IP Forum

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Note: Where either correspondent was involved in a case reported below and the matter is still running, the other correspondent has taken the role of reporting that case.

Blackmagic Design Pty Ltd v Overliese & Ors [2011] FCAFC 24 (25 February 2011)

Confidential information – product concept developed with assistance of employer's confidential information – whether injunctive relief available - conflict of interest – whether duty to disclose exists

This was an appeal from a decision of Jessup J concerning confidential information belonging to Blackmagic, a company that specialises in the design, manufacture and sale of hardware and software for various video applications. The first and second respondents were former employees of Blackmagic, one of whom was found to have created and retained a spreadsheet using, among other things, information concerning Blackmagic's business; the third respondent was a company established by them with a view to selling audio products and later, it seems, also products competing with those of their former employer. The respondents never actually competed with Blackmagic.

The respondents were found to have conceived of, while still employed by Blackmagic, a product called "Simple Card" with the assistance of use of Blackmagic's confidential information, primarily information about costing and sales. Blackmagic's claims were, in effect, that the first and second respondents came upon a product, concept or idea in circumstances where they owed a duty to Blackmagic to disclose that product, concept or idea to their employer but failed to do so (or at least to disclose the conflict that had arisen between those respondents' interests and those of their employer).

At first instance, his Honour granted an injunction restraining the respondents' use or disclosure of specific parts of Blackmagic's confidential information, but refused to grant the further relief sought by Blackmagic. That additional relief included: an injunction that effectively prevented exploitation of the "Simple Card"; equitable compensation or common law damages for breach of duties by the former employees; and loss caused by the delay in development of Blackmagic's more sophisticated "DeckLink Studio Card" (it being argued that the respondents ought to have disclosed to their employer their work on the "Simple Card", which disclosure would have shortened the time to production of the DeckLink Studio Card). Blackmagic appealed against the trial judge's refusal to grant that additional relief. A number of other unsuccessful causes of action pursued by Blackmagic at trial were not the subject of appeal.

In relation to the wider injunction sought by Blackmagic restraining exploitation of the "Simple Card", Blackmagic argued that it ought to be regarded as the owner in equity of the concept. The Court (Besanko J, Finkelstein and Jacobson J agreeing) agreed with the trial judge, however, that the concept was merely a product concept of "some potential" and not something over which there could be a property right.

Alternatively, the concept could only be Blackmagic's property if there was an obligation on the part of the first or second respondent to disclose the concept to it, which raised the same considerations as

Blackmagic's appeal against the trial judge's refusal to grant equitable compensation or contractual damages for the asserted loss of opportunity arising from those respondents' failure to disclose their work on the "Simple Card". Justice Besanko accepted that the first respondent's conduct had reached the point where there was a "real sensible possibility of conflict" between his interests and the duties to his employer. Whether he also had a positive, prescribed duty to disclose that conflict was in doubt, and his Honour preferred authority to effect that disclosure in this context is a means of avoiding breach (that is, by obtaining an employer's informed consent) rather than a duty in its own right. That being the case, any equitable compensation would be limited to compensation for loss that would not have occurred but for the conflict arising, rather than as a result of the non-disclosure. Blackmagic also failed to demonstrate that compliance with the duty would have, as it had pleaded, required disclosure of the first respondent's spreadsheet. Nor was the contractual claim based on an express obligation to disclose conflicts of interest against the second respondent made out on the evidence.

A further issue arose as to whether Blackmagic should be permitted to raise on appeal a claim of breach of an implied contractual duty of good faith against the first respondent, but ultimately Blackmagic was prevented from doing so on the basis that the ground of appeal was introduced too late in the day and it was a cause of action not adequately raised at first instance.

SNF (Australia) Pty Ltd v Ciba Speciality Chemicals Water Treatments Limited
 [2011] FCA 452 6 May 2011

Patents – invalidity and infringement

Kenny J considered an application by SNF for revocation of various innovation patents owned by Ciba concerning processes for treatment of mining waste (tailings) with flocculants and damages for groundless threats of patent infringement. Ciba cross-claimed for infringement. Kenny J found the innovation patents valid and infringed.

