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## Season's Greetings



From everyone at POF, we would like to wish you season's greetings and a very happy new year.

2013 has been a significant year for intellectual property in Australia, with the commencement of the *Raising the Bar Act* in April. We are now just

starting to see examination reports being issued under the stricter requirements of the new Act. In the trade marks and copyright fields, rights holders are already benefiting from the changes to the customs seizure provisions, which provide more information

to rights holders on importations. Our experience is that we are now seeing a higher number of seized goods being destroyed.

This year has also seen a number of important decisions from the Federal Court, including the case *RPL Central Pty Ltd v Commissioner of Patents*. In this decision, the court concluded that a computer related invention satisfied a key requirement of patentability, as it constituted a manner of manufacture as distinct from being a method of doing business. This decision is currently under appeal (page 4).

In another key case this year, *Adidas AG v Pacific Brands Footwear Pty Ltd (No 3)*, the court examined numerous four stripe designs appearing on running shoes, and found that a number of the four stripe patterns infringed

Adidas' registrations for their well-known three stripe trade mark (page 12).

2013 has also been an exciting year for POF as our firm has been celebrating its 125th anniversary. We marked this momentous occasion with functions throughout the year, and profiling clients and cases we have been involved with over the past 125 years. This anniversary has provided us with an excellent opportunity to recognise this impressive achievement, and we would like to thank our staff and clients for their ongoing support.

We look forward to continuing to work with you in 2014.

**Chris Schlicht, Partner**  
**Phillips Ormonde Fitzpatrick**



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## A shady affair: Louis Vuitton Malletier v Sonya Valentine Pty Ltd [2013] FCA 933

by David Longmuir

Phillips Ormonde Fitzpatrick Lawyers recently successfully acted for Louis Vuitton Malletier (Louis Vuitton) against Sonya Valentine Pty Ltd (Sonya Valentine), a local importer and distributor of various goods imported from China including sunglasses.

### Background

The proceeding was commenced in the Fast Track List of the Federal Court of Australia, after Louis Vuitton became aware of the importation and sale by Sonya Valentine of sunglasses bearing the expression 'LOUIS V', in some instances together with 'EYEWEAR EST. 1941 PARIS', and other sunglasses bearing a flower symbol, examples of which are shown below:



Louis Vuitton claimed that the use of either the term 'LOUIS V' or the flower symbol on sunglasses was an infringement of its Australian Trade Mark registrations for LOUIS VUITTON or , and that the sale and supply of such sunglasses in Australia was a breach of the *Australian Consumer Law*.

Sonya Valentine failed to comply with various court orders, and Louis Vuitton filed an interlocutory application seeking judgment against Sonya Valentine in default.

### Australian Consumer Law

Justice Jessup held that in light of Louis Vuitton's reputation, a consumer would be misled into thinking the Sonya Valentine's 'LOUIS V' or flower symbol sunglasses were either those of Louis Vuitton, or somehow associated with Louis Vuitton.

Justice Jessup therefore held that Sonya Valentine's use of 'LOUIS V' and the flower symbol was misleading conduct or a misleading representation in breach of the *Australian Consumer Law*.


His Honour also found that the expression 'EYEWEAR EST. 1941 PARIS' found on some of the sunglasses was a false representation and a breach of the *Australian Consumer Law* on the basis that Sonya Valentine has filed no evidence that the sunglasses (manufactured in China) were connected with Paris in any way.

### Trade mark infringement

Justice Jessup accepted that the flower symbol as used by Sonya Valentine was deceptively similar to Louis Vuitton's trade mark registration but was not persuaded on the evidence that the mark 'LOUIS V' was deceptively similar to 'LOUIS VUITTON'.

### Relief

Louis Vuitton was successful in obtaining extensive injunctions preventing the sale of the 'LOUIS V' and flower symbol trade marks, as well as pecuniary remedies and costs against Sonya Valentine.

The court also made a declaration that by the importation, offering for sale and sale of sunglasses bearing the flower symbol, Sonya Valentine has used the flower symbol as a trade mark and infringed Louis Vuitton's Australian registered trade mark No 1047186 for .

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## POF Asia Direct

by David Tadgell

Since our inception, Phillips Ormonde Fitzpatrick (POF) has worked with clients around the world. While in the last century (and the one before!), we focused on our clients' interests in Europe and America, the 21st century has seen greater focus on the Asian region as a driver of growth. In response to this growth, and Australia's key position in the region, POF has been working with our clients to develop a 'one stop shop' for IP protection throughout South East Asia.

### How does it work?

Over the past decade, we have been working with clients to bundle their IP interests in the South East Asian region, allowing for cost effective management of IP through a single point of contact. POF represents clients directly before IP offices in Australia, New Zealand, Papua New Guinea and Vanuatu. In other South East Asian Countries, we have established trusted relationships with IP associates from whom we receive preferential treatment and fees.

### What we do

POF's full suite of services is available in South East Asia. Patent, trade mark and design services include:

- > Filing
- > IP portfolio management

- > Examination
- > Translations
- > Prosecution
- > Grant or registration of applications.

### Where we work

Countries where POF South East Asia Direct operates include Australia, New Zealand, Papua New Guinea, Indonesia, Malaysia, India, Taiwan, Thailand, Bangladesh, Sri Lanka, Philippines, Singapore and Vietnam. A full list of countries is available on request.

### Advantages of POF Asia Direct

- > One point of contact for queries, requests, instructions and invoices
- > Cost-effective bundled IP management across the region
- > Protection for your intellectual property wherever you need it across the region
- > Your choice of currency for invoicing.

For more information about how we can protect your portfolio in South East Asia, please contact us at [attorney@pof.com.au](mailto:attorney@pof.com.au)

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## Federal Court win for software inventions

by Mark Williams

The Federal Court in *RPL Central Pty Ltd ("RPL") v Commissioner of Patents ("the Commissioner")* [2013] FCA 871 has held that a computer implemented invention can be patentable subject matter in Australia, particularly where there is substantial disclosure in the patent specification of how the invention is to be implemented on the computer.

### Background

This proceeding was an appeal from a decision by the Commissioner of Patents, stemming from an opposition proceeding against innovation Patent 2009100601, that the claims of this patent do not constitute a manner of manufacture under s 18(1A)(a) of the *Patents Act 1990* (Cth) ('the Act').

