challenging, the Full Court has confirmed that there is no requirement to prove utility by experiment. The relevant standard for assessing utility is the balance of probabilities, and absolute scientific proof is not required.

## BACKGROUND

The Idenix Patent (Australian Patent No. 200327084 entitled "Modified 2' and 3'-nucleoside prodrugs for treating flaviviridae infections") relates to compounds for the treatment of flaviviridae infections, including the HCV infection. The Idenix Patent covered trillions of compounds, including sofosbuvir. Gilead also owned a patent which disclosed sofosbuvir (the Clark Patent).

In 2013, Gilead commenced revocation proceedings alleging that the Idenix Patent was invalid on the grounds of lack of manner of manufacture, lack of novelty, lack of fair basis, inutility, insufficiency and false suggestion. Gilead admitted that its Solvadi® product would infringe claims 7, 8, 10 and 13 of the Idenix Patent, if the patent was valid.

At first instance, Justice Jagot held that the Idenix Patent was invalid for failing to meet the utility and sufficiency requirements under sections 18(1)(c) and 40(2)(a) of the *Patents Act 1990* (Cth) (the Act), as it stood before the commencement of the "Raising the Bar" amendments.

## SUFFICIENCY: DAST ROUTE NOT CGK

The Primary Judge held that claims 7 to 41 of the Idenix patent did not comply with section 40(2)(a) of the Act and were invalid for insufficiency.

Justice Jagot had accepted Gilead's arguments that the Idenix Patent lacked sufficiency, as the specification did not fully describe how to synthesise certain compounds covered by claim 7. Specifically, Gilead had contended that the Idenix Patent specification did not describe how to introduce fluorine into a nucleoside at the 2' down position of the sugar ring and a carbon-containing group (such as a methyl, CH<sub>3</sub>, group) at the 2' up position on that ring, when compounds with that chemical substitution fell within claim 7. Gilead claimed that the chemistry required to synthesise such a compound (the "target compound") was not routine at the priority date, and involved "*new invention, addition or a prolonged study of matters presenting initial difficulty*".



## “JUST DAST IT”

Idenix accepted that the Idenix Patent did not give the skilled addressee any express method for producing the target compound. However, Idenix contended that when armed with the Idenix Patent and common general knowledge (CGK), the target compound could be synthesised using a route of synthesis called “DAST”. Broadly speaking, the “DAST” route involved reacting a precursor compound with diethylaminosulfur trifluoride (DAST), or Deoxo-Fluor (a DAST analogue that functioned in a similar way). At trial, this was referred to by Gilead as Idenix’s “Just DAST-it” approach.

At first instance, a significant volume of Idenix’s internal documents which recorded Idenix’s own attempts, and subsequent failures, to make a compound within claim 7 of the Idenix Patent were admitted as evidence. Justice Jagot considered that these documents provided a “*very strong basis*” and “*powerful evidence*” of the insufficiency of the Idenix Patent.

## FINDINGS

The Full Court found there was “*clear and compelling evidence*” before Justice Jagot to justify her findings on insufficiency. Significantly, the Full Court found that:

- The Idenix Patent not only failed to disclose a means of synthesising the target compound, it disclosed routes of synthesis which taught away from the appropriate methods by providing a method with the wrong stereochemistry to enable the production of a claim 7 compound.

- Idenix had failed to prove that the DAST route was CGK, or disclosed in the Idenix Patent. A statement in the Idenix Patent specification that claimed compounds could “*be synthesized by any means known in the art*” was inadequate to prove that the Idenix Patent disclosed the DAST route, or that the DAST route was CGK. The Court noted that “*known*” is not co-extensive with CGK. In this case, the weight of expert evidence indicated that the DAST route was not part of the “*background knowledge and experience*” of those working in the field. There was no error in Justice Jagot’s preference of the evidence of Gilead’s experts, who considered that at the relevant date, the DAST route was complex and uncertain chemistry, and would have thought it was unlikely to work even if the skilled team had attempted to use it to synthesize a claim 7 compound.
- The failures recorded in the Idenix documents were material to the question of insufficiency. The Idenix scientists were unable to produce an embodiment of a compound falling within claim 7, despite having a team of scientists and consultants engaged on the task for more than three years, and a supposed sufficient description of that invention at hand in the Idenix Patent.

The Full Court was also critical of Idenix’s “*overly elaborate*” strategy on appeal. Their Honours considered that Idenix’s grounds of appeal were designed to require the Full Court to “*conduct a re-trial of the complex factual questions litigated before her Honour*”. The Court noted that this would have required Idenix to demonstrate that Justice Jagot’s evidentiary findings were “*glaringly improbable*” or shown to be wrong by “*incontrovertible facts*”. Not only did the Full Court consider that Idenix failed to come anywhere near to satisfying this threshold, their Honours’ reasons are littered with judicial chastisement for Idenix’s attempt to use the appeal to simply “*put the dice into the box for another throw*”.



## INUTILITY: NOT ALL COMPOUNDS COULD BE MADE

Idenix also challenged Justice Jagot's findings at first instance that claim 7 of the Idenix Patent lacked utility as the claim covered compounds which could not be made. Her Honour accepted Gilead's submission that the "promise" of claim 7, was that compounds with a bromine or iodine at Y<sup>3</sup> position in the formula in claim 7 could be made.