Her Honour's determination of the case appeared to be resolved in the main part by construction of the claims and, in particular, the word "rigidification" which was not a term of art. Put simply, the invention was a process of adding a flocculant (of a particular kind and in a particular manner) to mining tailings (waste water and suspended particulate material such as clay) as those tailings were transferred to a tailings dam such that the flocculant would cause the tailings to rigidify in the tailings dam but not while being transferred.

Her Honour observed that an important answer too many of SNF's objections lay in the proposition that the use of a relative expression in a claim necessitating judgment by the skilled addressee is not objectionable providing the claim provides a workable standard suitable to the intended use. Here the terms of import were "rigidification" and cognate words. For example, claim 1 commenced "A process of improving rigidification of a material…".

SNF argued that the term "rigidification" and its variants did not differ from the processes of settling and sedimentation of tailings in a tailings dam as disclosed in the prior art because those processes would always lead to rigidification as claimed, also when a flocculant was used. Unsurprisingly, Ciba contended otherwise. Ciba's expert stated that the outcome of rigidification would be a process producing "a different tailings deposit, with different characteristics, different dewatering potential in a quite different period of time to natural settling and sedimentation processes". In particular, it was possible that a beach or stack of solids would be produced which, as it grew, would drive further water out of the stack. Her Honour accepted Ciba's expert's view over that of the expert for SNF, noting that the term "rigidification" was a qualitative term in which a networked structure is formed – not the same as occurs after settling and sedimentation of tailings.

Arguably her Honour's construction of the claim reads more into the word "rigidification" than the plain word and the patent as a whole permit. Nevertheless, her Honour appears to have accepted that the word provides a "workable standard suitable to the intended use". That construction effectively did away with many of SNF's arguments concerning validity of the patents.

For each of the prior art disclosures relied on by SNF for novelty, her Honour found at least one integer of

claim 1 was not present. Some prior art was found not to anticipate because it was directed to a different purpose, namely, enhancing settling or sedimentation rather than rigidification. Accordingly, the way her Honour construed the word "rigidification" was crucial. Other prior art disclosures were found not to include an essential integer of claim 1 being that the flocculant should be added to the tailings in an aqueous solution during the transfer of the tailings to the tailings dam. Her Honour considered that the prior art, while disclosing the use of flocculants in aqueous solutions, nevertheless taught away from that use and instead recommended using flocculants in oil/water emulsion. Her Honour also found that a flocculant containing emulsion was not a flocculant in aqueous solution as required in claim 1.

Given the low bar sent for innovative step in *Dura-Post (Aust) Pty Ltd v Delnorth Pty Ltd* (2009) 177 FCR 239, not surprisingly, Kenny J rejected SNF's arguments on lack of innovative step for each of the patents. For each of the missing elements identified above in respect of novelty, her Honour found that the missing element contributed to the working of the invention in a material way. As to the "rigidification" elements of the claims, her honour's construction of that term was crucial to her finding that there was an innovative step.

As to the manner of manufacture argument, her Honour accepted Ciba's contention that, in the case of an innovation patent, the test should be "whether on the face of the specification of the innovation patent there is an admission that there is no innovative step" as opposed to an "inventive step" for a standard patent. Her Honour found no admission on the face of the specifications of the innovation patents in suit that, in relation to a specific prior art document mentioned in the specification, the invention does not differ in any way that does not make a substantial contribution to the working of the invention.

On the question of sufficiency, a major flaw in SNF's argument was that its arguments and evidence on insufficiency went beyond the case it pleaded. Ciba argued that SNF's expert's evidence as to the difficulties in implementing the process disclosed in the patent was at odds with the experience of the skilled workers in the field. Ciba argued that any experiment or procedure required to be carried out by the skilled addressee in order to put the invention into practice would be of a routine or standard kind and required no invention or ingenuity. Her Honour substantially accepted Ciba's submissions.

