

Inspire

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phillips ormonde fitzpatrick
intellectual property

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Welcome

In the face of a major crisis such as the Covid-19 pandemic it can be tempting to focus inwardly and concentrate on aspects of the world that we can control. However, it is important not to lose sight of the broader environment which may provide both challenges and opportunities.

In this edition of Inspire, Marine Guillou uncovers the challenges being faced by those battling the rise of COVID-19 related counterfeiting activities. While counterfeiters have so far largely targeted medical and pharmaceutical industries, all businesses should be aware of the possibility of increased counterfeiting activity during a time of global upheaval. Meanwhile, Anita Brown discusses Southcorp's ongoing fight to protect its Penfolds brand against a group of overseas companies trying to take advantage of its worldwide reputation. As highlighted the ground of bad faith may be particularly important in challenging trade mark applications which may not be susceptible to other grounds of attack.

As Malcolm Bell explains, the decision in *Cth v Sanofi* illustrates the difficulties facing a third party seeking to rely on an undertaking as to damages given to secure an interlocutory injunction. In the absence of direct evidence from the relevant decision maker within the enjoined company, the Commonwealth was unable to satisfy the Court that the alleged financial loss was a direct result of the interlocutory injunction as opposed to other circumstances.

Also in this edition, Mark Williams notes some upcoming changes to the Designs Act, Alexis Keating reviews a copyright spat over "Love is in the Air" and Russell Waters reports on the ongoing trade dress dispute between Kraft and Bega.

Finally, we say congratulations to our attorneys both those that have recently been promoted within the firm and those who have been recognised externally for their outstanding work.



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Proposed Australian Designs reform: Grace period HOT but GUI's NOT

As we [reported](#) last year, IP Australia sought input on proposed changes to the Designs Act 2003.

Following a consultation in late 2019, IP Australia now intend to release an exposure draft of a proposed Bill and supporting regulations later in 2020 to:

- > introduce a grace period with prior use defence (presently, there is no grace period in Australia for the designs system, unlike the patent system for example);
- > remove publication option for registration of designs;
- > remove liability for infringement before registration; and

- > give exclusive licensees legal standing to sue for infringement.

Notably, IP Australia have decided not to take action with regard to virtual, non-physical and active state designs and whether IP protection will apply for new types of designs – including screen displays, screen icons and graphical user interfaces (GUIs).

More information as to the current state of play regarding GUI's in Australia may be found [here](#). IP Australia's response to the consultation may be found [here](#).



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Congratulations to our new Principals, Senior Associates & Associates

The lifeblood of our business is our outstanding people. We are pleased to acknowledge the promotion of ten of our attorneys to Principal, Senior Associate and Associate positions, effective from 1 July 2020.

New Principals

Dr Mary Munroe BSc(Hons), PhD, GDipIP



Mary has been promoted to Principal within our Chemistry and Life Sciences team. Mary has over 15 years' experience as a European, UK, Irish, Australian & New Zealand patent attorney and has worked with clients on technologies in the chemical, analytical science and instrumentation, material science, nanotechnology, therapeutics including pharmaceuticals, medical science, biomedical engineering, molecular biology, medical devices, electromechanical engineering and food and beverage fields. She is also a qualified Irish and Community trademark and design attorney (EU).

Being multi-jurisdictionally qualified, Mary's approach is strategically focused, taking a hands-on role in the development and management of Australian and global patent portfolios, giving clients advice where necessary for optimising protection in Australia and internationally, as well as for enforcement and licensing opportunities, particularly in Europe, Ireland and the UK, where Mary has an established network of experienced contacts.

Mary enjoys guiding inventors and business owners through the IP procurement process and developing their understanding of the value of IP. She has strong relationship skills and a hands-on approach. Driving client satisfaction and confidence are strong motivators in her professional career.

Matthew Ford Bsc (Photonics) (Hons 1) MIP



Matthew has been promoted to Principal within our Electronics, Physics and IT team. Matthew has a first class honours degree in physics, majoring in photonics and has over 10 years of IP experience. Matthew practices primarily in the fields of physics, electrical engineering and computer technologies, specialising in lasers, optical fibres, photovoltaic devices and various optical network devices for the telecommunications industry. Matthew also has a keen interest in the fields of nanotechnology and near-Earth space technology which has exposed Matthew to the importance of computational analysis of complex systems and problems.