Idenix challenged this finding, alleging that Gilead had failed to prove by experimental evidence that compounds within claim 7 with a bromine or iodine at the Y<sup>3</sup> position could not be made. However, the Full Court found that Justice Jagot had not erred in accepting that the weight of expert evidence (including evidence from Gilead's experts and Idenix's expert under cross-examination) indicated, on the balance of probabilities, that there were compounds within claim 7 that could not be made. Significantly, the Full Court observed that "[t]here is no requirement to prove inutility by experiment".

## OTHER GROUNDS

As noted above, the Full Court also dismissed Gilead's notice of contention, which had challenged Justice Jagot's findings on novelty, lack of external and internal fair basis. The Full Court upheld Justice Jagot's findings that the Idenix Patent was entitled to a priority date which was earlier than the priority date of Gilead's own patent, the Clark Patent. Thus the Clark Patent did not deprive the Idenix Patent of novelty. The Full Court also concurred with her Honour's conclusion that the Idenix Patent was not invalid for lack of fair basis as, contrary to Gilead's submission, embodiments within the specification matched or mirrored claims 7, 8 and 9 of the Idenix Patent.

## COSTS

In a separate decision, the Full Court ordered Idenix pay 90% of Gilead's costs of and incidental to the appeal, including the notice of contention. Idenix had sought to reduce its costs liability by 30% on the basis that a significant amount of time and effort was involved in dealing with Gilead's notice of contention. However, the Full Court considered that the length and complexity of the appeal was primarily dictated by Idenix's grounds of appeal and considered that a 10% reduction was a fair representation of the relative significance of Gilead's notice of contention on hearing time.



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# Comprehensive and progressive?

*The CPTPP is potentially neither in the case of IP laws*

## WHAT YOU NEED TO KNOW

- The CPTPP replaces the TPP following the United States' withdrawal from the original agreement.
- Compared to the TPP, the CPTPP is likely to result in less uniform intellectual property (IP) laws around the Asia-Pacific region and its impact on Australian law is likely to be minimal.

On 8 March 2018, 11 countries from around the Pacific Rim signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The signatories to the agreement, which emerged from the ashes of the Trans-Pacific Partnership (TPP), are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

While it may be comprehensive and progressive on a number of other fronts, it seems the CPTPP is neither when its impact on IP laws is considered. In fact, the agreement "suspends" a number of provisions that were to have come into effect in respect of IP laws as part of the TPP. These include various IP protections insisted upon by the United States that would have required members to:

- ensure the patentability of new uses of known products;
- adjust patent terms on the basis of unreasonable regulatory delays, including delays in granting marketing approval for pharmaceutical products;
- extend the term of protection for copyright and related rights to 70 years after the author's death; and
- require ISPs to take down infringing content once notified by rights holders.

These concepts are already familiar to Australian law, either as a result of Australia's 2004 Free Trade Agreement with the United States or more recent law reform, including the *Copyright Amendment (Online Infringement) Act 2015* (Cth). The CPTPP, even if these suspensions are lifted, is therefore likely to have minimal impact on IP legal practice in Australia.

However, the suspension of these provisions is expected to have a significant effect in delaying IP law reform in other countries around the Pacific Rim. For example, in countries such as Canada, where copyright protections only extend 50 years after the author's death.

The CPTPP will come into force two months after at least six signatories ratify the Agreement.



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# Meriton trips up over misleading online guest reviews

*Australian Competition and Consumer Commission v Meriton Property Services Pty Ltd* [2017] FCA 1305

## WHAT YOU NEED TO KNOW

- The Federal Court found that Meriton Property Services engaged in misleading or deceptive conduct, and conduct liable to mislead or deceive, by identifying guests who may have had a poor experience at the property or suffered a service disruption during their stay, and removing them from a mailing list that invites guests to post a review on the TripAdvisor website.
- Justice Moshinsky found that the conduct likely resulted in an improvement in the ratio of positive to negative reviews, and would also have affected property rankings on the TripAdvisor website. This means prospective guests receive an inaccurate or incomplete impression of the respective property, in contravention of sections 18 and 34 of the *Australian Consumer Law*.
- The question of remedies is to be decided at a later date.

## WHAT YOU NEED TO DO

- Resist temptations to interfere with, or manipulate, the integrity of third party review platforms by ensuring that your conduct does not restrict the publishing of a full range of customer reviews.

On 10 November 2017, Justice Moshinsky delivered his judgment against Meriton Property Services Pty Ltd, holding that its conduct in relation to the TripAdvisor review platform contravened sections 18 and 34 of the *Australian Consumer Law (ACL)*.

## BACKGROUND

Meriton Property Services operates serviced apartments across New South Wales and Queensland. These properties are listed on the TripAdvisor website (TripAdvisor). TripAdvisor allows guests to post reviews of hotels or other accommodation. These reviews are published online to a webpage dedicated to that property, and are also used to produce a ranking of the accommodation in that geographical area.

This case concerns the Review Express service, offered by TripAdvisor, where participating properties provide TripAdvisor with guests' email addresses. Emails are then sent with invitations to post a review. The evidence established that receiving such an invitation significantly increased the likelihood that a guest would post a review.

The ACCC brought action under section 18 (misleading or deceptive conduct) and section 34 (conduct that was liable to mislead or deceive) of the ACL against Meriton Property Services for the following two practices:

- when a guest made a complaint or had a negative experience, Meriton instructed its staff to put "MSA" in front of that guest's email address, rendering their email address invalid (the MSA masking practice); and
- where a Meriton property suffered a service disruption, such as out of service elevators or a hot water outage, staff were instructed to withhold the email addresses of all guests who had stayed at the property during that period (the bulk withholding practice).