Interestingly, this was not a ground raised during examination of the innovation patent, nor raised by the opponent, but rather raised and pressed by the Commissioner of her own volition.

As a result, this Federal Court decision focuses solely on manner of manufacture. Although the patent is an Australian innovation patent, the test for manner of manufacture is the same as for a standard patent.

### The claimed invention

The claimed invention is directed to a system and method for gathering evidence for an assessment of an individual's competency relative to recognised standards – i.e. "Recognition of Prior Learning". The invention automatically generates a series of questions to be presented to the individual on their computer, and receives the corresponding responses from the individual via their computer interface. The received responses may be text based responses to the questions or may take the form of uploaded supporting documentation (including documents, audio or video). A copy of the specification may be found at [ipaustralia.gov.au](http://ipaustralia.gov.au)

The specification includes eleven pages of description of the invention and five claims (noting that the application in an innovation patent which is limited to five claims) and six drawings. The drawings illustrate a computer system showing the operation of the overall system together with a number of pseudo code/method flow charts explaining

the operation of the invention and the steps carried out by the computer system. Examples of the questions that may be generated and posed to the user are also provided.

### Manner of manufacture: the judgment

The Court applied the key criteria relating to manner of manufacture articulated by the High Court in *National Research Development Corporation v Commissioner of Patents* (1959) 102 CLR 252 ('NRDC') and elaborated upon by the Federal Court in *CCOM Pty Ltd v Jiejing Pty Ltd* (1994) 51 FCR 260 ('CCOM') and *Grant v Commissioner of Patents* (2006) 154 FCR 62 ('Grant'), as explained below.

### Useful result

At [129] the Court found that RPL's claimed invention did produce a useful result in that it overcomes a difficulty involved in seeking out relevant education providers and enables the recognition of prior learning.

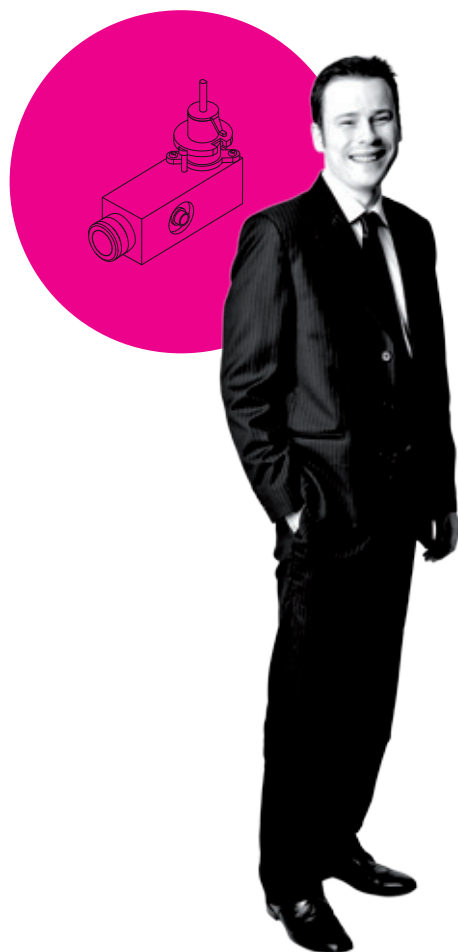
### Vendible product

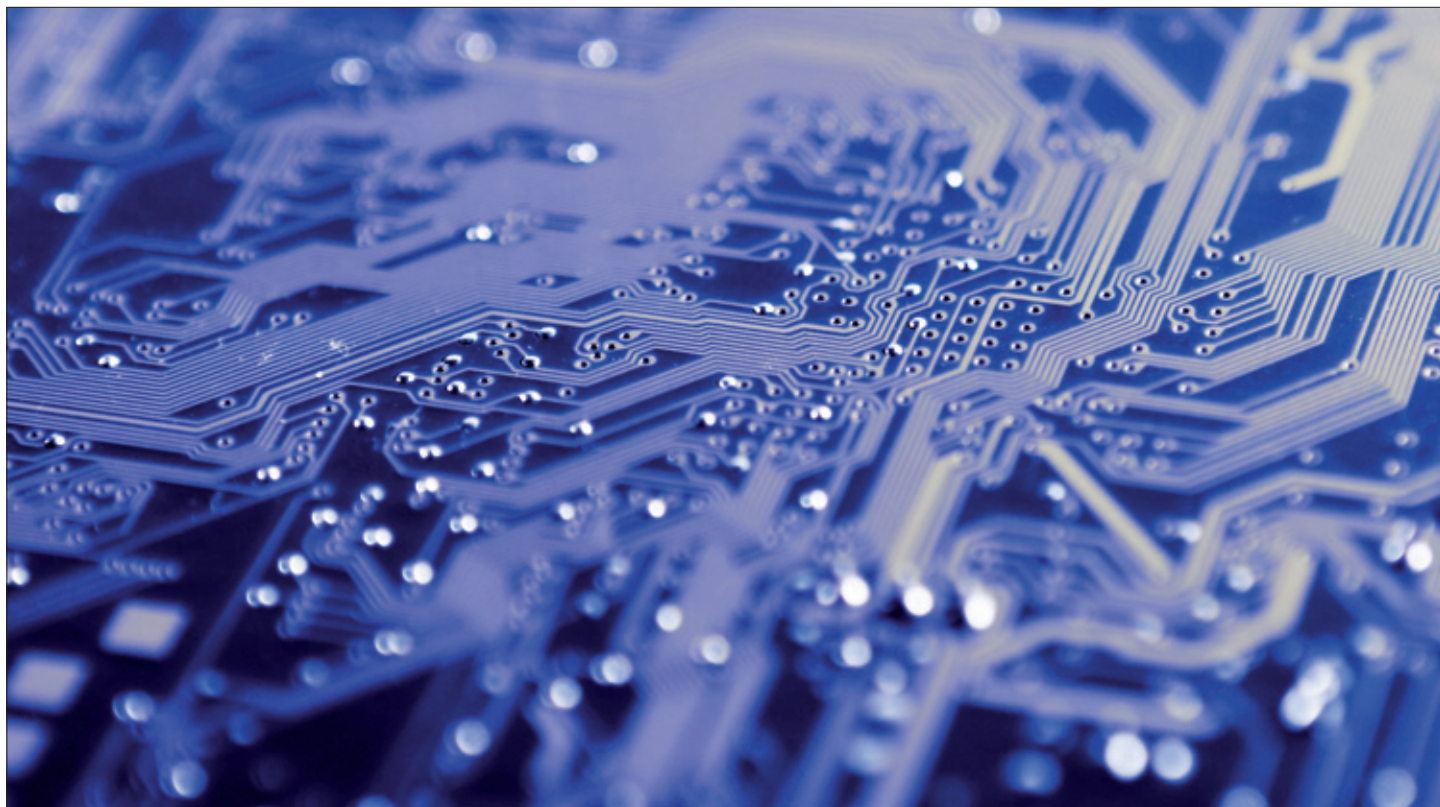
At [130] the Court found that the invention satisfied the "vendible" requirement of the "vendible product" test of NRDC (i.e. that the invention has utility in practical affairs) since the invention has application to the education sector of the economy.