SNF's clarity argument concerned the term "rigidification" and its variants. Given her Honours construction of those terms, SNF's argument failed. Her Honour concluded that it was clear that "an effective rigidifying amount" is that amount of the flocculant that increases the concentration of the tailings to a point that, immediately after discharge from the pipe, results in material that stops and rigidifies because there is no longer sufficient force to keep it flowing.

The fair basis argument was that the body of the specification identified only one point at which the flocculant was added during transfer of the tailings to reduce shear but the claims extended to the addition of the flocculant to any point during that transfer. However, the body noted that the point at which the flocculant might be added could change depending on various variables. Thus the fair basis argument failed.

SNF's utility objection was in substance that the specifications of the patents lacked details as to the proper dosing point, the appropriate concentration of water soluble flocculant and the proper solids content range of the tailings. However, these matters went to insufficiency not lack of utility. Her Honour found that there was no evidence that some process within the claims did not work or that some process within the claim failed to fulfil the promises in the body of the specification.

SNF admitted direct infringement and infringement of the patents by reason of the use of SNF's flocculating agents in two mines. As to a third mine, SNF denied it had authorised or supplied a product with instructions which would infringe if followed or was a joint tortfeasor in respect of that mine's use of SNF's flocculating agents. As to the "authorisation" claim, Ciba argued that the evidence showed that SNF was closely involved in the infringements and had "sanctioned, approved, [and] countenanced" them. SNF responded that it had no power to control or prevent the infringing acts, and therefore no question of authorisation arose. Her Honour accepted Ciba's contention and therefore did not make an express ruling regarding indirect infringement.

No appeal has been filed as yet from this decision, though the time for doing so had not passed at the time of reporting.

RLA Polymers Pty Ltd v Nexus Adhesives Pty Ltd [2011] FCA 423 (29 April 2011)

Confidential information – whether capable of protection at law - whether used by ex-employees to develop new products – extent of springboard

In this case Justice Ryan found that Nexus and the other respondents, former employees of RLA Polymers, had used confidential information of RLA Polymers to develop a flooring adhesive in competition with RLA Polymers faster than they would have otherwise. His Honour dismissed RLA Polymer's similar claim in respect of another flooring adhesive developed and sold by Nexus in competition with RLA Polymers. Ryan J refused to grant permanent injunctions restraining Nexus from selling the first flooring adhesive but did order that damages be assessed on the basis of an account of profits made by Nexus for that adhesive for the period attributable to the reduced time it took in developing that adhesive by reason of using the confidential information.

The respondents unsuccessfully asserted that the formulae for RLA Polymers' flooring adhesives were not confidential nor capable of protection at law. The finding that it was confidential seemed to flow quite naturally from admissions made by the respondents' witnesses as to RLA Polymers' intention to keep such formulae confidential and expert evidence that it was not possible to easily reverse engineer those formulae. As it turned out, the respondents' case seemed to turn mostly on the mistaken belief that it was not wrongful to use RLA Polymers' confidential information if they did not intend to do so or did not know that it was wrongful to do so.

Ryan J observed that RLA Polymers had adequately particularised in its statement of claim the confidential information it asserted against Nexus. It was not necessary in this case for RLA Polymers to have set out every piece of confidential information which it sought to keep confidential – the respondents' were aware of the type of ingredients which made up the formulations of adhesive in question and so were not placed in an unacceptable position when trying to understand the case put against them.

Ryan J also considered that while the individual type of ingredients that constituted the formulae in question were known, the combination (in terms of type, quantity and number) of those ingredients was not known and that combination had the necessary quality of confidence to attract protection of the Court. There was sufficient movement from commonly known formulae to RLA Polymers' formulae for adhesives to warrant that protection and RLA Polymers had established suitable protocols for the protection of that confidence.

His Honour did not accept RLA Polymers' assertion that the respondents had intentionally destroyed evidence so as to mask that they had always intended to misuse RLA Polymers' confidential information. Such a finding would have assisted RLA Polymers' in its assertion of misuse of confidential information in respect of its second flooring adhesive formula, upon which it did not succeed. His Honour was satisfied that that information was not used to create Nexus' second flooring adhesive.

