

Intellectual Property Update

JUNE 2005

Bell Gully





Welcome to *Intellectual Property Update*, a regular review of issues and developments in this area of New Zealand law from Bell Gully.

In this issue, we feature:

- Breach of confidence: the *EPI Environmental Technologies* decision, in the context of licence agreements and reverse engineering.
- Patents: The obligation to plead to Particulars of Objection in an invalidity case - *Pfizer v Eli Lilly*.
- Patents: The House of Lords' decision in *Sabaf SpA v MFI Furniture Centres Ltd* – a case relating to the patentability of collocations.
- Copyright: *Henkel v Holdfast* – infringing product get-up.
- Trade marks: The registration of surnames - *Nichols plc v Registrar of Trade Marks*.
- Trade marks: The registrability of shape trade marks in New Zealand – *Fredco Trading Ltd v Robert Peter Miller*.
- Patents: *Peterson Portable Sawing Systems v Lucas* – an infringer fails to overturn the High Court's decision.
- Trade marks: ABN Ambro seek ex parte injunction to prevent the use of the mark "ABN" by others – *ABN Amro Holdings NV v ABN Union Treasury Management Ltd*
- Trade marks: Proprietorship – the *Valleygirl* judgment.
- Copyright: Authorising infringement – the *Spantech* decision.

Read more about Bell Gully's expertise in Intellectual Property online at www.bellgully.com.

 Need more information?

For more information on any of the cases, articles and features in *Intellectual Property Update*, please call [Alan Ringwood](tel:6499168925) on 64 9 916 8925, [Ian Gault](tel:6499168967) on 64 9 916 8967 or [Garry Williams](tel:6499168661) on 64 9 916 8661.

Disclaimer: This publication is necessarily brief and general in nature. You should take professional advice before taking any action in relation to the matters dealt with in this publication.

Licence agreements, reverse engineering and breach of confidence: *EPI Environmental Technologies Inc v Symphony Plastic Technologies Plc*

This recent UK decision concerns the common law action for breach of confidence in relation to the alleged reverse engineering of an industrial product – and will be of interest to anyone party to the provision of confidential information or know-how.

The key issue in the case was whether a party which had received material in confidence could then analyse that material to identify any parts that were in the public domain, and then use those parts on the basis that they were not confidential.

Between 1997 and 2003, under various licence and confidentiality agreements, EPI supplied prodegradant additives to Symphony for use in the manufacture of a range of thin film plastic products such as plastic bags.

Prodegradants are additives that cause the plastic to oxidise relatively rapidly after it is used and discarded, thereby making the product degradable and, as such, represent a valuable industrial process.

EPI provided materials to Symphony during their commercial relationship which included details of the constituent parts and manufacturing process of EPI's additives.

EPI regarded this as confidential information falling within the confidentiality provisions of the licence and confidentiality agreements in place between EPI and Symphony.

Then Symphony produced its own product. It did not replicate EPI's product identically but was similar. It was apparently possible to find in the public domain all the information necessary for Symphony to produce this new product.

EPI sued Symphony, claiming that Symphony's additive was a substantial copy of its own additive, and pursued (among other claims) a claim for breach of confidence.

EPI relied on the fact that its products had been supplied to Symphony on a confidential basis, and contended that, in view of that confidentiality, it was not open for Symphony to analyse EPI's product in an attempt to find material which was in the public domain and then use that material (as opposed to actually locating the information in the public domain).

While denying that it had in fact obtained the information from an analysis of EPI's products, Symphony contended that it could not be liable to EPI if the information was available in the public domain – even if it had derived the information by analysing EPI's products.

The Court noted that anyone could acquire EPI's products and then analyse them in an attempt to find their constituent make-up.

Without a contractual restraint, Symphony could not be prevented from examining and analysing EPI's products and using the resulting information if it could be shown that the information was also in the public domain.

However, by taking that short-cut, they did run the risk of infringing if they were in a better position through use of material provided confidentially than if they had gone to public sources.

EPI's claim against Symphony for breach of confidence accordingly failed.

While Symphony denied that it had acquired the relevant information by examining and analysing EPI's product, the Court's reasoning was that EPI's claim against Symphony would have failed even if Symphony had admitted obtaining the information in that way.

EPI's claim might have succeeded if it had been able to show that Symphony had used information provided in confidence which went beyond information in the public domain.

EPI might also have succeeded if there had been a contractual provision in its agreements with Symphony which expressly prohibited the examination and analysis alleged to have occurred in this case.

The decision may encourage reverse engineering and therefore has ramifications for those with licence or supply agreements involving the exchange of confidential information about their products and processes.

The case illustrates the care with which you should document such contractual arrangements.

 **Need more information?**

For more information on the protection of confidential information, please email or call [Alan Ringwood](#) on 64 9 916 8925.

Patents: Pleading to particulars of objection in invalidity claims – *Pfizer v Eli Lilly*

In Pfizer v Eli Lilly, Justice Potter delivered an important decision on the extent of the patentee's obligation to plead to Particulars of Objection.

When pharmaceutical company Pfizer filed infringement proceedings over two patents, defendants Eli Lilly, Bayer and GlaxoSmithKline filed counterclaims objecting to the validity of the patents in question. In response, Pfizer filed a bare denial to the counterclaims.