At [133] the Court found that the invention satisfied the "product" requirement of the NRDC test as it did give rise to an artificially created state of affairs in the form of a physical phenomenon in which a new and useful effect is observed.

### Physical effect

At [143] the Court was satisfied on the face of the specification that each of the steps of the claimed method and system requires or involves a computer generated process, and that there are a number of physical effects that occur in implementing the claimed invention. The Court also found that each of the computer-effected steps of the invention constitutes or gives rise to a change in state of or information in a part of a machine, and therefore produces a physical effect in the sense of a concrete effect or phenomenon or manifestation or transformation as required





by the test set out in *Grant v Commissioner of Patents* (2006) F CAFC 120. More specifically, for instance, the steps of generating and then presenting questions to an individual creates an artificially created state of affairs on the individual's computer as data is retrieved and transformed into the questions.

### **Physical effect: concrete and central to the purpose or operation the claimed process (the Commissioner's position)**

At [147] the Court did not accept the Commissioner's assertion that NRDC, CCOM and Grant imported a requirement of substantiality or centrality of physical effect, and rejected the Commissioner's submission that such a requirement is merely a function of the application of these decisions "as properly understood". The Court noted that none of NRDC, CCOM and Grant "articulated a separate or new requirement of substantiality or physical effect".

The Court was critical of the Commissioner's approach to the manner of manufacture inquiry – namely the notion that RPL's invention could be performed without the use of a computer and that, if one were to strip

away the computer aspects of the claims, one would be left only with a method for performing an aspect of a business.

At [157] the Court noted:

*'Even if this were true I do not accept that this is the appropriate way to approach the question of manner of manufacture. One should not subtract from the invention any aspect of computer implementation, and then determine whether what remains is the proper subject matter of letters patent.'*

The Court also found at [159]:

*'I do not consider it relevant that the invention in question does not involve steps which are "foreign to the normal use of computers", as asserted by the Commissioner. Such a requirement is not imposed by any of the binding authorities that were the subject of argument in this case, and I consider that to impose such a requirement strays dangerously close to the error identified in the primary judge's reasoning by the Full Court in CCOM.'* (the error there being to ask whether what was claimed involved anything new and unconventional in computer use.)

### **Conclusion**

Unfortunately, we are yet to see a change in practice at the Australian Patent Office as a result of this decision, and the Commissioner of Patents has filed an appeal against the decision to the Full Federal Court of Australia.

If the decision is upheld in the appeal, we may then see a change in practice at the Australian Patent Office that will result in less manner of manufacture objections being raised in relation to a computer not being central to the operation of the invention.

The take home message from this decision is that computer implemented inventions may be patent eligible subject matter provided a physical effect can be clearly identified. Detailed information about how the invention is implemented by means of computers should be provided in the description and in the claims to support an argument for patent eligibility.

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## 3D printing: a new challenge for IP law

by Margaret Ryan

### 3D printers

3D printers are an amazing way to create three-dimensional objects. They print by laying down thin layers of plastic or other substances, until the object is built up. They can print all manner of objects, and the cost of 3D printers has been substantially reduced making the printers much more accessible. They are even within reach of home use. In order to copy an existing object, a file or blueprint needs to be created that instructs the printer to print the object. These can either be created, copied or found online at websites such as <http://www.thingiverse.com/>, as well as numerous pirating websites.

3D printers may be the next big challenge to the protection of intellectual property (IP) rights. Photocopiers were an early challenge. The digital age has made things much more difficult for IP owners, with the ease with which music, films and written works can be copied and distributed. 3D printers go a step further, and can allow individuals and small scale manufacturers to produce copies of products. Of course counterfeiting of products such as handbags, watches and electronics is long established, but 3D printers put the tools in the hands of individuals to manufacture products and they provide a new way for commercial organisations to copy products.

A recent article in *The Age* reports a story of a small manufacturer who created an iPhone dock inspired by the hit TV series *Game of Thrones*. He received a letter from the US rights holder of *Game of Thrones*, HBO, demanding that sales cease. He complied and even refunded customers' money.

### Copying 3D objects

What if the *Game of Thrones* iPhone dock case were played out in Australia? Let's assume that the copyist had access to or otherwise created a file that was an exact copy of merchandise that is the subject of a famous media franchise, such as an iPhone dock. Can this be stopped? The answer is probably, but it will depend on the facts.

### Registered designs

The first question is whether the design of the iPhone dock has been registered (and certified) under the *Designs Act 2003*. If the copy is substantially similar in overall impression to the registered design, its

making, importation, sale, use or keeping will infringe the registered design. However, not every shape of a product will qualify for design protection; a design must be new and distinctive. In addition, if the IP owner licenses 100s or 1000s of items of merchandise, it is unlikely to be practical to attempt to register all of the designs.

### Copyright

It depends on the facts whether copyright is able to assist. If the copyist has directly copied the IP owner's blueprint, an action for copyright infringement will be available. However, most copying of 3D objects is done from the object itself, rather than from the plans. The policy of the legislation has been to push businesses towards design registration. Copyright protection is effectively lost where a design is industrially applied by, or with the licence of the copyright owner.