His Honour then calculated the benefit Nexus obtained by using RLA Polymers' confidential information. This process was by no means simple, requiring his Honour to make numerous findings as to the process of development of Nexus' product and how long that process would have taken but for the use of confidential information. In the end, his Honour determined that Nexus had obtained a 5.5 month advantage and ordered that an account of profits derived by Nexus be taken from the time its product was released for commercial distribution free from the problems solved by using that confidential information. Interestingly, his Honour concluded that the account of profits should be paid to RLA Polymers as "damages".

His Honour concluded that it would not be appropriate to order an injunction restraining Nexus from using the confidential information because Nexus' product was not replica of RLA Polymers' product but a different product and damages would be an adequate remedy for the wrong.

No appeal has been filed as yet from this decision, though the time for doing so had not passed at the time of reporting.

Symbion Pharmacy Services Pty Ltd v Idameneo (No 789) Limited
[2011] FCA 389 (20 April 2011)

Trade Marks – specialised consumers – evidence required to prove deceptive similarity

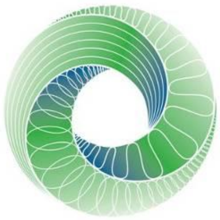
Contract – effect of using different words to section 10 of the Trade Marks Act

The applicant, Symbion, alleged that the respondent, Idameneo, had infringed its registered trade mark (depicted below, hereafter called the Symbion logo) which is registered in respect of various medical services. Symbion also alleged that Idameneo had breached a term of a contract not to use the mark or a mark "similar to or capable of being confused with" that mark. That contract was part of a series of transactions by which Symbion was sold by Idameneo to a third party.

Symbion's case of trade mark infringement was dismissed.

The Symbion logo is registered as follows in grey which in actual use (as relevant to the contract case) is in shades of green:

Idameneo used the following logo in respect of radiology services in colour with shades of green and blue (the Idameneo logo):



Jessup J first observed that Idameneo used the Idameneo logo as a trade mark in respect of radiology services and that those services are of a kind that are within the class of services in respect of which the Symbion logo is registered. Symbion asserted that the Idameneo logo was deceptively similar to the Symbion logo.

Jessup J accepted that, in determining deceptive similarity in accordance with section 10 of the *Trade Marks Act* 1995 (Cth), the following principle stated by Lord Diplock in *General Electric Co Limited (USA) v General Electric Co Limited* [1972] 1 WLR 729, 737-738 (*GE*) applied:

"My Lords, where goods are of a kind which are not normally sold to the general public for consumption or domestic use but are sold in a specialised market consisting of persons engaged in a particular trade, evidence of persons accustomed to dealing in that market as to the likelihood of deception or confusion is essential. A judge, though he must use his common sense in assessing the credibility and probative value of that evidence, is not entitled to supplement any deficiency in evidence of this kind by giving effect to his own subjective view as to whether or not he himself would be likely to be deceived or confused."

Idameneo asserted that its radiology services were services of a kind not normally sold to the public for consumption or domestic use but to medical, and at times dental, practitioners, whose decision it was to refer patients for diagnostic imaging and, in such cases, to select the appropriate service provider. Symbion did not appear to contend otherwise. Idameneo contended that Symbion was therefore required to, as Lord Diplock put it, adduce "*evidence of persons accustomed to dealing in that market as to the likelihood of deception or confusion...*". Symbion did not do so.

Instead, Symbion countered that *GE* did not apply because there was nothing about the specialised nature of the environment in which a doctor or dentist chose to refer a patient for radiology "that meant that their likely perception of the mark was, in some sense ... idiosyncratic or unusual, in the sense that it would differ from [that of] normal consumers of those services ....". It was said that doctors were "confronted with trade marks as part of their daily life", and that, if a doctor encountered a mark in the practice of his or her profession, there would be nothing "to suggest the nature of the industry, or the market, would make any difference at all" to the way in which he or she responded.