Matthew has expertise drafting, prosecuting and defending patent specifications across a broad range of technologies, including optical and electronic telecommunications, control systems, computer vision, driver monitoring technology, consumer electronics, machine learning, augmented reality, neuroscience diagnostic and rehabilitation systems, gaming technologies, HVAC and building management systems and various other computer-implemented technologies.





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These promotions are a significant professional development milestone that recognise technical expertise, demonstrable leadership, exceptional client service delivery, as well as a commitment and valued contribution towards the success of the POF Group.

Ross McFarlane, Managing Partner

New Senior Associates

Michelle Blythe BBiomed MEng MIPLaw



Michelle has been promoted to Senior Associate within our Electronics, Physics & IT team. Michelle joined Phillips Ormonde Fitzpatrick in 2014, and primarily practices as a Patent Attorney in the area of medical devices and instrumentation. She also works

across a diverse range of technologies, including electronic devices, electrical and mechanical systems, software, life sciences, and physics. Michelle provides client-focused and commercially-minded IP services for some of the largest clients in the EPIT group. She also assists a number of smaller SME clients in protecting and commercialising their inventions.

Dr Leigh Guerin

BMedPharmBiotech (1st Class Hons) PhD MIPLaw



Leigh has been promoted to Senior Associate within our Chemistry and Life Sciences team. Leigh's work focuses on assisting clients such as research institutes, universities and SMEs in protecting their vital work in a range of biomedical technologies and biologicals.

Leigh's international research career in immunology and reproductive biology provides him with strong expertise in important medical technologies such as immunotherapeutics and cellular therapies.

Dr Annabella Newton

MChem(Hons) MCommrclLaw - PhD AMRSC MRACI GAICD



Annabella has been promoted to Senior Associate within our Chemistry and Life Sciences team. Annabella works with a range of clients including global corporations, SMEs, start-ups and individuals, providing tailored IP advice aligned with their business objectives. She has experience handling large

patent portfolios for multinational companies including prosecution, queries, assignments, licenses and amendments. She specialises in pharmaceutical extensions of term as well as strategic patenting advice and provides opinions on infringement, validity and freedom to operate.

She also has in-house experience, having been seconded to a leading Australian research organisation several times as an IP Manager. Annabella is a strong advocate for diversity and inclusion within the STEM sector and the patent attorney profession. She currently serves on the board for Women in STEM Australia.

Dr Matthew Overett BSc (Hons), PhD Chem, MIP



Matthew has been promoted to Senior Associate within our Chemistry and Life Sciences team. Matthew's practice includes drafting of patent specifications for Australian universities, research organisations, corporates and SMEs, advice on infringement and validity, and prosecution of local and international

patent applications. Having worked in R&D and IP Manager roles at a multinational chemical company and a large research organisation, Matthew has in-depth insight into the value that IP rights can bring to an organisation. His in-house experience of developing, protecting and commercialising innovative technologies enables him to provide pragmatic advice to clients on securing their intellectual property.

Matthew's industrial and academic background, and drafting practice, have equipped him with particular expertise in polymers, coatings and composites, electrochemical, optoelectronic, medical and mechanical devices, catalysis, reaction technology, minerals processing, food processing, materials science, printing, and oil and gas technologies.

New Associates

Dr James Burnley MSci, PhD MIPLaw



James has been promoted to Associate within our Chemistry and Life Sciences team. James joined POF in early 2016 after stints working in academic and industrial settings. He enjoys interacting with inventors to aid them in finding success in their commercial journey. He has experience

with advising, drafting, and prosecuting patents over a wide range of technologies. His experience includes managing a large patent portfolio throughout South East Asia and providing pharmaceutical litigation support in Australia. James has particular interest in chemical and medicinal inventions.

Alexis Keating LLB (Hons), BSc



Alexis has been promoted to Associate within Phillips Ormonde Fitzpatrick Lawyers. Alexis is an IP Lawyer and Registered Trade Marks Attorney who has assisted with contentious IP matters before the Federal Court of Australia, both at trial and appellate levels. She has also assisted with

matters including opposition proceedings before the Trade Marks Office, Designs Office and Patent Office. Alexis' non-contentious practice includes the negotiation and drafting of transactional documents, including IP assignments and licences. She also does trade mark prosecution. She was recently awarded a Frank Pinkerton Scholarship for achieving the highest result in Designs Law and Practice while completing a Master of Intellectual Property Law at the University of Melbourne.