It does not matter whether the industrial application takes place in Australia or overseas. Industrial application usually means making more than 50 articles. Once the design has been industrialised, this will normally prevent a claim being made for copyright infringement by 3D articles.

There are two exceptions to the industrial application rule:

1. Copyright protection is not effectively lost where the artistic work is of a building or model of a building. This exception is not applicable here.
2. Copyright protection is maintained for works of "artistic craftsmanship". These are usually arts and crafts type objects such as jewellery, pottery and glassware. To qualify, the object must be the work of an artist/craftsman. What constitutes a work of artistic craftsmanship is a very difficult issue. It is unlikely, but not impossible, that a decorative iPhone dock could be a work of artistic craftsmanship. If so, the copyright owner could take copyright infringement proceedings against the copyist.

### Trade marks

For an international media franchise, trade marks have probably been registered. This is likely to be the name of the movie, TV series, or perhaps some subsidiary trade marks such as character names (e.g. the *Game of Thrones* character KHALEESI). If these are taken – on





the packaging of the iPhone dock for example – the trade mark owner can prevent the continued sale of the product using the trade marks. However, the copyist could still sell the product without the trade marks.

### Misleading conduct

The most likely grounds for a successful objection to the iPhone dock are passing off and misleading and deceptive conduct under the *Australian Consumer Law*. Here the law looks at the get up of the iPhone and its packaging. The answer to the problem will depend on the facts. As the media franchise is famous, one can assume that customers would recognise the product as coming from the franchise. However, in this they are misled because the product is a counterfeit. The copyist could try to place a disclaimer on the packaging, stating that the iPhone dock is not authorised by the IP owner. If this clearly negates the misrepresentation this may absolve the copyist from liability, but it must be sufficiently clear and prominent to do so. A disclaimer usually defeats the copyist's purpose of associating the product with the famous franchise.

### What can be done?

What can an IP owner do to improve its position? If it is feasible to do so, one should register product designs under the *Designs Act 2003*. This provides protection for up to ten years. Design registration will protect the shape of the object or the pattern applied to the object. It must be applied for before the product is made public – typically before it goes on sale.

Making claims against individual consumers is neither practical nor productive of positive consumer sentiment. If the IP owner could grant individual consumers licence to download blueprints for the iPhone dock a

problem may then become an opportunity. Legitimising downloading of files for 3D printers at a reasonable charge may become to merchandise what iTunes has become to songs.

Determining whether IP rights have been infringed by a copyist of a three-dimensional object is a complex matter. An experienced IP practitioner is best placed to steer you through the various issues and find the best solution to your problem.

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“**Design registration will protect the shape of the object or the pattern applied to the object. It must be applied for before the product is made public – typically before it goes on sale.**”

## Australian Innovation Patent System under review: will it remain ‘the strongest patent system in the world’?

by Daniel McKinley

The Innovation Patent System was introduced in Australia in 2000, with the aim of stimulating innovation by providing Australian small and medium sized businesses with a mechanism for protecting low level inventions. Additional aims of the Innovation Patent System were to make obtaining protection cheaper and quicker than a Standard Patent.

In February 2011, the Australian Government instructed the Australian Government Advisory Council of Intellectual Property (ACIP) to investigate whether the Innovation Patent System, as it stands, is meeting its original objectives or whether reform of the System is required. The review of the Innovation Patent System was initiated, in part, in response to perceptions that the Innovation Patent provides a monopoly to the owner that is too generous at the expense of competition.

ACIP first released an Issues Paper in August 2011 to garner public feedback. An Options Paper was released in August 2013 setting out a range of options for reform and seeking further public input.

### Three options being considered by ACIP

The Options Paper released by ACIP in August 2013 suggested three options as possible courses of action for dealing with the Innovation Patent System.

#### Option 1: no change

The recently enacted ‘Raising the Bar’ legislation has already made some significant changes to the Innovation Patent System. This included broadening the prior art base against which the innovativeness of the invention is considered, and raising the burden of proof for patentee’s to establish the validity of their invention during examination before the Patent Office.

A first option suggested by ACIP is to make no changes to the Innovation Patent System and to wait and see if the changes brought about by the ‘Raising the Bar’ legislation have an impact. Also, feedback obtained by ACIP from small and medium sized businesses in relation to the current Innovation Patent System has been generally positive.

#### Option 2: abolish the Innovation Patent System

A second option suggested by ACIP is to abolish the Innovation Patent System altogether. Arguments for abolishing the Innovation Patent System discussed by ACIP include:

- > Innovation Patent Applications represent only about 5% of the total number of Patent Applications filed in Australia each year and abolishing the Innovation Patent would not lead to a significant reduction in patent filings in Australia.
- > Large companies comprise an increasing proportion of the users of the Innovation Patent System, in some instances for strategic litigation purposes, suggesting that the Innovation Patent System is not achieving its intended purpose which is to encourage innovation by small and medium sized business.
- > There is a perception that a significant proportion of uncertified Innovation Patents are of poor quality and this devalues Australia’s Patent system.
- > Low level patents, such as the Innovation Patent, may be out of favour internationally and the United Kingdom recently determined not to introduce a lower level Patent system on the basis that it would increase business costs and stunt future innovation.
- > The Innovation Patent System is unique to Australia and does not encourage Australian innovators to focus on international opportunities.

#### Option 3: reform the Innovation Patent System

A third option, and perhaps the most likely option that will be adopted by ACIP in its recommendations to the Australian Government, is to reform the Innovation Patent System.

### Raising the innovative step threshold

The innovation patent system provides an eight-year monopoly and equal remedies to a Standard Patent for ‘innovations’ that have a very low level of innovation and would not





qualify for protection by a Standard Patent. It is apparent from the Options Paper that ACIP believes that the level of innovation required for an Innovation Patent is too low.

The full Federal Court of Australia in *Dura-Post (Australia Pty Ltd) v Delnorth Pty Ltd*<sup>1</sup> considered the innovative step requirement of the Innovation Patent System. In that decision, the court had to determine whether the use of spring steel in the manufacture of road side posts, as opposed to the use of PVC plastic as in the prior art, involved an innovative step. The Federal Court found that the use of spring steel, rather than plastic, was sufficient as the nature of the materials were quite different and the use of spring steel made a substantial contribution to the working of the invention, namely to make the posts elastically bendable. It is quite possible that had the patent in suit been a Standard Patent, the use of spring steel in the invention may have been considered obvious and the Patent invalid.