Jessup J did not accept Symbion's attempt to distinguish GE. His Honour considered that if Symbion's contentions required Lord Diplock's statement "read as though it applied not to services sold in a specialised market, but only to services, and to markets, in the context of which the court took the view that the questions arising under s 10 could not be resolved without the assistance of 'a tutored eye', being an eye that would necessarily perceive the mark in an 'idiosyncratic or unusual' way." His Honour observed that "for the court to embark upon a consideration of the matter at this level would go at least part of the way towards providing an answer to the question which, according to Lord Diplock, was a matter for specialised evidence."

Accordingly, where it is established that goods or services are not sold to the public but to persons of a particular trade, in a case of asserted deceptive similarity, the trade mark owner must adduce evidence from such persons as to the potential for deception or confusion. As Jessup J observed, "To a lay eye (such as that of a Judge), two marks may appear very similar. To a specialised eye, however, the marks may be stylised representations of different pieces of laboratory or diagnostic equipment (for example) as between which there could be no possibility of confusion."

Turning then to the contract part of the case, the major issue appeared to be whether the contract terminology "similar to or capable of being confused with" should, as Idameneo contended, be read to have the same meaning as "deceptively similar" according to the *Trade Marks Act* and, in particular, section 10 which states "For the purposes of this Act, a trade mark is taken to be deceptively similar to another trade mark if it so nearly resembles that other trade mark that it is likely to deceive or cause confusion."

His Honour did not accept Symbion's contention that the contractual phrase was to be read disjunctively, instead holding that the term "similar to" was constrained by the antecedent words in the phrase such that it was only similarity which was capable of causing confusion that was prohibited, not similarity alone. However, his Honour also did not accept Idameneo's contention that the phrase should be equated with "deceptive similarity" in the Act. His Honour observed that section 10 of the Act speaks of "likelihood" of confusion whereas the contract speaks of "capability" of confusion. The parties were taken to have been aware of the wording of section 10 and to have chosen different words on purpose.

His Honour stated that the contractual question is not whether the resemblance is such as would be likely to cause confusion - it will be sufficient if it is such as would be capable of causing confusion. His Honour held that the contractual question was a lower bar than is put in place by section 10 of the Act. His Honour did not elucidate why or why he did not require evidence of the kind described by Lord Diplock above on the contract claim. Accordingly, his Honour went on find, in light of the circumstances of Idameneo's actual use of its logo, that the logo was capable of being confused with either the registered Symbion logo or the green version of that logo as used by Symbion.
We are informed that, on 13 May 2011, the Court handed down orders permanently restraining the respondent from using the mark but from 6 months time in order for the respondent to have time to rebrand its services. The respondent also informed the court that an appeal had or would be filed and his Honour therefore stayed his orders until final determination of any appeal. We note that, strictly speaking, leave to appeal will be required as his Honour's judgment was interlocutory not final.

Facton Ltd & Ors v Seo [2011] FCA 344 (12 April 2011)

Copyright – damages for lost sales and reputation

In this case, Gordon J dismissed an appeal and cross appeal from Federal Magistrate Burchardt. Of

particular interest is her Honour's conclusion on damages to reputation for copyright infringement in G-Star branded apparel of the applicants.

Burchardt FM had awarded the applicants $15,000 for damages to reputation. The number of proven sales of counterfeit G-Star branded apparel was relatively minor – "not less than 20". Mr Seo sought to rely on *Elwood Clothing Pty Ltd (ACN 079 393 696) v Cotton On Clothing Pty Ltd (ACN 052 130 462)* [2009] 81 IPR 378 where her Honour had previously awarded $10,000 for loss of reputation in copyright works where the number of infringing works was relatively high. Her Honour observed that the present case concerned counterfeiting whereas the *Elwood* case did not. In the *Elwood* case the respondents did not bear the Elwood name or trade marks but had instead taken a substantial part of a well known copyright work. It seems that her Honour was of the view that counterfeit cases caused greater damage to reputation than non-counterfeit cases. Her Honour does not explain why that would be the case.

