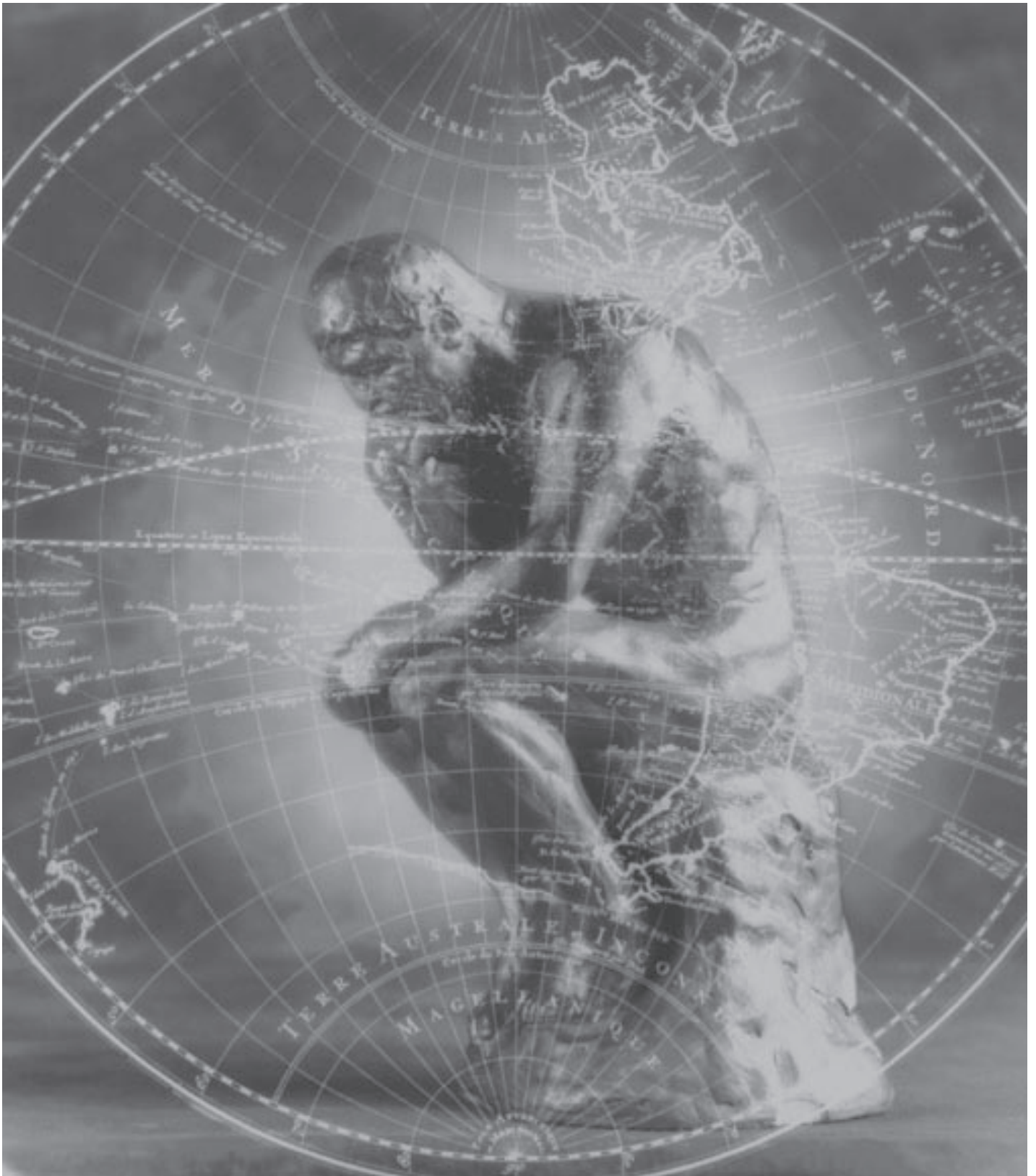


Intellectual Property Update

NOVEMBER 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:

- Copyright: Punishing the pirates – personal liability for company directors.
- Copyright: The crack-down on Bollywood film piracy
- Trade marks: Registrability of shape marks in New Zealand: the *Lifesaver* decision
- Trade marks: UK Trade Marks Office finds ALEX FERGUSON to be devoid of distinctive character
- Patents: The meaning of opposing the grant of a patent – s42(1) of the Patents Act 1953 – *Lacme v Gallagher Group*
- Trade marks: The meaning of “genuine use” in the context of applications to revoke for non-use - *Laboratories Goëmar SA v La Mer Technology Inc*
- Copyright: Pleading copyright infringement in relation to TV programme formats – The *Ghosts are Real* case
- Copyright: The defences of fair dealing for the purposes of criticism or review and incidental inclusion – *Fraser-Woodward Limited v British Broadcasting Corporation*
- Copyright: The inter-relationship of the Copyright Act 1994 and the Fair Trading Act 1986: *World TV Limited v Best TV Limited*

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](#) on 64 9 916 8925, [Ian Gault](#) on 64 9 916 8967 or [Garry Williams](#) 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.*

Punishing software pirates – personal liability for company directors – *Microsoft Corporation v Ezy Loans Pty Ltd* and *Microsoft Corporation v TYN Electronics Pty Ltd*

In these two recent cases brought by Microsoft in Australia Microsoft sued not only the companies selling pirate software but also the directors of those companies responsible for their operations. In addition to other relief and damages for copyright infringement, Microsoft sought and obtained very significant awards of damages against the directors personally.