These practices were adopted on the instructions of management across all Meriton properties in New South Wales and Queensland.

The effect of both these practices was that guests who were more likely to provide negative reviews were not sent invitations from the Review Express service.

## THE DECISION

Justice Moshinsky found that:

- the MSA masking practice had the effect of reducing the number of negative reviews of Meriton properties appearing on TripAdvisor, which in turn had the effect of improving the ratio of favourable to unfavourable reviews. As a result, prospective guests were given an unduly positive, or incomplete, impression of the property;
- the bulk withholding practice had the effect of reducing the number of negative reviews about service interruptions, and so prospective guests would have received an inaccurate impression of the frequency of service disruptions at Meriton properties; and
- in some cases, both the MSA masking practice and the bulk withholding practice had the effect of improving the ranking of Meriton properties in relation to other properties in that geographical area.

The conduct was likely to mislead or deceive, and by engaging in that conduct Meriton contravened section 18 of the ACL. Justice Moshinsky also found that Meriton had engaged in conduct that was liable to mislead the public as to the characteristics and suitability of the property, and in doing so contravened section 34 of the ACL.



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# Redbubble in trouble, but no relief for Pokémon over unauthorised merchandise sales

*Pokémon Company International, Inc. v Redbubble Ltd* [2017] FCA 1541

## WHAT YOU NEED TO KNOW

- Redbubble operates a website that allows its users to set up online shops and sell merchandise bearing user-uploaded images.
- The Federal Court found Redbubble liable for copyright infringement and misleading and deceptive conduct, after a number of Redbubble users uploaded unauthorised images of Pokémon characters and sold merchandise bearing those images.
- The Court awarded Pokémon nominal damages and declaratory relief only. The Court declined to award Pokémon compensatory damages, due to insufficient evidence that the products sold via Redbubble's website had diverted sales that would have been made by Pokémon and its licensees. The Court declined to order an injunction, due to the absence of evidence of a threat of further infringement.

## WHAT YOU NEED TO DO

- All businesses should be vigilant and take prompt action to prevent unauthorised merchandise being sold online. Detailed and specific evidence will be required to support a claim for damages and injunctive relief.
- If your business operates a website that displays user-uploaded content or provides an online marketplace, you should consider your legal position in light of this case.
- Copyright owners should consider registering their works in the United States, in order to obtain the benefit of Australian statutory presumptions of publication and ownership of copyright in the work.

## BACKGROUND

Redbubble Ltd (Redbubble) operates an online marketplace enabling its users to set up shops selling a range of merchandise, including clothing and smartphone accessories, bearing images uploaded by users. When an order is placed, Redbubble arranges for the merchandise to be manufactured bearing the user-supplied images then shipped directly to the customer. The products sold on Redbubble's website are promoted via Google Shopping sponsored links.

Pokémon Company International (Pokémon) sued Redbubble for copyright infringement and misleading and deceptive conduct, after a number of Redbubble's users uploaded unauthorised images of Pokémon characters and sold merchandise bearing those images. Redbubble disclaimed responsibility for the conduct of its users and argued that it was not liable.

## COPYRIGHT INFRINGEMENT

Pokémon based its copyright infringement claim on a drawing of the Pikachu character that Pokémon had registered as a copyright work in the United States. The Court found that:

- Pokémon had established on the evidence that the drawing was an original artistic work first published in a *Berne Convention* country (ie Japan) by a resident of that country; and
- by tendering the United States certificate of registration, Pokémon was entitled to statutory presumptions of publication and ownership of copyright in the work. Redbubble had not rebutted those presumptions.



The Court found that Pokémon’s copyright had been infringed by Redbubble engaging in the following acts in relation to 29 unauthorised images of Pikachu:

- **Communicating** the images to the public in Australia by making them available on Redbubble’s website. The Court found that, even though Redbubble’s users had uploaded the infringing images to Redbubble’s website contrary to the terms of their user agreements, Redbubble remained responsible for those images being hosted on its website in the United States and being made available to the public in Australia. Redbubble had thereby infringed Pokémon’s communication right.
- **Exhibiting for sale** on Redbubble’s website products bearing the infringing images, with knowledge (at least by the date Redbubble had received Pokémon’s letter of demand) that making the products would infringe copyright.
- **Authorising manufacturers** (or “fulfillers”) to reproduce the infringing images, by arranging for the manufacturers to make products bearing the infringing images in Australia. The Court found that authorisation liability was established because Redbubble had the power to prevent infringements from occurring, but the action taken by Redbubble was insufficient to do so.

## MISLEADING AND DECEPTIVE CONDUCT

The Court found that Redbubble had contravened the *Australian Consumer Law* (ACL) by misrepresenting to consumers that products available through Redbubble’s website were supplied, licensed or approved by Pokémon. The representations arose from Redbubble’s use of Pokémon character images and various words (including Pokémon and Pokémon GO) on its website.

The Court also found that Redbubble’s sponsorship of Google Shopping links similarly misrepresented to consumers that products available via Google’s website were supplied, licensed or approved by Pokémon. The Court gave no weight to Redbubble’s argument that the

tags, descriptions and images for the advertisements originated from Redbubble’s users and were transmitted to Google via an automated process. The Court held that, notwithstanding the automation, Redbubble still controlled the content of its sponsored links on Google.