There is concern that, following the decision in *Dura-Post*, the Australian Innovation Patent System is increasingly being used by foreign Applicants and Australian companies for tactical purposes or as a litigation tool in relation to higher level inventions, rather than in relation to attempts to protect lower level inventions. The very low level of innovation required for an invention to qualify for a valid Innovation Patent makes it virtually impossible for an infringer to invalidate an Innovation Patent for lack of an innovative step. There is also concern that the Innovation Patent is being used to build 'patent thickets' around successful inventions. This involves filing multiple Innovation Patents, including Divisional Innovation Patents, for minor variants of the main invention. A third party needs to challenge each of the Innovation Patents as well as, perhaps, an original Standard Patent in order to enter a market.

One area of reform being considered is to raise the level of innovation required for an Innovation Patent. Some options for a new innovative step threshold include:

- > 'Not Clearly Obvious' – one option that was suggested was to introduce a threshold test that an invention must not clearly be obvious. However, concerns were raised as to whether this would



result in a test that is practically no different to the test that applies to the Standard Patent.

- > 'Substantial Contribution to the Working of the Prior Art' – this proposal was put forward by a number of Legal Professional organisations as being the test that the legislation originally intended. ACIP raised concerns about how such a test would differ from the test which currently applies.
- > 'Inventive Step under *Patents Act 1952*' – another proposal put forward is to adopt the inventive step test which applied under the *Patents Act 1952* where obviousness of an invention was determined in light of the common knowledge in Australia only. ACIP identified some advantages with this option including the availability of case law which developed while that test prevailed.

Other suggestions for reform include reducing the remedies for infringement of an Innovation Patent, restricting the monopoly of an Innovation Patent to a single embodiment disclosed in the specification of the Patent as filed, or only granting Innovation Patents to individuals and small and medium businesses.

ACIP raised the possibility of excluding methods, processes, chemical compositions, pharmaceuticals and software inventions from being protected by the Innovation Patent

System. Such a proposal would no doubt be controversial were it to be proposed.

## Final comments

The deadline for submissions on the Options Paper closed on 5 October 2013. ACIP's final report to the Australian Government is to be provided in late 2013. It appears that a likely outcome will be a recommendation to reform the Innovation Patent System to at least raise the innovation threshold.

ACIP does not appear to favour options for restricting the filing of Innovation Patent Applications as divisionals to reduce the use of the innovation patent to create 'patent thickets'. Nor does ACIP appear to favour adopting compulsory examination of innovation patents. Accordingly, it seems likely there will be no recommendations for reform that would substantially reduce uncertainty arising from 'patent thickets' and non-compulsory examination of innovation patents.

## Reference

1. *Dura-Post (Australia) Pty Ltd v Delnorth Pty Ltd* [2009] FCAFC 81 (30 June 2009)

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## PPSR transitional period ends 31 January 2014: why it is important to take action now!

by Leonie Heaton

**This article is aimed at holders of security interests in IP – but is also relevant for clients who hold other security interests, such as goods on consignment, retention of title, rights in PPS Leases or a charge over the assets of a related body corporate.**

**We recommend that clients pass this article on to their accountant, as failure to register may lead to a loss of IP assets to a liquidator.**

On 30 January 2012, the *Personal Properties Securities Act 2009* (Cth) (PPS Act) established a new system for the creation, priority and enforcement of security interests in personal property.

Intellectual property is personal property for the purpose of the PPS Act. Generally, the PPS Act will apply if secured property is located in Australia, or if the grantor of the security interest is an Australian entity and the security agreement is expressed to be subject to Australian law. There are complex jurisdictional provisions (outside the scope of this article), governing the application of the PPS Act to IP where foreign laws apply.

The Australian Government allowed a two year transitional period for businesses to record any security interest existing before the commencement of the PPS Act. This is a so-called 'transitional security interest', on the Personal Property Security Register (PPSR).

The transitional period ends on 31 January 2014.

### Register a transitional security interest before the deadline or lose priority

A transitional security interest is an interest under a security agreement that was entered into before 30 January 2012 (i.e., when the PPSR commenced), and continued after that date. Such interests have the special protection of being enforceable against a third party (having the benefits of being a secured creditor), but only for the first two years of the PPS Act's operation – after which time they must be registered on the PPSR to maintain their priority over later-in-time security interests.

We recommend that businesses:

- > Identify any transaction entered into on or before 30 January 2012 which created a security interest
- > Identify any security interest recorded as a claimed interest on the patent, trade mark, design, or PBR Register (IP Registers)
- > Identify any warranties given that a party will register a security interest in Australia (e.g. financing documents of an overseas parent may require an Australian subsidiary to register the security holders' interest in IP registered in Australia)
- > REGISTER the interest on the PPSR by 31 January 2014.

### What exactly is a security interest?

A security interest is an interest in personal property "that, in substance, secures payment or performance of an obligation". Prior to the PPS Act coming into force, a security interest would have been known as a charge (such as a fixed and floating charge over a business, a mortgage, a lien – there are many others). There are new interests (such as retention of title in goods, certain leases), that would not previously have been considered as a security interest but that are now security interests under the PPS Act.

Typically, a security interest in IP is a mortgage taken over a patent to secure the repayment of a loan to the patentee's business. If the loan is not repaid, the lender is able under the security agreement to seize the patent (by assignment) and sell or license it to recover the amount of the loan (or part thereof). This right to have the patent assigned to the lender is enforceable against third parties (or for example, other creditors that may have an interest in the assets of the patentee).

Transitional security interests on IP Registers at the commencement of the PPSR were **not automatically migrated** over to the PPSR. The change must be done manually.

The PPSR is the only register in Australia in which security interests must be registered





to be enforceable and have priority over other security interests (subject to the priority rules).

Registration of security interests on the IP Registers is still recommended because the registrant will receive notifications and be able to make submissions about various acts of the owner that might affect the value of the security interest.

### Why should you register on the PPSR?

Although transitional security interests can still be registered on the PPSR after 31 January 2014, registering after the deadline will

result in the holder losing the benefit of the transitional provisions. This means that:

- > The security interest will rank behind other creditors who registered earlier, even if the other creditor's interest was created later; and
- > If the company that granted the security interest becomes insolvent before the interest is registered, the secured property can be sold by the liquidator free of the security interest.