In an earlier decision by Justice Potter, (HC Auckland, CIV 2003-404-452, 21 November 2003) the defendants successfully sought orders that Pfizer file a more explicit statement of defence to their counterclaims.

In that judgment, Justice Potter followed an earlier New Zealand Court of Appeal decision in *Ancare New Zealand Limited v Ciba Geigy* (1997) 11 PRNZ 398.

That decision requires the patentee to respond by properly pleading to the Particulars of Objection. Justice Potter held that the requirement for the patentee to properly plead was not to be confused with the burden of proof. The patentee was still entitled to stand on its patent and to say to the party claiming invalidity, "you prove your objections and show that it is invalid".

Pfizer did not appeal the 2003 decision and Justice Potter found that it had therefore accepted the principles of pleading set forth in that judgment.


In response to Pfizer's revised answers (filed in May 2004), Justice Potter agreed with the defendants' submissions that Pfizer did not include fully particularised answers to each and every allegation, rather the answers were "evasive, containing bare denials to many of the detailed particulars of objection pleaded by the defendants."

In short, Pfizer's answers did not meet "the clear spirit and intent" of the earlier judgment and were in many respects "an attempt effectively to circumvent that judgment."

Justice Potter did not accept the suggestion from Pfizer that the burden of proof on the defendants provided a justification for denying the particulars sought.

On the question of 'what must be pleaded to meet the principles stated in the 2003 judgment?' Justice Potter noted that, although the onus of proof was carried by the defendants, the patentee nevertheless must plead to meet the case put forward and to narrow the issues for trial.

She found that Pfizer had "rather overstated the case" in contending that it was being required to reveal its closing argument: "Pfizer is being required to provide specific answers and identify specific documents. Argument in relation to them and to issues of construction can properly be developed at trial."

 **Need more information?** For more information on patent related matters, please email or call [Kristy Newland](#) on 64 9 916 8785

Patents - collocations as inventions: The House of Lords' decision in *Sabaf SpA v MFI Furniture Centres Ltd*

The House of Lords' decision in the Sabaf case provides guidance on the patentability of collocations (combinations of known features).

This claim for patent infringement concerned a type of burner for gas cookers and hobs.

At first instance, Justice Laddie had held that the patent was invalid, as he considered that both of the alleged inventive features were obvious in light of the prior art.

The alleged inventive features were:

1. the drawing of primary air in from above the hob unit; and
2. the use of a flow path under the flame spreader in which the "Venturi effect" would be present. (The Venturi effect is the increase in pressure that results from slowing down the stream of gas.)

According to Justice Laddie, it would have been obvious to the skilled person to:

- a. use a radial Venturi to attain the desirable goal of a low hob unit for use on a work surface;
- b. have an air intake which intruded into the space beneath the hob but to take the air from above.

On the basis of these findings, Justice Laddie applied what he called the "law of collocation" as formulated by Lord Tomlin in *British Celanese Ltd v Courtaulds* (1935) 52 RPC 171, 193:

"... the mere placing side by side of old integers so that each performs its own proper function independently of any of the others is not a patentable combination, but that where the old integers when placed together have some working inter-relation producing a new or improved result then there is patentable subject-matter in the idea of a working inter-relation brought about by the collocation of the integers."

The UK Court of Appeal, however, did not favour Justice Laddie's references to the "law of collocation".

They regarded them as an illegitimate gloss on section 3 of the Patents Act 1977 (UK) which states that an invention is to be taken to involve an inventive step if:

"... it is not obvious to a person skilled in the art, having regard to any matter which forms part of the state of the art ...".

Lord Gibson said:

"[I]t seems to us inevitable that in a case said to involve a mere collocation of two known concepts, the question is whether it will be obvious to the skilled man, using his common general knowledge, to combine those concepts."

However, the House of Lords disagreed, saying that the approach of the Court of Appeal was contrary to well-established principles both in England and at the European Patent Office.

While the Lords agreed that there is no "law of collocation" in the sense of a qualification, or gloss upon or exception to, the test for obviousness stated in section 3 of the UK Act, they said that before you can ask whether an invention involves an inventive step, you first have to decide what the invention is.

Lord Hoffmann, delivering the judgment with which the other four Lords agreed, stated:

"In particular, you have to decide whether you are dealing with one invention or two or more inventions. Two inventions do not become one invention because they are included in the same hardware. A compact motor car may contain many inventions, each operating independently of each other but all designed to contribute to the overall goal of having a compact car. That does not make the car a single invention."

It is clear from the judgment, that the way to decide whether there is a single invention is to determine whether the two elements interact upon each other:

" . . . if there is synergy between them, they constitute a single invention having a combined effect and one applies section 3 to the idea of combining them. If each integer "performs its own proper function independently of any of the others", then each is for the purposes of section 3 a separate invention and it has to be applied to each one separately."

On this basis, the House of Lords found that Justice Laddie had correctly applied the relevant legal principles and that the patent was indeed invalid.

We anticipate that this decision will be followed in New Zealand, particularly as it is consistent with current practice in this area.

 **Need more information?**

For more information on patent related matters, please email or call [Garry Williams](#) on 64 9 916 8661.

Copyright: High Court grants interim injunction in *Holdfast* packaging case

Henkel, a German multinational producer of adhesives, obtained a declaration that Holdfast, a New Zealand producer of adhesives, had infringed its copyright in the artistic works in its packaging. It also obtained an injunction restraining Holdfast from further infringing its copyright.

In May 2002, Holdfast started to package its product under the name "Super Bonder" using a design copied from the Henkel's "Super Bonder" product which it had seen at a trade fair.

Henkel issued proceedings in the High Court alleging breach of copyright, passing off and breach of the Fair Trading Act. The proceedings were settled when Holdfast provided an undertaking without admission of liability to stop using packaging incorporating the Blue Image Design.

In August 2002, Holdfast re-launched the product under the name "Ultra Bonder" in packaging that it had instructed a graphic designer to create based on the old "Super Bonder" packaging, the packaging copied from Henkel's design.

In May 2003, the proceedings discussed here were issued, separate to an independent claim for breach of undertaking.

Counsel agreed that *PS Johnson & Associates Ltd v Bucko Enterprises Ltd* [1975] established that there were four questions that were required to be answered in such a claim:

- *Did the plaintiff have works in which copyright could subsist?*
- *Did copyright subsist in the plaintiff's works?*
- *Did the plaintiff own the copyright?*
- *Had the defendant infringed that copyright?*

Initially, Henkel argued that the packaging was either a literary or an artistic work in terms of section 2 of the Copyright Act 1994. Justice Harrison concluded that the Blue Image Design was an artistic work on the basis of unchallenged evidence from an Italian design company contracted by the plaintiff.

Counsel accepted that the essential criterion for attracting copyright in terms of section 14 of the Copyright Act 1994 is originality. To qualify as original, a work must possess two characteristics (para 17 of the judgment): The work does not have to be the expression of original or inventive thought but rather to simply originate from its maker. The law protects the manner of expression.

The work must be the product of the maker's own labour, skill and capital. The maker's expenditure must be sufficient (meaning more than minimal) to vest in the product the character or quality which the raw materials or component parts did not possess, thereby providing a point of differentiation.

Justice Harrison concluded in relation to point (b) that proof of the sufficiency of the maker's expenditure could be derived from viewing the preliminary work, without resort to time sheets and actual hours of attendance.

Holdfast's counsel argued that the packaging itself was not an original work, representing merely a copy of the design company's work.

The central point of this argument was that Henkel ought to have produced evidence of differences between the designs and the actual packaging to make the packaging itself an original work.

Justice Harrison concluded that this was unnecessary, as any differences could be determined through direct observation.

The copyright Act states that where a person commissions and pays or agrees to pay for the making of an artistic work and the work is made in pursuance of that commission then the commissioning party is the owner (Copyright Act 1994, s 21(3)).

Justice Harrison considered that Henkel's design company was effectively a sub-contractor and that Henkel was the first owner of the artistic works. The judge observed that it was not necessary to prove a complete identity between the plaintiff's original work and the defendant's allegedly copying work in order to constitute infringement by reproduction.

The relevant requirements were set out by the Court of Appeal in *Wham-O MFG Co. v Lincoln Industries Ltd* [1984] 1 NZLR 641 at 666:

The reproduction must be either of the entire work or of a substantial part;

There must be sufficient objective similarity between the infringing work and the copyright work, or a substantial part thereof; and

There must be some causal connection between the copyright work and the infringing work. The copyright must be the source from which the infringing work is derived.

Following this, the enquiry is purely factual. On the first and second requirements, expert evidence was called by both parties. The answer to the third requirement lay in the fact that the defendant admitted to using the Henkel's packaging as a base for its own design.



Need more information?

For more information on copyright infringement, please email or call [Sarah Houghton](#) on 64 9 916 8661.

Trade marks: The registration of surnames in New Zealand

Are common surnames insufficiently distinctive to be registered as trade marks? We consider what the New Zealand practice is likely to be in light of the UK decision in Nicholls v Registrar of Trade Marks.

The definition of “sign” in section 5 of the Trade Marks Act 2002 (**Act**) includes “a brand, colour, device, heading, label, letter, name, numeral, shape, signature, smell, sound, taste, ticket, or word.”

Given that “name” is included in the definition of “sign” in the Act, surnames are potentially registrable as trade marks.

Yet it is common practice for the Intellectual Property Office of New Zealand (**IPONZ**) to object to registration of a surname as a trade mark on the basis that the name is a common surname in New Zealand. The rationale is that a mark which is a common surname in New Zealand is insufficiently distinctive for registration.

However, IPONZ may follow a recent European Court of Justice decision on the registrability of surnames. If this decision is followed, IPONZ may change its policy on the level of distinctive character required for surnames to be registrable as trade marks in New Zealand.

Common surnames prima facie not registrable in New Zealand

Under section 18(1)(b) of the Act, a trade mark that has no distinctive character is not registrable. Where IPONZ considers a surname is common, it will object to registration on the basis that the surname has no distinctive character.

IPONZ currently assesses how common a surname is in New Zealand by checking the number of occurrences of that surname in the New Zealand Electoral Roll.

A surname which has no other meaning will be prima facie not registrable if it occurs over 40 times in the New Zealand Electoral Roll. A surname which has a better known meaning (e.g. “Baker”, “Brown” or “Young”) will be prima facie not registrable if it occurs over 120 times in the New Zealand Electoral Roll.

European Court of Justice says criteria for registering surnames should be no different to criteria for other marks

In a recent case *Nichols plc v Registrar of Trade Marks* (16 September 2004, Case C-404/02), the High Court of England and Wales sought clarification from the European Court of Justice on the distinctiveness of surnames as trade marks.

The European Court of Justice held that the criteria for assessing the distinctive character of a trade mark consisting of a surname should be no different from that applicable to any other category of mark.

Therefore, a stricter general criteria of assessment such as whether there is a predetermined number of people with the same name, above which that name may be regarded as devoid of distinctive character, cannot be applied to surname trade marks.

Will IPONZ change its policy on registering surnames?

If IPONZ follows the European Court of Justice decision in the *Nichols* case, surnames will not be refused registration solely on the basis that the surname appears a certain number of times on the New Zealand Electoral Roll.

As with other categories of marks, it would consider whether the surname is capable of distinguishing the goods or services of one trader from the same or similar goods or services provided by other traders, irrespective of how many times the surname appears on the New Zealand Electoral Roll.



Need more information?

For more information on trade marks, please email or call [Katy Holt](#) on 64 4 915 6946.

Trade Marks: The registrability of shapes in New Zealand

The recent High Court decision in Fredco Trading Ltd v Robert Peter Miller is the first New Zealand decision under the Trade Marks Act 2002 (the Act) that considers the registrability of shapes as trade marks in New Zealand.

This case involved an application to revoke a trade mark registration for the shape of a plastic vine tie (pictured) under section 73 of the Act.



The applicant (Fredco) was a trade competitor of the respondent (Miller).

Background

In the early 1980s, Miller designed and sold a plastic vine clip for use in kiwifruit orchards under the KLIPON brand. The KLIPON tie dominated the market and Miller sold over one billion clips.

The only other product on the New Zealand market with a similar function was a vine tie manufactured by Illinois Tool Works Incorporated (ITW) which looked different to the KLIPON tie.

In June 2002, Fredco started selling vine ties manufactured in China that were virtually identical to the KLIPON tie.

On 25 July, Miller filed for a shape mark application in New Zealand. The Intellectual Property Office of New Zealand (IPONZ) initially objected to the application on the grounds that the mark was not distinctive.

However, after considering Evidence of Use filed with the application, the application was accepted on 7 August 2003 on the basis of "use claimed".

On 23 August 2002, Miller began High Court proceedings against Fredco for passing off, breach of the Fair Trading Act and trade mark infringement. Fredco, in turn, challenged the validity of Miller's trade mark registration.

Grounds for invalidity application

Fredco sought invalidity on the following grounds:

- The sign is not a trade mark: (18(1)(a));
- The trade mark has no distinctive character: (18(1)(b));
- The trade mark consists only of a sign that serves in trade to designate the intended purpose and characteristic of the goods: (18(1)(c));
- The trade mark consists only of a sign that has been customary in the bona fide and established practices of trade: (18(1)(d)).

Fredco accepted that it had to bear the onus of proving that the mark was not a trade mark. It was also accepted that while the registration is prima facie evidence of validity, a presumption of validity is not created.

In support of the application, Fredco submitted expert evidence that the mark was entirely functional and devoid of brand or trade mark significance.

Miller in turn filed evidence from a marketing professor, business consultants and managers and people from within the trade that although the shape of the vine tie was primarily functional, the fact that there were other vine ties on the market (namely the ITW tie), which had different features indicated that the "swan-neck and rectangular end shapes" were elaborate design features which

were not central for the functionality of the tie and therefore, distinguished the shape from other ties.

While the tie was used with KLIPON, Miller produced evidence that the shape of the tie and KLIPON were “inextricably linked” as consumers immediately associated the shape with KLIPON.

Overwhelming evidence was also submitted from the orchid trade that established that consumers associated the shape of the tie with Miller’s products.

Justice Venning held that the phrases to “have distinctive character” and of “being capable of distinguishing” under section 18(1)(b) meant two different things.

If this were not so, he stated that section 18(1)(b) would be redundant and this was not the draftsman’s intention. Therefore, in his view, section 18(1)(b) was applicable to marks which lack inherent distinctive character. Such marks can only be registrable if they can acquire distinctiveness through use.

While the tie had features not solely functional he held that because the essential shape was determined largely by functional considerations – for example, its length, diameter of clip mechanism, and wire – the shape mark was not registrable inherently.

He then considered whether the registration was saved by section 18(2), which states:

The Commissioner must not refuse to register a trade mark, if before the date of application, as a result of either use made of it or of any other circumstances, the mark has acquired a distinctive character.

Justice Venning took into account the following factors in reaching the view that the shape was eligible for registration:

- sales of over a billion units of ties over a 24-year period;
- 24 years of use;
- only Miller’s ties used the shape (other than the brief use of the shape by Fredco);
- the marketing and promotion of the shape as an identifying feature of the ties;
- the overwhelming evidence of recognition from consumers which established that the shape was used to identify the ties;
- the clear education of consumers by the respondent that the shape was a trade mark;
- there were other alternative shapes available to other traders and competitors for ties without copying the respondent’s tie shape;
- the aesthetic component of the shape mark, namely the “swan neck” feature;
- while the shape mark is used with the KLIPON brand, evidence established that the market and consumers related the tie shape to KLIPON rather than the other way round; the product was recognised by its shape first.

As such, the registration was allowed to remain on the Register.

In summary, the decision indicates that as long as distinctiveness of a shape mark can be established through long use, clear marketing and promotion as having trade mark significance and as long as consumers have been educated into recognising the shape as a trade mark, and if the shape has some aesthetic quality, no matter how functional the shape is, it will be considered to be eligible for trade mark registration.



Need more information?

For more information on the registration of shape marks, please email or [Jeanette Singh](#) on 64 9 916 8352.

Patents: The Court of Appeal's decision in *Peterson Portable Sawing Systems*

Peterson Portable Sawing Systems v Lucas (4 March 2005, CA 64/03 and CA 97/03, Anderson P and McGrath and Glazebrook JJ) was an unsuccessful appeal by Mr Peterson and his company against a High Court decision that they infringed Lucas' patent for a portable sawmill, rejecting Peterson's claims that the patent was invalid. Surprisingly, the decision took nearly a year to issue from the date of hearing.

Mr Lucas, an Australian, had developed the Lucas mill in response to competition from an American-designed apparatus known as the "Lewis mill". The claim for novelty of the Lucas portable sawmill centred on a moving device for raising in unison the two parallel rails along which the saw mechanism ran.

Mr Lucas filed a provisional patent for the Lucas mill in the Australian Patent Office on 24 March 1994. The following April, Mr Peterson visited Mr Lucas, who allowed him to photograph the Lucas mill and gave him with a copy of the provisional patent specification.

Shortly afterwards, Mr Peterson began marketing successive new designs in New Zealand with significant points of similarity to the Lucas mill. In 1999, the Lucas interests sued Mr Peterson and his company in New Zealand for patent infringements and for breach of the Fair Trading Act.

High Court decision

The principal issues in the High Court were challenges to the validity of the patent, alleging lack of novelty and obviousness.

Section 41(1)(e) of the Patents Act permits a Court to revoke a patent on the ground that the invention is not new having regard to what was known or used before the priority date of the claim in New Zealand.

Similarly, section 41(1)(f) allows the Court to revoke a patent on the ground that the invention is obvious and does not involve any inventive step based on what was known or used before the priority date of the claim in New Zealand.

Justice Fisher upheld Lucas's claim for infringement. On the allegation of lack of novelty, Justice Fisher canvassed the orthodox principles for interpreting patent specifications and then went on to consider the new Peterson designs in issue in light of the previous Peterson design and then against the Lewis and other mills. As a matter of fact, the judge found that the Lucas patent was not open to challenge on the basis that it lacked novelty.

On the allegation of obviousness, the judge held that the starting point for determining obviousness is the four-stage analysis set out in *Windsurfing International Inc v Tabur Marine (Great Britain) Ltd* [1985] RPC 59 at 73, namely:

"The first [step] is to identify the inventive concept embodied in the patent in suit. Thereafter, the court has to assume the mantle of the normally skilled but unimaginative addressee in the art at the priority date and to impute to him what was, at that date, common general knowledge in the art in question. The third step is to identify what, if any, differences exist between the matter cited as being "known or used" and the alleged invention. Finally, the court has to ask itself whether, viewed without any knowledge of the alleged invention, those differences constitute steps which would have been obvious to the skilled man or whether they require no degree of invention."

The judge then went on to identify supplementary principles, including the important principle that the mere fact that the claim is merely an improvement to a product already on the market does not preclude an inventive step (*Hickman v Andrews* [1983] RPC 147 at 149).

Applying these principles, Justice Fisher found that the Lucas mill survived the obviousness challenge by bringing together in one mill, for the first time, a series of advantages which combined lightness,

ease of assembly, open access through the end-frames and speed of operation. In reaching his conclusion, the judge preferred the expert evidence of the respondent's witnesses over that of the appellants.

In summary, Justice Fisher found that none of the challenges to validity were sustainable and that the Peterson designs infringed the Lucas patent and that both Mr Peterson and his company were liable for infringement. Mr Peterson and his company appealed.

Court of Appeal Decision

In the Court of Appeal, the appellants challenged all aspects of the High Court decision. In dismissing the appeal, the Court endorsed the orthodox principles of the interpretation of patent specifications and the assessment of obviousness as set out by Justice Fisher.

The Court concluded that, though the concepts of obviousness and novelty may be subtle when expressed abstractly or when applied to a particular case, there was no basis for assuming that the High Court had misunderstood these.

It agreed with Justice Fisher that the inventive concept in Lucas' patent was a simple but not obvious combination of known factors, noting that the question of whether the Lucas mill was anticipated or obvious was one of fact, and the appellants had not met their onus of satisfying the Court that the High Court was wrong in its conclusion, either through applying wrong tests or because of an absence of an adequate evidential basis for the conclusions. In doing so, the Court emphasised that the crucial test in assessing inventiveness is the statutory expression examined in terms of the orthodoxy of *Windsurfing*.

The Court of Appeal also confirmed the High Court's finding that Mr Peterson as the principal of the Peterson company was personally liable as a joint tortfeasor for participating in a common design with the company.

Comment

Patent decisions at the Court of Appeal level are few and far between, and this judgment is interesting as it represents a modern high-level endorsement of orthodox principle in relation to the interpretation of patent specifications and issues of inventiveness and as it provides a reference summary of orthodox principle.



Need more information?

For more information on patent invalidity, please call [Daisy Bell](#) on 64 9 916 8372.

Trade marks: ABN AMRO granted injunction

The ABN case provides an interesting insight into the meaning of “identical sign” when assessing trade mark infringement. It also covers a number of procedural issues that are important to consider when ex parte injunctive relief is to be sought.

In the case of *ABN Amro Holdings NZ v ABN Treasury Management Limited*, an application was made by ABN Union Treasury Management Limited and ABN Union Building Society (the ABN Union entities) to rescind an *ex parte* injunction granted to ABN Amro Holdings NV and ABN Amro New Zealand Limited (the ABN Amro entities).

ABN Ambro Holdings NV is the registered proprietor in New Zealand of the trade marks ABN AMRO and ABN in relation to a wide range of financial services and ABN Amro New Zealand Limited is a licensee of those trade marks in New Zealand.

The ABN Amro entities had obtained an *ex parte* injunction restraining the ABN Union entities from using the ABN trade mark or any similar mark in New Zealand in any form, on or in relation to banking, financial or commercial services or any of the other services for which ABN is registered and on or in relation to similar goods or services.

The ABN Union entities sought to rescind the *ex parte* injunction on three grounds:

- the disclosure made on the *ex parte* application was inadequate;
- there was no seriously arguable case of trade mark infringement; and
- the balance of convenience favoured the ABN Union entities because the ABN Amro entities would not suffer significant loss if the ABN Union entities continued their operation.

Justice Heath found on the disclosure issue that adequate disclosure had been made. He did comment however that it is preferred practice to follow the *Pickwick* procedure especially in a case such as this where the solicitors for the ABN Amro entities were aware that a solicitor had been instructed by the ABN Union entities.

In the *Pickwick* procedure, the solicitors for the plaintiffs in an *ex parte* injunction application serve the solicitors for the defendants with the documents that relate to the application just prior to the application being heard.

However, he did not make a serious criticism as Justice Priestley had not required the *Pickwick* procedure to be followed when hearing the initial injunction application.

The case is interesting due to the second ground advanced by the ABN Union entities for the rescindment of the *ex parte* injunction - that is, the issue of whether there was a seriously arguable case of trade mark infringement.

Justice Heath adopted the well-known test set out in the *Klissers case (Klissers Farmhouse Bakeries Limited v Harvest Bakeries Limited [1985] 2 NZLR 129 (CA))*. He reached the conclusion that there was a serious issue to be tried – whether or not the ABN Union entities were infringing the ABN trade mark in New Zealand.

An interesting argument advanced on this issue was identifying what the “sign” was in this case. The ABN Union entities’ solicitors argued that the “signs” used by the ABN Union entities were different to the ABN trade mark per se and that there was no arguable case that the ABN Union entities were using an identical sign and therefore that there was no arguable case of trade mark infringement.

In support of this argument, the solicitors for the ABN Union entities relied on several English cases which in turn relied upon European jurisprudence.

In particular, one decision – *Reed Executive Plc v Reed Business Information Limited [2004] RPC 41* – was relied on. In that case, it had been held that “Reed Business Information” was not identical to the registered trade mark REED.

However, in this case, Justice Heath declined to follow that approach and followed the New Zealand Court of Appeal's approach in *Anheuser-Busch Inc. v Budweiser Budvar National Corporation* [2003] NZLR 472 (CA), where the Court took the view that use of BUDWEISER BUDVAR was use of the registered trade mark BUDWEISER and the additional features used with it did not obscure that identity.

On this basis, Justice Heath concluded that use by the ABN Union entities of the initials ABN would tend to lead a participant in the New Zealand financial markets to draw an immediate link with the ABN Amro entities so that there was a seriously arguable case that the ABN Union entities were infringing the ABN trade mark in New Zealand.

On the issue of the balance of convenience, Justice Heath again decided in favour of the ABN Amro entities on the basis that the ABN Union entities had no prior business connection in New Zealand and that the administrative arrangements for the secretariat of the ABN Union entities in New Zealand was put into place in a muddled fashion which may be detrimental to ABN Amro's goodwill if an association was drawn with the ABN Amro entities.

He also found scant evidence that the ABN Union entities would suffer loss due to the injunction being issued but that the potential damage to ABN Amro was significant.

Although ABN Union sought by way of counterclaim to set aside the registration of the ABN trade mark, Heath J noted that a trade mark search was conducted by the ABN Union entities before forming the ABN Union companies and therefore they had chosen to enter the market with knowledge of the potential problems arising from the use of the initials ABN.

He was not persuaded by an argument that ABN was potentially unregistrable as a trade mark on the basis that the letters were used to abbreviate "Australian Business Number".

Accordingly, the ABN Union entities were not successful in rescinding the *ex parte* injunction.

The case serves as a reminder to counsel acting in *ex parte* injunction applications of the need for thorough disclosure of all relevant material to the Court, and of the desirability, especially where it is known that the defendant has legal counsel, of adopting the *Pickwick* procedure to enable the defendant an opportunity, albeit a limited one, to be heard.

Ignoring these issues will simply provide an avenue for challenge by the defendant in the event of the granting of the injunction.

From a trade mark law perspective, the case supports earlier New Zealand jurisprudence that the addition of descriptive or other non-distinctive matter to a trade mark does not obscure the identity of a sign.

The case is also a reminder that the Courts will not view sympathetically an application made by a party which does not come to the court with clean hands – the ABN Union entities had proceeded in full knowledge of the existing ABN trade mark registration.

Need more information?

For more information on trade mark related matters, please email or call [Colleen Cavanagh](#) on 64 4 915 8646.

Trade marks: The *Valleygirl* judgment

The Valleygirl decision analysed the law on the proprietorship of trade marks in New Zealand and confirmed the orthodox view that the starting point is that there is no prohibition on a trader registering a foreign mark for use in New Zealand, where there has been no prior use of the mark in New Zealand.

This was an appeal of a decision by the Assistant Commissioner of Trade Marks which said that the appellant's application for the trade mark VALLEYGIRL not proceed to registration.

The questions to be determined by the appeal were whether the Assistant Commissioner had erred in finding that:

- (a) the respondents had a reputation in the mark VALLEYGIRL in New Zealand on or before the application date;
- (b) use of the VALLEYGIRL mark by the Appellant in New Zealand was likely to deceive and cause confusion in the relevant market; and
- (c) the respondents, rather than the appellant, were the true proprietors of the trade mark.

The respondents owned and used the trade mark VALLEYGIRL in Australia for clothing and accessories. The business was substantial and the mark had been in use there since 1996.

The sole director of the appellant had formerly supplied garments and materials to the respondents until about December 2002. Shortly after that relationship ended, the appellant applied for registration of the mark VALLEYGIRL in New Zealand for "retail clothing".

Justice Miller held that:

- (1) The respondents had established the necessary awareness of their mark in New Zealand, based on the nature and extent of its use in Australia and the travel statistics showing the numbers of travellers between New Zealand and Australia upon which they relied.
- (2) Because the marks were identical, any person who was aware of the Australian mark was likely to be confused or deceived on seeing the appellant's proposed mark in New Zealand.
- (3) Evidence of confusion after the priority date may be strongly probative of likely confusion.
- (4) The Assistant Commissioner's conclusion that registration of the appellant's mark would be likely to cause confusion or deception was open to her.
- (5) An advertisement placed by the respondents in the Australian magazine 'Dolly' was not sufficient to establish prior use of the mark in New Zealand as it was directed to the Australian market and not the New Zealand market.
- (6) The respondents' alleged intention to offer goods under the mark VALLEYGIRL at some indefinite future time was not sufficient to establish a sufficiently definite intention to use the mark. There was no evidence that the respondents were ready and willing to respond to orders in New Zealand at the priority date. Accordingly, the respondents failed to establish proprietorship in New Zealand at the application date.
- (7) The appellant failed to establish proprietorship, but for the reason that there was no evidence that the appellant used or intended to use the mark in New Zealand at the application date and not, as the Assistant Commissioner found, because the respondents had established proprietorship in New Zealand.
- (8) The starting point when determining whether a trade mark application has been made in bad faith in the circumstances that were before the court is that there is no prohibition on a trader registering a foreign mark for use in New Zealand, where there has been no prior use of the mark in New Zealand. Accordingly, something more than appropriation of a foreign

mark must be shown in order to establish bad faith. Since that is all the respondents could point to, their objection to the appellant's claim to proprietorship failed so far as it was based on bad faith or breach of duty.

(9) The appeal should be dismissed.



Need more information?

For more information on matters related to trade marks, please call [Garry Williams](#) on 64 9 916 8661.

Copyright: Authorising infringement – The *Spantech* decision

The High Court clarifies just what will amount to authorising a copyright infringement in the context of commissioning the manufacture of an article, in this case a building.

In the *Spantech* case, Heinz Wattie's Ltd ("Heinz Wattie") sought summary judgment against the plaintiff, Spantech Pty Ltd, and an order striking out certain claims for losses alleged to have been suffered by the plaintiff.

Background facts

Spantech had designed and built a number of potato storage installations for Heinz Wattie in 1998. In 1999, Heinz Wattie requested that Spantech submit an offer to build a further potato storage facility.

However, a significantly lower offer for the project was also submitted by BMP Contracts Ltd. Spantech was given the opportunity to lower its quoted price but refused to do so.

As a result, Heinz Wattie and BMP Contracts Ltd entered into a contract for the construction of the new potato storage facility. By letter, Heinz Wattie informed BMP Contracts Ltd that the specifications for the facility were to be "as per the adjacent potato stores" (i.e. the ones designed and constructed by Spantech).

Spantech's claim against Heinz Wattie was, in essence, that Heinz Wattie had authorised the infringement of its copyright in the designs of the potato storage installations it had built for Heinz Wattie in 1998.

Spantech alleged that Heinz Wattie infringed its copyright in the designs of its potato storage facilities by:

- (a) entering into the contract with BMP Contracts Ltd, and directing that the specifications of the relevant potato storage facility be "as per the existing adjacent potato stores"; and
- (b) assisting and approving the construction of the potato storage facility.

Spantech's pleading also included a claim for the consequential loss it alleged it had suffered as a result of Heinz Wattie's authorisation of the copyright infringement.

Heinz Wattie's arguments

On the question of whether it had "authorised" the infringement, Heinz Wattie argued (relying on the well-known case of *CBS Songs Ltd v Amstrad Consumer Electronics Plc* (1988) 11 IPR 1) that it had not authorised the infringement because there was no explicit or implicit grant of authority to BMP Contracts Ltd to copy the buildings Spantech had designed and in which it claimed copyright.

On the consequential losses that were alleged to have arisen out of Heinz Wattie's authorisation of the copyright infringement, Heinz Wattie asserted that Spantech's pleading gave no indication as to how the losses were connected to the alleged authorisation, that it was impossible to establish a causal connection between its alleged infringement and the damages claimed by Spantech and therefore the relevant parts of the pleading should be struck out.

Spantech's arguments

Spantech asserted that the term "authorise" in the copyright context means to "sanction, approve, and countenance". It argued that by contracting BMP Contracts Ltd to build the potato installation with "specifications as per the existing adjacent potato stores", Heinz Wattie had sanctioned, approved and countenanced the copyright infringement.

Spantech relied on *Standen Ltd v Spalding & Sons Ltd* [1984] FSR 554 in which Justice Falconer stated:

But I must say at this stage that it seems to me that where a dealer places with a manufacturer-supplier an order for the supply of a quantity of a particular article and the articles are made and supplied to that order, it is impossible to say that the dealer has not authorised the making of those articles. By placing the order he has approved and sanctioned their making; further his order has supplied the element of causation referred to by Kearney J in that passage I quoted from the *R.S.A.* case and the necessary element of control is present since he can place or withhold his order - in the words of Gibson J in the *Moorhouse* case, he has some power to prevent the making of the article in question.

Spantech contended that *Standen Ltd v Spalding & Sons Ltd* was authority for the proposition that a copyright infringement would be authorised in circumstances where the defendant asks another person to make something, the making of which amounts to a copyright infringement.

On the application to strike out that part of the pleading relating to its claims for the consequential losses, Spantech submitted that as it intended to file an amended statement of claim which would deal with the question of damages, the claims should not be struck out.

The decision

In his decision on Heinz Wattie's application for summary judgment, Associate Judge D. Gendall referred to the case of *Pensher Security Door Co Ltd v Sunderland City Council* [2000] RPC 249.

In that case, the English Court of Appeal held that a defendant who had commissioned another person to build a door, similar in appearance and materials to a door in which the plaintiff had copyright, had authorised the subsequent infringement. Counsel for the appellant made similar arguments to those put forward by counsel for Heinz Wattie in this case.

The English Court of Appeal, having considered the cases which defined the term "authorise", concluded:

A person who commissions another to produce a part, such as a spare part for a sugar beet harvester, does impliedly purport to grant him the right to make it and thus authorise its production. That is what happened in this case. The Council ordered Pensher PS 1000 doors. Nouveaux Products offered to make an alternative. The Council saw the design, knew that it was similar and approved the design and supply. I accept they never said "You can copy the Pensher door", but they commissioned the manufacture of a particular design of door, thereby sanctioning and impliedly purporting to grant the right to manufacture a door to that design. They had required Pensher PS 1000 doors and they authorised manufacture of an alternative.

In light of the striking similarity between the facts of the case before him and those in the *Pensher* case, Associate Judge Gendall was satisfied that it was clearly arguable that Heinz Wattie, in commissioning BPM Contracts Ltd to build a potato store with "specifications as per the existing adjacent potato stores", impliedly, at least, purported to grant it the right to manufacture a potato store to that design.

Accordingly, he was not satisfied that Heinz Wattie could establish that Spantech's claim was "clearly hopeless" or that it had a "clear answer to the plaintiff which could not be contradicted".

In relation to Heinz Wattie's application to strike out that part of the statement of claim relating to the alleged consequential losses suffered by Spantech, Associate Judge Gendall regarded the pleading to be deficient but capable of being repaired.

As Spantech was willing and intended to make the necessary amendments to its pleading, he was not prepared to take the significant step of striking out that part of the pleading. He also made reference to *Whitman v Airways Corp of New Zealand Ltd* which indicates that strike out applications which do not dispose of the entire case are generally inappropriate.

This case is significant as it clarifies just what conduct will amount to authorisation of copyright infringement. As can be seen from the result, it will be enough to sanction or impliedly purport to

grant the right to manufacture an article where it is alleged that the manufacture of that article amounts to a copyright infringement.



Need more information?

For more information on copyright infringement, please email or call [Garry Williams](#) on 64 9 916 8661.

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