## RELIEF

The Court made declarations of copyright infringement and conduct in breach of the ACL, but declined to order a final injunction against Redbubble. The Court was persuaded that Redbubble had sought to comply with its obligations under law and had amended its search engine (for example by blocking the use of keywords such as “Pikachu”), such that there was no evidence before the Court of a threat of further infringement.

The Court awarded Pokémon nominal damages only. The Court was critical of Pokémon’s evidence in support of its damages claim, and found there was insufficient evidence that products sold via Redbubble’s website had diverted sales that would have been made by Pokémon and its licensees. The Court noted that many of the products available via Redbubble’s website were not the kind of items that were available for purchase from Pokémon or its licensees, consisting for example of “mash-ups” of images (eg Pikachu and Homer Simpson).

The Court also declined to make an award of additional (punitive) damages, finding that Redbubble’s conduct did not amount to a flagrant disregard of Pokémon’s rights.

Redbubble has appealed the decision.



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# Meat trade marks deceptively similar

*JBS Australia Pty Ltd v Australian Meat Group Pty Ltd* [2017] FCA 1421

## WHAT YOU NEED TO KNOW

- The initialism “AMG” was found to be deceptively similar (but not substantially identical) to the registered trade mark “AMH” in relation to meat products in class 29.
- A combination word and device mark for AMG against a stylised map of Australia was found to be deceptively similar to a combination word and device mark for AMH against a stylised map of Australia in relation to meat products in class 29.
- Expert phonetic and phonological evidence on the pronunciation of initialisms was not found to be helpful in the real world context of the case.
- The Court declined to award additional damages for infringement.

## WHAT YOU NEED TO DO

- All businesses should take care in the choice of trade marks that are similar to others in the market.
- Small differences between marks are unlikely to prevent a finding of deceptive similarity if there is a non-trivial danger that a number of consumers in the relevant market will be caused to wonder or left in doubt about the origin of products bearing the (infringing) mark. The prospect for confusion to arise from the imperfect recollection of marks by consumers needs to be borne in mind in ensuring that a new mark is sufficiently different from prior marks on the Register or being used in the marketplace.
- Care needs to be taken in adducing expert evidence in trade mark cases about the meaning and pronunciation of trade marks to the Australian consumer. For such expert evidence to be useful, it must be specifically contextual, rather than abstract and acontextual.

## BACKGROUND

JBS is the owner of Australian Trade Mark No. 515268 (depicted below) registered for “*meat and meat products including boneless meat, chilled bone-in meat, frozen boneless meat, frozen bone-in meat*” in class 29:

JBS is also the owner of Australian Trade Mark No. 1719465 for the word mark, AMH, registered for (among other things)



“*meat; prepared meat; meat products; meat jellies; meat extracts; and offal*” in class 29.

The Court found that JBS and its predecessors in business had made extensive use of the trade marks over many years. Justice Greenwood observed that:

“It is a rare case indeed where a trade mark owner... is able to demonstrate use of a trade mark ... on 251.598 million items of packaging (in this case plastic packaging) and 94.563 million items of other packaging (in this case cardboard packaging) in connection with products...

generating sales of \$6.559 billion and \$10.585 billion, respectively, in sales of goods the subject of (in this case) each registration of the trade marks in suit.”

Australian Meat Group Pty Ltd (AMG) used the mark “AMG” and this mark:

in relation to meat and meat products it sold in Australia and



to export markets.

JBS alleged that the use by AMG of the mark “AMG” and the AMG device mark infringed JBS’s trade mark registrations. JBS asserted that the AMG marks were substantially identical to and deceptively similar with the JBS marks. AMG denied those allegations, and in relation to deceptive similarity, raised a defence based on *Mars Australia Pty Ltd v Sweet Rewards Pty Ltd* [2009] FCAFC 174 (the MALTESERS / Malt Balls case) that because JBS’s marks were so well known in the industry, there was no prospect that relevant consumers would be caused to wonder that products bearing the AMG marks came from JBS.

## KEY OUTCOMES

The Court considered detailed evidence about the business operations of each of JBS and AMG and about how each business thought various segments of the wholesale and retail meat industry in Australia worked. An important finding was that while participants in the wholesale meat market were knowledgeable, orders were often placed and taken in busy environments, often multiple times a day. Justice Greenwood characterised meat trading as a “hurly burly of oral commercial transactions”.

Taking an orthodox approach to the assessment of substantial identity and deceptive similarity, Justice Greenwood held that:

- on a side by side comparison, AMG’s marks were not substantially identical to JBS’s marks. The conventional approach taken by his Honour led to a conclusion which conforms to the traditional understanding of substantial identity under Australian law (in comparison, say, to the approach and outcome in *Pham Global Pty Ltd v Insight Clinical Imaging Pty Ltd* [2017] FCAFC 83 discussed in our [June 2017 IP @ Ashurst](#) (in which, curiously, Justice Greenwood was the presiding judge in the Full Court))
- AMG’s marks were deceptively similar to JBS’s marks. Justice Greenwood applied the established principles for assessment of deceptive similarity to reach this conclusion. The key question for consideration on an assessment of deceptive similarity is whether an (allegedly) infringing mark so nearly resembles a registered trade mark such that the impugned mark is likely to deceive or cause confusion. Justice Greenwood adopted Justice French’s (as he then was) restatement of the essential elements of deceptive similarity in *Registrar of Trade Marks v Woolworths Ltd* (1999) 93 FCR 365, and in particular noted this statement of Justice French:

“The judgment of the likelihood of deception or confusion is a *very practical one*.... It requires assessment of the effect of the challenged mark upon the minds of potential consumers. Impression or recollection taken away from the point at which the challenged mark is observed will be the basis of any belief about a connection between the new and the old marks. ... *The question ultimately is not susceptible of much discussion.*” [emphasis added]

The “hurly burly of oral commercial transactions” appeared to make an impression on Justice Greenwood in his assessment of deceptively similarity. His Honour noted those circumstances bore on whether participants in the market would be caused to wonder or left in doubt about whether it might not be the case that the meat products of AMG are those of the owner (JBS) of the AMH trade marks. His Honour also held that notwithstanding JBS’s very considerable reputation in its trade marks, that reputation was not such that no “imperfect recollection” of the AMH marks would be brought to any engagement with the AMG marks by participants in the market. Put another way, his Honour held that JBS’s reputation was not so overwhelming that in the circumstances of the hurly burly of meat trading, the imperfect recollection of market participants would be displaced. The so-called “Maltesers” defence failed for this reason.

Justice Greenwood did not find expert evidence adduced by AMG about the pronunciation of the initialisms comprising the word marks of each of JBS and AMG helpful. Justice Greenwood held that the expert phonetics and phonology evidence was cast at too high a level of abstraction to bear on the real world circumstances of the meat trading market. His Honour said:

“[T]he theoretical differentiation in pronunciation of the final syllable in AMG and AMH might well lose its structurally deconstructed abstracted integrity in the context of the cut and thrust of ordinary commercial arrangements by ordinary commercial people pronouncing AM something and AM something else in the sale and purchase of meat products, having regard to what is ordinary in that sense on the evidence.”

JBS sought an order that AMG pay additional damages for its infringements of JBS’s marks. However, Justice Greenwood declined to grant that relief. His Honour held that the explanation of the steps taken by AMG in choosing its marks was reasonable and not tainted with a desire to misappropriate JBS’s marks or its reputation in them.

## WHAT’S NEXT?

AMG has appealed Justice Greenwood’s decision to the Full Federal Court. It is expected that the appeal will be heard sometime in 2018.



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# An e-Induction to copyright in computer programs

*EIFY Systems Pty Ltd v 3D Safety Services Pty Ltd [2017] NSWSC 1310*

## WHAT YOU NEED TO KNOW

- The Federal Court held that there is no copyright in the functionality or the “look and feel” of a computer program.
- Without express words to the contrary, assignments of copyright do not include an assignment of any causes of action that might exist prior to the date of assignment.

## WHAT YOU NEED TO DO

- If you are claiming infringement of copyright in respect of source code or object code, you must provide evidence of access to or copying of the code, and should provide a comparison between your code and the code you allege is infringing.
- If you want to protect the functionality of a computer program, you must consider other rights (eg, patents). Also consider having parties agree to confidentiality obligations before sharing any sensitive commercial information.
- Ensure your IP assignments include the rights that you require (eg, rights in respect of any existing causes of action or a general statement to that effect, and rights to any pre-existing intellectual property you want assigned which should be listed in the assignment).

## BACKGROUND

EIFY Systems Pty Ltd (EIFY) brought an action against 3D Safety Services Pty Ltd (3D Safety) alleging 3D Safety had infringed copyright in its e-Induct system. EIFY also sought to establish rights through contractual or equitable duties of confidence, fiduciary duties, and misleading or deceptive conduct. Each of these claims failed.

EIFY and 3D Safety were in discussions to enter into a joint venture centred around the integration of the two parties’ IT systems: EIFY’s e-Induct (which delivered online induction training to workers) and 3D Safety’s consolidated online safety management system (3D System). Integration was essential to the possibility of a joint venture, as the selling-point to customers would be a single system for induction, plant management, access control, site control and safety management. Integration of these two systems required a rewrite of the 3D System’s source code to the language of the e-Induct system. The parties signed a document in July 2011, introducing a “critical timeline”, and noted that the parties could terminate their relationship if the rewrite was not completed by 30 September 2011.

The rewrite had not been completed by 30 September 2011, but neither party sought to terminate the agreement at that time. A demonstration of the integration between the systems on 9 December 2011 failed. As a result, 3D Safety decided to terminate the joint venture and continue to develop its own system for online inductions and training that could operate with their 3D System.

## COPYRIGHT IN E-INDUCT

EIFY claimed copyright in the following aspects of the e-Induct system as “original literary works”:

- the e-Induct source code and object code associated with the web pages;
- its structure or sequence or organisation; and
- the layout, format and look of the e-Induct web pages.

For the reasons set out below, Justice McDougall found that EIFY had been unable to prove a breach of copyright.

### Source code and object code

Copyright can exist within source code or object code as a “literary work”. However, whether copyright in the e-Induct code had been infringed by 3D Safety’s induction system could not be resolved because EIFY did not provide any evidence that 3D Safety had accessed or copied the e-Induct code (ie, copying). Further, EIFY provided no comparisons between the e-Induct code and any allegedly infringing work produced by 3D Safety to show a similarity between the codes (ie, reproduction of at least a substantial part).