Mr Seo also submitted that in the absence of evidence about loss of reputation, there was no basis on which the Federal Magistrate could award damages for loss of reputation. Her Honour disagreed and to that extent seems to have departed from the decision of Bromberg J reported below. Her Honour was prepared to draw an inference that it would be apparent to purchasers that, because of the price, the counterfeit items were not genuine and that knowledge would devalue the reputation of the G-Star products. Her Honour noted that, because of the relatively minor number of counterfeit items, it was not surprising that the applicants had not adduced evidence of loss to reputation. However, since her Honour was satisfied that damage had occurred, her Honour felt bound to do her best to quantify loss even if some degree of speculation and guesswork was involved and those damages would not be nominal.

Her Honour noted Bromberg J's concern that the applicants in *Facton v Rifai* had failed to adduce evidence to demonstrate the value of their reputation. Her Honour observed that ", that kind of analysis (even if possible) is of limited assistance in a case such as the present. Here, damage was found. That finding was not the subject of any ground of appeal. Calculating that damage given the extent and nature of the conduct would be and remains very difficult. The award of damages reflects those facts. Of course, if the extent and nature of the conduct was of a different magnitude, then the exercise to which the trial judge referred in *Rifai* may be necessary if the applicants were to seek a substantial award of reputational damages."

***Suyen Corporation v Americana International Limited* [2011] FCA 300 31 March 2011**

Trade Marks – non-contested appeal from Delegate's decision

On 29 October 2009, the Delegate of the Registrar of Trade Marks upheld in part Americana's opposition to Suyen's application for registration of the trade marks BENCH, "bench" "bench/" in relation to clothing among other things, unless the registration was restricted to "shoes and boots" in class 25 only.

The parties proposed consent orders allowing the appeal, setting aside the Delegate's decision and requiring the application for the trade mark to proceed to registration. The Registrar of Trade Marks consented to the proposed orders. Dodds-Streeton J observed that there was authority for making such orders where, were it not for the opposition of the respondent, the application would have been registered at the first instance. Her Honour observed that there was no evidence that the mark should not be registered and in the circumstances was satisfied that the appeal should be allowed.

***Facton Ltd v Rifai Fashions Pty Ltd* [2011] FCA 290 (30 March 2011)**

Copyright – damages for lost sales and reputation

This and the other two cases involving Facton reported in this edition concern claims for damages and additional damages brought by the applicants for breach of copyright by the respondents. The applicants sell in Australia clothing branded "G-Star" and each respondent sold counterfeit G-Star clothing.

Copyright subsisted in G-Star logos borne by the apparel sold by the applicants. There is a slight difference of opinion which arises between this case, heard by Bromberg J and the case of *Facton v Seo* heard by Gordon J (reported above) as to the matters the applicants must prove prior to obtaining damages for loss of reputation.

The respondents in this case conceded that the applicants should have damages quantified for lost sales resulting from the sale of counterfeit G-Star branded apparel at $9,213. The respondents resisted the applicants' claim for damage to reputation and additional damages. His Honour determined that $11,000 in additional damages (for flagrancy of conduct) should be awarded but that no award for damage to reputation should be awarded. The finding as to additional damages is relatively uncontroversial. The finding as to reputational damage is worth consideration.

The applicants filed evidence as to the extent of marketing and sales of G-Star branded apparel both overseas and in Australia. Indeed, the respondents admitted that the applicants had established a "substantial, exclusive and valuable reputation and goodwill in Australia by reference to the" copyright works which had been infringed.

Turning then to the calculation of loss, his Honour referred to Gordon J's summary of the principles in *Elwood Clothing Pty Ltd v Cotton On Clothing Pty Ltd* [2009] FCA 633 at [5] and [6] that: (1) damages are compensatory in nature; (2) damages should put the applicant in the same position it would have been if it had not suffered the wrong; and (3) in relation to damages for infringement of copyright, damages should reflect the depreciation to the value of the applicant's copyright as a chose in action resulting from the respondent's infringing conduct. It may be noted that (3) does not provide particularly helpful guidance.

A difficulty his Honour had with the applicants' claim arises from the fact that it was only one of the applicants (G-Star International) which owned the copyright. His Honour accepted that G-Star International suffered damage by reason of the respondent's conduct because Facton will have: (1) lost sales because counterfeit products were available at cheaper prices; and (2) lost customers because some of them will no longer consider G-Star branded apparel as exclusive. Indeed, his Honour accepted that, as a chose in action, those logos did hold significant value. However, the applicants had failed to identify the basis upon which the other applicant (Facton) had suffered damages by way of lost reputation. The applicants sought $100,000 in lost reputation, but his Honour found that because the applicants had failed to establish (or even attempt to establish) by way of evidence or submission: (1) the value of the reputation concerned; or (2) the value of the reputation held by each of the applicants, he had no capacity to measure the loss.

His Honour concluded: "In circumstances where the applicants could have adduced, but have failed to adduce, evidence to demonstrate the value of each of their goodwill or reputation, I am not prepared to wholly speculate as to that value. I have no basis from which to assess any diminution in that value resulting from the infringing conduct of Rifai Fashions and Mr Rifai. In those circumstances, I am not able to award damages for loss of reputation."

Barrett Property Group Pty Ltd v Dennis Family Homes Pty Ltd **[2011] FCA 246 (18 March 2011)**

Copyright – house plans – the "alfresco quadrant"

This is yet another case brought by Barrett against a project home builder, in this case Dennis Family Homes, for infringement of copyright in plans and houses containing an "alfresco quadrant".

Dodds-Streeton J found in favour of Barrett and, not surprisingly, followed *Barrett Property Group Pty Ltd v Carlisle Homes Pty Ltd* [2008] FCA 375,
Barrett Property Group Pty Ltd v Metricon Homes Pty Ltd (2007) 74 IPR 52 and *Metricon Homes Pty Ltd v Barrett Property Group Pty Ltd* (2008) 75 IPR 455 which have been reported upon in earlier editions of IP Forum.

While Barrett accepted that independent elements of the alfresco quadrant were not novel, it asserted

that the alfresco quadrant comprised an original arrangement of spaces different from any pre-existing design which resulted from the application of considerable skill and labour and was not dictated by functional requirements or constraints. Dennis contended that the alfresco quadrant was a non-distinctive arrangement of known features.

Her Honour gave a helpful summary of the applicable principles concerning the taking of a substantial part and whether a sufficient objective resemblance between the works exists, highlighting the difficulties in cases where the works are to some extent utilitarian and the scope for creativity is somewhat limited. Her Honour observed: "The application of sufficient labour, skill and judgment in combining commonplace features may, even in the context of project home plans, attract copyright protection. Conversely, where the originality lies in the combination or arrangement of individuality commonplace components, using such a component of a work, which secured copyright protection only as a total collocation, would not infringe."

Her Honour found the applicant's expert very helpful and criticised the respondent's expert for, among other things, failing to exhibit all the materials and instructions he was given by the respondent's solicitors and for basing his opinions not on independent research but on information and plans provided to him by the respondent's solicitors.

Her Honour concluded that the Barrett alfresco quadrant made a great visual impact and that none of the pre-existing plans in evidence displayed precisely the same spaces and features, combined in the same way, integrated under the same roofline as in the Barrett alfresco quadrant – noting that novelty or uniqueness was not a prerequisite of copyright protection.

On the question of sufficient objective similarity between the Barrett and Denis works, her honour concluded there were striking fundamental similarities between the alfresco quadrant areas in the Barrett and Dennis plans and houses, despite some differences of dimension, proportion, feature and detail.

Her Honour did not accept that the Dennis plans and houses had been arrived at independently. One of the greatest difficulties for the respondent's witnesses in this regard was the passing of time between the giving of evidence and the original work they had performed on the Dennis plans and homes. The witnesses could not adequately explain how the plans were arrived at. