

# Australia

## Australia gets into line with international practice

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The Australian government continues to reform Australian law and practice, seeking to align IP law in Australia with that of its major trading partners. In the last year the spotlight has continued to focus on patent reform. Given the relative infrequency of litigation in Australia, it was also a welcome development that both the Trademarks Act 1995 and the Designs Act 2003 were considered by higher courts for the first time, albeit without any startling changes to accepted jurisprudence.

### Out of the lion's den – High Court clarifies trademark use

In its first decision under the Trademarks Act 1995, the High Court of Australia upheld an appeal by E&J Gallo Winery of a Full Federal Court decision ordering the removal of its mark from the Trademarks Register on the grounds of non-use (*E&J Gallo Winery v Lion Nathan Australia Pty Limited* ([2010] HCA 15)).

E&J Gallo is the second-largest wine-producing company in the world. In early 2005 it acquired a US company trading under the name Barefoot Cellars and in doing so acquired an Australian trademark registration for BAREFOOT in respect of wines. Although BAREFOOT was a highly successful brand in the United States, only a limited quantity of BAREFOOT wine had been sold in Australia, via a German distributor.

In May 2007 Lion Nathan Australia Pty Ltd filed for removal of the BAREFOOT trademark registration on the grounds of non-use over a three-year period from 2004 to 2007. In response to the removal action, and on discovery of Lion Nathan's own trademark applications incorporating the term 'barefoot', E&J Gallo initiated proceedings against Lion Nathan for trademark infringement.

The Federal Court decision in relation to the non-use proceedings, which was upheld by the Full Federal Court, was that the incidental sales of BAREFOOT wine did not amount to use of the trademark by E&J Gallo or its predecessor in title in Australia. The Full Court found that for trademark use to occur in Australia, there must

be a conscious resolve on the part of the person alleging ownership of future use in Australia. As this criterion was not found to have been met by E&J Gallo, it was held that the mark should be removed from the Trademarks Register for non-use.

The issue before the High Court was whether incidental use of the Australian trademark BAREFOOT, through Australian sales by an unauthorised party of goods bearing the mark, constituted trademark use by the rights holder, even though the use had occurred without its knowledge.

In determining this issue, the High Court held that in order for E&J Gallo to establish use of its mark during the non-use period, it was not necessary to demonstrate that the goods bearing the mark had been knowingly projected into the Australian market by the registered holder. In reaching this conclusion, the High Court gave weight to the accepted propositions that:

- a trademark is 'used' if it is employed as a badge of origin indicating a connection between goods and the registered holder;
- use of a trademark should be determined objectively without reference to the user's subjective trading intentions;
- goods remain 'in the course of trade' until they are acquired for consumption.

In view of these propositions and the particular circumstances of the case, the High Court found that E&J Gallo had demonstrated sufficient use of the mark in Australia to rebut the non-use application by Lion Nathan. E&J Gallo's BAREFOOT trademark remains on the Trademarks Register, while Lion Nathan can no longer sell its beer under the Barefoot Radler name.

International rights holders will be reassured by the High Court's decision and, in particular, the notion that use of a mark in Australia does not require a conscious intention by the rights holder to project actively its goods into the Australian market, provided that the goods remain in the course of trade.

### Shedding light on the Designs Act

In another first, the Full Federal Court of Australia has considered the issues of design validity and infringement under the Designs Act 2003 in *Keller v LED Technologies Pty Ltd* ([2010] FCAFC 55 (June 9 2010)). In jointly conducted appeals from the Federal Court of Australia involving a number of parties sued by LED Technologies Pty Ltd over the import, sale or distribution in Australia of Condor tail lights, the appellants sought to invalidate the designs on the grounds that they were not new and distinctive, and that the scope of the monopoly was uncertain due to the poor and unclear quality of the representations on the register. They also sought to have the court overturn a previous finding of infringement.

In creating the designs, LED provided the manufacturer with a series of hand-drawn sketches of tail lights. The manufacturer used these to produce CAD drawings, which were then used to produce the lights. Those CAD drawings were also used to produce representations that formed part of the design registrations and that were directed to dual and triple lens designs with a statement of newness and distinctiveness reading: “Seperate (sic) clip in lenses. Base to take a variety of 2, 3 or 4 combination lenses for stop, tail, indicator, reverse LED lenses, no visible screws.”

In terms of newness and distinctiveness, the parties agreed that the registered designs and prior art designs differed in the following four features:

- the absence of visible screws in the case of the designs;
- the different visual features of the rear or base views of the designs;
- the ‘cut-out’ or recess at the end of a lamp; and
- the sloping, rounded mounting brackets surrounding the lenses.