EIFY had sought to rely on expert evidence that “[i]n cases where the screens are very similar, the underlying Object Code in the Video RAM is also very similar”. However, the Court held that this did not demonstrate that the similarity of the object code resulted from any act that could constitute infringement of copyright subsisting in the object code of e-Induct.

### Structure, sequence and organisation

Justice McDougall emphasised the distinction between design and functionality made by Justice Arnold in *SAS Institute Inc v World Programming Ltd* [2010] EWHC 1829 (Ch):

“... there is a distinction between protecting the design of the program and protecting its functionality. It is perfectly possible to create a program which replicates the functionality of an existing program, yet whose design is quite different.”

While 3D Safety may have replicated the functionality of e-Induct in their system, it did not follow that they had copied e-Induct’s design. Justice McDougall held that there is no copyright in the functionality, or the “look and feel” of a computer program, and therefore the claim failed.

## LAYOUT, FORMAT AND LOOK

As noted above, Justice McDougall held that there was no copyright in the “look and feel” of a computer program. EIFY had attempted to rely on US decisions that suggested such a right could exist. However Justice McDougall rejected the application in the Australian context because: first, the US list of copyright categories is an illustrative list, while the Australian list of copyright categories is exhaustive; and second, there is disagreement within the US courts as to whether such a right could exist.

## COPYRIGHT AND ASSIGNMENT

EIFY claimed copyright in 34 images that had been used in both systems as “artistic works”. EIFY claimed that the copyright in these images was assigned to it from Clearsite on 14 May 2015.

EIFY’s claim in respect of these images failed because Clearsite’s assignment did not assign to EIFY any causes of action that Clearsite may have had in respect of those images prior to 14 May 2015 (ie, when 3D Safety developed its system). An assignee can only sue for breaches of the assigned copyright prior to the date of assignment if those rights of action are assigned. EIFY did not provide any evidence of a copyright breach occurring after 14 May 2015, and therefore the claim failed.

This claim also failed on the basis that the assignment did not assign copyright in those images. The assignment related to intellectual property that had been developed as part of the “consultancy services” provided by Clearsite to EIFY. However, the 34 images had not been developed as part of those consultancy services and therefore the rights to them did not vest in EIFY through the assignment.

## CONCLUSION: ESTABLISHING COPYRIGHT CLAIMS AND ASSIGNMENT OF IP RIGHTS

Parties looking to establish copyright claims in computer programs should provide evidence of copying of or access to the code in issue, and a comparison with the alleged infringing code. It is insufficient to rely on arguments about similarities of “look and feel” or functionality.

Parties should be careful with assignments of intellectual property rights to ensure that they are getting all the rights they require. This includes any causes of action that might exist, as well as specific pre-existing works that should be listed in the assignment.



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# The scope of the implied licence to repair or remanufacture a patented product and implications for terms of sale

*Seiko Epson Corporation v Calidad Pty Ltd* [2017] FCA 1403

## WHAT YOU NEED TO KNOW

- There is a presumption of an “implied licence” that arises automatically upon the unconditional sale of a patented product.
- Unless qualified, the implied licence will carry with it a right to use, maintain, import/export, resell or otherwise dispose of the product, as the purchaser (or a subsequent owner) sees fit.
- Being implied, this licence can be excluded by express terms, provided that the purchaser is given notice of those terms at the time of sale.
- On the other hand, goods which are materially altered in a process of repair or modification may be taken outside the scope of the implied licence, such that their importation or resale may involve patent infringement.

## WHAT YOU NEED TO DO

- Patent owners who wish to prevent consumable products being refurbished and resold should review their terms of sale to ensure that such conditions are imposed in express terms and clearly brought to the purchaser’s attention at the time of sale.
- Wherever practicable to do so, these conditions should also be brought to the attention of any person who subsequently purchases, or otherwise acquires, the (used) goods. If practicable, it will generally also be desirable for the patent owner, at the time of first sale, to oblige the purchaser to bring such conditions to the attention of anyone who subsequently acquires the (used) goods.

## BACKGROUND

The decision of Justice Burley of the Federal Court of Australia in *Seiko Epson Corporation v Calidad Pty Ltd* [2017] FCA 1403 examines a myriad of intellectual property issues spanning patent and trade mark infringement, breach of statutory duty and misleading or deceptive conduct. The case examines the extent to which intellectual property rights may be used to prevent consumable products being restored and resold by a competitor. This article focuses on one aspect of the case: the scope of a purchaser’s right to repair or remanufacture a patented product, and the circumstances under which the importation of such a product into Australia for resale might amount to patent infringement.

This decision examines some novel questions of law and has important implications for both Original Equipment Manufacturers and Remanufacturer businesses.

## THE SEIKO PRODUCTS

Seiko Epson (Seiko) sells Epson-branded printer cartridges worldwide. The Epson cartridges embody the invention claimed in the Seiko Australian patent (Patent No. 2009233643). The printer cartridges have memory chips programmed to recognise when a cartridge is spent. This protects the user’s printer from damage, but also prevents the cartridges from being refilled and reused, if the memory in the chip remains intact. This mechanism was circumvented by a third party who refurbished and refilled the cartridges overseas. The cartridges were then imported and resold in Australia by Calidad Distributors (Calidad), in competition with the original Epson cartridges.