Adam Pepper BSc, BEng(Hons), GradCertSocSc, MIP



Adam has been promoted to Associate within our Electronics, Physics and IT team. Adam has a decade of commercial research and development experience and is qualified in both electronic engineering and applied physics, having obtained dual Bachelor degrees with Honours from RMIT University.

Adam joined Phillips Ormonde Fitzpatrick in 2016 as a Trainee Patent Attorney after completing his Master of Intellectual Property Law and is involved in patent prosecution for both local and international clients. Prior to joining Phillips Ormonde Fitzpatrick, Adam was a Design Engineer at NEC, a Japanese multinational provider of information technology services and products.

Peter Wassouf B.Eng (Mech) (Hons), B.Bus JD MIPLaw



Peter has been promoted to Associate within our Engineering team. Peter is a mechanical engineer with a passion for innovation and the law. Since joining Phillips Ormonde Fitzpatrick in 2014 Peter has worked on large infrastructure projects, delivering innovative and strategic solutions

with respect to mechanical, civil and electrical assets, and also assists individuals and SMEs in protecting and commercialising their inventions and designs. Prior to joining Phillips Ormonde Fitzpatrick, Peter worked with a large water utility company, and was actively involved in the delivery and review of mechanical and civil infrastructure projects. Peter also worked as a mechanical engineer for a large global consultancy, where he was involved in a variety of technical and strategic projects and engaged with a diverse client base.



Marks of bad faith; beware of the imposters and impersonators

Southcorp Brands Pty Ltd (Southcorp), the producer of the famous PENFOLDS wine, is winning the war against a group of Chinese companies trying to register trade marks for wine and other alcoholic beverages in Australia.

In the most recent cases¹ before the Australian Trade Marks Office, Southcorp has successfully opposed the registration of the following marks in class 33 covering wine and other alcoholic beverages on the basis of the 'bad faith' ground of opposition:

RICH BOSS



In the opposition to the RICH BOSS application, Southcorp relied on the grounds of opposition available under s.59 and s.62A of the Trade Marks Act 1995 (Cth) (the Act), whilst in the opposition to the R & R ESTATE application it relied on s.42(b), s.44, s.60 and 62A. In both cases the Hearing Officer considered only the successful s.62A ground of opposition.

Section 62A provides that an application for registration of a mark may be opposed on the ground that it was made in bad faith. A number of cases have now considered what constitutes 'bad faith' including *Fry Consulting Pty Ltd v Sports Warehouse Inc*², where Dodds-Streeton J stated the test for bad

faith as whether "persons adopting proper standards would regard the decision to register as in bad faith, or that reasonable and experienced persons in the field would view such conduct as falling short of acceptable commercial behaviour."

Bad faith has been found in previous cases where an applicant is shown to have prior dealings with, or has acknowledged the rights of the trade mark owner, and has engaged in a pattern of behaviour of misappropriating foreign trade marks or has sought to register a deliberate misspelling of the mark.

In the case of the RICH BOSS mark, Southcorp's evidence demonstrated that the Applicant was connected to a group of interrelated entities who had collectively been involved in numerous proceedings both in China and Australia related to attempts to use and register trade marks which were similar to Penfolds marks, including marks such as RUSH RICH and marks featuring the Chinese character version of the Penfolds mark.

In making the finding of bad faith, the Hearing Officer stated:

The Applicant seeks to register a mark for wine that takes elements to the Opponent's well-known Penfolds brand which is a renowned and highly regarded wine brand in Australia. The Applicant has done so clearly aware of the Opponent and its Penfolds brand, since the Applicant Group has made frequent and repeated attempts

to register marks that are similar to the Opponent's Marks for wine.

In the absence of any alternative explanation of the Applicant's conduct I consider that the application to register the Trade Mark was part of a pattern of conduct by the Applicant Group in both seeking to register trade marks and engaging in broader conduct with the aim of passing itself off and to misappropriate the goodwill of the Opponent (and in particular the goodwill the Opponent has in its Penfolds brand and related products).

In the case of the R&R Estate mark, the evidence was that the Applicant, Eastern Tomorrow (Jinjiang) Import & Export Co Ltd, had previously applied for registration of a mark incorporating the words RUSH RICH.



Southcorp had successfully opposed this registration on bad faith grounds. In that case, the Hearing Officer had found that the words "RUSH RICH" were an approximate translation of Southcorp's mark when represented in Mandarin characters.



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The Hearing Officer found that the Applicant's conduct fell short of the standards of acceptable commercial behaviour observed by reasonable and experienced persons.