In the *Ezy Loans* case, Ezy Loans Pty Ltd (“Ezy Loans”) carried on the business of selling computer products, including second-hand computers which it prepared for sale by wiping the hard drive and installing additional memory and software. Microsoft claimed that Ezy Loans was duplicating its copyright Windows and Office programs onto the hard drives of computers without a licence. Mr Davis was a director of Ezy Loans and typically bought the second-hand computers at auction. Microsoft alleged that the unauthorised installation of its software on those computers was then carried out with his knowledge and under his auspices. Microsoft sued both Ezy Loans and Mr Davis for copyright infringement, trade mark infringement and breach of the Trade Practices Act (the Australian equivalent of the Fair Trading Act).

The Court essentially accepted Microsoft’s substantial evidence regarding the unauthorised installation of its software on the computers sold by Ezy Loans. Mr Davis’s evidence that the copies of Microsoft’s programs were permitted backup copies of licensed products was rejected. The Court found copyright infringement. It also found infringement of Microsoft’s registered trade marks which were found on copies of the programs installed by Ezy Loans on the second-hand computers.

In its Trade Practices Act claim Microsoft alleged that in selling computers loaded with unauthorised software Ezy Loan misrepresented that the copies were made with Microsoft’s permission, that Ezy Loans was entitled to provide them to purchasers, and that purchasers were entitled to use them. This claim also succeeded.

Microsoft claimed that in addition to Ezy Loans, Mr Davis was also liable personally, as the person who had authorised the relevant infringements and breaches. The Court found that he was personally and closely involved in the conduct of Ezy Loans’ business; was its guiding hand and controlling mind; authorised the relevant conduct; and was liable for the conduct of the company. Both Ezy Loans and Mr Davis were accordingly found liable for breach of copyright, infringement of trade marks, and misleading and deceptive conduct.

The Court made wide-ranging orders, including in particular:

- an injunction permanently restraining Ezy Loans and Mr Davis from any further unauthorised reproduction of Microsoft’s products.
- an order that all infringing copies, and any equipment used to make infringing copies, be delivered up to Microsoft’s lawyers.
- an award of compensatory damages of more than AUD\$220,000 against Mr Davis, and AUD\$20,000 against Mr Davis and Ezy Loans jointly and severally, based on the net amount that Microsoft would have received from licence fees for each copy of Microsoft Windows and Office supplied.
- an award of additional damages of AUD\$300,000 against Mr Davis, and AUD\$50,000 against Mr Davis and Ezy Loans jointly and severally, for the flagrancy of the copyright infringement and benefit gained from it, to send a clear signal of the Court’s disapproval of their conduct.

In the *TYN Electronics* case, Tyn Electronics Pty Limited (“Tyn Electronics”) carried on business as a wholesaler of electronic hardware and software. By the time of the trial Tyn Electronics was in liquidation. Its sole director was Mr Ngat Doan. Microsoft claimed that Tyn Electronics had

reproduced Microsoft programs without licence and had on-sold them in breach of copyright, and was also infringing Microsoft's trademarks.

The first part of the claim involved Windows Millennium Edition software. Microsoft claimed that Tyn Electronics had copied Windows ME software onto some 300 CDs which were marked "Backup CDs" and then sold them (primary copyright infringement), or had obtained those CDs from elsewhere and then sold them when it ought to have known that they infringed Microsoft's copyright (secondary copyright infringement). Microsoft was unable to prove to the Court's satisfaction that Tyn Electronics or Mr Doan had undertaken the copying, so the primary copyright infringement claim failed. However, the Court was satisfied that they were aware that the "Backup CDs" infringed Microsoft's copyright, so the secondary copyright infringement claim succeeded.

The second part of the claim involved Windows ME, Microsoft Works 6.0 and Microsoft Money 2001. Microsoft claimed that Tyn Electronics had provided two master disks containing those programs to a third party to produce 1,700 copies of those programs on 3,400 CDs. The Court found primary copyright infringement in relation to these programs.

In both cases, the copied programs bore Microsoft trade marks, and the Court found that those marks had been infringed by their unlicensed use. The Court also found that in selling and offering for sale the infringing programs Tyn Electronics had breached the Australian Trade Practices Act.

Mr Doan was sued on the basis that he was jointly liable for the wrongful acts committed by Tyn Electronics because he had authorised, directed and procured those acts. The Court found that his relationship and control of Tyn Electronics was such that he was jointly liable with Tyn Electronics for the copyright and trade mark infringements; and that Mr Doan was also personally liable for contravention of the Trade Practices Act.

The Court granted comprehensive injunctive relief to prevent further infringements. It awarded damages of AUD\$386,000 against Tyn Electronics and Mr Doan jointly and severally for copyright infringement. In view of the flagrancy of the copyright infringements the Court also awarded additional damages of AUD\$300,000 against Tyn Electronics and AUD\$400,000 against Mr Doan personally. This is a useful precedent for New Zealand, where the Court has similar powers under the Copyright Act to award additional damages in cases of flagrant infringement.

 **Need more information?**

For more information on piracy, breach of copyright and intellectual property issues please email Alan Ringwood at alan.ringwood@bellgully.com or call Alan on 64 9 916 8925.

Cracking down on Bollywood film piracy

In a recent case in Auckland, the Court awarded substantial damages for copyright infringement and granted a permanent injunction to prevent further importation, sale and hire of pirated Bollywood films.