It is well established under Australian design law that small differences between the registered design and the prior art will generally lead to a finding of no infringement if there are equally small differences between the registered design and the allegedly infringing article.

Despite the fact that the appellants argued that there were prior art designs which also had no visible screws (as per the statement of newness and distinctiveness), and that this was the sole feature referenced in the statement, in confirming the lower court’s decision that the designs were new and distinctive, the Full Federal Court confirmed that the statement of newness and distinctiveness was appropriately weighted by the lower court and the designs passed the newness and distinctiveness test.

Although the quality of the design representations was agreed to be imperfect, the Full Federal Court also affirmed the lower court’s finding that the design representations were nevertheless clear and therefore of determinable scope.

With regard to the appeal against the lower court’s finding of infringement, the appellant noted that:

*“Two of the four features which distinguish the Designs from the prior art base – the absence of visible screws (a feature emphasised in the statement of newness and distinctiveness) and the ‘cut-out’ or ‘recess’ at the end of a lamp are not present in the... Respondents’ Condor products. Furthermore, the shape of the backing plate (that is, the visual features of the rear or underside views of the Designs) is different as between the ... Respondents’ Condor products and the Designs.”*

The bench responded; “I think, on closer examination, these matters are not of great significance”, noting that these differences did not create a different “visual appeal” between the registration and the allegedly infringing product. Accordingly, the finding of infringement against the appellants was upheld.

In many respects the decision confirms what is already known about designs from the Designs Act 1906:

- A design is ‘distinctive’ unless it is substantially similar in overall impression to a prior design. Comparison must be made with each relevant piece of prior art, not the prior art base as a whole.
- As a result, a design combining various features from the prior art not otherwise in any one piece of prior art is capable of being distinctive. ‘Mosaicing’ of prior art is not allowed.
- The courts’ approach to the ‘state of development’ of the prior art base is the same as under the Designs Act 1906.
- The test for infringement is the same as that for distinctiveness. One must assess whether the alleged infringing design is substantially similar in overall impression to the registered design in the context of the design as a whole. However, one clear difference between the 2003 and 1906 Designs Acts is that focus must be on the similarities between the designs rather than the differences.

### Towards a stronger and more efficient IP rights system

This year IP Australia issued two consultation papers signalling a number of procedural changes to Australian patent practice.

Some of the key proposals from the two papers, which will have a positive effect for patent holders, include the following:

- replacing the requirement that claims be ‘fairly based’ on matters described in the specification with a requirement that they be ‘supported by’ matters described in the specification. This amendment is designed to ensure that the concept of ‘support’ is interpreted in a manner similar to that used in overseas jurisdictions;
- removing the limitation that common general knowledge be confined to that existing in Australia for the purposes of assessing inventive step. This will more readily enable evidence from overseas experts to be used in oppositions or court proceedings in Australia in future;
- introducing a research exemption to ensure that a patentee’s rights are not infringed by experimental acts. Such acts include:
  - determining how the invention works;
  - determining the scope of the patent claims;
  - seeking to improve the invention;
  - testing the patent’s validity; and
  - determining whether an act or product infringes the patent;
- amending the definition of ‘prior art base’ so that the information in the citation at its filing date is taken into account (no matter whether that information is in the specification as published) for the purposes of determining novelty. This will reduce complexity and better align Australian practice with that of other jurisdictions;
- revising the scope of product-by-process claims. If a claim defines a product in terms of the method or process by which the product is produced, the claim will be construed as defining the product *per se* – that is, the product produced by that method or process, or by any other method or process. Thus, where a process does not impart distinctive characteristics to a prior art product, that product will lack novelty. Australian legislation protects patentable processes through its infringement provisions, under which a patented process is infringed by the exploitation of a product produced by that process;
- disallowing omnibus claims. In addition, claims shall not rely on reference to the description or drawings, except where absolutely necessary;
- applying a single examination system to all standard patent applications. The examination fees charged by the government will be varied to reflect the amount of original work carried out by the examiner and the degree to which it relies on work done by recognised foreign offices, such as the US Patent and Trademark Office and the European Patent Office. It is proposed

that the Patents Act be amended to repeal the provisions allowing for modified examination; and

- giving applicants 12 rather than 21 months in which to gain acceptance of their application following the first examination report. Further, applicants will have two rather than six months to respond to a direction by the commissioner to request examination.

### Proposed changes to the patent enforcement regime

The effective enforcement of patents in Australia has been a point of debate for some time, particularly for small and medium-sized enterprises. In response to concerns, in 2006 the minister for industry, tourism and resources asked the Advisory Council on Intellectual Property to conduct a review of the issues relating to post-grant patent enforcement strategies.

The council has put forward the following key proposals in an interim report:

- IP Australia will establish an IP dispute resolution centre, incorporating a validity and infringement opinion service;
- A register of experts will be established to provide non-binding expert assessment and mediation;
- A patent tribunal will be established within the IP dispute resolution centre, with members drawn from the register of experts;
- IP Australia will provide an information resource regarding patent enforcement;
- The Federal Magistrates Court will be given express jurisdiction over patent matters; and
- Australian customs officials will be given powers to seize infringing goods.

When a patent owner is confronted with an apparent infringement, the first step in asserting its patent rights is to send a letter of demand to the alleged infringer. There is some empirical evidence that this can be effective in stopping the infringing conduct or in initiating negotiations leading towards a licence agreement. However, should the letter of demand be ignored or a counter-assertion of non-infringement or invalidity be made, the only way to progress the matter under the existing regime is to initiate infringement proceedings before the courts. This inevitably results in a cross-claim for revocation of the patent for invalidity; as a result, some patentees are reluctant to sue for infringement.

The average time for patent cases to reach judgment in Australia was recently estimated at 2.7 years from filing to the first instance decision, partly due to delaying tactics by the parties to the litigation. Consideration of validity issues may also be a major contributor to the extended timeframe, particularly when one considers the

labyrinthine inventive step provisions in the Patents Act 1990 and the resultant need to adduce extensive expert evidence.

The council argues that a validity and infringement opinion service, similar to that adopted by the UK Patent Office, could provide a quick and relatively cheap administrative procedure for resolving patent disputes, without the need for court proceedings. Some of the submissions to the issues paper expressed reservations about IP Australia's capacity to provide the necessary expertise and of the utility of such a service, given that errors could be corrected only by appeal or administrative review, adding complexity, delay and expense to the process.

The interim report strongly supports the facilitation by IP Australia of access to mediation services and

expert assessment services, as a means of narrowing and clarifying the issues under dispute.

A further option proposed by the interim report is to establish a patent tribunal as a non-binding determinative alternative dispute resolution process. However, several submissions to the issues paper expressed doubts that adding a further layer of procedural complexity would have any benefit over modifications to the existing court system.

Any major changes to the court system or additions to the services provided by IP Australia, such as a validity and infringement opinion service or a patent tribunal, are likely to be problematic due to the significant resources that would need to be brought to bear and the additional delays that would arise if an appeal process were invoked.



**Karen Sinclair**

Principal, patent and trademark attorney  
Melbourne

[k.sinclair@watermark.com.au](mailto:k.sinclair@watermark.com.au)

**Watermark**  
Australia

Karen Sinclair is a registered patent and trademark attorney and a principal of Watermark. She graduated from Monash University with majors in organic chemistry, microbiology and biochemistry. Ms Sinclair has over 20 years' experience in assisting Australian companies with the successful commercialisation of research in international markets through strategic management of their intellectual property.



**Michael Chin Quan**

Senior patent and trademark attorney  
Melbourne

[m.chinquan@watermark.com.au](mailto:m.chinquan@watermark.com.au)

**Watermark**  
Australia

Michael Chin Quan is a patent and trademark attorney who works with both local and overseas clients to protect and manage all aspects of their intellectual property, including the identification and protection of patents, trademarks and designs. Mr Quan's technical expertise focuses on areas of mechanical and industrial engineering, medical devices, micro and nanotechnology, automotive technology and advanced composite component production.



**Ken Simpson**

Patent and trademark attorney  
Melbourne

[k.simpson@watermark.com.au](mailto:k.simpson@watermark.com.au)

**Watermark**  
Australia

Ken Simpson is a patent and trademark attorney with a PhD in physics and a research background in bioinformatics. He assists clients in various industries, including security printing, packaging, and agricultural machinery, to identify, protect and manage their intellectual assets, and to maintain freedom to operate in view of their competitors' intellectual property.



**Grant Jacobsen**

Patent and trademark attorney  
Melbourne

[g.jacobsen@watermark.com.au](mailto:g.jacobsen@watermark.com.au)

**Watermark**  
Australia

Grant Jacobsen worked in research and development for two large multinationals for almost 20 years before becoming a patent attorney. His technological expertise is in petrochemicals, plastics, fundamental chemistry and chemical processes. He is also an inventor on almost 30 issued US patents. He has a strong commercial focus and an interest in intellectual asset management, particularly in the area of competitive analysis.