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# The new website blocking power: s 115A of the Copyright Act

*Anna Spies and Cate Nagy KING & WOOD MALLESONS*

On 22 June 2015, the Copyright Amendment (Online Infringement) Act 2015 (Cth) (the Act) was enacted, which inserts a new s 115A into the Copyright Act 1968 (Cth). The new section is aimed at tackling online copyright infringement and will allow the Federal Court of Australia to order a website blocking injunction against an internet service provider (ISP).

## Key points

- The new s 115A gives the Federal Court of Australia the power to order an injunction to require a carriage service provider to take reasonable steps to disable access to an online location outside Australia with the primary purpose of infringing or facilitating infringement of copyright.
- Website blocking legislation has been introduced in other countries, notably in the European Union and in Singapore. The Act draws upon the principles established under this legislation and case law.
- The Act generally received bipartisan support. The Senate Legal and Constitutional Affairs Legislation Committee (Senate Committee) issued its report on the Bill, which recommended that it be enacted, with only a few small changes.

## Background

The possibility of a website blocking power was first raised by the Australian Government as one of three proposals contained in the Australian Government's July 2014 Online Copyright Infringement Discussion Paper<sup>1</sup> (Discussion Paper). The Discussion Paper contained three key proposals aimed at reducing online copyright infringement, one of which was the introduction of a provision that would enable rights holders to apply for an order against ISPs to block access to an internet site operated outside of Australia, the "dominant purpose" of which is to infringe copyright. The Discussion Paper noted that a number of overseas jurisdictions had adopted a specific injunction power directed at ISPs which required them to block access to websites.

The Copyright Amendment (Online Infringement) Bill 2015 was introduced to the House of Representatives on 26 March 2015.

- Upon introduction, the Bill was immediately referred to the Senate Legal and Constitutional Affairs Legislation Committee for inquiry and report. The Senate Committee received submissions on the Bill and held a public hearing on 1 May 2015.<sup>2</sup>
- The Parliamentary Joint Committee on Human Rights (Human Rights Committee) released its scrutiny report of the Bill on 13 May 2015.<sup>3</sup>
- The Senate Committee Report was issued on 11 June 2015,<sup>4</sup> which recommended that the Bill be passed subject to minor amendments and explanation. Following the recommendations of the Senate Committee Report, the Bill was amended on 16 June 2015, with a supplementary explanatory memorandum aimed at providing additional clarity.
- The amended Bill was passed by the House of Representatives on 16 June 2015 and by the Senate on 22 June 2015.

## Summary of the Act

The new s 115A confers power on the Federal Court of Australia, upon application by a copyright owner, to order an injunction to require a carriage service provider (CSP) to take reasonable steps to disable access to an online location. To make the order, the court must be satisfied that the CSP provides access to an online location outside Australia, that the online location infringes or facilitates the infringement of copyright and that the primary purpose of the online location is to infringe or facilitate the infringement of copyright.

An "online location" is not defined, and the Explanatory Memorandum explains that the language of the section has been kept deliberately technologically neutral to catch current and future technologies that facilitate the infringement of copyright.<sup>5</sup> Recognising that it is possible to take actions in relation to an Australian

online location, but difficult to take action against in relation to an overseas online location, s 115A only applies to online locations that are outside Australia. Copyright owners must pursue existing remedies under the Copyright Act in relation to local websites.

A “primary purpose” is also not defined, and the Explanatory Memorandum states that this is an intentionally high threshold that will exclude websites that are mainly operated for a legitimate purpose, but contain a small percentage of infringing content, such as YouTube or blooger.com.<sup>6</sup> It will also exclude websites that provide legitimate copyright material overseas, but are not licensed to distribute that material in Australia (such as the United States iTunes store).<sup>7</sup>

The court, in its discretion, may also take into account a list of factors when determining whether to grant the injunction. These are:

- the flagrancy of the infringement, or the flagrancy of the facilitation of the infringement, as referred to in para (1)(c);
- whether the online location makes available or contains directories, indexes or categories of the means to infringe, or facilitate an infringement of, copyright;
- whether the owner or operator of the online location demonstrates a disregard for copyright generally;
- whether access to the online location has been disabled by orders from any court of another country or territory on the ground of, or related to, copyright infringement;
- whether disabling access to the online location is a proportionate response in the circumstances;
- the impact on any person, or class of persons, likely to be affected by the grant of the injunction;
- whether it is in the public interest to disable access to the online location;
- whether the owner of the copyright complied with subs (4);
- any other remedies available under this Act;
- any other matter prescribed by the regulations; and
- any other relevant matter.

The court has discretion as to which factors to consider and the weight to be placed on each factor.<sup>8</sup>

The parties to any action brought under the new s 115A are the copyright owner, the CSP and the website operator (if the website operator applies to be joined as a party). In contrast to the UK website blocking legislation (discussed below), an injunction may be granted against a CSP in Australia regardless of whether the CSP has actual knowledge that the operator of the online location is using its service to infringe copyright.

The copyright owner must notify the CSP and the operator of the online location of the application, although the court may dispense with this notice requirement in certain circumstances, such as if the identity of the operator cannot be determined or notices cannot be sent.

Under s 115A(9), a CSP is not liable for the costs of the proceeding unless the CSP takes part in them.

## International website blocking provisions

A number of overseas jurisdictions have enacted website blocking provisions.

### *Singapore*

The Singaporean website blocking provisions were introduced by the Copyright Amendment Act 2014 (Singapore) and are contained in ss 193DDA–193DDB of the Singaporean Copyright Act (Ch 63). Prior to the introduction of its website blocking provisions, the Singaporean Government engaged in a public consultation process.<sup>9</sup>

The Australian provision has been substantially based on the Singaporean provisions. Under the Singaporean legislation, the High Court can issue an injunction that requires a network services provider to take “reasonable steps to disable access” to a “flagrantly infringing online location” if it is satisfied that the services of the network service provider are being used to commit or facilitate infringement of copyright. The High Court must have regard to a list of factors in making an order and a further list of factors in determining whether an online location is being used to flagrantly commit or facilitate infringement. A number of these factors are the same as the factors to be considered in s 115A(5) of the Australian provision, although there are some differences.

The Singaporean legislation contains a similar procedure to the Australian s 115A in respect of notification, dispensing with the requirement for notification and variation or revocation of an order. However, it contains a statement that the online location owner has a “right to be heard”, which is absent from the Australian provision.

It does not appear that the Singaporean High Court has handed down any decisions under the new provisions at this time. However, it has been reported that several industry groups are preparing applications to block online locations pursuant to the new provisions.<sup>10</sup>

### *European Union: Art 8(3) of the Infosoc Directive*

Art 8(3) of the European Union Infosoc Directive<sup>11</sup> provides that:

Member States shall ensure that right holders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.

The Court of Justice of the European Union (CJEU) recently considered the scope and requirements of Art 8(3) in *UPC Telekabel Wien GmbH v Constant in Film Verleih GmbH*.<sup>12</sup> The CJEU found that a court injunction under Art 8(3) that requires an ISP to prevent its customers having access to a particular website is not required to specify the measures that the ISP must take. The ISP must take all reasonable measures, provided that:

- the measures adopted must ensure compliance with the fundamental right of internet users to freedom of information. In this respect, the measures adopted must be strictly targeted and not affect access to lawful information and internet users must be able to challenge the measure adopted; and
- the measures taken have the effect of preventing unauthorised access, making it difficult, or at least discouraging internet users from accessing the protected subject matter. The CJEU recognised that not all measures that could be taken by an ISP to block access might be considered “reasonable”. The means of putting a complete end to infringement may not exist or may not be, in practice, achievable.

### **United Kingdom: s 97A of the Copyright, Designs and Patents Act 1988**

Section 97A of the Copyright, Designs and Patents Act 1988(UK) implements Art 8(3) of the European Union Infosoc Directive in the UK. It provides that the High Court has power to grant an “injunction against a service provider, where that service provider has actual knowledge of another person using their service to infringe copyright”. Since 2010, the courts have ordered ISPs to block, or at least impede access, to a number of websites pursuant to s 97A.

Under s 97A, there are four matters that need to be established for the court to have jurisdiction under s 97A to make a website blocking order:<sup>13</sup>

- (1) that the ISPs are service providers, (2) that the users and/or operators of the target websites infringe copyright, (3) that users and/or the operators of the target websites use the services of the ISPs to do that, and (4) that the ISPs have actual knowledge of this. If the jurisdictional requirements are satisfied then the court has to consider whether an order is appropriate and in what terms.

In considering whether the court should exercise its discretion to make the order, the courts must consider whether the relief sought is proportionate (whether the likely costs burden on the ISPs is justified by the efficacy of the blocking measures and the consequent benefit to the rights holders).<sup>14</sup> Justice Arnold in *Cartier*<sup>15</sup> observed

that the following considerations were particularly important when assessing proportionality:

- the comparative importance of the rights that are engaged and the justifications for interfering with those rights;
- the availability of alternative measures which are less onerous;
- the efficacy of the measures which the orders require to be adopted by the ISPs, and in particular whether they will seriously discourage the ISPs’ subscribers from accessing the Target Websites;
- the costs associated with those measures and, in particular, the costs of implementing the measures;
- the dissuasiveness of those measures; and
- the impact of those measures on lawful users of the internet.

Initially, the grant of blocking injunctions pursuant to s 97A was opposed by ISPs, as was the scope of the injunction to be granted.<sup>16</sup> However, as was observed in a recent decision of Justice Birss,<sup>17</sup> following the first few such decisions the essential principles relating to s 97A website blocking orders have been settled. The ISPs have not opposed the making of the orders sought, but have restricted themselves to negotiating the wording of the orders if the court is minded to grant them. Many of the orders have been made after consideration of the applications on the papers.

A number of the orders that have been granted under s 97A include a notification procedure pursuant to which the rights holder notifies the ISP of the IP address or domains and sub-domains from which the named website operates.<sup>18</sup>

In 2010, the UK Government introduced ss 17 and 18 of the Digital Economy Act,<sup>19</sup> which gave the Secretary of State the power to introduce regulations about website blocking injunctions. However, following a review of the potential efficacy of ss 17 and 18 by Ofcom,<sup>20</sup> the UK Government announced in July 2012 that it would repeal those sections.<sup>21</sup> It considered that the sections were “unnecessary” in light of the rights holders’ successful use of s 97A.

### **Ireland: European Union (Copyright and Related Rights) Regulations 2012 (Statutory Instrument No 59 of 2012)**

In Ireland, the European Union (Copyright and Related Rights) Regulation 2012 implemented Art 8(3) of the European Union Infosoc Directive by the introduction of s 40(5A) into the Copyright and Related Rights Act 2000 (Ireland). Section 40(5A) simply provides that the copyright owner may apply to the High Court for an

injunction against an intermediary to whom Art 9 of the Infosoc Directive applies. In considering an application, the court is required to have due regard for the rights of any person likely to be affected by the grant of such injunction, and the court is permitted to give such direction as the court considers appropriate in all of the circumstances.

The impetus for the 2012 Regulation was the decision in *EMI Record v UPC Communications*,<sup>22</sup> in which the High Court found that the legislative basis that would allow the court to issue a blocking injunction against the Pirate Bay did not exist under Irish law. That decision reflected the jurisprudence in the UK s 97A decisions and Charlton J concluded that were a blocking injunction power available, he would have granted it. The copyright owners then brought proceedings against the Irish government for failing to implement the Directive. Following the 2012 introduction of s 40(5A), a new proceeding was brought in an identical fact scenario and website blocking orders were granted by the High Court.<sup>23</sup> The ISPs indicated that they were neutral on the application and would submit to any order, although the ISPs did make some submissions on the form of the draft order on the question of “over-blocking”.

### Key issues raised by stakeholders in relation to the Australian website blocking provision

**Right to freedom of expression and opinion:** the Human Rights Committee considered that the Australian legislation engaged with, and limited, the rights of freedom of opinion and expression. The Committee accepted that the reduction in accessing online copyright infringement was a legitimate objective for the purpose of human rights law and that the measures were rationally connected to that objective. However, it was concerned that there could remain issues of proportionality in relation to the scheme.

**Fair hearing:** the Human Rights Committee was concerned that the absence of parties that may have their rights affected by the use of the injunction power (such as website operators and individuals that use the websites) may not satisfy the right to a fair hearing. A number of submissions to the Senate Committee raised concerns with the effectively ex parte nature of the hearing. The Senate Committee considered that a landing page would be an effective means of notifying third parties of the proceeding. This would inform customers of the reason that they are unable to access the online location.

**Effectiveness of website blocking:** a number of submissions to the Senate Committee expressed concern that website blocking injunctions were ineffective, because ISP-level blocking was relatively easy to evade (the so-called “whack-a-mole” effect). Rights holder groups

cited reasoning and evidence in UK cases, in which site blocking has been found to be reasonably effective.<sup>24</sup>

**Over-blocking and form of blocking injunction:** there are a number of techniques that can be used to “block” websites. Some submissions raised concerns that there may be “over-blocking”, where other non-infringing websites are blocked in error, such as because they are hosted at the same IP addresses. Submissions to the Senate Committee questioned whether the court should have expert technical guidance on the form of the injunction or whether it should be left up to CSPs to decide the form of block. The Supplementary Explanatory Memorandum explained that the court would be able to make appropriate orders in its discretion when granting an injunction, which could include an order that the parties establish a “landing page”.

**Primary purpose:** submissions to the Senate Committee considered that the “primary purpose” test was ambiguous or set the threshold too high. The Senate Committee considered that it was appropriate to have a high threshold. The Revised Explanatory Memorandum states that the test would direct the court to consider the principal activity for which the online location exists and the principal intention of users of that online location.<sup>25</sup>

**List of factors to be taken into account:** in relation to the list of factors to be taken into account by the court, some rights holders argued that the list created too high a threshold or created too many factors. Other submissions expressed concerns about the absence of factors such as freedom of expression or fair use. The Bill, as originally drafted, required that each of the factors *must* be taken into account. The Senate Committee recommended, and the government accepted, that the legislation be amended so that “may” replaced “is to”, in relation to the list of factors to be taken into account, in order to clarify that the list of factors is a matter for the court’s discretion.

**Alternatives to site blocking:** some submissions to the Senate Committee suggested alternatives to site blocking legislation, including digital tools such as content ID, provisions of better access to legitimate content, self-help methods such as a notice-and-takedown scheme and educational notice schemes.

**Online locations and VPNs:** some submissions to the Senate Committee considered that “online location” was ambiguous. Additionally, a number of submissions raised concerns that the new provisions would be utilised against virtual private networks (VPNs). While the Department of Communications stated that VPNs were not the target of the legislation,<sup>26</sup> it explained that the term was meant to be technology neutral. A particular online location or technology such as a subdomain or a VPN would not be either specifically targeted or

immune from injunction. The Revised Explanatory Memorandum states that the test is not intended to capture VPNs that are promoted and used for legitimate purposes or merely used to access legitimate copyright material distributed in a foreign geographic market.<sup>27</sup>

**Costs:** the Financial Impact Statement estimated that CSPs would be liable to an annual cost of approximately \$130,825 in relation to the injunction power. Section 115A(9) states that a CSP is not liable for any costs in relation to a court proceeding unless it chooses to appear and take part in the proceeding. Many submissions (CSPs and rights holders alike) argued that this was unclear and/or should be removed from the Bill. A number of submissions argued that a CSP was akin to an “innocent third party” in the proceeding and should not be liable for any costs. The Revised Explanatory Memorandum states that s115A(9) is intended to apply where a CSP chooses not to appear and contest an application and that it is intended to ensure that a party will not be penalised and required to bear unnecessary costs where it is fully cooperating, or not frustrating, proceedings.<sup>28</sup> It is open to the court to give appropriate directions as to the costs of implementing an order.

## Conclusion

The Copyright Amendment (Online Infringement) Act 2015 received bipartisan support as a measure to address the issue of online piracy. The government recognised that the Act was one of a range of measures needed to address this complex issue, and that the availability of timely and affordable content was also a key factor in the solution, as was the industry code currently under negotiation by rights holders and ISPs.

It will be interesting to see the number and type of cases brought pursuant to s115A. In time, a streamlined process is likely to be developed and the boundaries of the power tested. The provisions will certainly benefit from judicial interpretation and this is likely to be influenced by the developed jurisprudence in the UK under s 97A. However, there are differences between the Australian legislation and the UK legislation and the Federal Court is likely to develop its own principled approach.

The government has committed to reviewing the Act 18 months after its commencement.<sup>29</sup> This review will consider the effectiveness of the new injunction power at reducing online copyright infringement.



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# Licensing v Franchising — a balancing act

*Andrew Wiseman and Nadia Guadagno ALLENS*

When seeking to expand the commercial presence of your business in a territory, what is the best method? Do you grow organically? Do you licence? Do you franchise? Putting aside organic growth, the cost of which may be prohibitive for many businesses, let's unpack the licence and franchise options.

If the business model involves use of a brand, these options are not necessarily mutually exclusive. Many agreements involving trade mark licences amount to a franchise agreement. A trap that licensors often fall into is thinking that they have granted a mere licence, when in fact it is also a franchise. Whether a licence agreement amounts to a franchise agreement usually comes down to the payment structure or the degree of control exercised by the licensor over the licensee.

This article discusses the difference between licensing and franchising and the implications of each.

## Key points

- Many types of agreements which involve the licensing of the right to use a trade mark are captured by the Franchising Code of Conduct (the Code).<sup>1</sup>
- Before signing on the dotted line, it is important to check whether your proposed licensing arrangement ticks the boxes of being a franchise agreement.
- If you do go down the franchise route, then make sure your agreement is compliant with the Code and that you comply with your obligations as a franchisor.
- A new Code was introduced on 1 January 2015 with some operative requirements yet to be fully in force (for example, regarding disclosure) and there are some important differences from the old Code.

## How do I know if I have a franchise agreement?

There are three elements which must be satisfied for an agreement to be deemed a franchise agreement, relevantly:<sup>2</sup>

- ...
- ... a person (the *franchisor*) grants to another person (the *franchisee*) the right to carry on the business of offering, supplying or distributing goods or services

- in Australia under a *system or marketing plan* substantially determined, controlled or suggested by the franchisor or an associate of the franchisor;
- (c) the operation of the business will be substantially or materially associated with a *trade mark, advertising or a commercial symbol*:
  - owned, used or licensed by the franchisor or an associate of the franchisor; or
  - specified by the franchisor or an associate of the franchisor; and
- (d) before starting or continuing the business, the franchisee must *pay or agree to pay* to the franchisor or an associate of the franchisor an amount ... [Emphasis Added]

All three of these elements must be present. The absence of any of them will generally mean that the agreement is not covered by the Code.<sup>3</sup>

Many types of agreements may fall within this definition including trade mark licences, manufacturing and supply agreements, distribution agreements, agency agreements and service agreements. It is not necessary for there to be multiple branches or franchisees for there to be a franchise. A simple two party manufacturing agreement involving a licensor and a manufacturer can be a franchise agreement if it satisfies all the elements. Licensors should consider each element when looking to grant a licence involving a trade mark to determine whether their agreement will be captured by the Code.

## Trade mark

It is usually fairly obvious if this element is satisfied. If the licensor grants the licensee the right to use a trade mark or brand in conducting the business, then this box will be ticked. The Code does not apply to patent or copyright licences where there is no trade mark being licensed.

## Pay or agree to pay an amount

The type of payments provided for under the agreement will be directly relevant to whether the agreement is a franchise agreement or not. The following types of payments will satisfy this element:

- an initial capital investment fee;
- a payment for goods or services (except if they are supplied on a genuine wholesale basis — see further below);
- a fee based on a percentage of gross or net income, for example, a royalty; and

- a training fee.

This list is not exhaustive and other types of payments or agreements to pay an amount can also satisfy this element.

Certain types of payments are expressly excluded from satisfying this criterion:

- payment for goods and services supplied on a genuine wholesale basis;
- repayment of a loan from the franchisor or an associate of the franchisor;
- payment for goods taken on consignment and supplied on a genuine wholesale basis; and
- payment of market value for purchase or lease of real property, fixtures, equipment or supplies needed to start business or to continue business under the franchise agreement.

The “wholesale” exemption is designed to carve out from the application of the Code typical distribution arrangements where resellers are buying from a manufacturer or importer on a genuine wholesale basis. The inclusion of the word “genuine” is designed to exclude (from the carve out) purchases at an inflated price where the increase over wholesale is a fee in disguise. Under the old Code<sup>4</sup> the test was different — “payment for goods and services at or below their usual wholesale price”. The focus of the new test is not so much on whether there is a standard wholesale price (which may not exist) and whether the goods are being sold at that price, but rather whether, looking at all the circumstances, the supply occurs genuinely on a wholesale basis.

It is important to remember that an agreement to pay an amount in future will also satisfy this criterion — even if the agreement to pay is conditional on an event occurring or certain circumstances arising. The NSW Court of Appeal<sup>5</sup> found that a clause of an agreement between Alpha Centauri Enterprises (ACE) and Mortgage House which obliged ACE to pay Mortgage House one-third of the sale price *if* ACE transferred the business satisfied this criterion. Although ACE had not sold the business and so had not made the relevant payment, it was a condition of entering into or continuing the business that ACE agreed to this provision. The court noted that even though the circumstances in question may never arise, the making of the agreement was sufficient.

### *System or marketing plan*

This final element is the most difficult and it is often here that a number of unwitting franchisors trip up. It is necessary to determine whether the agreement provides for a coordinated method or procedure whereby goods

or services are sold.<sup>6</sup> While an agreement may not expressly seek to establish a system or marketing plan, the cumulative effect of various provisions in the agreement may nevertheless bring this about.

There are three clear limbs to this element:

- First, the franchisor must grant to the franchisee a right to carry on the business of offering, supplying or distributing goods or services in Australia.
- Second, the business must be carried on under a system or marketing plan.
- Third, the system or marketing plan must be substantially determined, controlled or suggested by the franchisor. It is not necessary for the details of a system or marketing plan to be set out in the franchise agreement. It is enough that the agreement creates rights and obligations that would enable the franchisor substantially to determine, control or suggest that the business be conducted under a system or marketing plan.<sup>7</sup>

Regarding the second limb of whether there is a system or marketing plan, the courts have identified several factors which may be indicative of whether there is a system or marketing plan, including (among others):

- reservation by the franchisor of the right to approve promotional and advertising material;
- provision by the franchisor of training for staff selling its goods or services;
- stipulation of retail pricing structures, sales structures and sales quotas;
- creation of marketing and sales territories; and
- reporting systems in relation to profit or turnover.

The courts have also identified factors which are relevant to the third limb that is whether a system or marketing plan is “substantially determined, controlled or suggested by the franchisor”. These include (among others):

- the extent to which the franchisee’s business involves the sale of the franchisor’s goods and services;
- the degree to which the franchisor assumes responsibility for some centralised management and for uniform standards regarding quality;
- whether the franchisor places the franchisee under an obligation with respect to advertising and promotional campaigns; and
- the extent to which the franchisor controls the franchisee’s business.

A recent NSW Court of Appeal case,<sup>8</sup> serves as a good illustration. Workplace Safety Australia (WSA) entered into an exclusive distribution agreement with

Simple OHS Solutions (Simple) under which Simple agreed to act as distributor of WSA's online subscription packages designed to assist businesses meet their occupational health and safety obligations. Simple was obliged to make certain payments and reach minimum customer requirements. When Simple did not meet the minimum customer requirements and missed making a payment, WSA sought to terminate. In addition to arguing WSA was not entitled to terminate, Simple argued that the agreement was a franchise agreement and WSA had not complied with its obligations under the Code. WSA denied that the agreement was a franchise agreement. Although the trade mark and payment criteria were easily satisfied, WSA argued that the distribution agreement did not refer to any system or marketing plan.

- The court disagreed with WSA. It found the first limb was easily satisfied as the agreement granted Simple the right to offer the services. It also found that a number of indicia in the agreement provided for the business to be carried out under a system or marketing plan (that is, the second limb) including that: Simple was required to submit a detailed business plan to WSA setting out how it would fund and operate the business;
- Simple had to process and administer sales in accordance with a process set by WSA;
- standard forms were to be used when marketing and selling subscription packages; and
- WSA could provide a manual to Simple which covered the marketing and selling of the subscription packages.

Although each of the matters taken individually would not lead to the conclusion that the business was operated under a system or marketing plan, the cumulative effect was that the parties intended the business to be carried out under such a plan.

The court also found that WSA had the requisite level of control over the business plan (thus satisfying the third limb) as WSA had the power to give directions with which Simple was required to comply and Simple was obliged to obtain WSA's consent to engage in any marketing and promotional activities. As such, there was a franchise agreement between the parties.

## Weighing up the pros and cons

When deciding how to structure your licence — which way do you go?

If an agreement is deemed a franchise agreement, then obviously it and the parties' conduct are covered by the Code. The Code prescribes certain provisions which must be in the agreement, prohibits the inclusion of other terms, regulates certain conduct of the parties,

imposes restrictions on the ability to terminate, prescribes a minimum internal complaint handling procedure and imposes significant disclosure obligations.

However, there are benefits to having a franchise agreement. It allows the licensor to have significant control over how the business runs and how its brand is being used. This allows for consistency across a system in growing the brand. That is not to say that a licensor cannot have any control in a licence agreement without it being deemed a franchised agreement — however, the level of control is significantly less. For example, having approval rights over advertising for the purpose of protecting the reputation of the trade marks would be permissible. However, having a broad approval right over the licensee's advertising (which could cover content, in what media the advertisements are placed, how many should be placed, and so on) starts to tip the balance in favour of there being a system or marketing plan and (assuming the other elements are present) having a franchise agreement. You may need to weigh up how much control you want to exert to protect your brand and business against whether you want to comply with the Code.

Assuming that level of control which would satisfy the system or marketing plan criterion is required, the next issue to consider is the fee structure and what kinds of agreements to pay can be included in the agreement. If you do not want a franchise agreement, then your options for the types of fees and agreements regarding payment are more limited. On the other hand, under a franchise agreement there is no limit to the types of fees and terms regarding payments to which the parties can agree (assuming, of course, they do not contravene other laws, such as the prohibition on penalties).

## Conclusion

When considering a licensing arrangement that involves the licensing of the right to use a trade mark, it is important to consider whether your desired arrangement will tick the boxes of being a franchise agreement. Remember, it does not matter whether you intend the agreement to be a franchise agreement or not, or what the agreement is called. It is also not important whether you are engaged in a two party exclusive agreement or that the licensee is more experienced than you. If the licence agreement contains the necessary elements, which in the case of a system or marketing plan could be the cumulative effect of a number of factors, then (unless any limited exceptions apply) the agreement will be covered by the Code.

You will need to weigh up what is important for you to have in the agreement, including regarding payment structures and degree of control over the licensee's business against whether you are willing to comply with the Code.



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## Footnotes

1. The Franchising Code of Conduct, Competition and Consumer (Industry Codes — Franchising) Regulation 2014.
2. Clause 5 of the Code; see also cl 3 which contains exceptions where the Code does not apply.
3. Certain arrangements are deemed to be franchise agreements under the Code. An example is a motor vehicle dealership agreement — see cl 5(2) of the Code.
4. The Franchising Code of Conduct, Trade Practices (Industry Codes — Franchising) Regulations 1998.
5. *Alpha Centauri Enterprises Pty Ltd v Mortgage House of Australia Pty Ltd* [2010] NSWCA 188; BC201005555.
6. *Rafferty v Madgwicks; Time 2000 Systems (Aust) Pty Ltd v Rafferty* (2012) 287 ALR 437; [2012] FCAFC 37; BC201201564.
7. Above, n 6.
8. *Workplace Safety Australia Pty Ltd v Simple OHS Solutions Pty Ltd* (2015) 318 ALR 533; [2015] NSWCA 84; BC201502371.

# On colour marks and word marks denoting colour

*Shauna Ross BARRISTER*

## Introduction

Colour can be a distinctive and integral part of a client’s branding: think of the Tiffanys & Co “robin egg blue”, the Veuve Clicquot orange and the Australia Post red. The origin of goods and services is instantly known by virtue of the colour. What about words denoting colour? If someone said purple, yellow or orange to you, what image does that conjure up?

This article discusses the current law on word marks denoting colour, including the Federal Court decision of *Phone Directories Co Australia Pty Ltd v Telstra Corp Ltd*<sup>1</sup> (Telstra) and offers some tips to maximise your client’s prospects of obtaining registration of colour marks and word marks denoting colour.

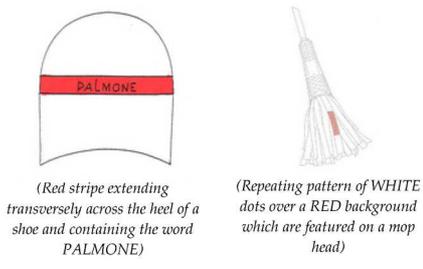
## Key points

- In *Cadbury Ltd v Effem Foods Ltd*<sup>2</sup> the New Zealand Court of Appeal held that the PURPLE word mark is (in most cases) not inherently adapted to distinguish.
- In *Telstra* the court held that the YELLOW word mark was descriptive, had no inherent adaptability to distinguish Telstra’s designated goods and services from the goods or services of other persons and other traders are likely, without improper motive to, want to use the word YELLOW in a manner which would infringe the YELLOW mark if registered.
- Applications for colour marks or words denoting colour will almost invariably receive a s 41 descriptiveness objection because it is typically difficult to demonstrate that such marks have any level of inherent capacity to distinguish.
- When applying for a colour mark, a clear and concise description of the trade mark as an endorsement to the application, and an example of the actual colour/s, must be provided. Consider including a description of the colour from a recognised colour matching system for clarity (eg, Pantone, CMYK).
- An example of the manner in which the colour is to be applied may also be provided. This may be of assistance when the description of the mark is complex.

## Colour marks in Australia

There are currently 292 registered colour marks and 99 pending colour marks on the Australian Trade Marks Register. Of the 292 registered marks, approximately 50% were accepted pursuant to the provisions of ss 41(5) or (6) of the Trade Marks Act 1995 (Cth) (the Act) pre Raising the Bar,<sup>3</sup> or s 41(3) or (4) of the Act post Raising the Bar.<sup>4</sup>

The marks that were accepted otherwise than on the basis of one of those sections include distinctive features other than colour, for example:

<p><b>Colours in a particular shape</b></p>	
<p><b>A colourful element<sup>5</sup></b></p>	 <p>(Red stripe extending transversely across the heel of a shoe and containing the word PALMONE)</p> <p>(Repeating pattern of WHITE dots over a RED background which are featured on a mop head)</p>
<p><b>Colour(s) together with words or elements<sup>6</sup></b></p>	

From a review of the Australian Trade Marks Register it appears that every application for a colour “simpliciter” (on its own) was accepted pursuant to the provisions of ss 41(5) or (6) of the Act pre Raising the Bar or ss 41(3) or (4) of the Act post Raising the Bar.

There are also a multitude of word marks that denote colour on the Register (eg, ORANGE for class 38 and PURPLE for class 30).

A usual starting point in cases regarding colour is *Philmac Pty Ltd v The Registrar of Trade Marks*.<sup>7</sup> This involved an application for the colour terracotta for compression fittings for a limited range of rural polyethylene irrigation pipes.<sup>8</sup> In that case, regard was had to, inter alia, the test of inherent adaptability to distinguish in *Clark Equipment Co v Registrar of Trade Marks*,<sup>9</sup> and it was considered that the circumstances in which a colour applied to goods will be inherently adapted to distinguish are limited to the following:<sup>10</sup>

- the colour does not serve a utilitarian function: that is, it does not physically or chemically produce an effect such as light reflection, heat absorption or the like;
- the colour does not serve an ornamental function: that is, it does not convey a recognised meaning such as the denotation of heat or danger or environmentalism;
- the colour does not serve an economic function: that is, it is not the naturally occurring colour of a product and registration of that colour in respect of that product would not thereby submit competing traders to extra expense or extraordinary manufacturing processes in order to avoid infringement; [and]
- the colour mark is not sought to be registered in respect of goods in a market in which there is a proven competitive need for the use of colour, and in which, having regard to the colour chosen and the goods on which it is sought to be applied, other properly motivated traders might naturally think of the colour and want to use it in a similar manner in respect of their goods.

Some colours appear to be more sought after than others, for instance shades of purple and yellow.

### Shades of purple

There are of course the well-known and long running cases between Cadbury and Effem Foods (now Mars) and Cadbury and Darrell Lea over the colour purple for class 30 confectionary products.<sup>11</sup> There was also an opposition by Effem Foods to the application by Kraft (the owner of Milka chocolate) for the colour lilac with respect to chocolate and chocolate-coated products which was filed in 2001 and then withdrawn before a substantive opposition in 2005.<sup>12</sup> Unilever and Darrell Lea initially indicated an intention to oppose the Kraft lilac colour mark but ultimately did not proceed with their oppositions. In 2008 Mars and Nestlé commenced a battle in the Trade Marks Office that was appealed to the Federal Court over the colour purple for cat food preparations.

### An overview of *Cadbury Ltd v Effem Foods Ltd*<sup>13</sup>

In *Cadbury Ltd v Effem Foods Ltd*, Cadbury sought registration of the word PURPLE for goods in class 30 with a specific exclusion of goods coloured purple.

Cadbury's position was that the word PURPLE has no direct reference to the character and quality of the goods. This submission was rejected. The court considered that "people's perceptions of colour differ" and "the word PURPLE is apt to describe lilac, lavender, mauve or violet goods".<sup>14</sup> There was also an issue as to how much purple there has to be in the goods or on the packaging before the goods can be described as purple and thus come within the exclusion.<sup>15</sup> The court found that the word PURPLE has a direct reference to the character of goods within the specification, even if the exclusion of goods coloured purple is valid.<sup>16</sup>

Another question on appeal was whether or not the word PURPLE meets the distinctiveness criterion (which was enshrined in s 14 of the New Zealand Trade Marks Act 2002).<sup>17</sup> The court noted that the word PURPLE could be become distinctive through use.<sup>18</sup> There was, however, no evidence of use of PURPLE so the issue was whether PURPLE was inherently adapted to distinguish.<sup>19</sup> Effem submitted, and it was accepted by the court, that PURPLE is (in most cases) not inherently adapted to distinguish as the word PURPLE denotes the colour purple and is or may legitimately be used to describe the non-origin attributes of goods.<sup>20</sup> The court observed that goods in the same market as the goods for which registration is sought are commonly coloured purple and traders would be inhibited in using PURPLE if the Cadbury's mark were registered and the relevant enquiry was wider than merely whether use of the mark would lead to successful infringement proceedings. The court found that it was not possible to divorce the word PURPLE from the colour purple.<sup>21</sup>

The next issue was whether or not a registration excluding goods coloured purple is allowable.<sup>22</sup> Effem's argument, which was based on the European Court of Justice (ECJ) case *Poskantoor* (which was applied in the United Kingdom),<sup>23</sup> was that a negative restriction relating to a characteristic of goods, as opposed to an exclusion of certain categories or goods, should not be allowed. Despite the differences in statutory framework, those cases were applicable to the extent that they stand for the proposition that an exclusion based on the particular characteristics of goods and services covered by any registration, as against the types of goods and services, will, in most cases, be too uncertain as to scope to be allowable.

### Yellow

Another colour that has received much attention is yellow in the print and online directories space. Most recently the Federal Court of Australia has considered a mark denoting the colour YELLOW in the case of *Telstra* (discussed below).

## An overview of s 41 in *Telstra*

The case before Murphy J concerned two appeals against decisions of delegates of the Registrar of Trade Marks, made in relation to two separate applications. This article addresses that part of the case regarding Telstra's application for the word YELLOW and the s 41 ground.

The YELLOW mark was applied for on 25 July 2003. By this time Telstra owned and had traded under various YELLOW PAGES marks and it had conducted extensive marketing campaigns around YELLOW PAGES and other trade marks including HELLO YELLOW.<sup>24</sup>

Murphy J considered the proper test to be applied for the purposes of whether the YELLOW mark had inherent adaptability to distinguish Telstra's designated goods and services pursuant to s 41(3) of the Act.<sup>25</sup> The following observations were made:

- the decision in *Blount Inc v Registrar of Trade Marks*<sup>26</sup> and the steps noted as relevant to the enquiry by Sundberg J in *Chocolaterie Guylian NV v Registrar of Trade Marks*<sup>27</sup> were cited with approval;<sup>28</sup>
- the inherent adaptability to distinguish depends on the nature of the mark itself and it is not something that can be acquired;<sup>29</sup>
- the question is not whether the YELLOW mark "would" distinguish Telstra's goods and services but rather whether it is "capable" of doing so;<sup>30</sup>
- the test to be applied is whether other traders are likely, in the ordinary course of their business and without any improper motive, to desire to use the same mark or some mark nearly resembling it, upon or in connection with their own goods;<sup>31</sup>
- if Telstra was applying to register the colour yellow as a trade mark it would face an "uphill battle" to establish that it was "inherently" adapted to distinguish its products, "it is difficult to draw a distinction between a word denoting a colour and a colour when dealing with the issue of a trade mark's inherent capacity to distinguish" and it is difficult to divorce a word denoting colour and the colour itself;<sup>32</sup>
- in making an assessment as to whether or not other traders will, in the ordinary course of their business and without improper motive, want to use the same or a similar mark, the court may take into account actual activities of other traders and what hypothetical traders are likely to do;<sup>33</sup>
- what is happening in foreign markets may be relevant to whether or not other traders want to use, or the motives of other traders in using, the same indicia in Australia;<sup>34</sup>
- if there is any doubt as to the likelihood of other traders legitimately wishing to use the proposed mark the application should be refused;<sup>35</sup>
- the fact that there was limited use by other traders of the word yellow with respect to print and online directories was attributed less significance because of the "strong stance" by Telstra in claiming exclusive rights to the word YELLOW.<sup>36</sup>

The following findings were made:

- the YELLOW mark was descriptive because yellow is a word in ordinary usage, it is not made up, meaningless or fanciful, it is not distinctive on the basis that it is dislocated from or inappropriate to the designated goods (eg, North Pole Bananas)<sup>37</sup> and yellow is not an arbitrary term on the basis that prior to the lodgement date yellow was commonly used in respect of print and online directories by Telstra and other traders both in Australia and overseas;<sup>38</sup>
- the YELLOW mark had no inherent adaptability to distinguish Telstra's designated goods and services from the goods or services of other persons;<sup>39</sup>
- the word YELLOW was found to be inherently descriptive of that colour, which is a colour commonly used in print and online business directories in Australia and overseas;<sup>40</sup> and
- other traders are likely, without improper motive to, want to use the word YELLOW in a manner which would infringe the YELLOW mark if registered.<sup>41</sup>

In coming to that finding, Murphy J considered asserted evidence of pre<sup>42</sup> and post<sup>43</sup> lodgement date use by Telstra of the YELLOW mark and evidence of use by other traders both in Australia and overseas of the colour yellow and the word yellow in respect of print and online directories.<sup>44</sup>

Accordingly, the onus fell on Telstra to establish, pursuant to s 41(6) of the Act, that the extent of its use of the YELLOW mark prior to the lodgement date means that the mark in fact distinguished its goods and services. His Honour considered the extensive purported pre lodgement date use<sup>45</sup> and concluded that although YELLOW was an important part of various composite marks used since about 1975 by Telstra, it was not use of YELLOW alone.<sup>46</sup>

Murphy J ultimately found that Telstra failed to establish that, on an objective view, "any" of its pre lodgement date use of the word yellow was used of it as a trade mark. Therefore the application failed.<sup>47</sup>

Given the finding of no inherent capacity to distinguish and the failure pursuant to s 41(6), it was strictly unnecessary for Murphy J to consider the position with

respect to s 41(5). His Honour was conscious of the prospect of an appeal and went on to consider this further issue. The factors for the court to consider in combination are:<sup>48</sup>

- (a) the extent to which the trade mark is inherently adapted to distinguish;
- (b) the use, or intended use, of the trade mark by the applicant; and
- (c) any other circumstances.

Where a trade mark had a low level of inherent adaptation to distinguish it will require a correspondingly higher level of use and other circumstances to satisfy the court that it does or will distinguish the designated goods and services.<sup>49</sup>

In considering the three factors in combination his Honour found that Telstra failed to establish that the YELLOW mark does or will distinguish its designated goods and services. This was because:<sup>50</sup>

- the extent of the inherent adaptation to distinguish of the YELLOW mark is minor;
- Telstra did not use YELLOW as a trade mark pre-lodgment date. If it were to be accepted that Telstra used YELLOW as a trade mark pre-lodgment date the trade mark significance of its use was diluted because it was only used as part of the YELLOW PAGES composite mark and it was not used to a significant extent or for a significant period;
- Telstra did not use YELLOW as a trade mark post-lodgment until the YELLOW campaign in September 2006 (in excess of three years after lodgment). If it were to be accepted, contrary to the finding of Murphy J, that Telstra in fact used YELLOW as a trade mark in the FIND IT IN YELLOW campaign, the trade mark significance of its use was diluted because it was only used as part of that mark; and
- there was little in the “other circumstances” to which Telstra averred.

The appeal in the *Telstra* case was heard by Besanko, Jagot and Edelman JJ on 27–29 May 2015. A further instalment on colour will be published when judgment is delivered in the appeal.

## Conclusion

Guided by *Telstra* and the cases referred to therein, what is apparent is that colour marks and word marks denoting colour are likely to be treated in a similar way by the Trade Marks Office and the courts and that applications for colour or words denoting colour will

almost invariably receive a s 41 descriptiveness objection because it is typically difficult to demonstrate that such marks have any level of inherent capacity to distinguish.<sup>51</sup>

Accordingly, evidence of use will likely be of vital importance to a successful application and it is not just any evidence. If it is a colour alone that the client wishes to register, the use will need to be as a trade mark of the colour in isolation of any other branding elements so that the client does not experience the same problems as Telstra did by virtue of its use of YELLOW together with other elements.

To maximise your client’s prospects of obtaining registration of a colour mark or a word denoting colour consider requesting evidence from your client in advance of filing an application.

Your client may have sufficient evidence to establish acquired distinctiveness when the almost inevitable happens and a s 41 objection is raised.

If however, your client does not have sufficient evidence of a relevant nature it may consider first applying for a colour together with word(s), a tagline or device, with a view to later applying for the colour “simpliciter” (on its own) when more relevant evidence becomes available. Remember though, the applicant must possess an intention to use the mark applied for as at the priority date so as not to fall foul of s 59 of the Act.



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## Footnotes

1. *Phone Directories Co Australia Pty Ltd v Telstra Corporation Ltd* (2014) 106 IPR 281; [2014] FCA 373; BC201402874.
2. *Cadbury Ltd v Effem Foods Ltd* (2007) 78 IPR 672; [2007] NZCA 303; BC200761762.
3. Intellectual Property Laws Amendment Act (Raising the Bar) Act 2012 (Cth) (Raising the Bar)
4. This information is recent as of 29 July 2015.
5. For more colourful fashion see C Logan and W Liu “Louboutin v YSL — single-colour trade marks in the fashion industry: are there any lessons for us?” *Australian Intellectual Property Bulletin* (2012) 25(5) p 85.
6. For more colourful architecture see C Logan “Protecting the architecture of happiness using trade marks (with apologies to Alain de Botton)” *Australian Intellectual Property Bulletin* (2013) 26(3) pp 63–68.
7. *Philmac Pty Ltd v The Registrar of Trade Marks* (2002) 126 FCR 525; 56 IPR 452; (2003) AIPC 91-841; BC200207590.

8. Above, n 7, at [1].
9. *Clark Equipment Co v Registrar of Trade Marks (Michigan case)* (1964) 111 CLR 511; [1964] HCA 55; BC6400500.
10. Above, n 1, at [65].
11. See eg, *Darrell Lea Chocolate Shops Pty Ltd v Cadbury Ltd* (2006) 69 IPR 386; (2006) AIPC 92-199; *Cadbury Ltd v Effem Foods Ltd* (2007) 78 IPR 672; [2007] NZCA 303; BC200761762; *Mars Australia Pty Ltd (formerly Effem Foods Pty Ltd) v Société des Produits Nestlé SA* (2010) 86 IPR 581; [2010] FCA 639; BC201004225; *Cadbury Schweppes v Darrell Lea Chocolate Shops Pty Ltd (No 8)* (2008) 75 IPR 557; [2008] FCA 470; BC200802418.
12. This trade mark is now registered — trade mark number 771390.
13. Above, n 2.
14. Above, n 2, at [9]–[10] per William Young P, Glazebrook and Ellen France JJ.
15. Above, n 2, at [10].
16. Above, n 2, at [11].
17. Above, n 2, at [17]–[35].
18. Above, n 2, at [27].
19. Above, n 2, at [18].
20. Above, n 2, at [25].
21. Above, n 2, at [28].
22. Above, n 2, at [35].
23. *Croom's Trade Mark Application* [2005] RPC (2).
24. Above, n 1, at [11].
25. Note this was s 41(3) of the Act pre Raising the Bar amendments.
26. *Blount Inc v Registrar of Trade Marks* (1998) 40 IPR 498; [1998] FCA 440; BC9801528.
27. *ChocolaterieGuylian NV v Registrar of Trade Marks* (2009) 180 FCR 60; (2009) 258 ALR 545 (2009 82 IPR 13; [2009] FCA 891; BC200907428.
28. Above, n 1, at [155]–[156], [158].
29. Above, n 1, at [163] citing *Burger King Corporation v Registrar of Trade Marks* (1973) 128 CLR 417 at 424; [1972] ALR 1361; (1973) 47 ALJR 237; 1A IPR 504 per Gibbs J and *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511; BC6400500 at 513 per Kitto J.
30. Above, n 1, at [164].
31. Above, n 1, at [165] citing *Registrar of Trade Marks v W & G Du Cros Ltd* [1913] AC 624 at 635 per Lord Parker.
32. Above, n 1 at [169]–[170], [215]–[221].
33. Above, n 1, at [187].
34. Above, n 1, at [191]–[197] referring to and explaining *Seven Up Co v OT Ltd* (1947) 75 CLR 203; BC4700410 at 215 per Latham CJ and *Impex Electrical Co v Weinbaum* (1927) 44 RPC 405 at 410 per Tomlin J.
35. Above, n 1, at [204].
36. Above, n 1, at [205]–[213].
37. Above, n 1, at [180] citing *British Sugar plc v James Robertson & Sons Ltd* [1996] RPC 281 at 306 per Jacob J. For another article on colourful bananas refer to S Givoni and M Chan “Federal Court consent orders obtained in relation to purple-tipped bananas” *Australian Intellectual Property Bulletin* (2012) 25(5) pp 95–97.
38. Above, n 1, at [178]–[185].
39. Above, n 1, at [16], [234].
40. Above, n 1, at [68].
41. Above, n 1, at [16].
42. Above, n 1, at [50]–[74].
43. Above, n 1, at [75]–[117].
44. Above, n 1, at [118]–[137] (pre lodgement date in Australia); [138]–[143] (pre lodgement date overseas); [144]–[152] (post lodgement date in Australia and overseas).
45. Above, n 1, at [240]–[273].
46. Above, n 1, at [244]–[259]; *ChocolaterieGuylian NV v Registrar of Trade Marks* (2009) 180 FCR 60; (2009) 258 ALR 545; (2009) 82 IPR 13; [2009] FCA 891; BC200907428 at [97]; *Sports Warehouse Inc v Fry Consulting Pty Ltd* (2010) 187 FCR 169; (2010) 87 IPR 262; [2010] FCA 638; BC201004545 per Kenny J; *Natures Blend Pty Ltd v Nestle Australia Ltd* (2010) 86 IPR 1; [2010] FCA 198; BC201001161 at [40] per Sundberg J.
47. Above, n 1, at [17], [245].
48. Above, n 1, at [277].
49. Above, n 1, at [278] citing *Sports Warehouse* at [110].
50. Above, n 1, at [315].
51. *BP PLC v Woolworths Ltd* (2004) 212 ALR 79; 62 IPR 545; (2004) AIPC 92-036; BC200407020 at [18] per Finkelstein J; *Cadbury Ltd v Effem Foods Ltd* (2007) 11 TCLR 966; 78 IPR 672; [2007] BCL 803; BC200761762 at [27] (New Zealand Court of Appeal); *Re W M Wrigley Jr Co's Application* [1999] ETMR 214 at [21] (Third Board of Appeal of OHIM); the lack of inherent capacity to distinguish was conceded in *Darrell Lea Chocolate Shops Pty Ltd v Cadbury Ltd* (2006) 69 IPR 386; (2006) AIPC 92-199 at [67] and the case run on acquired distinctiveness.

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# Cultivating plant marks for registration

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## Key points

- Evidence of use of a mark before or after the date of application can be relevant to an assessment of inherent adaptability to distinguish when the court evaluates the effects of the relevant mark in the real world.
- In order to avoid their trade mark being refused registration because it has become generic in its description of the product, users should be careful to utilise other descriptions of the product in question. The use of the <sup>TM</sup> symbol in association with the mark may further emphasise the distinction between source and description.
- Where a trade mark owner seeks to rely on use because a mark is somewhat inherently adapted to distinguish, trade mark users should be careful to ensure that when marks are used as a trade mark they are used without other devices and practitioners should be careful to present these isolated uses in their evidence before the Trade Marks Office.

## Introduction

The importance of using a trade mark to indicate the source of origin of a product rather than describe that product has been emphasised in the recent decisions of *Mastronardi Produce Ltd v Registrar of Trade Marks*<sup>1</sup> (*Mastronardi*) and *Re Buchanan Turf Supplies Pty Ltd*<sup>2</sup> (*Buchanan Turf*). Even newly coined words may not be considered to be inherently adapted to distinguish a product by the Trade Marks Office where they describe a product, particularly if there is a factual monopoly over the goods in question and the public associates the word with those goods. The potential for a word to be associated with a good may be increased if it has been used successfully overseas. Because of the nature of the product, inherent adaptability to distinguish is likely to be a critical consideration of any applications to register trade marks for plant products. Trade mark practitioners advising on registration and branding strategies for plants or the products of plants should be aware of recent decisions in the Federal Court and the Trade Marks Office respectively, as well as the potential relevance of the Plant Breeders Rights Act 1994 (Cth) (the PBRA).

In *Mastronardi* the Federal Court overturned a decision of the Trade Marks Office refusing the registration of the invented word “zima” for tomatoes in class 31, focusing its analysis on s 41 of the Trade Marks Act 1995 (Cth) (the Trade Marks Act). In *Buchanan Turf*, the Trade Marks Office relied on s 41 to refuse protection for the name of Sir Walter, a variety of grass registered under that name pursuant to the PBRA.

## What are the relevant issues under the Trade Marks Act?

Both decisions involved consideration of s 41 of the Trade Marks Act to determine whether the relevant signs were inherently adapted to distinguish in the relevant classes.<sup>3</sup> A sign is presumed to be inherently adapted to distinguish unless the court is satisfied otherwise on the balance of probabilities.<sup>4</sup> If the registrar is unable to decide the question, the registrar then considers:<sup>5</sup>

- Where the mark is somewhat inherently adapted to distinguish, whether the combined effect of:
  - that adaptation to distinguish;
  - the use or intended use of the mark; and
  - any other circumstances,

means that the trade mark does or will distinguish the designated goods as being those of the applicant;<sup>6</sup> or

- Where the mark is not to any extent inherently adapted to distinguish the designated goods from the goods of other persons, whether use of the mark has been such that the designated goods are distinguished by the mark as those of the applicant.<sup>7</sup>

## Mastronardi

“Zima” is used to sell orange grape tomatoes. Mastronardi, a Canadian company, successfully registered ZIMA in class 31 for tomatoes in Canada, the United States, Japan and New Zealand in 2010 and 2011. In July 2011, it applied to register ZIMA in Australia. No tomatoes were sold under the ZIMA trade mark in Australia until October 2011. Mastronardi’s application was rejected in October 2013 by a delegate of the Registrar, who determined that “the word ZIMA appears to be a reference to a single kind of tomato plant and its fruit” and that the trade mark “lacks any inherent adaptation to

distinguish the applicant's tomatoes as it appears to be an appropriate description of the goods in respect of which it is used".<sup>8</sup>

Mastronardi appealed and in the appeal *de novo* argued that the word ZIMA was a newly coined word that was inherently adapted to distinguish its tomatoes from those of other traders. The principles that Gordon J identified as relevant to determining inherent adaptability to distinguish pursuant to s 41 in the appeal were set out by Kitto J in *Clark Equipment* as depending:<sup>9</sup>

upon whether other traders are likely, in the ordinary course of their businesses and without any improper motive, to desire to use the same mark, or some mark nearly resembling it, upon or in connexion with their own goods.

The concept of a proper motive is linked to the public right to honestly use words forming part of the common heritage, such as signs that are descriptive in nature or use a geographical name. The inherent nature of the trade mark cannot be changed by use or otherwise.<sup>10</sup> Each case must be considered on its facts and the assessment of inherent adaptability to distinguish:<sup>11</sup>

- looks to the mark itself and its inherent nature;
- does not take into account the effect of use;
- considers how the mark would be understood by ordinary Australians seeing it for the first time;
- is tested by asking whether other traders trading in services of the same or a similar kind and only actuated by proper motives are likely to want to use the mark in connection with the same or similar services. This test is to be applied negatively, not positively involves a "practical evaluative judgment ... in the real world".