There are many other possible scenarios, but the bottom line is that if you are the holder of a transitional security interest, you have a window of opportunity to maintain the priority

of your interest from the date before 30 January 2012 when the interest was created. Registration of a transitional security interest is currently free.

### Don't delay. Register your interest on the PPSR today.

If you would like further information or advice on this matter, please contact Leonie Heaton on +61 3 9614 1944 or [leonie.heaton@pof.com.au](mailto:leonie.heaton@pof.com.au)

If you would like searches conducted on security interests either on the PPSR or IP Registers, please contact Rodney Chiang-Cruise on +61 39622 2100 or [rodney.chiangcruise@pof.com.au](mailto:rodney.chiangcruise@pof.com.au)

## Trade marks: four stripes infringes three despite survey evidence getting the boot

by Mark Williams

The recent Federal Court decision, *Adidas AG v Pacific Brands Footwear Pty Ltd* (No 3) [2013] FCA 905, concerned an allegation by Adidas that two of their registered trade marks for the well-known three stripes marks were infringed by a number of Pacific Brands shoes having four stripes. Interestingly, this action was only in respect of the registered trade marks, not passing off or misleading and deceptive conduct under *Australian Consumer Law*.

Adidas stripe trade marks:



Depictions of the shoes considered by the court are reproduced at the end of this article.

Naturally, Pacific Brands argued that (i) their use of stripes in various styles and groupings on the shoes was not used as a trade mark within the meaning of the *Trade Marks Act 1995* and, (ii) the stripes were not “deceptively similar” to the applicants’ trade marks.

In the end, only three out of nine shoes (Exhibits E, K, L), were found to infringe Adidas’ trade marks, despite extensive expert evidence and survey evidence. Notably, in two of the three shoes found to be infringements, the survey evidence was not considered. In the third infringement, survey evidence was considered but given no weight.

### Use as a trade mark

Pacific Brands argued that given the context (using the stripes in various styles and groupings), the places in which the shoes were sold (low cost stores), and the way in which they were sold (hang sell with elastic elements), and use of other marks in conjunction with the stripes meant the four stripes appearing on their shoes were not acting as a badge of origin to distinguish the goods from the goods of some other trader.

Adidas submitted, that in the sports footwear category, logos serving as a badge of origin were traditionally placed on the sides of shoes between the sole and the laces as this space was visible from numerous angles.

Thus, whatever decorative function the four stripe mark may also serve, consumers were accustomed to seeing the material appearing on the side of a sports shoe as functioning as a badge of origin.

Robinson J considered whether the use indicates a connection between the shoes in question and Pacific Brands.

Robinson J said:

*‘I accept that the stripes on the shoes have a decorative element and that the stripes may also act to indicate that each shoe is a sports shoe but that does not mean that those elements constitute the only use of the stripes as a sign: they are not mutually exclusive.’*

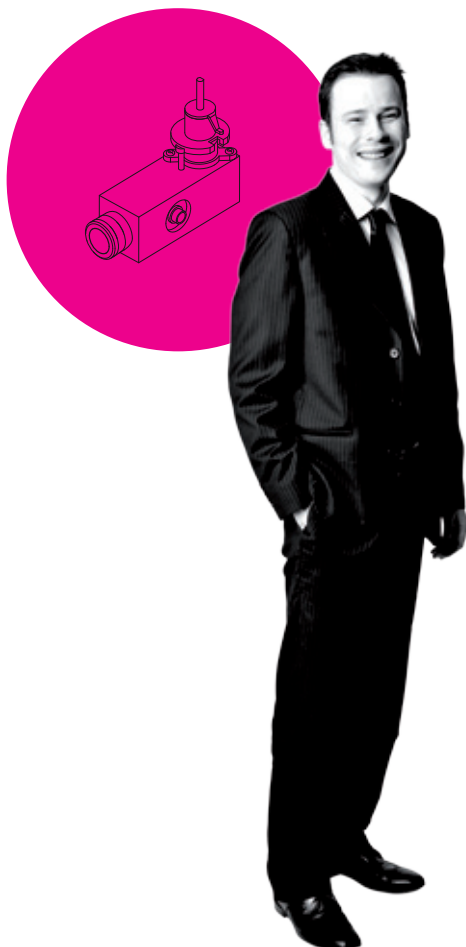
Robinson J found that in each case the stripes on the impugned shoes were used as a trade mark, and the use indicates a connection between the shoes in question and Pacific Brands.

### Deceptive similarity

Pacific Brands submitted that the shoes in Exhibits C through N contained four stripes in various styles and groupings, and that in bringing this infringement proceeding Adidas was seeking to extend its monopoly over its 3-Stripe trade marks with respect to shoes to the use of four stripes on shoes.

Pacific Brands also submitted that a) from a visual inspection, the 3-Stripe trade marks were simple – three stripes in a simple parallel configuration; b) Adidas had always used three stripes and had never used four stripes; c) Adidas builds an “aspirational product” made to high standards and to meet various performance specifications to which its 3-Stripe trade marks were applied; and d) Adidas had spent very large sums of money promoting its footwear bearing the 3-Stripe trade marks for more than 60 years.

In contrast, all of the Pacific Brands shoes were: a) made of synthetic materials with no performance specification (they were commodity shoes of basic or poor quality), and this was the type and quality of shoe to which the various four stripes were applied; and b) the shoes were not advertised and were sold in basic displays (hang sell,



stacked boxes) where the stripes were often obscured. Taking all this into account, Pacific Brands submitted it was very unlikely that there would be any confusion with the Adidas 3-Stripe trade marks.

## Intention to infringe

Emphasis was placed by Adidas on Pacific Brand's 'intention' to trade off Adidas' reputation, notably that Pacific Brands was the successor in business to a former licensee of the 3-Stripe trade marks; had made a conscious attempt to create colourable variations on the 3-Stripe trade marks; and had copied other aspects of shoes bearing the 3-Stripe trade marks.

Pacific Brands submitted that Adidas' assertion (which was late in proceedings) of Pacific Brands' intention to "sail close to the wind" was a desperate attempt to try and shore up its hopeless application for a permanent injunction with respect to four stripes on the sides of shoes.