Two methods were used to refurbish the Epson cartridges. In some cases, the memory chip was reprogrammed. In other cases, the entire circuit board was removed, a new memory chip inserted, and the modified circuit boards refitted to the cartridges. Some cartridges were further modified to allow them to be used with a wider range of Epson printers than originally intended.

Seiko claimed that Calidad infringed its Australian patent by importing and selling its printer cartridges in Australia. Calidad accepted that its cartridges fell within the Seiko Australian Patent, but claimed it had the benefit of an implied licence to import and sell those cartridges in Australia.

## PATENT RIGHTS vs PROPERTY RIGHTS

The central issue at stake in the proceedings was the right of a patentee to control what may be done with a patented product, once sold. This problem gives rise to a conflict between a patentee's exclusive right to "exploit" the patented invention under the *Patents Act 1900* (Cth), and the rights of property ownership in a chattel at common law. This tension has been addressed by two competing forms of judicial reasoning, namely the doctrine of "patent exhaustion" (recently endorsed by the US Supreme Court in *Impression Products v Lexmark* (2017) 581 U.S. 1523), and the notion of an "implied licence" (adopted in the UK and Australia, most notably in the Privy Council decision in *National Phonograph Co of Australia Ltd v Menck* (1911) 12 CLR 15).

The doctrine of exhaustion posits that upon the first authorised sale of a product by or with the consent of a patentee, all patent rights in the invention are exhausted. By contrast, the implied licence doctrine posits that an unconditional sale of a patented product confers on the purchaser an implied licence to use and resell that product without infringing the patent, subject to any conditions imposed by the patent owner and brought to the purchaser's attention at the time of sale.

Consistent with applicable Australian authority, Calidad's defence to infringement was founded on the implied licence doctrine (although it contended that, after selling the original Epson cartridges, Seiko's rights to control the subsequent use of those products were, in effect, "exhausted").

## THE CENTRAL QUESTION

Seiko challenged Calidad's "implied licence" defence on a number of bases. Amongst other things, Seiko contended that the Epson printer cartridges were sold subject to "implied conditions" preventing their refurbishment or resale, in the form of technical restrictions built into the cartridge memory chips. Justice Burley rejected this argument, noting that other explanations for the technical restrictions were available (eg, preventing printer damage) and explaining that the Court would be slow to infer that implied conditions had been imposed at the time of sale where the patent owner could have done so in express terms, but did not.

In an alternative argument, Seiko contended that the modifications made to the cartridges prior to their importation and resale took those products outside the scope of any implied licence.

Accepting the proposition that modification could take the refurbished goods outside the scope of the implied licence arising from an unconditional first sale, Justice Burley held that the question of whether Calidad's refurbished cartridges fell within, or outside, the implied licence was not to be determined by comparing those goods to the original Epson cartridges, because:

"The question is not whether or not the *product* was altered or repaired, but whether the product, *insofar as it is an embodiment of the invention as claimed, was materially altered*, such that the implied licence can no longer sensibly be said to apply." [emphasis added]

His Honour proceeded to formulate a three-step test to assist in deciding when modifications will extinguish an implied licence:

- first, what is the scope of the invention as claimed;
- second, what is the manner in which the patent owner’s product is an embodiment of the invention as claimed; and
- finally, to what extent do the modifications made affect the patented product insofar as it represents an embodiment of the patent claims.

Noting that memory chips were an integer of the claims of the Seiko Australian Patent, Justice Burley held that, where refurbishment had involved physically removing and replacing memory chips, a material change to the embodiment of the invention had occurred. The resulting Calidad cartridges were held to fall outside the implied licence and so infringe Seiko’s patent.

By contrast, where refurbishment had merely involved reprogramming the memory content of the original chips, Justice Burley found that no material change had occurred, noting that the claims of Seiko’s patent were silent as to the content of the memory chips. In respect of these cartridges, Calidad was held to have the benefit of an implied licence to import and sell the products in Australia, without infringing the Seiko Australian Patent.

## EXTINGUISHING AN IMPLIED LICENCE?

In assessing whether modifications had taken the Epson cartridges outside the scope of the implied licence arising from their unconditional sale, Justice Burley briefly reviewed English authorities concerning the dichotomy between “repair” of patented goods (generally permissible) and “remaking” of those goods (typically an infringement). His Honour considered those authorities did not provide an answer to the central question raised in this case. Arguably, however, the concept of a “material” alteration which takes goods outside the scope of an implied licence might alternatively be viewed as an impermissible “remaking” of those goods, along the lines discussed in the UK cases. It will be interesting to see how an appellate court views this question, should an appeal take place in the instant case.

## THE CONTRASTING US AND AUSTRALIAN APPROACHES – DOES IT MATTER?

A key practical difference between the US “patent exhaustion” doctrine and the “implied licence” doctrine applied in the present case is the scope of remedies potentially available to a patent owner.

Under the US approach, following a first sale of its product, a patent owner may have a claim in contract against a purchaser who breaches the terms of sale, but will have no ongoing patent rights to assert. The implied licence approach has the potential to afford the patent owner both contractual and patent claims against such a purchaser. For patent owners, the latter approach provides greater flexibility and is therefore likely to be preferred.



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# UK: To protect your TV format via copyright, be distinctive, coherent and specific

*Banner Universal Motion Pictures Limited v Endemol Shine Group Ltd & Ors*  
[2017] EWHC 2600 (Ch)

## WHAT YOU NEED TO KNOW

A UK court has ruled that there is potential for a television quiz or game show format to be the subject of copyright protection as a dramatic work, even though such shows inherently contain elements of spontaneity.

## WHAT YOU NEED TO DO

If you want your television format to qualify for copyright protection in the UK, you should:

- make sure the relevant documentaion contains a number of clearly identified features which, taken together, distinguish it from others of a similar type; and
- make sure those features are connected in a coherent framework that allows the show to be reproduced in recognisable form.

## BACKGROUND

The High Court of England and Wales has, in a case management hearing, dismissed a case brought by the creator of a game show “format”.

The claimant, Banner Universal Motion Pictures Limited (BUMP), is an English corporation set up by Danish citizen, Derek Banner.

## DEVELOPMENT OF ‘MINUTE WINNER’

Mr Banner claimed that around 2003, he developed a format for a television show called *Minute Winner*, which he set out in a document. The document outlined the show’s synopsis, options of where it could be filmed, how contestants would be chosen, examples of games that could be played and prizes that could be won. The show would involve contestants chosen at random, who are given one minute to complete a task (eg find the key to unlock a car) and, if successful, win the object the subject of the game (in this example, the car).

At the end of the Minute Winner document was the following text:

“Concept created by Derek Banner/Bump Productions. Copyright 2003, all rights reserved. This format is protected under the international copyright law and intellectual property protection. It shall not be transmitted, exploited, copied, produced, used, disclosed or distributed, in part or in its entirety, without permission from its owner.”

Mr Banner claimed he outlined the concept of Minute Winner at a meeting in 2005, with principals of Friday TV. He says he asked the principals to sign a non-disclosure agreement. They declined, but he claims they acknowledged everything said or disclosed at the meeting would be confidential.

One of the principals gave evidence that Minute Winner was never discussed at the meeting, and his notes supported that claim.

Ten days after the meeting, Mr Banner sent the principals an unsolicited email saying “Nice speaking to you. Attached are 10 more of our new formats”. One of these was Minute Winner and attached to the email was a version of the Minute Winner document.



## “MINUTE TO WIN IT”

In 2009, Friday TV’s holding company was acquired by Shine Limited. The same year, Friday TV sold the idea for a new game show to Realand Productions LLC, part of the NBC Universal Group. In 2010, a show called *Minute To Win It* was first broadcast in the US. It was later broadcast in many different countries around the world, including a UK version in 2011.

## PREVIOUS LITIGATION

Mr Banner commenced the following suits in relation to the program:

- In 2012, in the Stockholm District Court, Mr Banner commenced proceedings against Friday TV, claiming infringement of the Swedish Trade Secrets Act. The case was dismissed, with the Court finding the Minute Winner concept had not been pitched at the 2005 meeting, and only in the subsequent email, and therefore not subject to the verbal confidentiality undertaking. It also held that the information conveyed to the principals was too general in nature and not detailed enough to be a “trade secret”. Mr Banner was ordered to pay Friday TV’s costs.
- Mr Banner applied to the Swedish Court of Appeal to appeal the District Court’s decision. The application was dismissed.
- Mr Banner applied to the Swedish Supreme Court to appeal the Court of Appeal’s decision. That application was also dismissed, and Mr Banner was again ordered to pay Friday TV’s costs.
- In 2014, Mr Banner requested the Stockholm District Court issue a summons against Friday TV and others alleging trade mark and copyright infringement. The Court refused the request.

Mr Banner had not paid any part of the costs ordered against him. He incorporated BUMP in 2015, and purported to assign his rights in relation to Minute Winner to BUMP. In 2016, BUMP commenced the case in England against Endemol Shine and others.

## COPYRIGHT

BUMP claimed copyright in the Minute Winner document as an original dramatic work under the UK *Copyright Designs and Patents Act 1998* (CDPA). The Minute Winner was never produced or broadcast as a television program.

Justice Snowden held that in assessing originality, the whole work must be considered, and an original work can include parts that are neither novel nor ingenious (*Ladbroke v William Hill* [1964] 1 WLR 273 at 273).

He also held that:

“... it is at least arguable, as a matter of concept, that the format of a television game show or quiz show can be the subject of copyright protection as a dramatic work. This is so, even though it is inherent in the concept of a genuine game or quiz that the playing and outcome of the game, and the questions posed and answers given in the quiz, are not known or prescribed in advance; and hence that the show will contain elements of spontaneity and events that change from episode to episode.”

Justice Snowden did not decide on the precise conditions required for a television format to gain protection. However his Honour set out the following minimum conditions:

- a number of clearly identified features which, taken together, distinguish the show from others of a similar type; and
- those distinguishing features are connected with each other in a coherent framework which can be repeatedly applied so as to enable the show to be reproduced in recognisable form.

His Honour held that the Minute Winner document did not meet those requirements, because its contents were:

- very unclear and lacking in specifics; and
- even taken together, did not identify or prescribe anything resembling a coherent framework or structure which could be relied upon to reproduce a distinctive game show in recognisable form.

Justice Snowden held that the show’s features, such as the title, the phrase “one minute to win”, and performing a task against the clock to win a prize, were “commonplace and indistinguishable from the features of many other game shows”.

## BREACH OF CONFIDENCE

BUMP’s claim for breach of confidence failed because the Court held that the Minute Winner document was too vague to qualify for protection as confidential information. His Honour also held that BUMP was estopped from bringing this claim by reason of the findings in, and outcome of, the Swedish proceedings.



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