Gordon J asked two questions:

- how would ZIMA be understood by ordinary Australians at the filing date (namely July 25, 2011)?
- what is the likelihood of other persons trading in tomatoes, and being actuated only by proper motives, thinking of ZIMA and wanting to use it in connection with their tomatoes, in any manner which would infringe a registered trademark?<sup>12</sup>

The creator of the trade mark gave evidence that he had invented the word ZIMA and this evidence was accepted by both parties. Invented words usually have a high level of inherent adaptability to distinguish the products that they are selling because there is usually an "absence of association and signification"<sup>13</sup> between an invented word and a designated class. The qualification is where there is some meaning in the word to the public and this was a matter in issue in the present decision.<sup>14</sup>

Having determined that, at the time of application, ZIMA conveyed no obvious meaning to ordinary Aus-

tralian and did not infringe on the common heritage of words that the public has the right to make honest use of, the court considered whether other persons, trading in tomatoes and acting only with proper motives, would think of the word ZIMA and desire to use it in connection with tomatoes in any manner which would infringe a registered trade mark granted in respect of ZIMA.<sup>15</sup>

The respondent argued that Mastronardi intended to use ZIMA to distinguish one variety of tomato introduced by Mastronardi from the generality of tomatoes by describing the goods using the word ZIMA, rather than by making use ZIMA as a trade mark. The respondent further submitted that there was a factual monopoly over the variety of tomatoes by virtue of the control over the seeds exerted by its licensee in Australia.<sup>16</sup>

Mastronardi presented unchallenged expert evidence that ZIMA was not a new variety of tomato and that there are at least 50 different cultivars for orange grape tomatoes. The orange grape tomatoes supplied under the ZIMA mark in Australia were not one variety of tomatoes but used six different cultivars. Although Mastronardi was the only supplier of the particular varieties of tomatoes that the trade mark was being used to describe in Australia at this time, it did not have exclusive arrangements for the supply of four of the six cultivars that it was using to grow those orange grape tomatoes in Australia. Consequently, other traders could supply the same product (orange grape tomatoes) that was being supplied under the ZIMA trade mark, under a different trade mark. In Australia, Mastronardi had described its goods as ZIMA<sup>TM</sup> golden grape tomatoes or sweet orange grape tomatoes or golden snacking tomatoes. Although the actual use of the mark by Mastronardi was not relevant to inherent adaptation to distinguish ZIMA, the court determined that this background context was part of the "practical evaluative judgment about the effects of the relevant mark in the real world".<sup>17</sup> The court held that there were a range of terms that other tomato suppliers could use to describe their sweet orange and/or golden grape tomatoes and consequently, ZIMA was sufficiently inherently distinctive to achieve registration as a mark.

### Plant Breeder's Rights Act 1994 (Cth)

The PBRA protects registrations of new breeds of plants for 20 years. Section 27 of the PBRA provides that at the time of making an application, the name registered should not be a trade mark or a sign whose registration is being sought under the Trade Marks Act in respect of live plants, plant cells and plant tissues. One of the applicant's arguments in *Mastronardi* was that ZIMA was not a plant variety and one indicator of

this was that it was not registered pursuant to the PBRA. The respondents argued that “[while there were a few varieties of tomato registered under the Plant Breeders Rights Act thousands were not]”.<sup>18</sup> The Trade Marks Office decision in *Mastronardi* indicates that even if the trade mark in question has not been registered as a plant breeder variety, the use of a mark descriptively can mean that it is a description of a plant variety that other traders will reasonably wish to use.<sup>19</sup>

In *Heritage Seeds Pty Ltd*,<sup>20</sup> a Trade Marks Office decision in which the applicant sought to register “PLUS ARI” in class 31 for ryegrass seeds and grain for agricultural purposes, the examiner raised an objection based on s 41(5) of the Trade Marks Acts and the fact that “ARI” was the name of a variety of ryegrass endophyte registered under the PBRA. The applicant provided evidence demonstrating that the mark had been used for about 3 years on bags in which the goods were sold, on brochures, labels, packaging, advertising material and sales literature. Annual sales in Australia were approximately \$1.1 million (\$25.6 million worldwide) and advertising costs in Australia were approximately one quarter of total sales. The Delegate of the Registrar of Trade Marks noted that the trade mark was not used consistently in sales literature and brochures, appearing in varying forms (Plus AR1, PlusTMAR1, PlusAri). More importantly, she held that the:<sup>21</sup>

accepted name of such an organism, whether registered under some form of plant breeder’s or variety rights law, whether generally accepted in the relevant trade or by the buying public, describes the organism.

Consequently, that name had no inherent adaptation to distinguish one trader’s goods from those of another’s in relation to the organism itself or its host plants.

## Buchanan Turf Supplies Pty Ltd

The *Heritage Seeds* decision was not considered in the Trade Mark Office decision regarding the application to register the registered plant breeder variety “Sir Walter” as a word mark. Sir Walter is a variety of buffalo grass registered under the PBRA until 2018. In May 2014 the variety was licensed to around 68 producers.<sup>22</sup> The variety Sir Walter has been marketed by reference to the name Sir Walter and also in combination with a device (a knight riding a horse) and the words Sir Walter.

In March 2014 the Trade Marks Office rejected the application for registration of the mark in Class 31, finding the mark not inherently adapted to distinguish the designated goods and that the prior use of the mark was not sufficient to indicate registration, as that use was predominantly in combination with the knight device or descriptive.<sup>23</sup> An example of such use was given from a Yellow Pages advertisement which used the words Sir Walter in proximity to the knight device and listed in dot

points the words “Sir Walter” and other grass varieties “Soft Leaf Buffalo”, “CT-2 Couch” and “Kikiyu”.

The Federal Court appeal of this decision was heard by Yates J in August 2014 and the appeal was dismissed.<sup>24</sup>

## Conclusion

Practitioners advising on plant breeder registration should consider encouraging their clients to emphasise different trade marks to the registered name to indicate source of origin of their products as part of a broader branding strategy. Had ZIMA been registered as a plant breed variety it is less likely that the court would have been convinced that the mark was inherently adapted to distinguish the tomatoes as the fact that the name ZIMA could be found on the Plant Breeder’s Rights Register would have been balanced against the fact that ZIMA was not found in the dictionary. However, in contrast to the evidence led in *Buchanan Turf* about the use of Sir Walter as a description of the grass in question, the evidence in *Mastronardi* demonstrated the descriptions of the tomatoes marketed under the trade mark ZIMA were also described in various other ways such as sweet golden grape tomatoes. This indicated that ZIMA was a description of the source of the product rather than the product itself and both decisions indicate that this should be a key focus in any branding strategy.



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## Footnotes

1. *Mastronardi Produce Ltd v Registrar of Trade Marks* (2014) 318 ALR 249; (2014) 108 IPR 7; [2014] FCA 1021; BC201407746.
2. *Re Buchanan Turf Supplies Pty Ltd* [2014] ATMO 26; BC201411624 affirmed in *Buchanan Turf Supplies Pty Ltd v Registrar of Trade Marks* [2015] FCA 756; BC201506899.
3. The decision in *Buchanan Turf* also raised issues under s 43 of the Trade Marks Act, which prohibits the registration of signs that are likely to deceive or cause confusion.
4. *Chocolaterie Guylian NV v Registrar of Trade Marks* (2009) 180 FCR 60; (2009) 258 ALR 545; (2009) 82 IPR 13; [2009] FCA 891; BC200907428 at [21]; *Mantra IP Pty Ltd v Spagnuolo* (2012) 205 FCR 241; (2012) 290 ALR 158; (2012) 96 IPR 464; [2012] FCA 769; BC201205227 at [32]–[34].
5. Section 41(4) of the Trade Marks Act 1995 (Cth).
6. Section 41(5) of the Trade Marks Act 1995 (Cth).
7. Section 41(4)(a) of the Trade Marks Act 1995 (Cth).

8. *Re Mastronardi Produce Ltd* (2013) 103 IPR 339; [2013] ATMO at [17].
9. *Clark Equipment Co v Registrar of Trade Marks (Michigan case)* (1964) 111 CLR 511 at 514; [1965] ALR 344; (1964) 38 ALJR 215; BC6400500.
10. *Burger King Corporation v Registrar of Trade Marks* (1973) 128 CLR 417 at 424; [1972] ALR 1361; (1973) 47 ALJR 237; (1973) 1A IPR 504; *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511 at 513; [1965] ALR 344; (1964) 38 ALJR 215; BC6400500.
11. *Mantra IP Pty Ltd v Spagnuolo*, Above, n 4, at [52], applied in *Mastronardi Produce Ltd v Registrar of Trade Marks*, Above, n 1, at [19].
12. Above, n 1, at [24].
13. *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* (2002) 122 FCR 494; (2002) 56 IPR 30; [2002] FCAFC 273; BC200204949 at [148].
14. Analogously, in the context of foreign words, the High Court majority determined that the words “oro” and “cinque stelle” were not shown to convey a meaning or idea sufficiently tangible to anyone in Australia concerned with coffee goods as to be words having a direct reference to the character or quality of the goods in the subsequently decided *Cantarella Bros Pty Ltd v Modena Trading Pty Ltd* (2014) 315 ALR 4; (2014) 109 IPR 154; [2014] HCA 48; BC201410159 per French CJ, Hayne, Crennan and Kiefel JJ at [73].
15. Above, n 1, at [27].
16. Above, n 1, at [30].
17. Above, n 1, at [44] citing *Kenman Kandy* at [47] and *Chocolaterie Guylian* at [54].
18. Above, n 1, at [36].
19. *Re Mastronardi Produce Ltd* (2013) 103 IPR 339; [2013] ATMO.
20. *Heritage Seeds Pty Ltd* [2007] ATMO 4. See also *PA and EV Strauss* [1999] ATMO 97 (29 September 1999) which applies the reasoning of Lloyd-Jacobs J in the English decision *In re Wheatcroft Bros Ltd's Trade Mark* [1954] Ch 210; (1954) 71 RPC 43, approved in *FH Faulding & Co v Imperial Chemical Industries of Australia & New Zealand* (1965) 112 CLR 537; BC6500260.
21. *Heritage Seeds*, above, n 20, at [19].
22. ABC News, *Court action to trade mark 'Sir Walter'*, 2 May 2014, see [www.abc.net.au/news/2014-05-02/court-action-to-trademark-27sir-walter27/5425036](http://www.abc.net.au/news/2014-05-02/court-action-to-trademark-27sir-walter27/5425036).
23. Above, n 2, at [24] and [26].
24. *Buchanan Turf Supplies Pty Ltd v Registrar of Trade Marks* [2015] FCA 756; BC201506899.

# Australian Patent Office blasts attempt to oppose lead smelting patent in *Outotec Pty Ltd v Xstrata Technology Pty Ltd* and *Yunnan Metallurgical Group*

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## Key points

- A lead smelting process can constitute a patentable invention.
- If seeking to oppose a patent application claiming a combination of integers on the ground of obviousness, it is important to put on evidence that the specific combination of integers, including specified ranges for given parameters, is obvious.
- Take note that, in relation to prior art publications:
  - the language of a prior art publication is unlikely to be a barrier for inventive step purposes; and
  - the Australian Patent Office appears to be setting a relatively low threshold for the combining of prior art information under s 7(3) of the Patents Act 1990 (Cth).

## Introduction

The opposition proceeding, *Outotec Pty Ltd v Xstrata Technology Pty Ltd and Yunnan Metallurgical Group*,<sup>1</sup> concerns Australian Patent Application No 2006299743 (AU 743), which claims an alternative lead smelting method for producing lead from lead sulphide containing materials. AU 743 was opposed on the grounds of lack of novelty, lack of inventive step, inutility and no manner of manufacture, as well as grounds concerned with the drafting of the claims — lack of fair basis, lack of clarity and insufficiency. The pre-“Raising the Bar” version of the Patents Act 1990 (Cth) (the Act) applied.

Below, we discuss why the opposition was unsuccessful.

## The invention

In the claimed method of AU 743:

- lead sulphide containing material such as galena (the most important lead ore) is smelted in a top entry submerged lance (TSL) furnace to produce lead bullion and lead slag; and

- lead slag is taken from the TSL furnace and fed into a blast furnace to produce lead bullion and discard slag.

Important aspects of the claimed invention are: the lead percentage of the material fed to the TSL furnace; the cooling rate for the lead slag; and the lead oxide content, CaO/SiO<sub>2</sub> ratio and mineralogical structure of the lead slag.

An apparent advantage of the invention is increased efficiency derived from avoiding the need for a sintering process.

## Common general knowledge

The following was accepted as well known in the field of lead smelting:

- use of a sinter plant to oxidise lead sulphide and form lead oxide, and use of a blast furnace to reduce the lead oxide to lead bullion; and
- use of TSL furnaces to perform both the oxidation and reduction steps.

However, the use of a TSL furnace in combination with a blast furnace, which was part of the claimed invention, was not accepted as well known.

## Novelty

The Delegate of the Commissioner of Patents (delegate) rejected the opponent’s submission that four publications anticipated the alleged invention of AU 743: the “Arthur Paper”, which traced the development of the ISASMELT™ technology (a process using a TSL furnace) and three Chinese patent specifications.

Like the claimed invention, the Arthur Paper described the use of a TSL furnace in combination with a blast furnace. However, the delegate found that the Arthur Paper did not disclose the details of the claimed lead feed percentages, cooling rate of the lead slag, lead oxide content, CaO/SiO<sub>2</sub> ratio and mineralogical structure. Further, the delegate found that carrying out the

directions in the Arthur Paper would not inevitably result in these claimed conditions and properties. Similarly, the delegate found that the three Chinese patent specifications did not disclose these conditions and properties.

### Inventive step

The delegate rejected the opponent's submission that the claimed invention was obvious in light of the common general knowledge, whether considered alone or, under s 7(3) of the Act, in combination with prior art information.

As stated above, the use of a TSL furnace in combination with a blast furnace was not common general knowledge nor was it "a matter of routine".

Noteworthy was the delegate's finding that either of two prior art publications (1980 and 1998 papers) could be combined with the Arthur Paper under s 7(3) of the Act to augment the prior art considered for inventive step purposes. The threshold for combining the papers was relatively low: they were combined on the basis that each publication related to activities involving lead smelting at Mount Isa Mines, and not on the basis of some closer connection (eg, publication of a series of articles on a topic in different editions of a journal, or referencing of one in another).

Some claimed individual parameters (lead oxide content and cooling rate of the lead slag) were held non-obvious in light of the Arthur Paper, whether considered alone or in combination with one of the 1980/1998 papers. Further, the combination of claimed operational parameters, which were closely related with

one another such that varying one would affect others, was held non-obvious in light of these prior art publications.

The Chinese specifications did not take the opponent any further. However, it should be noted that the delegate accepted that the hypothetical skilled person could be expected to obtain translations of these specifications on the basis that the English abstracts indicated they were of importance.

### Manner of manufacture, fair basis, clarity, insufficiency and inutility

The delegate rejected the opponent's submissions in relation to manner of manufacture, fair basis, clarity and insufficiency. Following an amendment to the specification in March 2014, the opponent did not pursue the ground of inutility.

### No appeal

To our knowledge, the decision has not been appealed.



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### Footnotes

1. *Outotec Pty Ltd v Xstrata Technology Pty Ltd and Yunnan Metallurgical Group delegate* [2014] APO 48; BC201409180.

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# Tougher hurdle! Extension of time in oppositions

*Michael Cossetto BARTIER PERRY*

## Introduction

This article is the second in a two part series. The first article, entitled *We need more time!*,<sup>1</sup> was about the general extension of time provisions set out in s 224 of the Trade Marks Act 1995 (Cth) (Act). The tests that apply under those provisions have been settled for years.

This article will consider the new tests that apply for extension of time applications in trade mark opposition proceedings. A number of decisions have been handed down by the Trade Marks Office which consider these new tests since they were introduced by the Raising the Bar reform<sup>2</sup> in April 2013 (RTB). These decisions provide some guidance about the threshold tests which must be met before an extension of time will be granted.

In summary:

- The new tests are tougher — it is harder now to get an extension of time in trade mark opposition proceedings.
- Some of the reasons previously used to obtain an extension of time — for example, we need more time because we have been involved in settlement negotiations, we have been searching for evidence, or our office shut down over the Christmas holiday period — will no longer fly.
- In order to demonstrate that a party has acted promptly and diligently, best practice now requires practitioners and their clients:
  - to plan how they will gather and prepare evidence as early as possible in the opposition process;
  - to diarise and pay careful attention to when each evidence period begins and ends;
  - to start gathering and preparing evidence at the earliest opportunity — any delay (especially for more than a month) could be fatal;
  - to communicate with each other regularly and without delay about progress and developments in the opposition; and
  - to prepare and file, with each application for extension of time, a chronology of the steps taken to gather and prepare the evidence for the opposition proceedings, together with sufficient evidence to confirm the steps taken and the reasons for delay.

## Before RTB amendments

Before April 2013, the Registrar was not allowed to grant an extension of time to serve evidence in an opposition proceeding unless the Registrar was reasonably satisfied it was “appropriate”. The hurdle was not particularly high to meet this “appropriate” test — only basic reasons were required to obtain an extension. In addition, IP Australia also used to have benchmarks for the period within which to file evidence, which ranged between 6 to 9 months, for each of the three evidence phases of an opposition.

As a result, it was relatively easy for a trade mark applicant or opponent to obtain an extension of time to prepare and file evidence and delay the opposition proceedings for months on end. Therefore, it was hardly surprising that opposition proceedings could often take years to resolve. This has all changed.

This was also one of the issues that the legislature set out to address with the RTB reform.<sup>3</sup>

## What is the new test?

The new test is set out in the regulations that deal with the filing of evidence in opposition proceedings in relation to the registration of a trade mark or in respect of applications to remove a trade mark for non-use. In particular, “both” regs 5.15<sup>4</sup> and 9.18<sup>5</sup> of the Trade Marks Regulations 1995 (Cth) (Regulations) now provide that:

- (2) The Registrar may extend the period [for filing evidence] only if the Registrar is satisfied that:
  - (a) the party:
    - (i) has made all reasonable efforts to comply with all relevant filing requirements of this Part; and
    - (ii) despite acting promptly and diligently at all times to ensure the filing of the evidence within the period, is unable to do so; or
  - (b) there are exceptional circumstances that justify the extension.
- (3) The Registrar:
  - (a) must decide the length of the extended period having regard to what is reasonable in the circumstances; and
  - (b) may do so on terms that the Registrar considers appropriate.

(4) In this regulation:

“exceptional circumstances” includes the following:

- (a) a circumstance beyond the control of a party that prevents the party from complying with a filing requirement under this Part;
- (b) an error or omission by the Registrar or an employee that prevents a party from complying with a filing requirement under this Part;
- (c) an order of a court or a direction by the Registrar that the opposition be stayed.

Similar provisions are set out in the Patents Regulations 1991 (Cth) in respect of filing of evidence in patent opposition proceedings.<sup>6</sup>

One of the first cases to consider the new test was the patent opposition case *Tred Design Pty Ltd v McCarthy (TRED)*.<sup>7</sup> In this case, the delegate of the Commissioner of Patents observed the following:

... I need to ask myself the following questions:

- (1) Has the party (and their attorney or agent) made all reasonable efforts to comply with all relevant filing requirements?
- (2) Was the failure to file the evidence in time despite the party (and their attorney or agent) acting promptly and diligently at all times to ensure the evidence is filed in time?
- (3) Were there exceptional circumstances that warrant the extension?

I can extend the time for filing evidence only if I am satisfied that the answer to questions 1 and 2 is YES, or if I am satisfied that the answer to question 3 is YES. If I am so satisfied, then I must consider whether there are any discretionary reasons why the extension should not be granted.

(These questions will be referred to throughout this article as Question 1, Question 2 and Question 3.)

## Recent decisions

This expression of the new test has been quoted and accepted by delegates of the Registrar of Trade Marks in a series of recent trade mark decisions (Recent Decisions), in particular:

- *MG Icon*<sup>8</sup> — which involved an application for an extension of time to file evidence in reply under reg 9.18 (that is, in an opposition to an application to remove a trade mark for non-use);
- *Monster Energy*<sup>9</sup> — which involved an application for an extension of time to file evidence in answer under reg 5.15 (that is, in an opposition to the registration of a trade mark);
- *Fed Square*<sup>10</sup> — which involved an application for an extension of time to file evidence in support under reg 5.15; and
- *Rotary International*<sup>11</sup> — which involved an application for an extension of time to file evidence in support under reg 5.15.

The following table shows the outcome of each of the above questions considered by the hearing officer:

	Question 1	Question 2	Question 3
<b>MG Icon</b>	No	No	No
<b>Monster Energy</b>	No	No	No
<b>Fed Square</b>	No	No	Did not consider
<b>Rotary International</b>	Did not consider	Did not consider	No

Although they were stated as two separate questions by the hearing officer in *TRED*, the approach of the delegate of the Registrar in the Recent Decisions has been to consider Question 1 and Question 2 together — that is, whether the applicant for an extension of time had made all reasonable efforts *and* had acted promptly and diligently at all times to ensure the evidence was filed promptly. However, in each case (except for *Rotary International* which considered only Question 3), there has been more focus directed toward Question 2 than Question 1.

While the delegate for the Registrar ultimately refused to grant an extension of time in each case for different reasons, the Recent Decisions still provide some guidance about the factors which the Trade Marks Office will consider before granting an extension of time.

## Question 1 — reasonable efforts to comply with all relevant filing requirements

Consideration of Question 1 in each of the Recent Decisions has been limited. In each case, Question 2 was answered in the negative, so there was no real need to delve into Question 1. That being said, it was noted in *MG Icon* that Question 1 (that is, whether the applicant for an extension has made all reasonable efforts to comply with the filing requirements) should be considered over the *whole* of the opposition period, not just the evidentiary period in question.<sup>12</sup>

In *MG Icon* and *Fed Square*, the hearing officer found that the extension applicant had made all reasonable efforts to comply with the filing requirements during the period before the evidentiary period in question and then went on to consider Question 2. As noted above, because Question 2 was answered in the negative, there was no need for the hearing officer to consider Question 1 in respect of conduct during the evidentiary period in question.

We may have to wait for a decision to be made where Question 2 is answered “yes”, before a hearing officer gives much thought to Question 1 and provides us with guidance about what actions will constitute “reasonable efforts to comply with all relevant filing requirements”.

## Question 2 — acting promptly and diligently at all times

The Recent Decisions indicate that, in determining whether a party has acted promptly and diligently at all times, the current practice of the Trade Marks Office is to critically analyse a chronology of events to identify periods of inactivity. The focus seems to be on whether there has been a period of inactivity rather than undertaking a critical assessment of the actual activities themselves. While most chronologies of events will show gaps where little or no action has taken place, the presence of small gaps is not necessarily fatal. In *TRED* for example, the hearing officer noted the following:<sup>13</sup>

An attorney does not need to account for every minute of their day, but they must provide enough information to enable a delegate of the Commissioner to form their own opinion on whether the party has acted reasonably, promptly and diligently. The kind of information that could be provided is a brief account of actions taken (for instance, an outline of what was done, when it was done, how it was done, by whom it was done, as appropriate to the case) covering the period in question.

Further, in *Fed Square*, the hearing officer said:<sup>14</sup>

Acting to ensure the prompt filing of evidence means that the relevant actions should have some connection to the filing of the evidence, but do not necessarily have to be the physical act of gathering and compiling that evidence. It may for example, include discussions between a party and its representative relating to the requirements for the evidence. However, lengthy delays that are unexplained (or are supported by actions which are not designed to ensure the prompt filing of evidence) will not assist.

The Recent Decisions indicate that a delay of greater than one month will raise concern that the applicant has not acted promptly and diligently at all times and is likely to lead to the refusal of the application of extension. For example:

- In *MG Icon*, the hearing officer was concerned about a period of 2 and a half months from receipt of the evidence in answer before the removal opponent and its lawyers met to discuss what evidence in reply would be needed, and a further delay of 2 months, after that meeting, for the removal opponent to complete and file the evidence.<sup>15</sup>
- In *Monster Energy*, there was a period of 2 months where very little detail was provided about what the applicant had done to progress its evidence in answer. The hearing officer noted that there “appears to be a black hole when it comes to action from the holder”.<sup>16</sup>
- In *Fed Square*, it took about 1 month for a checklist of evidence to be prepared for the opponent and a further month before the opponent met with its legal representative.<sup>17</sup>

The Recent Decisions highlight the need to ensure that an application for an extension of time in an opposition is accompanied with a chronology of events, as well as sufficient evidence to support the reasons for delay and to confirm the events and actions taken.<sup>18</sup> It is no longer possible to obtain an extension of time based on a simple explanation along the following lines:<sup>19</sup>

The Applicant’s Evidence in Answer is underway. A draft declaration has been prepared and has been sent to the Applicant, who is based in the United States to be reviewed. While some additional information is required to finalise the Declaration, it is anticipated that the Applicant’s Evidence in Answer will be filed within the requested period of time.

Similarly, a bare assertion that the applicant’s behaviour has met the relevant threshold is also likely to fail, for example:<sup>20</sup>

The Applicant has made all reasonable efforts to comply with its filing requirements, but despite acting promptly and diligently it has been unable to file its Evidence in Answer.

This means practitioners and their clients should plan how they will gather and prepare evidence as early as possible in the opposition process — that is, when they decide to file or when they receive a Notice of Intention to Oppose. Practitioners and their clients should then diarise and pay careful attention to when each evidence period begins and ends, and ensure that they start taking steps to gather and prepare evidence at the earliest opportunity. They should communicate with each other regularly and without delay about progress and developments in the preparation of the evidence.

If an extension of time cannot be avoided, then a chronology of the steps taken to gather and prepare the evidence should be prepared and filed with an application for extension of time, together with sufficient evidence to confirm the steps taken and the reasons for delay.

## Question 3 — exceptional circumstances

While the phrase “exceptional circumstances” is defined in the regulations, the definition is not exhaustive. The following passage from *TRED* has been noted in several decisions as being authority for that view:<sup>21</sup>

The matters that are specified as exceptional circumstances are circumstances beyond the control of a party, an error or omission by the commissioner, an order of a court and directions by the commissioner. These matters give some guide to the other situations that would be regarded as exceptional circumstances: matters outside the normal evidentiary process, and outside the control of the party, where it would be unreasonable to insist on a party filing their evidence.

Each of the Recent Decisions considered Question 3 and whether exceptional circumstances were present to justify the grant of extension of time. Interestingly, none

of the Recent Decisions made any correlation between the phrase “exceptional circumstances” and “special circumstances” (which is the phrase used in s 224(3) of the Act, and is a ground for obtaining an extension of time under the general provisions). The reason for this could be that they basically mean the same thing or that any similarity is irrelevant because ultimately the circumstance, whether it is an exceptional circumstance under the new test or special circumstance under the general provisions, must be able to “justify the extension”. This approach allows the relevant delegate to take into account the intention of the RTB and the desire to reduce delays.

Because the application for extension was refused in each of the Recent Decisions we do not have any clear examples of circumstances which IP Australia considers “exceptional”. However, the following circumstances have been held not to be exceptional:

- the fact that the RTB came into force between the evidence in answer period and the evidence in reply period — which meant stricter provisions applied to the removal opponent than to the removal applicant;<sup>22</sup>
- a sale of business, or change in owner of the trade mark, during the opposition period;<sup>23</sup>
- the fact that extension applicant was engaged in unrelated litigation proceedings, which demanded a substantial amount of time and attention;<sup>24</sup>
- the need to search through archived physical historical data or to obtain information or documentation from third parties;<sup>25</sup>
- the fact that the person who is responsible for the evidence had been travelling extensively on business;<sup>26</sup>
- the conduct of settlement negotiations;<sup>27</sup>
- delays caused by the Spring Racing Carnival or other sporting events;<sup>28</sup> and
- delays caused by the Christmas holiday period.<sup>29</sup>

Further, in *Monster Energy*, the hearing officer noted that an extreme weather event forcing a business shut-down might be enough to constitute exceptional circumstances, but only if the hearing officer was satisfied that those conditions occurred during the statutory period for the filing of evidence.<sup>30</sup>

In light of the above, satisfying the test posed by Question 3 will be difficult.

## Conclusion

There is no doubt that the RBT reform has made obtaining an extension of time in trade mark opposition proceedings considerably more difficult. This is so much

the case now that a practitioner and their clients should do everything possible to avoid having to rely on getting an extension of time in trade mark opposition proceedings. This means gathering evidence well in advance of the relevant evidence period and committing sufficient resources to ensure that the evidence is prepared before the relevant deadlines. It also means ensuring that there are no delays in communication between the practitioner and client. If seeking an extension of time is unavoidable, practitioners and their clients should minimise delay or periods of inaction wherever possible, and keep detailed records of actions taken, in order to give themselves every chance of being successful.



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## Footnotes

1. M Cossetto “We need more time!” (2015) 28(6) *Australian Intellectual Property Law Bulletin* p 173.
2. Pursuant to the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth).
3. Explanatory Memorandum for the Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 Sch 3 pp 73 and 74 indicates that the new laws, with respect to opposition proceedings, were designed to “reduce complexity and delay in the resolution of opposed ... trade mark applications”.
4. Trade Marks Regulations 1995 (Cth) reg 5.15 relates to an opposition to the registration of a trade mark.
5. Trade Marks Regulations 1995 (Cth) reg 9.18 relates to an opposition to an application for removal for non-use.
6. Patents Regulations 1991 (Cth) reg 5.19.
7. *Tred Design Pty Ltd v McCarthy* (2013) 105 IPR 291;; [2013] APO 57 at [34]–[35].
8. *Caprice Australia Pty Ltd v MG Icon LLC* (2014) 106 IPR 552; [2014] ATMO 34; BC201406324.
9. *Monster Energy Company v USA Nutraceuticals Group* (2015) 111 IPR 204; [2015] ATMO 1; BC201500304.
10. *Fed Square Pty Ltd v Federation IP Pty Ltd* (2015) 113 IPR 453; [2015] ATMO 42; BC201504714.
11. *Rotary International v Interact Australia (Victoria) Ltd* [2015] ATMO 44; BC201506137.
12. Above, n 8, at [35].
13. Above, n 7, at [76].
14. Above, n 10, at [23].
15. Above, n 8, at [40]–[41].
16. Above, n 9, at [22]–[32].
17. Above, n 10, at [11] and [24].

18. In the *Fed Square* case, the delegate sent a letter to the opponent saying, “A timeline outlining the steps and actions taken in the preparation of evidence during the whole statutory timeframe would assist in demonstrating whether the extension applicant has acted promptly and diligently at all times”. See Above, n 10, at [7].
19. This is the explanation that was originally given by the applicant in the *Monster Energy* case, when it first requested the extension of time. See Above, n 9, at [5]. The application was rejected.
20. Above, n 19.
21. Above, n 7, at [64].
22. Above, n 8, at [27]–[30].
23. Above, n 8, at [32]. However, the hearing officer agreed with the proposition that the sale of a business (or transfer of the subject trade mark to a new owner) might contribute to exceptional circumstances — but there would need to be more to the circumstances than just the sale itself.
24. Above, n 9, at [33].
25. Above, n 7, at [63] and [64]; Above, n 9, at [33].
26. Above, n 9, at [33].
27. Above, n 11, at [15].
28. *Sportingbet Australia v Tabcorp International Pty Ltd* (2014) 107 IPR 161; [2014] APO 21 at [68].
29. *Cantarella Bros Pty Ltd v Nestec SA* (2015) 112 IPR 172; [2015] APO 15; BC201503067 at [29].
30. Above, n 9, at [35].

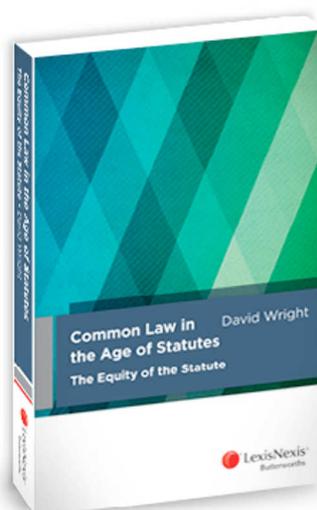


## Common Law in the Age of Statutes The Equity of the Statute

David Wright

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