Robinson J was not convinced by Adidas' arguments on 'intention to infringe'. There were various informal and formal undertakings given by Pacific Brands to Adidas in the past to cease dealing in other shoes that Adidas had complained about. This was evidence of Pacific Brands' decision to resolve Adidas' complaints on pragmatic, commercial terms and not an acceptance of trade mark infringement nor, as Adidas contended for, evidence of Pacific Brands' intention to "sail close to the wind".

## Survey evidence

Adidas attempted to rely upon survey evidence in the form of an internet survey with a number of questions. Robinson J gave the survey little weight. He agreed to take the results of it into account as a point of comparison with his own conclusions but did not use the results to alter the conclusion to which he would otherwise have come about each shoe.

The principal reason being that:

- > The survey did not sufficiently replicate or correspond with the experience of a consumer in the marketplace.

### Infringing



**Airborne Shoe – Exhibit E;**  
**Deceptively similar?** YES  
**Survey evidence:** Considered.  
No weight given.



**Stingray Shoe – Exhibit K;**  
**Deceptively similar?** YES  
**Survey evidence:** Not considered.



**Apple Pie Shoe – Exhibit L;**  
**Deceptively similar?** YES  
**Survey evidence:** Not considered.

### Not infringing



**Boston Shoe – Exhibit G;**  
**Deceptively similar?** No  
**Survey evidence:** Not considered.



**Apple Pie Runner – Exhibit H;**  
**Deceptively similar?** No  
**Survey evidence:** Considered.  
No weight given.



**Stingray Runner – Exhibit I;**  
**Deceptively similar?** No  
**Survey evidence:** Considered.  
No weight given.



**Basement Shoe – Exhibit J;**  
**Deceptively similar?** No  
**Survey evidence:** Considered.  
No weight given.



**Apple Pie Pink Runner – Exhibit M;**  
**Deceptively similar?** No  
**Survey evidence:** Considered.  
No weight given.



**Stingray Black Runner – Exhibit N;**  
**Deceptively similar?** No  
**Survey evidence:** Not considered.

The consumer was shown an online photograph of a shoe and asked; "Who do you think makes this shoe?" This suggested to the participant that he or she ought be able to discern the origin of the shoe from the photograph and in particular, from the appearance of patterns on the shoe.

3. Questions posed in a survey and the manner in which a survey is conducted must be carefully considered, taking into account way in which the product/service that is the subject of the survey is sold.

*Mark Williams, Associate  
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## Conclusion

We can draw various conclusions from this decision:

1. A design element may act as both a decorative feature and a trade mark, and therefore can infringe a trade mark.
2. Survey evidence is often of limited probative value.

## Fencing off an infringer

by Karen Spark

The Federal Court of Australia recently handed down its decision in *Gram Engineering Pty Ltd v Bluescope Steel Ltd* [2013] FCA 508. This case is of particular interest because the design in question was registered under the *Designs Act 1906*, and thus the relevant issues were determined under the old law. This case is also a reminder of the considerable number of old Act design registrations remaining on the Register, despite the commencement of the new Act<sup>1</sup> in 2004.

### Background

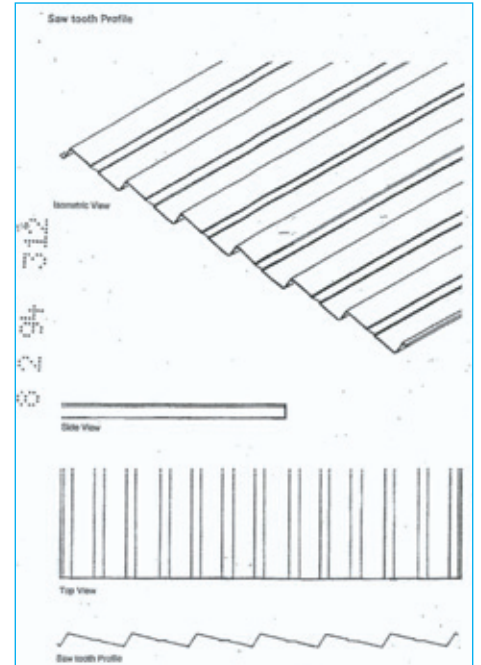
Gram Engineering Pty Ltd (Gram) has been manufacturing and selling steel fencing panel sheets in Australia for many years. Gram sells its fencing panel sheets in direct competition with the respondent, Bluescope Steel Limited (Bluescope). Bluescope was formerly a division of BHP Billiton Limited.

Around 1993, Gram developed a fencing panel sheet that could be used to build a fence that looked good from both sides. The fencing sheet was designed primarily for backyard home fences. Gram filed four design applications directed to different fencing panel sheets. One of the designs was registered as registration AU 121344S (Gram's design), and the design representations depicted a fencing panel sheet with a sawtooth or zig-zag profile. Fencing sheets with this profile were sold by Gram in Australia from September 1995, and by 2002 Gram's sawtooth profile sheet held approximately 35-40% of the Australian market for fencing panel sheets.

In mid 2002, Bluescope launched a fencing panel sheet under the brand name 'Smartascreen'. The Bluescope product had a zig-zag or sawtooth profile with six pans per sheet. Gram's design also included six pans per sheet and there was considerable similarity between the two products.

In 2011, Gram commenced design infringement proceedings against Bluescope claiming that the Bluescope product was a "fraudulent" or "obvious imitation" of registration AU 121344S. By this time, Gram's registration AU 121344S had expired having reached its maximum 16 year term on 8 February 2010.

Bluescope denied infringement and counter claimed that AU 121344S was invalid as



**Above** Design representations for Registration AU 121344S



**Above** Photograph of Gram's fencing sheet allegedly made in accordance with Registration AU 121344S, and **below** Photograph of a "Smartascreen" fencing panel sheet (Bluescope product).



Gram's design was not new or original on the priority date as required under section 17(1)(a) and section 17(1)(b) of the *Designs Act 1906* (the old Act).



