

Inspire

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intellectual property

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Welcome

The upfront cost of a particular course of action can sometimes make it easier to choose an alternate path. However, with intellectual property as with many fields, getting things right from the outset will often avoid much greater costs should matters not go according to plan.

In this edition of *Inspire*, Melissa Wingard explains the importance of properly exploring the implications of a potential intellectual property licence, and the risks that can flow if the terms of a licence are not properly documented. Taking the time to ensure an agreement accurately captures the parties' intentions from the outset can save a great deal of time and expense should disputes arise in the future.

As the decision in *State of Escape v Schwartz* illustrates, it is important to consider what IP rights might be available at an early stage in a product's lifetime. Successful products are highly likely to attract imitations, however as David Longmuir explains, the ability to protect a product by design registration may be lost by the

time it has become successful and copyright may not be able to fill the breach. The recent addition of a grace period to the Designs Act, does however provide greater opportunities for designers to seek registration of their work.

The growing popularity of NFTs has opened new commercial opportunities, but also a new battlefield for IP owners seeking to protect their assets. Marine Guillou discusses some of the ways brand owners are taking action to prevent infringement of their rights as part of the commercialisation of NFTs as well as steps that can be taken to protect your business against future infringement.

Also in this edition, we hear from client REDARC about how they

are exploring opportunities in the automotive industry as well as the role intellectual property plays in supporting their business, Neil Ireland looks at the decision of the ACCC to deny authorisation for pharmaceutical patent settlement and Annabella Newton looks at how pharmaceutical patent linkage operates in Australia.



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POF attorneys recognized as industry leaders by IP Stars and World Intellectual Property Review

We're always delighted to showcase the accomplishments of our attorneys, and the recognition they receive for the fantastic work and service that they provide. We have some of the most highly qualified and experienced patent attorneys in Australia, and it's their achievements that make our firm great.

Six of our attorneys have been featured as IP Stars in this year's MIP Awards. POF Principals Michael O'Donnell, Russell Waters, Edwin Patterson, Alyssa Telfer and Ross McFarlane, and Special Counsel Saskia Jahn, were all named as IP Stars for their work over the last year. Congratulations all on this well-earned achievement!

Additionally, Russell Waters, Jessica Chadbourne and Matthew Overett have each been recognised in the World Intellectual Property Review (WIPR) Leaders Directory for 2022. The WIPR Leaders Directory lists

over 1,700 practitioners across the IP profession who are shortlisted from over 12,000 nominations. Well done to all three for achieving this listing – it's an excellent accomplishment to have been selected from so many nominations.

All of these awards and listings are a fantastic reflection of our professionals' calibre of work and client service. Delivering successful business outcomes sits at the heart of everything we do, and we're always proud to have members of our team recognised for their exceptional work.



ACCC to deny authorisation for pharmaceutical patent settlement

Historically, licences in relation to intellectual property rights in Australia were shielded from the full force of competition law due to a limited exemption contained in s 51(3) of the *Competition and Consumer Act 2010*.

Repeal of this section came into effect on 13 September 2019, with the result that from that date, competition law applies to intellectual property rights (and licences) in the same way that it applies to other conduct. To date, there have been very few examples where the Australian Competition and Consumer Commission (ACCC) has been asked to provide an authorisation of an IP licence.

Recently, the ACCC released a draft determination in respect of an application for authorisation of an intellectual property settlement and licence agreement lodged by Juno Pharmaceuticals Pty Ltd (Juno) and Natco Pharma Ltd (Natco), on one hand, and Celgene Corporation and Celgene Pty Ltd (Celgene) on the other.

The application for authorisation arose from the proposed settlement of patent litigation between the parties in relation to a number of patents owned by Celgene that cover Revlimid® (lenalidomide) and Pomalyst® (pomalidomide). On 9 November 2020, Juno/Natco commenced proceedings against Celgene seeking revocation of the relevant patents. The parties proposed a settlement of the proceedings, which included entering into a licence agreement under which Celgene would grant licences to Juno/Natco to supply generic versions of the patented pharmaceuticals from a specified launch date that obviously predated expiry of the patents. In turn, Juno/Natco agreed not to contest the validity of the patents or launch their generic products before that agreed date.

Historically, licence terms for intellectual property have contained clauses of this type and the parties in this case may have expected the ACCC to approve their request. This would likely have been on the basis that because a patent rights holder has power to stop all competitors from entering the market prior to expiry of the patent, any licence allowing exploitation of the patent before expiry could be seen as increasing competition.

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In applying the authorisation test, the ACCC compares the likely future both with and without the proposed conduct that is the subject of the authorisation.

In the present case, the parties submitted that the licence provided clear and substantial benefits, in that without the licence, entry of generic versions of lenalidomide and pomalidomide by Juno/Natco would be delayed. Unfortunately, whilst this may have been true,

the ACCC placed weight on the effect of the licence on the potential activities of other competitors. In particular, the ACCC appeared to give great weight to the impact of the licence giving Juno/Natco “*first mover*” advantage, which was seen as a potential deterrent to other companies seeking to launch a generic version of the drugs. Thus, the licence was seen as replacing competitive tension among current or future generic manufacturers who may be looking to enter the market.

Under the *Competition and Consumer Act*, the ACCC has 6 months from the date of receipt of a request for authorisation to provide a final determination or the act will be authorised. In the present case the deadline for authorisation was 2 June 2022 however the act allows for the deadline to be extended with the consent of the applicant. In the present case consent was granted, and the ACCC now has until 29 July 2022 to consider the request and the further material submitted by the parties following the initial draft determination discussed above.



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Escaping the provisions of artistic craftsmanship

The Full Court has unanimously dismissed the appeal in *State of Escape Accessories v Schwartz*¹, rejecting the claims against Stefanie Schwartz and Chuchka Pty Ltd for copyright infringement in respect of State of Escape’s well-known perforated neoprene tote bag (*the Escape Bag*) on the basis that it was not a “work of artistic craftsmanship” under the Copyright Act.

At first instance Justice Davies decided that the Escape Bag, while undoubtedly a work of craftsmanship, was not a work of *artistic* craftsmanship notwithstanding its aesthetic and design qualities. This conclusion was reached after a detailed consideration of the design features and evidence of the creator, Ms MacGowan, along with independent experts. On appeal, State of Escape sought to challenge her Honours analysis of the evidence in reaching her decision.

The Escape Bag is a soft, oversized tote bag designed and created by Ms MacGowan, a co-founder of State of Escape. Products such as the Escape Bag may be artistic works as defined by s 10(1) of the Copyright Act and can also be registered as designs and protected under the Designs Act. However, design/copyright overlap provisions exist in Australia meaning that an artistic work cannot be protected under both the Copyright Act and the Designs Act at the same time. Copyright protection for an artistic work is denied where

a “*corresponding design*” has been “*embodied in a product*” and applied “*industrially*”.

Sections 75 and 77 of the Copyright Act provide a defence to copyright infringement in an artistic work where a corresponding design is, or has been, registered as a design or otherwise applied industrially. The purpose of the overlap provisions is to ensure functional works intended for mass production in three-dimensional form are not be afforded the long term protection provided under the Copyright Act.

However, these overlap provisions and defences do not apply to works of artistic craftsmanship. A work of artistic craftsmanship may still be afforded copyright protection, even if it is capable of protection under the Designs Act and a corresponding design has been industrially applied. Works of artistic craftsmanship are considered to have real artistic quality such that they warrant the greater protection provided under the Copyright Act rather than the comparatively short design protection.

¹ *State of Escape Accessories Pty Limited v Schwartz* [2022] FCAFC 63

As State of Escape did not protect the Escape Bag as a registered design, it needed to show that the Escape Bag was a work of artistic craftsmanship, in order to enforce its copyright in the artistic work.

In considering the meaning of the phrase “a work of artistic craftsmanship”, their Honours confirmed that the definitive authority was the decision of the High Court in *Burge v Swarbrick*², which found that a full-scale model of the hull and deck of a yacht was not a work of artistic craftsmanship. The High Court in *Burge* adopted an objective test and emphasised that the question does not turn on assessing the beauty or aesthetic appeal of the work, or in assessing any harmony between visual appeal and utility, but rather on assessing the extent to which the particular work’s artistic expression, in its form, is unconstrained by functional considerations. That is, the more that functional considerations dictate the form of the work, the less scope there may be for finding that there exists the substantial artistic effort and expression which characterises a work of artistic craftsmanship.

The decision in *Burge* makes clear that to be a work of artistic craftsmanship, the work must have a real or substantial artistic element and, although not incompatible with machine production, a work of craftsmanship at least presupposes special training, skill and knowledge for its production. The High Court, citing *George Hensher v Restawile Upholstery*³ noted ‘Craftsmanship’ implies a manifestation of pride and sound workmanship – a rejection of the shoddy, the meretricious, the facile.

The High Court in *Burge* confirmed that evidence of the creator’s aspirations or intentions when designing and constructing the work while admissible, it is neither determinative nor necessary. In determining whether the creator intended to, and did, create a work possessing the requisite aesthetic quality and requisite degree of craftsmanship, the Court should weigh the creator’s evidence together with any expert evidence.

The fundamental consideration in the appeal was whether Justice Davies

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In rejecting State of Escape’s criticism, their Honours agreed that the evidence showed the design of the Escape Bag was substantially constrained by function.”

gave proper weight to the evidence of the experts and the bag creator Ms MacGowan. This evidence went to the aesthetic appeal of the bag, its artistic quality, the artistic effort that went into designing it, and that the choice of materials being neoprene and sailing rope was unique. However, a major difficulty for State of Escape was the fact that the evidence before the primary judge also established that Ms MacGowan’s design approach was constrained by functional considerations. While setting out to create a stylish carry all bag incorporating elements of a conventional tote in terms of its dimensions and external shape, Ms MacGowan acknowledged, due to the soft nature of the perforated neoprene fabric, the structure of the bag was fundamental to its success and that she wanted the bag to be both useful and practical.

In rejecting State of Escape’s criticism, their Honours agreed that the evidence showed the design of the Escape Bag was substantially constrained by function. The Full Court also agreed that perforated neoprene and sailing rope were readily available commercial materials capable of being used to manufacture a carry all bag without some particular training, skill, or knowledge, and that there was no act of artistic craftsmanship involved in the selection of materials. Their Honours agreed that at its highest, the design decision to utilise those materials in an everyday bag was an evolution in styling.

The Full Court also rejected State of Escape’s challenge to the finding that Ms MacGowan did not approach the design and manufacture of the Escape Bag as an artist-

craftsperson. While not essential that a person have specialist training and knowledge in a particular field, it was at least a relevant factor that Ms MacGowan did not have special training, skill and knowledge in bag design which tended to show that the work she created was not a work of artistic craftsmanship.

Ultimately, their Honours agreed with the decision of Justice Davies, finding that functional considerations substantially outweighed other considerations pertaining to the Escape Bag’s visual and aesthetic appeal in the determination of its shape, configuration, and finish. Consequently, the primary judge’s conclusion that the Escape Bag was not a work of artistic craftsmanship was correct and the Full Court rejected the appeal.

The decision of the Full Court serves to confirm the importance of obtaining registered design rights under the Designs Act to protect the visual features of a product. A registered design would have enabled State of Escape to prevent third parties from dealing in products embodying the design of the Escape Bag.


Obtaining protection as a registered design is relatively inexpensive and rapid in Australia. Importantly, while registrable designs must be new and distinctive (i.e. unpublished or sold), recent changes to the Designs Act in Australia have introduced a 12 month grace period for new design filings in Australia. These changes greatly extend the potential application of the registered design system and mean that designers may still seek protection for successful products even after launch provided an application is filed within 12 months.

More information on the recent changes to the Designs Act can be found [here](#) and anyone wishing to enquire about designs registrations should contact [Davin Merritt](#).



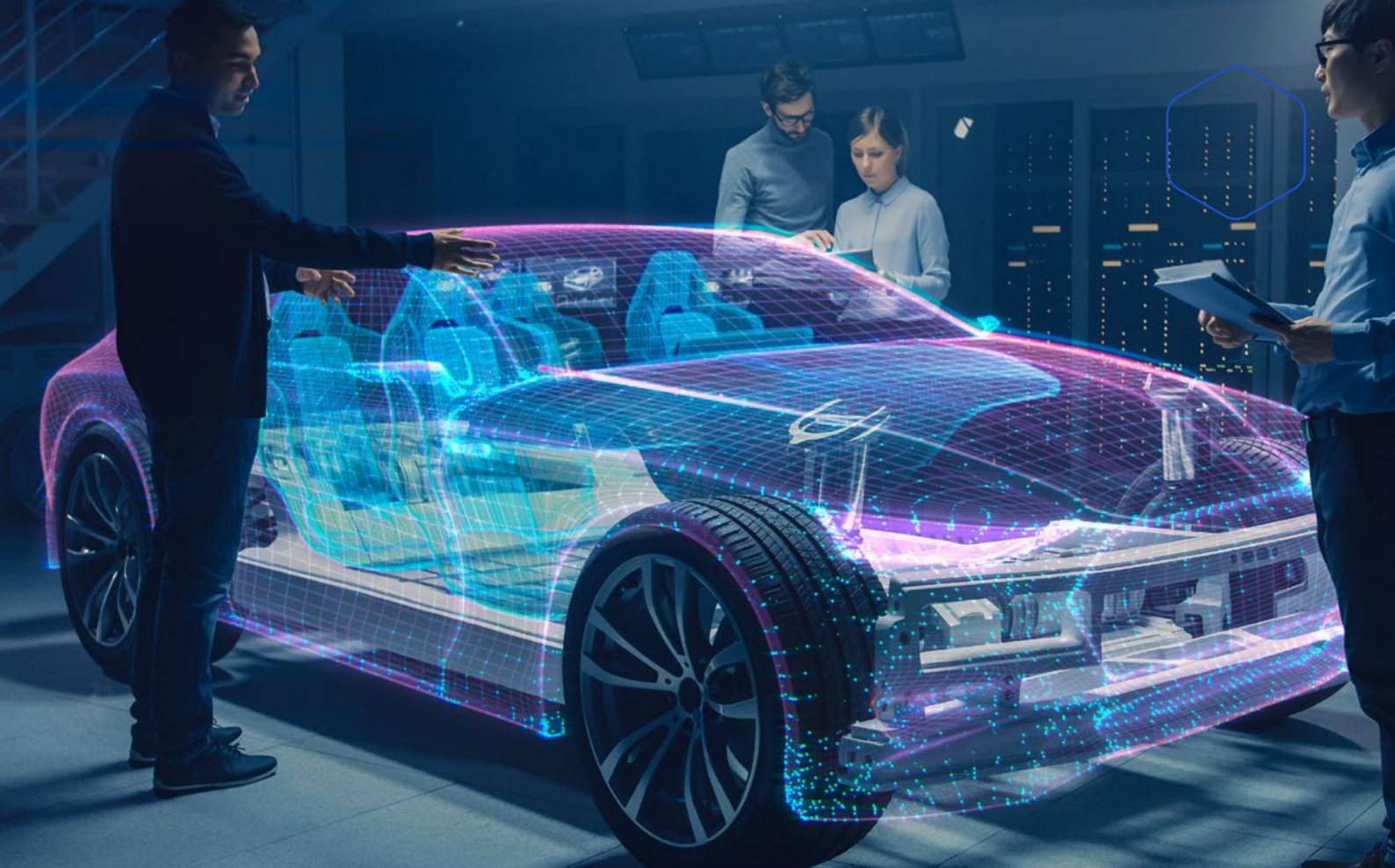
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² *Burge v Swarbrick* (2007) 232 CLR 336

³ *George Hensher Ltd v Restawile Upholstery (Lancs) Ltd* [1976] AC 64



How REDARC drives innovation in Australian vehicles

A Q+A with REDARC, one of Australia's leaders in the area of electronic voltage converters and associated products.

The automotive industry is a space where innovation continues to thrive – on the near horizon we can already see the approach of new technologies like advanced sensors, self-driving systems, electric vehicles, and more being made readily available to consumers. We reached out to one of our leading clients in this field, REDARC electronics, to talk about the future of the industry, their specific challenges, and how their success has been tied to the power of their IP.

Q: What is REDARC's mission?

Our mission is to be a world class designer and supplier of automotive electronics solutions.

In a world of exponential mobility, discovery and exploration, we make power products that put people in control of whatever situation they find themselves in. We're for adventurous spirits; those that like to push boundaries. This often lands them in mission critical situations where things just have to work. To enable people to do things outside of their comfort zone they need

peace of mind that their equipment won't let them down.

We come from a belief that "made in Australia" can be a point of competitive advantage and premium-ness in an increasingly commoditised global economy.

REDARC is not just a world-class manufacturing facility; it's an agile and innovative problem solver. Our side-by-side design, production and support capability gives our customers the confidence to explore life away from the grid. When you're in control there are no limits to where you can go!

Q: What future do you see for the design and manufacture of innovative equipment within the automotive industry?

Autonomous vehicles and reducing fossil fuel consumption are commonly discussed themes for the future of the automotive industry. Electric vehicles are already gaining popularity and are expected to account for nearly 50% of new vehicle sales by 2030. REDARC sees opportunity in this space for our existing products and by exploiting niche opportunities that arise during the market adjustment to a more sustainable future. Customers are expecting more from their vehicles, power demands and consumption are increasing, and customers want to bring all the luxuries of home on the road with them, more so now than ever before.

Autonomous vehicles bring opportunity in the sensing, monitoring, and data analysis space. With autonomous vehicles, safety is paramount and being able to sense and act on events is key. From a manufacturing perspective it makes sense that the sensors and the platform architecture for this monitoring is locally designed and easily customised to suit the myriad vehicles and big data systems that will be on offer in any specific region.

Q: What future do you see for the design and manufacture of innovative equipment within the medical and defence industries?

Medical and military level manufacturing is some of the more cutting edge in terms of technology, requirements, and compliance. These industries are constantly pushing the boundaries of what is possible, and it makes sense that this type of high value manufacturing occur in Australia. There are also security considerations with military devices, further highlighting the benefits of Australian manufacture.

The current government spending is creating significant opportunity in the defence industry and defence primes are actively seeking contribution from high-value Australian manufacturers resulting from record spend on defence hardware globally.

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REDARC's core focus is on registering inventive patents early and speeding up our time to market.

With regards to the medical industry, COVID-19 has shown the value of manufacturing essential products locally, particularly in the medical field. Whether it be the vaccines themselves, the technology required to create and store them, or the respirators required to treat patients, Australia was at the mercy of the availability of these on the global market. We expect to see increased incentives to manufacture medical grade equipment locally driven by a government desire to protect against the supply issues suffered during the pandemic.

Q: How has REDARC been impacted by the COVID-19 pandemic? Are there any specific opportunities and/or challenges you've faced?

Like any manufacturer globally, REDARC has experienced disruption in the supply of raw materials and shipping delays. In our case this included metals used in our housings and enclosures and semiconductor components used in our products. So far, we have been able to navigate supply issues with a reasonable amount of agility. Onsite engineering and manufacture worked strongly in our favour as supply issues arose and we were able to continue to supply our customers whilst our competition reliant on overseas manufacture and supply chains suffered.

Our ability to supply on time and in full has seen us achieve significant sales growth throughout the pandemic, however the demand for our high-quality products is ultimately what has made this possible. We found that without the ability to travel overseas Australians spent significantly more on local travel, which meant fitting out 4WD's and Recreational vehicles with accessories, two of our core markets.

Q. How does REDARC use IP to support business and commercialisation opportunities?

REDARC regards intellectual property as a business asset, it helps set us apart as an innovator and market leader. As innovation is a key value of our company, we invest well above industry norms in research and development. We value the support that POF provides us in protecting that investment. The relationship with our patent and trademarks attorney Raffaele Calabrese has proved invaluable to REDARC, particularly due to his speciality in electronics, physics, and IT.

Our IP strategy combines registered IP protection such as Patents, Trademarks and Design Registrations, with unregistered protection strategies such as trade secrets, learned processes and first to market innovations where possible. We have used registered IP protection extensively in Australia for many years and, in more recent years, have implemented a global IP registration strategy. We then leverage this IP to both protect and defend our position and develop trust with our core customers through innovative and reliable solutions. REDARC's core focus is on registering inventive patents early and speeding up our time to market.

Q. What are the key successes based on REDARC's generated IP?

The patent system has been a great success for us, particularly with respect to our Tow-Pro electric brake controller range. The system has allowed us to add innovative features to our existing Tow-Pro platform in an iterative fashion and protect the research and development investment required. As a result, we've been able to offer our customers an increasingly safer and more feature packed product and position ourselves as the market leader in electric brake controllers. We've also been able to use these patents to successfully defend against competition attempting to imitate our offering.

We also protect our designs through the design registration system. Often when companies try to imitate our products a copy of the product look is the easiest path to market. Having design registrations in place ensures we can protect our customers from inferior look-alike copies.

NFTs: A new frontier for intellectual property



Non-fungible Tokens (NFTs) are digital tokens on a blockchain which may reference an asset such as a digital piece of artwork¹.

NFTs have opened novel ways for brand owners to interact with consumers, as well as generate new streams of revenue. The NBA has been very successful in creating an NFT marketplace, now valued at over US\$1 billion, where fans can buy and sell digital collectible cards, called 'moments' from recent seasons².

NFTs and the assets associated with them have a complex interaction with traditional intellectual property law. For instance, trade mark infringement may occur where an NFT incorporates a sign identical or similar to a registered trade mark.

One example of this is the recent Hermès action against Mason Rothschild regarding the 'MetaBirkins' NFTs, alleging trade mark infringement of its famous BIRKIN mark³. Virtual artworks inspired by the brand's famous Birkin bags were sold with prices reaching up to 9.9 ETH (Ethereum, worth approximately AU\$53,000).

Another recent Court case in China involved copyright infringement arising from the creation of an NFT using a cartoon picture from the series "Fat Tiger" by artist Ma Qianli. The lawsuit was filed against the company which operates the marketplace NFTCN where the NFT was offered for sale.

The Chinese Court ruled that NFTCN was at fault for failing to check if the user who created the NFT was the owner of the artwork and held that the marketplace contributorily infringed the artist's rights. The defendant was ordered to destroy the infringing NFT digital work by sending it to an inaccessible address – known as 'burning' the NFT.

While it is still early days for the Court enforcement of intellectual property rights in relation to NFTs, there are steps that a business can take to monitor and assert its rights in the online world.

Keeping a watch

OpenSea, the largest NFT platform, has admitted that more than 80% of NFTs created for free on its platform were either plagiarized from other artists, or spam⁴. It is therefore important to become familiar with and monitor the top global NFT marketplaces including OpenSea, Rarible, Mintable, and AtomicHub. Access to viewing NFTs on these platforms is public, and monitoring can be handled in-house.

There are also third-party platforms that offer monitoring services. These providers can analyse text as well as images to spot any resemblance with copyright works. Once identified, infringing listings may be removed before a consumer tries to purchase them.

Using take down procedures

Most of the large NFT marketplaces have take down procedures, allowing brand owners to report infringement of their IP rights.


Bored Ape Yacht Club NFTs have been popular amongst celebrities such as Paris Hilton and Jimmy Fallon. In December 2021, two NFT collections selling mirrored but otherwise identical versions of high-priced Bored Ape Yacht Club avatars, were released by third parties PHAYC, and Phunky Ape Yacht Club. Soon thereafter, both projects were banned from OpenSea for violating its copyright infringement rules.

It is worth noting however that removal from one platform will not prevent an infringer from re-listing the same NFT on another market, just like an advertisement de-listed on eBay could re-appear on AliExpress.

Reviewing your trade mark portfolio

Brand owners should consider extending their trademark portfolio to cover downloadable media files authenticated by NFTs in Class 9. Word marks but also important figurative marks should be protected.

A search conducted on IP Australia's trade mark database shows that there are currently more than 300 pending trade marks covering NFTs including:

- > RALPH LAUREN
- > PENFOLDS;
- >  (The logo for the South Sydney District Rugby League Football Club)

Securing additional trade marks specifically covering these goods may allow a brand owner to be well placed to tackle infringing content online.

Conclusion

NFTs provide a new opportunity for people all around the world to convert their artwork, collectibles, and other original creations into revenue-generating digital property. They can also be an effective marketing tool to extend product lines into digital worlds. (Nike has recently successfully started selling its first collection of virtual shoes⁵)

Like the early days of the internet, we may have only scratched the surface of the possible applications of these tools. No doubt we will also see many more ways intellectual property rights may be violated in the NFT landscape in the future.



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¹ For more information about what NFTs are, you can refer to our previous article:

<https://www.pof.com.au/nfts-the-vapourware-of-blockchain-technology/>

² NBA Top Shot : <https://nbatopshot.com/>

³ <https://www.pof.com.au/perplexing-polarising-and-a-collective-delusion-nfts-are-back-in-the-spotlight-again/>

⁴ <https://twitter.com/opensea/status/1486843204062236676?s=20&t=xlszZlc2Qlz2m8xx9Z5FaA>

⁵ <https://www.nytimes.com/2022/05/26/style/nike-nft-sneaker.html>

Image source: <https://www.instagram.com/metabirkins/?hl=en>

Pharmaceutical patent linkage in Australia – how does it work?

While Australia does have a form of patent linkage, it is currently a limited system and in practice is not very useful for patentees.

There is no patent listing system (equivalent to the US FDA's Orange Book) in Australia. The current patent linkage system extends only to the requirements asked of companies when they apply for regulatory approval for generic and biosimilar medicines. Patent holders have little say in the current system.

The current system

Before a pharmaceutical product can be marketed or distributed in Australia, it must be registered on the Australian Register of Therapeutic Goods (ARTG), which is maintained by the Therapeutic Goods Administration (TGA). Small molecule drugs and biologics are both treated as therapeutic goods by the TGA.

When applying to the TGA for regulatory approval for a generic or biosimilar product which uses data submitted to the TGA by an originator, the applicant is required to provide a certificate stating that either (a) their product does not infringe a valid claim of a patent that has been granted in relation to the product or (b) where there is a valid existing patent, that they have given notice to the patentee.

In practice, applicants generally supply a certificate under option (a) on the assertion that that a patent is invalid unless a court holds otherwise. Furthermore, applications to the TGA to register a product in the ARTG are confidential and only become public following TGA approval when the product is included in the ARTG.

This means patentees typically do not receive notice of the impending launch of a generic or biosimilar product until after it has been approved and registered on the ARTG.

PBS Schedule and impact of generic/biosimilar market entry

Products that are registered on the ARTG may be sold in the private market or under the Pharmaceutical Benefits Scheme (PBS), where they are subsidized by the government.

When the first generic or biosimilar version of a product already included on the PBS is listed, an automatic price reduction of 25% is applied to all versions of the product that have the same manner of administration as the generic or biosimilar, including the originator. This price drop is irreversible even if the generic drug is later removed from the market due to, for example, patent litigation.

To restrain these activities, patentees may apply to the court to obtain an interlocutory injunction which, if granted, may remain in place until the infringement (and any invalidity case) has been determined by the court after a substantive hearing. As generic/biosimilar products can be launched immediately upon ARTG registration, patent holders must act quickly upon becoming aware of the registration if they wish to prevent the product from entering the market and/or obtaining PBS listing.

The irreversible price drop caused by PBS listing of a generic product can provide support for the patent holder's interlocutory injunction as it is a clear example of irreparable harm for which damages may be an inadequate remedy. In such instances, while the court will consider the validity of the claims in question before granting an injunction, the generic must typically demonstrate a strong case for invalidity for an injunction to be refused.

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...patentees typically do not receive notice of the impending launch of a generic or biosimilar product until after it has been approved and registered on the ARTG

Changes to current system proposed


Legislative changes to introduce an earlier patent notification scheme for first generic and biosimilar medicines are currently in progress. The proposed changes would require applicants for the first generic and biosimilar form of an originator product to notify the patent holder when their application is accepted for evaluation by the TGA. This notification is earlier than the current system and should therefore be fairer to patent holders. These legislative changes were set to be introduced to Parliament in late 2020 although, at time of writing, no further progress has been made.

Conclusions

The current patent linkage system in Australia is minimal and quite different to systems elsewhere. It means that patent holders must be vigilant in monitoring product registrations and must act quickly to assert their patent rights if they wish to prevent the entry of a generic/biosimilar product into the Australian market.



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The imperfect science of IP licensing

Licensing of intellectual property can be an imprecise art. It is sometimes assumed that there is a standard position when it comes to licensing, making each licence a merely administrative action. However, as we have seen from recent cases, drafting licence agreements is not always so simple.

It is important to recognise that intellectual property licensing requires a detailed understanding of both intellectual property law and also contract law. In the event of a dispute, the courts turn to the application of contract law to determine what the parties intended by the language used in addition to considering the context of the relevant intellectual property law. It's easy to assume that the parties are all on the same page when it comes to their rights and obligations under an agreement, which they generally are – until they aren't. Whilst the facts in each case will differ, several common themes have arisen in recent court decisions.

Don't leave it to chance – if something is important, include it in the agreement

In *Chevron Global Energy v Ampol Australia Petroleum*¹ the court considered whether the failure by Ampol to remove the 'Caltex Red' from the fascia of its service stations was a breach of the Trade Mark Licence Agreement (TMLA) in place between the parties.

Ampol had for some time been operating service stations in Australia using the Caltex trade mark and brand under licence from Chevron. Chevron terminated the TMLA, and under the agreed work out period Ampol was required to discontinue all use of the trade marks, and to remove "any and all signage and/or element" bearing any of the Caltex trade marks from the service stations. Ampol removed the Caltex trade marks but did not change the service station canopy fascia's from the 'Caltex Red' colour. Chevron argued that this was a breach of the TMLA as the

'Caltex Red' canopy fascia was part of the signage, and therefore needed to be removed. Ampol denied it was a breach and argued that the requirement to remove the trade marks and signage did not extend to repainting the fascia which was not signage. Ampol claimed that where the trade mark was on a sign, the sign would be removed, and where the trade mark was on some other element, then the trade mark alone was to be removed from the element such that the requirement was to remove the trade mark from the fascia, not repaint the fascia as well. Ampol argued that Chevron's construction of the clauses in the TMLA went well beyond what the parties intended.

Justice O'Callaghan agreed with Ampol, noting that to construe the obligations under the TMLA as requiring Ampol to repaint the red coloured fascia some other colour would mean that Chevron had rights in the 'Caltex Red' colour, which it did not have and had not licensed to Ampol. O'Callaghan J noted: "in my view, such an outcome is at odds with commercial sense, and if such an uncommercial and unlikely outcome had been intended, it would sure have been made clear."

Consider the bigger picture over a longer term

When drafting licence agreements, the focus is often on what the licensee wants to do with the intellectual property, but where the rights being licensed are nonexclusive in nature, or only exclusive in a narrow field, it's important to think about what the

licensee would be happy with the licensor doing with its retained rights. In *State Street Global Advisors v Maurice Blackburn*² the Full Federal Court considered whether Maurice Blackburn had infringed copyright and tortiously interfered with the contractual relations between State Street Global Advisors (SSGA) and artist Kristin Visbal by commissioning a replica of the 'Fearless Girl' statue.

Under the Master Agreement between SSGA and Ms Visbal, SSGA had a worldwide, exclusive licence to create, use, display and distribute the statue and two-dimensional copies of it, in connection with gender diversity issues in corporate governance, the financial services sector, and itself and the products and services SSGA offered. The artist retained all the residual rights outside of the exclusive licence to SSGA, including the right to use the artwork in connection with gender diversity goals.

SSGA argued that use of the 'Fearless Girl' statue by Maurice Blackburn in relation to their workplace gender equality campaign was copyright infringement because gender



¹ *Chevron Global Energy Inc v Ampol Australia Petroleum Pty Ltd* [2021] FCA 617

² *State Street Global Advisors Trust Company v Maurice Blackburn Pty Ltd* [2022] FCAFC 57

diversity was covered by their exclusive licence. The Court did not agree, finding that a gender equality campaign was not the same as “gender diversity issues in corporate governance (or the financial services sector)”. If SSGA was intended to have rights in relation to broader gender diversity goals, then the licence granted by the Master Agreement would have reflected that. In this case using the words “in connection with” did not operate to expand the scope of SSGA’s licence. Ensuring that a licence agreement accurately captures what rights the parties have is paramount, because the Courts will not step in to provide rights that a party does not have. As Justice Beach pointed out in this case, there was “considerable disparity between what [SSGA] paid for and what it now asserts it is entitled to protect. But Australian statute law and tort law cannot fill that gap.”

These issues are not limited to copyright, with similar questions raised in the context of trade mark licensing in *Fonterra v Bega Cheese*³. The Victorian Supreme Court had to determine whether a TMLA prevented Bega from using the Bega trade mark on peanut butter, vegemite, cheese and cream cheese spreads as Fonterra argued. Fonterra and Bega had entered into a 25 year TMLA for Fonterra to be

able to use the Bega trade marks on Products being ‘Cheese Products, butter and any other products agreed by the parties from time to time’. ‘Cheese Products’ were defined to mean natural and processed cheddar cheese, string cheese and any other cheese which the parties agreed in writing should be included. At the time the TMLA was entered into the only products being manufactured were natural and processed cheddar cheese and Bega did not manufacture any other types of cheese. The Court noted that “neither party gave any consideration to the application of Bega’s trade marks to any products other than cheese and dairy products” and that given the narrow nature of the products defined in the agreement, Bega was free to use its name in relation to goods like peanut butter.

With hindsight, it would have been advantageous in such a long-term agreement, for the parties to consider possible business evolution and expansion of products and include clauses addressing those situations in the TMLA. The

narrow drafting of the definition of products along with the fact that the additional products could only be included by agreement of the parties meant that the Court could not construe the application of the TMLA in the broad fashion that Fonterra was hoping for.

Conclusion

Intellectual property licensing is critical to business success but if not drafted properly can lead to unintended outcomes and costly mistakes. There is benefit in thinking through a range of possible eventualities and working with experienced licensing lawyers to ensure that your licenses capture the parties’ true intentions and take into account future business growth and development.

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It’s easy to assume that the parties are all on the same page when it comes to their rights and obligations under an agreement, which they generally are – until they aren’t.



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³ *Fonterra Brands (Australia) Pty Ltd v Bega Cheese Ltd* [2021] VSC 75



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