India arguably has the largest film industry in the world, turning out over 800 films a year. The industry's capital – known as “Bollywood” – is in Mumbai, the sprawling city formerly known as Bombay. Bollywood films are typically love stories incorporating numerous song and dance sequences. They have a style all of their own which has gathered a cult following outside India with westerners as well as film lovers of Indian descent.

As a result of the growing popularity of Bollywood movies there is an international market for the films, and consequently a growing number of pirate copies being produced on DVD. Many of the Bollywood films currently available in New Zealand are pirate copies.

Under the Copyright Act, the owner of copyright in a film has the exclusive right to copy the film, to issue the film to the public (by sale or hire), to show the film in public, and to authorise any other person to do such things. Copyright is infringed by any other person who does any of those (or other restricted) acts without a licence from the copyright owner. In addition to primary infringements of copyright, the Copyright Act provides for secondary copyright infringement by people who deal in infringing films (or other copyright works). Importing a pirated film by any person who knows or ought reasonably to have known that it is an infringing copy constitutes secondary copyright infringement. Possessing a pirate film in the course of business, and offering a pirate film for sale or hire in the course of business, also constitute secondary copyright infringement. In proceedings for copyright infringement, the Court may award additional damages having regard to the flagrancy of the infringement and any benefit accruing to the defendant.

Auckland's Capitol Cinema is the exclusive distributor in New Zealand for Bollywood films produced by the three largest Mumbai production houses, Eros International, Venus Records, and Yash Raj Films. These parties collectively issued Court proceedings against five retailers who were selling, offering for sale, hiring, and offering for hire in New Zealand pirated copies of Bollywood movies for which Eros, Venus and Yash Raj owned the copyright and Capitol Cinema was the exclusive official distributor.

In a recent decision of the Manukau District Court, Judge Robert Kerr ordered the retailers and individuals who were named as the defendants in the proceeding to pay compensatory and exemplary damages of more than \$185,000.

Equally importantly, the Court issued an injunction restraining the defendants from importing, hiring or selling in future any films in which Eros International, Venus Records or Yash Raj Films owned copyright.

A number of similar cases are being brought against other retailers.

The success of such cases should encourage other copyright owners to take action to enforce their rights and to recover damages for infringement of their intellectual property rights.

Need more information?

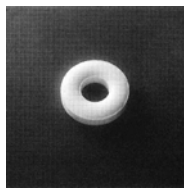
For more information on piracy, breach of copyright and intellectual property issues please email Alan Ringwood at alan.ringwood@bellgully.com or call Alan on 64 9 916 8925.

The Registrability of Shape Marks in New Zealand: The Lifesaver decision

The recent decision of the Assistant Commissioner of Trade Marks in Cadbury Ltd v Effem Foods Ltd considered the registrability of three dimensional shapes as trade marks.

The proceeding was governed by the provisions of the Trade Marks Act 1953 (**Act**) and the Trade Marks Regulations 1954.

This case involved an opposition by Effem Foods Limited (**Effem**) and Cadbury Limited (**Cadbury**) against an application for a shape mark filed by Société des Produits Nestlé SA (**Nestlé**). On 26 January 1999, Nestlé applied to register the following three dimensional shape trade mark for its LIFE SAVERS product in class 30 in relation to *"confectionary"*.



The application was filed on the basis of proposed use. The mark was published for opposition on 28 July 2000.

Grounds for opposition

The opponent's argued that:

1. The mark was not registrable under section 14 of the Act because the shape mark was in common usage and therefore not distinctive for confectionary;
2. The mark was not registrable under section 15 of the Act because it was not capable of distinguishing Nestlé's goods from those of the other traders.

Both Cadbury and Effem submitted voluminous evidence demonstrating other confectionary products available in New Zealand which were ring shaped and similar in shape to the shape of Nestlé's mark. They argued that to grant Nestlé a monopoly in the mark would prove inequitable.

Nestlé submitted evidence demonstrating:

- that the idea of the sweet with the hole was one of the core brand properties for the LIFE SAVERS product;
- that the LIFE SAVERS brand had consistently been promoted as "The Candy with the Hole" or "The Mint with the Hole" and that the current tag line used for the product was "Get a Hole lot more out of Life";
- that the majority of New Zealanders would recognise unbranded sweets with a hole as LIFE SAVERS.

Inherent distinctiveness

In deciding whether the shape was inherently distinctive, the Hearing Officer, Assistant Commissioner Walden, considered whether the shape was a sign and accepted that it was. She stated that on the face of the application, the shape had been represented graphically. However, she considered the scope of the monopoly for which protection was sought was not certain for other traders. For example, in the Hearing Officer's view the shape in its present scope could potentially encompass a donut. She also considered that *"confectionary"* was broad.

Given the broad scope of the mark and the goods, she considered that other traders would legitimately wish to use the mark or a similar mark on or in connection with their own goods. The fact that other traders were in fact using ring shapes in relation to their own confectionary products was also established by the opponents' evidence.

The Hearings Officer was persuaded by evidence establishing that:

“other traders may wish to use a ring-shape as the shape of their confectionary for functional reasons such as the ‘play’ value of sugar candy with a ring shape, how shape affects taste and how a ring shape may be perceived as making the product appear larger than a solid circular shape”

She concluded that the shape mark had a very low level of inherent distinctiveness (if any) because other traders were likely, in the ordinary course of trade and without improper motive, to desire to use the same or similar mark in relation to their own confectionary products.

Factual distinctiveness

The Hearings Officer accepted Nestlé's evidence that:

- there was extensive sales of the LIFE SAVER sweet in New Zealand;
- the LIFE SAVER sweet has been on the New Zealand market for a considerable period of time;
- the LIFE SAVER sweet (particularly the peppermint variety) has been consistently marketed with a strong focus on the hole in the sweet.

However, she said that it was the factual distinctiveness of the shape mark and not the distinctiveness of the LIFE SAVER sweet which was the issue. Because the scope of the shape mark was very broad, the LIFE SAVER sweet could be included within it. However, she found that the LIFE SAVER sweet was not the shape mark. The shape mark did not include, for example, the embossed words LIFE SAVER which appear on the sweets, and the shape mark was not defined to equate exactly with the sweet. The shape mark could have been of any size and solidity. Because the evidence of use related to the LIFE SAVER sweet, it did not establish the factual distinctiveness of the shape mark itself.

The Hearing Officer said that even if the shape mark had been defined to equate exactly with the LIFE SAVER sweet, it would have remained difficult to hold that the shape mark was factually distinctive. This was because there was no evidence from consumers as to how they would perceive the shape mark without the LIFE SAVER mark. She stated:

“A LIFE SAVER sweet has the words LIFE SAVER prominently embossed on it. I consider that consumers would focus on the prominent LIFE SAVER mark and this would make it more difficult for consumers to perceive the shape of the LIFE SAVER sweet as a trade mark too. I consider that the extensive marketing references to the ‘hole’ in the sweet would not be sufficient to help consumers realise that the sweet itself is a trade mark. If the shape of the LIFE SAVER sweet has not functioned as a reliable badge of origin, it must follow that the shape mark (which is much broader in scope than the LIFE SAVER sweet shape) is not factually distinctive. At best, I consider that consumers may associate the shape mark with the LIFE SAVER sweet shape. But I think that the absence of the mark LIFE SAVER on the shape mark would undermine that potential association, which, in any event, does not necessarily equate with trade mark use.”

In light of the lack of inherent and factual distinctiveness of the shape mark, registration of the mark was refused.

The decision indicates that the onus of proving the inherent and factual distinctiveness of a shape mark remains very high. It also establishes the importance of filing evidence of use which actually demonstrates the factual distinctiveness of the actual trade mark in relation to which protection is sought. In the present instance, the evidence of use related to the LIFE SAVER sweet and not to the actual shape mark per se. As such, it was held that the evidence did not establish the factual distinctiveness of the shape mark, as the scope of the shape mark was broader than the actual LIFE SAVER sweet itself.

Further, because the LIFE SAVER mark was the prominent element of the LIFE SAVER sweet, the Hearing Officer held that in the absence of the actual words LIFE SAVER, consumers would not associate the shape with the LIFE SAVER sweet.



Need more information?

For more information on trade mark issues please email Jeanette Singh at jeanette.singh@bellgully.com or call Jeanette on 64 9 916 8352.

Trade Marks: UK Trade Mark Office finds Alex Ferguson to be devoid of distinctive character

A recent decision of the UK Trade Marks Office provides guidance on whether or not the names or images of famous people or groups can be registered as trade marks in respect of image carrying goods (i.e. posters, photographs, transfers, figurines). The decision is likely to influence the New Zealand Trade Marks Office's thinking on this issue.

In this case Sir Alex Ferguson, the well-known football manager, had applied to register the trade mark ALEX FERGUSON in class 16.

The goods in class 16 for which he sought registration were: printed matter, posters, photographs, transfers, stickers, decalcomanias, and stickers relating to football.

The UK Trade Mark Office objected to the proposed registration of the mark ALEX FERGUSON because in its view the mark consisted exclusively of a sign, the whole of which was devoid of any distinctive character and which was a term that could serve in trade to designate the subject matter of the goods in respect of which it was to be used.

Put another way, the UK Trade Marks Office considers that the names of famous people (or groups) are unlikely to be accepted by consumers as trade marks when they are used on such goods as posters, photographs or transfers (i.e. image or name carrying goods) because they will usually be seen as mere descriptions of the subject matter of the product.

Applying this reasoning to Sir Alex's application the UK Trade Mark Office considered that the public when they see an image of Alex Ferguson on a poster would be likely to describe the poster as an "Alex Ferguson poster" rather than draw the conclusion that the use of Alex Ferguson's image on the poster was trade mark use (i.e. indicative of the origin of the poster).

The office refused to grant the application.

On refusal of the application, the UK Trade Mark Office was asked under section 76 of the UK Trade Marks Act to state in writing the grounds of its decision to refuse the application.

The grounds it gave were interesting and likely to be applied to any similar applications made by famous people or groups under New Zealand's trade mark legislation.

In essence, relying largely on its previous decision in the *Doublemint* case (*Wm Wrigley Jr & Company v OHIM* Case 191.01P), the UK Trade Mark Office held that signs and indications which may serve in trade to designate the characteristics of goods or services are deemed by the relevant trade mark legislation to be incapable of fulfilling the indication of origin function of a trade mark. It followed that as the mark ALEX FERGUSON could serve in trade to designate one of the essential characteristics of the goods (e.g. "Alex Ferguson posters") it could not be accepted for registration.

The decision is available in full at <http://www.patent.gov.uk/tm/legal/decisions/2005/o26605.pdf>

Need more information?

For more information on trade marks or any other intellectual property issues please email Garry Williams at garry.williams@bellgully.com or call Garry on 64 9 916 8661.

Patents: The meaning of opposing the grant of a patent – s42(1) – *Lacme v Gallagher Group*

A recent decision of Justice Fogarty in the High Court illustrates the dangers of putting a gloss on the words of a statute and also demonstrates the risks that are inherent in applying long-established UK Patent Office practice to the New Zealand Patents Act without careful consideration of whether the practice is appropriate having regard to the precise words of the legislation.

The respondent (“Gallagher”) had applied to the Commissioner of Patents to revoke the appellant’s New Zealand Patent No. 523808.

Lacme opposed Gallagher’s application under s42 on the grounds that Gallagher was a person who had opposed the grant of the patent and was therefore not entitled to seek revocation pursuant to s42.

While Gallagher had filed a notice of opposition to the grant of Lacme’s patent, it had failed to file a statement of case within the proscribed time and was therefore unable to pursue its notice of opposition.

In these circumstances, the Assistant Commissioner had been asked whether or not Gallagher could contend that it was a person interested who did not oppose the grant of the patent and thus could bring an application for revocation under s42. In answering that question the Assistant Commissioner held:

“I confirm the decision of the office that the applicant in the present case did not oppose the grant of the subject patent under section 21. The filing of the notice of opposition alone did not amount to the launch of opposition proceedings under section 21. The applicant is entitled to proceed with its application for revocation against the subject patent under section 42. The patentee’s [Lacme] action [objection to the applicant’s filing of an application for revocation] is dismissed.”

Lacme contended that the Assistant Commissioner had proceeded on the basis of an error of law arguing that there is no concept in s42 of requiring an opponent to have not only filed a notice of opposition but also to have “launched the opposition”.

On appeal, Justice Fogarty considered that the Assistant Commissioner had borrowed the concept of a “launch of an opposition” from the United Kingdom Patent Office Practice Manual and noted that the UKPO Manual does not cite any authority for such a gloss on the UK statute.

He also stated that the concept of whether an opposition has been “launched” does not appear in the language of the New Zealand Patents Act 1953 and in this regard stated:

“It is always dangerous to pose a question as to the application of a section in language other than that used in the section. To do so has to be justified. There is no justification in the reasoning. Thereafter the Assistant Commissioner proceeds to examine the time at which the opposition is to be considered launched...”

I can find no basis in the text and purpose of s42 to justify adding the UK manual’s gloss of requiring an opponent to not only have filed a notice of opposition but also complied under the regulations and filed a statement of case in time.”

Accordingly, Justice Fogarty held that the Assistant Commissioner had fallen into error by testing the application of s42 against a threshold requirement of launch of opposition which is not contained in the statute. It followed that Gallagher had opposed when it filed its notice of opposition and could not apply to revoke under s42.

However, all was not lost for Gallagher, as it was still possible for it to seek to revoke the patent pursuant to s41 but that would involve applying to the High Court as opposed to the Commissioner under s42.

 **Need more information?**

For more information on patents or any other intellectual property issues please email Garry Williams at garry.williams@bellgully.com or call Garry on 64 9 916 8661.

Trade marks: The meaning of “genuine use” in the context of applications to revoke for non-use – *Laboratories Goëmar SA v La Mer Technology Inc*

*In New Zealand a trade mark can be revoked for non-use. The relevant provision is section 66(1)(a) of the Trade Marks Act 2002 which essentially provides that if the mark has not been put to **genuine use** in the course of trade in New Zealand for a continuous period of three years, it may be revoked unless the non-use of the mark is due to special circumstances that are outside the control of the owner of the trade mark.*

The recent English case of *Laboratories Goëmar SA v La Mer Technology Inc* is likely to be great assistance to New Zealand trade mark practitioners in assessing the application of s66(1)(a), as it discusses in detail the concept of “genuine use” of a trade mark in the context of the corresponding revocation for non-use provision in the English Trade Marks Act 1994.

The *Laboratories Goëmar SA* case was an appeal to the English Court of Appeal from a decision of Blackburne J which had revoked Goëmar’s trade mark LABORATORIE DE LA MER for non-use.

The mark had been registered by Goëmar in relation to “perfumes and cosmetics containing marine products; all included in Class 3”.

La Mer Technology Inc applied to have the mark revoked for non-use under the corresponding provision to s66(1)(a) in the UK Trade Marks Act.

Goëmar argued that it had genuinely used the mark within the relevant period. The use it relied on was importation into the United Kingdom by a single importer of a modest quantity of goods bearing the mark, but there was no evidence that the goods bearing the mark ever reached consumers or end-users of goods in the UK market.

In brief, Blackburne J held that:

- (1) genuine use of the mark required it to come to the attention of the end-users and consumers during the relevant period;
- (2) the acts of importation during the relevant period by an independent importer into the United Kingdom of goods bearing the mark did not by themselves amount to genuine use of the mark; and
- (3) the proven use by the registered proprietor during the relevant period was not sufficient to create a market share for the goods protected by the mark.

The Court of Appeal came to a different conclusion.

In doing so, it considered the comments of the European Court of Justice (the ECJ) in *Ansul BV v Ajax Brandbeveiliging B* (a case on genuine use) and the reasoned order that had issued from the ECJ as a result of an earlier reference made by Jacob J in the *La Mer* proceedings. They also carefully considered what criteria or factors should be taken into account in deciding whether a mark has been put to “genuine use”, what types of use can be considered and specifically whether importation by a single importer can count as “genuine use”.

In analysing the decision of the Court of Appeal it can be determined that:

- genuine use must denote use that is not merely token, serving solely to preserve the rights conferred by the mark.
- genuine use must be consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of the goods or services to the consumer or end-user by enabling him to distinguish the product or service from others which have another origin.

- genuine use entails use of the mark on the market for the goods or services protected by the mark and not just internal use by the undertaking concerned;
- when assessing whether there has been genuine use of the trade mark, regard must be had to all the facts and circumstances relevant to establishing whether the commercial exploitation of the mark is real, in particular whether such use is viewed as warranted in the economic sector concerned to maintain or create a share in the market for the goods or services protected by the mark;
- use of the mark need not always be quantitatively significant for it to be deemed genuine - minimal use can be sufficient to qualify as genuine, on condition that it is deemed to be justified, in the economic sector concerned, for the purpose of preserving or creating market share for the goods or services protected by the mark.
- the characteristics of the market concerned, which directly affect the marketing strategy of the proprietor of the mark, may also be taken into account in assessing genuine use of the mark;
- the use of the mark by a single client which imports the products for which the mark is registered can be sufficient to demonstrate that such use is genuine, if it appears that the import operation has a genuine commercial justification for the proprietor of the mark.
- the retail or end user market is not the only relevant market on which a mark is used for the purpose of determining whether use of the mark is genuine.

Despite the fact that only a modest amount of the relevant goods had been imported into the UK and there was no evidence of their sale to end-users or consumers, the Court of Appeal found that these factors did not prevent the use of the mark on the goods from being genuine use on the market.

In other words, as the use was neither token nor internal, the imports by a single importer did suffice for determining that there was genuine use of the mark on the market in the UK.

The appeal was therefore successful and the order for the revocation of the mark was set aside.

Need more information?

For more information on trade marks or any other intellectual property issues please email Garry Williams at garry.williams@bellgully.com or call Garry on 64 9 916 8661

Copyright: Pleading copyright infringement in relation to TV programme formats – The *Ghosts are Real* case

Since the Privy Council's decision in Green v Broadcasting Corporation of New Zealand in the late 1980's, the extent to which copyright can be used as a means of protecting television programme formats has been an issue of some debate throughout the common law jurisdictions of the world. The recent judgment of the High Court in Davies v TV3 gives some guidance to those who may wish to use copyright to prevent the "cloning" of their format by others but is unlikely to be the final word on this difficult topic.

The facts of *Davies v TV3* are as follows.

The first defendant (Davies) and the second defendant (Della Notte Horror Film Co Ltd) alleged that they had both "[developed and produced a format in a series of promo's [sic] for a television documentary series about ghosts called 'Ghosts are Real'". They also claimed that they owned copyright in the proposed programme by virtue of a "format" in photography, a competitive promo, and a tape of the same, a press kit given to TV3 and what was described as footage of the "Grumpy and Hirsty" story and "Nunnery footage". All of this material was said to have been created or produced and shown to TV3 employees between February and November 2000. The plaintiffs claimed that TV3 infringed their "copyright and format" in the proposed series by producing the television series "Ghosts". The plaintiff's pleaded details of claimed similarities of content, story line, camera work, editing, footage, presentation and dialogue.

The plaintiffs sought relief which included an injunction restraining TV3 from continuing to infringe by repeating or licensing others to play "Ghosts" and from producing any future television series using a similar or the same concept.

TV3 denied infringement and stated that "Ghosts" was produced not by it but by independent personnel and that the series used filming and production techniques well known in programmes of a "spooky or ghostly nature or genre".

TV3 applied for particulars of what precisely it was that was relied upon as being the plaintiffs' format.

Justice Williams held that it was not enough for the plaintiffs to plead copyright in a "format". In this regard he stated:

"In terms of *Green*, the plaintiffs' works must be entitled to copyright as dramatic or literary works themselves. In terms of the authorities, copyright cannot reside in 'format' alone without that additional identifying feature. At bottom, there must be a 'work' in which copyright subsists. Pleading that copyright subsists in a 'format' is insufficient."

TV3 was therefore entitled to the particulars it sought, as in Justice Williams' words it was "entitled to a pleading which particularises the works in which copyright is said to subsist".

TV3's application for particulars therefore succeeded.

Need more information?

For more information on copyright or any other intellectual property issues please email Garry Williams at garry.williams@bellgully.com or call Garry on 64 9 916 8661

Copyright: The defences of fair dealing for the purposes of criticism or review and incidental inclusion – *Fraser-Woodward Limited v British Broadcasting Corporation*

A television programme entitled "Tabloid Tales" which aired in England in 2003 and discussed Victoria Beckham's relationship with the press has been the catalyst for the English High Court undertaking a detailed review of the defences of fair dealing for the purposes of criticism or review and incidental inclusion.

This was an action for infringement of copyright in 14 photographs.

The relevant photographs were all of various members of the Beckham family. The photographs all appeared in a television programme that was broadcast by the BBC under the title "Tabloid Tales" and did so without the consent of the copyright owner.

It was asserted by the defendants that the programme intended to and did criticise and/or review tabloid journalism and the methods employed by the tabloid press and/or celebrities featured to build and exploit a story to their advantage. The defendants claimed that use of all the photographs was allowable under fair dealing for the purposes of criticism or review defence. In the case of three of the photographs, the defendants also claimed that their use was covered by the "incidental inclusion" defence. Justice Mann therefore had to decide whether the use made of the photographs was for the purposes of criticism and/or review of the photographs themselves or of another work or works and whether (in the case of 3 of the photographs) their use was incidental.

In coming to the conclusion that the defendants had not infringed the copyright in any of the relevant photographs, Justice Mann provided helpful guidance as to the ambit of these two defences. This guidance is important because the defences in question also exist under New Zealand's copyright regime (ss 41 and 42).

Fair dealing for the purposes of criticism or review

Section 30(1) of the Copyright, Designs and Patents Act 1988 (UK) provides:

(1) Fair dealing with a work for the purpose of criticism or review, of that or another work or of performance of a work, does not infringe any copyright in the work provided that it is accompanied by a sufficient acknowledgement.

The defendants argued that the concept of criticism or review had to be interpreted liberally and that the programme criticised and reviewed both the photographs and another work or works, namely the coverage of the Beckhams (and in particular Mrs Beckham) in the tabloid press. They argued that the criticism and review was of the photographs themselves and the philosophy or ideas behind them, and that there was criticism and review of another work (or works) namely the tabloid press.

The claimant argued that:

- so far as it was alleged that there was criticism or review of the photographs themselves, it had to be more than mere passing comment or passing reference, and in the present case there was no such thing;
- so far as criticism or review of another work was concerned, then that other work had to be a copyright work within the meaning of the Act, that other work had to be identified and that other work could not be a "general media attitude"; and
- references to underlying philosophy and ideas appearing in the authorities should not be taken as being a reference to any such concepts other than those appearing in the actual specific work itself.

Justice Mann gained assistance from the judgment of Robert Walker LJ in *Pro Sieben Media AG v Carlton UK TV Ltd* where it was stated that:

“Criticism or review” and “reporting current events” are expressions of wide and indefinite scope. Any attempt to plot their precise boundaries is doomed to failure. They should be interpreted liberally.

Applying that statement to the facts before him, Justice Mann found it impossible to accept the claimant’s argument that there needed to be something beyond a bare comment before the defence could apply.

In answering the question of what was capable of being the subject of criticism or review for the purposes of the section, the judge had no difficulty in coming to the conclusion that the photographs themselves could be. However, he had more difficulty with the defendants’ alleged criticisms of the philosophy and ideas underlying works and what (if any) other works were the subject of any criticism or review in the “Tabloid Tales” programme.

Notwithstanding this, Justice Mann found (relying on the previous decisions of *Hubbard v Vosper* and *Pro Sieben*) that the ideas or philosophy underlying a certain style of journalism, as manifested in the relevant works themselves, could be the subject of criticism that fell within section 30.

He also confirmed that it is not necessary for the other work or works referred to in the section (i.e. the ones being criticised or reviewed) to be specifically identified.

Justice Mann then turned to whether the 14 photographs had been deployed for the purposes of criticism or review. He found that 13 of the 14 photographs were used for this purpose saying:

“So far as the dictionary definitions are concerned, [the use of the 13 photographs fell] fairly and squarely within the definitions of ‘criticism’ when applied to the ideas underlying the reporting, and to some extent to the reports themselves, though those reports are not actually cited save insofar as headlines are sometime briefly in shot.”

Fair Dealing

Of course, if use of copyright material is to fall within section 30(1) then that use must amount to “fair dealing”. Justice Mann set out the following guidelines which should be considered when determining whether use amounts to “fair dealing”:

- It is relevant to have regard to the motives of the user.
- Whether there is fair dealing is a matter of impression: *Banier v News Group Newspapers Ltd* [1997] FSR 812 at 815
- If some degree of use would be fair dealing, excessive use can render the use unfair: *Hyde Park Residence Ltd v Yelland*
- In assessing whether the dealing is fair the court can have regard to the actual purpose of the work, and will be live to any pretence in the purported purpose of the work: *Time Warner Entertainments LP v Channel Four Television Corporation plc*
- In the same vein, the amount of the work used can be relevant: *Johnstone v Bernard Jones Publications Ltd*. However, this must be carefully applied in relation to photographs. It makes more sense in relation to extended literary or musical works. If one is critiquing a photograph, or using it for the purposes of criticising another work, then the nature of the medium means that any reference is likely to be by means of an inclusion of most of the work because otherwise the reference will not make much sense. This degree of care is particularly appropriate in the context of a television programme where the exposure is not as (for example) continuous or permanent as publication in printed form would be.
- Reproduction should not unreasonably prejudice the legitimate interests of the author or conflict with the author’s normal exploitation of the work: Berne Copyright Convention Article 9(2).

Applying the above guidelines, he found that there was nothing unfair about the use of the 13 photographs.

Sufficient acknowledgement

Under section 30(1), fair dealing is only a defence provided that it is accompanied by a sufficient acknowledgement. In relation to this issue Justice Mann confirmed that all that is required is:

“...that [there] is an identification, though I think that I can accept that it probably has to be one that can be readily seen and not require some form of hunting around or detective work in order to ascertain it. It is probably not enough to say that the author can be identified if you look hard enough; the authorship must be more apparent than that. However, at the end of the day it is a question of fact whether there has been an identification.”

On the fact before him the judge held that there was a sufficient acknowledgement in relation to the 13 photographs.

Incidental inclusion

Section 31(1) of the Copyright, Designs and Patents Act 1988 provides:

“Copyright is not infringed by its incidental inclusion in an artistic work, sound recording or broadcast”.

Section 41 of the New Zealand Copyright Act 1994 is in virtually identical terms.