## Validity

Section 17(1)(a) of the old Act states that a design for an article shall not be registered unless it is a new or original design. It further states that a design should not be registered where the design differs in immaterial details or in features commonly used in the relevant trade in respect of the 'same article'. When claiming invalidity of Gram's design, Bluescope relied on a number of prior art documents most of which were for roof sheets or cladding sheets. Although one of the prior art documents (Design 23) identified that the product could be used as a fencing sheet, in his judgement, Jacobson J stated that "Design 23 does not amount to a publication in respect of an article of fencing panel sheet". Accordingly, Jacobson J found that the prior art was not for the "same article" as Gram's design. Further, Jacobson J was not satisfied that Gram's design only differed from the prior art in immaterial details or features commonly used in the trade.

Sections 17(1)(b) of the old Act is concerned with designs which are an "obvious adaptation" of an earlier design. Jacobson J was not satisfied that Gram's design was an obvious adaptation despite the prior art. He commented that the "distinctive shape or configuration of Gram's sawtooth profile provides a complete answer to the claim that it was an obvious adaptation".

## Infringement

Section 30(1) of the old Act establishes that a registered design is deemed to have been infringed, when the design itself is applied to an article for which the design has been registered, an obvious imitation of the design is applied to that article or a fraudulent imitation of the design is applied to that article.

In *Dart v Décor*<sup>2</sup>, it was explained that an "obvious imitation is one which is not the same as the registered design but is a "copy apparent to the eye notwithstanding slight differences"<sup>3</sup>. The question must be looked at as one of substance and by examining the essential features of the design".

Jacobson J considered the expert evidence presented during trial and noted the important features of the design as identified by each of the experts. He then determined that the

Bluescope product was an obvious imitation of Gram's design.

Jacobson J then went on to consider whether the Bluescope product was a "fraudulent imitation" of Gram's design. Importantly, Jacobson J writes that "fraudulent imitation", under section 30(1) of the Act, requires proof that the infringing design was deliberately based or derived from the registered design. It does not require proof of dishonesty but is closer to, though not entirely analogous with, equitable fraud: (*Polyaire v K-Aire* at [21], [35])<sup>4</sup>.

Jacobson J was troubled by Gram's delay in bringing the proceedings. He considered that it affected the memory of essential witnesses called by Bluescope, and worse still, prevented an important witness from being able to give evidence due to age and ill health. It therefore fell on him to make inferences that he would not have had to make had all the key witnesses provided evidence.

After consideration of the evidence before him, Jacobson J reluctantly determined that there was a plausible explanation for the similarity between the Bluescope product and the Gram design. Jacobson J accepted that Bluescope prepared drawings of their proposed new product with a view to making "a Gram look alike" product. However, he did not accept that drawings of the Bluescope product were made without knowledge of the Gram design.

To Gram's detriment, without testimony from a key witness and noting uncertain

recollections of at least one witness due to the passage of time, Jacobson J was unable to satisfy himself that someone at Bluescope actually deliberately copied Gram's design. Further, he was not prepared to make the inference that the Bluescope product "was deliberately based or derived from the registered design", and thus did not find fraudulent imitation of Gram's design.

## Summary

This case is an important reminder of the different requirements for both validity and infringement under the old and new Design Acts. This case also serves as a warning about the potential risks associated with delaying the initiation of court proceedings.

## References

- 1 *Designs Act 2003*
- 2 *Dart Industries Inc v Décor Corporation Pty Ltd* (1989) 15 IPR 403
- 3 *Malleys Ltd v JW Tomlin Pty Ltd* (1961) 180 CLR 120
- 4 *Polyaire Pty Ltd v K-Aire Pty Ltd* (2005) 221 CLR 287

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**To Gram's detriment, without testimony from a key witness and noting uncertain recollections of at least one witness due to the passage of time, Jacobson J was unable to satisfy himself that someone at Bluescope actually deliberately copied Gram's design.**

## POF welcomes new staff

Phillips Ormonde Fitzpatrick is pleased to announce two new professionals – welcome to the team Leon and Louis.

### Leon Wong, PhD Trainee Patent Attorney



Leon recently joined our Melbourne offices as a trainee patent attorney in the Chemistry and Life Sciences team.

Prior to joining POF, Leon acquired approximately ten years of academic, research and professional experience in the chemistry field. He has extensive knowledge in organic chemistry, biotechnology, pharmacology and nanotechnology. Leon completed his PhD at the University of Sydney, where he developed a new synthesis for (+)-himbacine (a potent and selective muscarinic antagonist) for the treatment of Alzheimer's disease. Furthermore, Leon has an abundance of teaching experience specialising in organic chemistry, most recently at the University of Hampshire.

Leon's outstanding academic record has seen him receive many awards during his studies. In 2012 Leon was awarded the Excellence in Research Award, Department of Chemistry

by the University of Hampshire (USA) and in 2011, he received the Outstanding Graduate Teaching Assistant Award, College of Engineering and Physical Sciences, also at the University of Hampshire.

Leon has spent many years copy editing for the Australian Journal of Chemistry, which has allowed him to gain a sound understanding of many new areas of research.

Leon says, "I'm excited to be able to grow my skills with POF, and I look forward to cultivating a lasting relationship with the POF family."

Leon's interests include gardening, hiking and travelling, as well as indoor rock-climbing, cycling and getting beaten at squash.

### Louis Tsai, PhD (蔡孟秦, 博士) Trainee Patent Attorney



Louis recently joined our Melbourne offices as a trainee patent attorney in the Chemistry and Life Sciences team.

Prior to joining POF, Louis completed double undergraduate degrees in Science and Engineering at UNSW where he majored in Medical Immunology, Microbiology, as well as Bioinformatics.

Since 2008, Louis has been involved in a number of research projects through his employment at the Garvan Institute and Monash University. In 2012, Louis obtained a PhD in Medicine from Monash University, where his thesis researched the balance between effective antibody response and autoimmunity. His scientific work has been published in highly prestigious peer-reviewed journals and recognised by presentations at multiple conferences.

Louis' keen interest in IP protection stems from his experience as a small business owner and his exposure to the importance of patent protection throughout his years in research.

Louis says, "IP protection is essential to see medical research outputs translated into the clinic and thus I am very excited to be working at POF."

In his spare time, Louis is an award-winning photographer and also enjoys going out in search of a good driving road and tinkering with his aquarium, which has been featured in magazines. Louis is fluent in Mandarin.



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