In finding that s.62A was made out in the present case, the Hearing Officer – whilst noting that a finding of similarity was not necessary under that ground – found it was relevant that the R&R Estate mark was 'substantially identical' to the Applicant's earlier filed RUSH RICH mark. This RUSH RICH mark had been in widespread use and as such, the Hearing Officer found that there was a risk that the Applicant's reputation in the Rush Rich mark would survive and lead to confusion with the R&R Estate mark. The Applicant filed no evidence in support of its case and the Hearing Officer, whilst noting that no adverse implication flowed from this, stated 'it can be assumed

that any information would not have assisted the Applicant's case'. Thus, the Hearing Officer found that the Applicant's conduct fell short of the standards of acceptable commercial behaviour observed by reasonable and experienced persons.

The bad faith ground may provide opponents with a vehicle to successfully challenge the registration of marks that might otherwise proceed to registration where for example, the marks are not similar enough to establish a s.44 ground or a reputation is not sufficient for a s.60 ground of opposition.

Trade mark watches, particularly for well-known and emerging consumer brands, are an important

means to keep an eye on traders who may be making applications in bad faith. Stopping such conduct is vital for trade mark owners wanting to maintain and protect brand value and avoid trade mark dilution and consumer confusion.



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¹ *Southcorp Brands Pty Limited v EASTERN TOMORROW (JINJIANG) IMPORT & EXPORT CO LTD* [2020] ATMO 59 (21 April 2020) and *Southcorp Brands Pty Ltd v BIN-VIN (Shanghai) Trading Co Ltd* [2020] ATMO 51 (1 April 2020)

² *Fry Consulting Pty Ltd v Sports Warehouse Inc (No 2)* [2012] FCA 81

US band infringe copyright in '70s classic 'Love is in the Air'

The Federal Court recently found that US band Glass Candy copied a substantial part of the song 'Love is in the Air'. While profits made from infringing downloads of the song were trivial, Perram J foreshadowed that damages based on a foregone licence may not be so modest.¹

Background

The Aussie disco classic 'Love is in the Air' has a rich and colourful history. Composed by Harry Vanda and the late George Young in 1977, it soon became a worldwide hit, brought to life by the groovy vocals of John Paul Young. In 1992, the song experienced a resurgence in popularity as the theme song to Baz Luhrmann's film *Strictly Ballroom*. Once again, in 2000, it swept the nation with nostalgia, as it was performed live by John Paul Young at the closing ceremony of the Sydney Olympic Games.

The song is an influential part of Australian music history – perhaps indeed, a little too influential. In 2017, the owner of copyright in 'Love is in the Air' brought infringement proceedings against US music duo, Glass Candy. It was alleged that Glass Candy had reproduced a substantial part of 'Love is in the Air' in their electro-pop song 'Warm in the Winter'. Both songs feature the lyrics 'love is in the air' to much the same melody.

It was also alleged that Glass Candy's song 'France is in the Air' featured a substantial part of 'Love is in the Air'. 'France is in the Air' is a shorter version of 'Warm in the Winter', in which the lyrics 'love is in the air' have been replaced with the lyrics 'France is in the air'. The song was made for use in Air France's international marketing campaign.

Have a listen and see what you think. The relevant portions of the songs are accessible here:

- > ['Love is in the Air'](#)
- > ['Warm in the Winter'](#)
- > ['France is in the Air'](#)

Decision

After a lengthy hearing spanning some nine days, Justice Perram held that Glass Candy, through both of its songs, had indeed infringed the musical work comprised in 'Love is in the Air'. His Honour rejected the claim that Glass Candy had infringed the literary work comprised in the lyrics of 'Love is in the Air'. In so finding, his Honour noted that 'love is in the air' is a famous English idiom which nobody owns. In that regard, it was not sufficiently original to be considered a substantial part of the lyrics as a whole for the purposes of infringement.

One interesting point to emerge from the decision was the extent to which lyrics, while their own separate literary work, may be taken into account as part of a musical work when sung.

The parties disagreed at length over this issue, with there being no binding authority one way or the other in Australia. However, Justice Perram resolved the question finding that although the words constituting the lyrics form a separate literary work, the sound of words being sung is part of the musical work.

Damages

There were only 12 downloads of 'Warm in the Winter' from a website owned by one of the band members. These totalled \$11.50 in revenue. Glass Candy submitted that relief should be withheld because the amounts were trifling. However, Perram J foreshadowed that the applicants would likely contend that damages should be assessed on the basis of a foregone licence. His Honour also invited submissions on additional damages having concluded that the infringements were flagrant.

This is a useful reminder that while profits made by an infringer may be trivial, a copyright owner may still be entitled to significant damages – especially where additional damages are available.



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¹ *Boomerang Investments Pty Ltd v Padgett (Liability)* [2020] FCA 535

COVID 19: Countless counterfeits confiscated

The COVID-19 crisis has heightened the dangers posed by the global trade in counterfeit pharmaceutical products.

Between 3 and 10 March 2020, in the same week the World Health Organization (WHO) declared the coronavirus outbreak a pandemic, Operation Pangea, a collaborative enforcement effort by the World Customs Organisation, Interpol, Europol, Customs administrations, Police forces and other law enforcement agencies, made 121 arrests across 90 countries. The result was the seizure of more than 4.4 million units of illicit pharmaceuticals worth over US\$14m.¹ Items seized included counterfeit masks, "corona spray" or "coronavirus medicine".

From websites selling fake COVID-19 blood screening tests which claimed to deliver a result within two minutes, to the sale of chloroquine via instant messaging apps, or on the dark web, counterfeiters have been quick to take advantage of the coronavirus crisis.

Europol recently released a report on the activities of counterfeiters during the COVID-19 crisis² explaining that the production and distribution of COVID-19-related counterfeit pharmaceutical and healthcare products closely followed the spread of the pandemic to markets in the European Union. Counterfeiters focused on medical equipment (especially face masks, fake test kits, disposable latex gloves, etc.); sanitisers and disinfectants; and also pharmaceuticals (antivirals, medication for arthritis and malaria in particular).

Counterfeiters distributing counterfeit pharmaceutical products rely on complex illegal distribution chains to obscure the origin of the counterfeit drugs using several transit countries. The companies trading in counterfeit goods are highly diverse, and suspects are very quick at establishing additional front companies to obscure their activities.

Customs authorities around the world continue to identify and seize a large number of counterfeit, unapproved, or otherwise substandard COVID-19 products including test kits, anti-virus lanyards and counterfeit face masks³.

In Australia, dozens of consignments of the anti-malarial drug hydroxychloroquine, totalling more than 6,000 tablets, have been intercepted at the border since January. Australian Border Force officers have also reportedly seized 800,000 masks that have been found to be counterfeit or otherwise faulty and the Therapeutic Goods Administration was instructed on 26 May to investigate whether defective face masks had been sold to some private hospitals by companies exploiting a loophole in regulations.

Online retailers such as Amazon and eBay have had to block or remove millions of products for suspect or misleading claims in relation to COVID-19.



“Counterfeiters distributing counterfeit pharmaceutical products rely on complex illegal distribution chains to obscure the origin of the counterfeit drugs”

Brand owners are also taking action. As demand for 3M company's N95 respirator masks skyrocketed worldwide, they had to create a COVID-19 fraud hotline to help combat fraudulent and price gauging activity. On 8 June, they also filed a legal action in California against an Amazon seller advertising fake respirator masks at a price that exceeded by as much as 20 times, 3M's genuine items pricelist.

No doubt if a genuine vaccine for COVID-19 is developed in the future, it will prompt a wave of offers for counterfeit vaccines too.



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¹ <https://www.interpol.int/en/News-and-Events/News/2020/Global-operation-sees-a-rise-in-fake-medical-products-related-to-COVID-19>

² <https://www.europol.europa.eu/publications-documents/viral-marketing-counterfeits-substandard-goods-and-intellectual-property-crime-in-covid-19-pandemic>

³ U.S. Customs and Border Protection: https://www.cbp.gov/newsroom/national-media-release/cbp-continues-seize-large-number-counterfeit-and-unapproved-covid-19?_ga=2.148233139.541438310.1591852146-2107848005.1591852146

Crunch time for Kraft – Smooth sailing for Bega



The Full Federal Court has recently issued a decision in *Kraft Foods Group Brands LLC v Bega Cheese Limited*¹, an appeal regarding ownership of an unregistered trade mark. The mark in question is the appearance of a peanut butter jar, or, as it is referred to in the decision, the ‘Peanut Butter Trade Dress’.

Many Australians will be familiar with Kraft peanut butter, a product that was first sold here in 1935. Over the years, a number of different marks have been developed and used on the packaging of Kraft peanut butter. As well as the KRAFT name, a logo (shown below)



featuring a hexagon surrounding the word KRAFT was registered for peanut butter products in 1963, and in the 1980’s the slogan “Never Oily, Never Dry” (the Slogan) was developed and used extensively in television commercials, becoming registered as a trade mark in 2001. In the early 1990’s Kraft peanut butter was sold in a jar with a yellow lid, and by 2007 the Peanut Butter Trade Dress (the Trade Dress) had been developed and was used by the Australian company, Kraft Foods Limited.

This involved “a jar with a yellow lid and a yellow label with a blue or red peanut device, the jar having a brown appearance when filled”. The peanut-shaped device was overlaid with the words “Peanut Butter” and the Slogan. The words “Crunchy” or “Smooth” also appeared on the label, in the same colour as the peanut-shaped element (blue for smooth and red for crunchy), and the Kraft hexagon logo appeared above the peanut-shaped element (Figure 1). In 2012, the US parent company of Kraft Foods Limited underwent a restructure, ultimately splitting into two companies: Mondelez International, Inc, which controlled the global snacks business, and Kraft Foods Group, Inc, which controlled the North American grocery business. Shortly prior to the restructure, Kraft Foods Limited assigned the KRAFT word mark and the Kraft hexagon logo to the IP holding company of the US parent, but then continued to

use those marks under licence. Significantly, the assignment did not include the Slogan, and did not mention the Trade Dress. Around the time of the restructure, the Australian company Kraft Foods Limited was renamed Mondelez Australia (Foods) Ltd (MAFL). After the restructure, MAFL continued selling peanut butter in Australia, using the Trade Dress, the Slogan and the Kraft hexagon logo (now under licence from the IP holding company of Kraft Foods Group, Inc). This situation continued until June 2017, when MAFL began to sell peanut butter under the brand “The Good Nut”, rather than “Kraft”. This was in preparation for the sale of the business to Bega Cheese Limited, which occurred in July 2017. Bega initially added their BEGA mark to “The Good Nut” label, but in late 2017 they dropped “The Good Nut” and just used BEGA, along with the Trade Dress (Figure 2). In doing so, Bega acquired substantially all of the 60% market share for peanut butter



Figure 1

formerly held by MAFL. In 2018 the North American Grocery business started selling peanut butter under the KRAFT brand through an Australian subsidiary, H.J. Heinz Company Australia Limited. This product retained the Trade Dress, but was relatively unsuccessful as major supermarket chains declined to stock the Kraft product due to the likelihood of confusion with the existing Bega product. Kraft and Heinz commenced proceedings in the Federal Court to prevent Bega from continuing to use the Trade Dress and Bega counter-claimed, alleging misleading and deceptive conduct. Kraft Heinz contended that Kraft Foods Limited had only used the KRAFT mark and the Trade Dress under licence from the US parent’s IP holding company, and that ownership of the goodwill in the Trade Dress had been assigned to the US Kraft company under the restructure. Accordingly, it was argued, Bega had no right to continue using it once a licence to MAFL expired at the end of 2017.

The judge at first instance accepted Bega’s argument that assignment or licensing of an unregistered trade mark is not possible without the assignment of the underlying goodwill of the business. This goodwill is inseparable from the business to which it adds value and cannot be dealt with except in conjunction with the sale of that business. Thus, although the restructure agreement purported to assign the rights in the Trade Dress to Kraft Foods Group Inc, it could not do so without also assigning the peanut butter business, and it was clear that it had not done so. Accordingly, since Bega had acquired the goodwill in the business when it bought MAFL, Bega owned the Trade Dress, and use of that trade dress by Kraft Heinz constituted misleading and deceptive conduct and passing off. On appeal to the Full Federal Court, their Honours found that goodwill in



Figure 2

a business may come from multiple sources and may be associated with a particular product line (Product Goodwill) and that Product Goodwill may be assigned separately from the goodwill of the business as a whole. As at 2007, Kraft Foods Limited held the necessary goodwill in the Trade Dress, along with the registrations of the KRAFT word mark, the Kraft hexagon logo and the Slogan. Whilst the KRAFT word mark and Kraft hexagon logo were later assigned, the Slogan and the goodwill in the Trade Dress were not.

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The take home message from this convoluted case is do your due diligence!”

Although the US parent had control of Kraft Foods Limited, this alone was not sufficient to indicate that the US parent owned the Trade Dress, which was created and used solely by Kraft Foods Limited and not by any other member of the Kraft group. The control exercised by the US parent was consistent with the licencing of the Kraft hexagon logo, and did not pertain to the Trade Dress. The Full Court agreed with the trial judge that the Trade Dress, being an unregistered mark, could only be assigned with the goodwill of the associated business. While the Kraft marks had been assigned to Kraft Foods Group Inc – the US grocery business – as part of the 2012 restructure, Kraft Foods Limited, later MAFL, had remained part of Mondelez International – the global

snack foods business – although it continued to make and sell peanut butter in Australia. This meant that the goodwill associated with MAFL’s business was not transferred to Kraft Foods Group Inc and consequently, neither was the Trade Dress. The Full Court differed from the trial judge in finding that the restructure agreements did not even purport to transfer the Trade Dress to Kraft Foods Group Inc. While those documents did refer to trade dress, only trade dress that “*primarily relates to or is primarily used in the [Kraft Foods Group Inc] Business*” were transferred to Kraft Foods Group Inc, and the Peanut Butter Trade Dress related to Mondelez and the global snack foods business. As a result of the Full Court’s findings, the purchase by Bega of MAFL’s business of developing, manufacturing, marketing, selling and distributing spreads including peanut butter included the business’ contracts, intellectual property rights, factory, plant, property, and importantly, the goodwill associated with that business. As such the purchase also included the Trade Dress. The Full Court dismissed the appeal, but note that Kraft Heinz has sought leave to appeal the decision to the High Court, so the position is not final. Until then, the take home message from this convoluted case is *do your due diligence!* When transferring business goodwill, make sure that any product goodwill – which may include unregistered trade marks and trade dress associated with particular products – that you wish to retain is excluded from the transfer. Conversely, when buying a business, make sure that the goodwill you are acquiring includes the goodwill in any unregistered marks and trade dress that may be essential to successfully continuing the business.



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¹ *Kraft Foods Group Brands LLC v Bega Cheese Limited* [2020] FCAFC 65

No compensation for the Commonwealth: Australia v Sanofi

In the keenly awaited decision in *Commonwealth of Australia v Sanofi*¹, the Federal Court has dismissed the Commonwealth's \$325 million claim for compensation made against Sanofi arising from a patent infringement suit brought against Apotex Australia (Apotex), the Australian subsidiary of the Canadian generic drug company Apotex Canada.

Background

Back in September 2007 patentee drug company Sanofi obtained an interlocutory injunction against Apotex restraining it from infringing Sanofi's patent relating to its blockbuster anti-clotting drug, clopidogrel. In order to obtain the interlocutory injunction, Sanofi provided "the usual undertaking as to damages", by which Sanofi undertook to "submit to such order as the Court may consider to be just for the payment of compensation ... to any person whether or not a party, adversely affected by" the injunction. Sanofi initially succeeded at trial in its infringement case, with a "permanent" injunction being ordered in August 2008, in similar terms to the earlier interlocutory order. However, in October 2009 the Full Federal Court upheld Apotex's appeal and revoked Sanofi's patent in full. Special leave to appeal to the High Court was refused in March 2010, whereupon the permanent injunction was lifted and Apotex (and others) entered the market.

Apotex then sought compensation from Sanofi pursuant to the undertaking for damages. That claim was ultimately settled without going to trial².

In 2013, some three years after the High Court refused leave to appeal, the Commonwealth applied for compensation pursuant to the undertaking as to damages provided by Sanofi. Under the terms of the Pharmaceutical Benefits Scheme (PBS), the Commonwealth pays

significant subsidies to customers of particular drugs. As of August 2007, upon the listing of a generic version of a drug on the PBS there is an automatic reduction in the amount of subsidy paid, with further price reductions occurring subsequently. The listing of a first generic drug therefore results in significant savings to the Commonwealth in the amount of subsidy it pays out. In this case the Commonwealth sought compensation on the basis that, because of the interlocutory injunction, Apotex did not list its generic clopidogrel product on the PBS, and so the mandatory price reduction mechanism was not triggered and there was no reduction in the amount paid by the Commonwealth in relation to clopidogrel. This was the first time a court has considered the question of the Commonwealth's entitlement to compensation in such circumstances.

Nicholas J refused the Commonwealth's claim.

At the time the interlocutory injunction was granted, Apotex gave its own undertaking to the Court that it would not apply for PBS listing of any clopidogrel product. However, that undertaking was not tied to the undertaking as to damages given by Sanofi. Having reviewed the relevant High Court authorities, his Honour held that the following questions needed to be addressed:

> Would the Commonwealth's loss have been sustained but for the grant of the interlocutory injunction?

- > Did such loss flow directly from the interlocutory injunction?
- > Could loss of the kind sustained have been foreseen at the time the interlocutory injunction was granted?

Would the Commonwealth's loss have been sustained but for the grant of the interlocutory injunction?

His Honour considered whether Apotex would have applied for PBS listing of its generic clopidogrel products, if the interlocutory injunction had not been ordered. There was a significant risk to Apotex in entering the market as it would have left it exposed to an extremely large damages claim if the patent was ultimately found to be valid.

Evidence was given on behalf of the Commonwealth by Apotex's Managing Director that Apotex would have launched and applied for PBS listing, but for the interlocutory injunction. However, the Court held that the decision whether to enter the market was a matter for Apotex Canada, and in particular its CEO and Chairman, Dr Sherman.

For reasons that were not explained by the Commonwealth, Dr Sherman did not give evidence. In the circumstances, his Honour drew an adverse inference against the Commonwealth that it chose not to call him because his evidence would not have assisted its case. Based on the correspondence in evidence, his Honour was not prepared to infer

that Dr Sherman was likely to have instructed Apotex to procure the listing of its clopidogrel products on the PBS, and held that he was not persuaded that Apotex would have sought and obtained a PBS listing of its clopidogrel products even if the interlocutory injunction had not been granted. It followed, his Honour held, that the Commonwealth's claim must be dismissed.

Did such loss flow directly from the interlocutory injunction?

Although the above finding was sufficient to deal with the Commonwealth's application, his Honour also would have rejected the Commonwealth's claim on the basis that the loss it sustained did not flow directly from the interlocutory injunction, because the injunction did not prevent Apotex from applying for and obtaining PBS listing, but rather was an indirect loss.

Was the loss sustained by the Commonwealth foreseeable at the time the interlocutory injunction was granted?

The Court did consider, however, that the loss suffered by the Commonwealth, although indirect, was foreseeable.

What would the damages have been if the claim was successful?

The Court held that if the interlocutory injunction had not been granted, and assuming Apotex obtained PBS listing in April 2008 and entered the market, then it was likely to have only supplied clopidogrel products until 19 August 2008 when the trial judge held that the patent was valid and issued a permanent injunction. This was referred to as the "interrupted supply counterfactual". His Honour rejected an alternative "continuous supply counterfactual" pressed by the Commonwealth which assumed supply from March 2008 until March 2010, when the High Court refused special leave to appeal.



“
...the Court was not persuaded that Apotex would have sought and obtained a PBS listing of its clopidogrel products even if the interlocutory injunction had not been granted.”

Under the interrupted supply counterfactual, the mandatory 12.5% price reduction would have applied between 1 April and 19 August 2008. However, the Court also held that it was likely that when the Apotex product would have been withdrawn from the market in August 2008, the 12.5% reduction would have been reversed, and so the Commonwealth's losses were confined to that period up to 19 August 2008. The amount was assessed at slightly over \$15.5 million³.

In conclusion

Ultimately this case was decided on its facts and in particular due to the Commonwealth's failure to convince the judge that Apotex would have entered the market had it been free to do so. In that sense it is of perhaps limited general application. An interesting aspect of the case is that if Apotex had not settled with Sanofi but pursued its claim to decision, a finding in similar terms to that made in relation to the Commonwealth (that Apotex would not have sought PBS listing but for the interlocutory injunction), would have seen Apotex's claim also dismissed. However, there is little doubt that if Apotex had run the matter to trial it would have led other evidence which may well have resulted in a different outcome.



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³The Court held that there was a 10% probability that the 12.5% price reduction would not be reversed and so increased the amount to take that into account.

⁴*Sigma Pharmaceuticals (Australia) Pty Ltd v Wyeth* [2018] FCA 1556, at [447]

¹*Commonwealth of Australia v Sanofi (No.5)* [2020] FCA 543

²The terms of the settlement were confidential, but presumably resulted in a significant payment to Apotex



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On an individual level, Managing Partner **Ross McFarlane (1)** was recognised for his stewardship in helping achieve our strategic objectives, and Partner **Ray Evans (2)** was highlighted as being “among the most critically acclaimed advisers at the practice”.

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