In considering the incidental inclusion defence, Justice Mann referred to the judgment of Chadwick LJ in *Football Association Premier League Ltd v Panini UK Ltd* [2004] FSR 1. That was a case where the defendants had published photographs of Premier League footballers in their club strip, which included Premier League and club logos. In that case the League and clubs claimed the copyright in their logos was infringed by the relevant photographs. The defendants relied on the defence of incidental inclusion but that defence was rejected. Chadwick LJ said the question of whether there was incidental inclusion:

“turns on the question: why, having regard to the circumstances in which the [allegedly infringing work] was created – has [the original copyright work] been included in [the former].”

Accordingly, Justice Mann reviewed the relevant photographs in the case before him and considered whether their use was incidental (that is incidental to some other purpose) in the ordinary sense of that word.

He decided that in the case of two of the three relevant photographs their use was not incidental (but the defendants were nevertheless not liable for reproducing these two photographs as they had done so for the purposes of criticism and review).

In relation to the other relevant photograph he held that its use was incidental because the photograph had only appeared in the programme because the defendants' wanted to show the headline which appeared above it. (That headline was a sensational one relating to a plot to kidnap the Beckhams children.)

The action therefore failed in its entirety.



Need more information?

For more information on copyright or any other intellectual property issues please email Garry Williams at garry.williams@bellgully.com or call Garry on 64 9 916 8661

Copyright: The inter-relationship of the Copyright Act 1994 and the Fair Trading Act 1986: *World TV Limited v Best TV Limited*

In a recent decision the High Court has held that the general language of the Fair Trading Act 1986 must be construed so as to conform with and not override the provisions of the Copyright Act. We look at why.

In *World TV Ltd v Best TV Ltd*, the respective parties each operated a subscription based television service. The plaintiff had licensed the New Zealand rights to certain Mandarin and Cantonese language programmes on an exclusive basis and alleged that the defendant was broadcasting these programmes in breach of copyright. In an earlier judgment Justice Baragwanath held that as the exclusive licensee of the copyright in these programmes in New Zealand, the plaintiff was entitled to an interim injunction that enjoined the defendant from continuing to broadcast the relevant programmes in New Zealand until the substantive issues were resolved.

However, the plaintiff also alleged that the defendant was broadcasting programmes in New Zealand in breach of copyright owned by the Chinese State Broadcaster - China International Television General Incorporation. The plaintiff was not the exclusive licensee of these particular programmes and could therefore not successfully sue for breach of copyright in respect of them (as to do so it needed to be either the owner of the relevant copyright or the exclusive licensee of the copyright – s124 Copyright Act 1994). As part of its attempts to get around this difficulty, the plaintiff alleged, among other things, that the defendant's conduct in broadcasting the relevant programmes in New Zealand, when it did not have a licence to do so, amounted to a breach of various sections of the Fair Trading Act 1986 including s9 (misleading and deceptive conduct) and s11 (misleading the public as to the nature or characteristics of services).

While Justice Baragwanath considered that the defendant's re-broadcast of the relevant programmes arguably carried with it the implication that those broadcasts were licensed, he was strongly influenced by the fact that the Copyright Act 1994 was intended to provide an exhaustive code and that included in relation to the enforcement of copyright. In this regard he said that the Fair Trading Act is to be read subject to the code established by the Copyright Act. In a passage from his judgment which captures the heart of his decision he said:

"The general language of the New Zealand fair trading legislation must equally be construed so as to conform with and not override the legislative copyright code. It is the Court's task on construction to ensure that both measures receive due effect. If the defendant were to present the CCTV 1 programme in a manner that *added* to the mere re-broadcasting of the CCTV 1 programme a suggestion that it did so with authority, that could in my opinion both infringe and be actionable under s 9 of the Fair Trading Act; there would be no clash with the Copyright Act which could still receive full effect. There would be no problem of inconsistency between policies of the law any more than if a defamatory broadcast resulted in consequential proceedings. But merely to rebroadcast, without more, material for which the owner of the copyright elects not to sue cannot in my opinion be the subject of a Fair Trading Act claim. The scheme of the Copyright Act includes freedom to publish copyright material unless the owner (or at interlocutory stage an exclusive licensee) elects to sue for breach of copyright. It would be inconsistent with that policy to treat conduct that in point of fact goes no further than mere copyright infringement as being in law actionable under the Fair Trading Act by a third party who being neither owner nor exclusive licensee lacks standing to sue for breach of copyright."

In essence, Justice Baragwanath simply applied the well-known principle of statutory construction that a general measure must be read down so as to be consistent with a specific measure but in this case, in doing so, he effectively allowed the defendant to continue to broadcast infringing material. His view being that it was for the copyright owner to take steps to prevent the infringement, not a third party by the side-wind of the Fair Trading Act.

Need more information?

For more information on copyright or any other intellectual property issues please email Garry Williams at garry.williams@bellgully.com or call Garry on 64 9 916 8661.

Contact us

Further Information

If you would like any further information about Bell Gully's Intellectual Property Group, please contact:

Auckland

Alan Ringwood alan.ringwood@bellgully.com
Telephone 64 9 916 8925

Ian Gault ian.gault@bellgully.com
Telephone 64 9 916 8967

Garry Williams garry.williams@bellgully.com
Telephone 64 9 916 8661

Katherine Milne katherine.milne@bellgully.com
Telephone 64 9 916 8661

Colleen Cavanagh colleen.cavanagh@bellgully.com
Telephone 64 9 916 8646

Wellington

Katy Holt katy.holt@bellgully.com
Telephone 64 4 915 6946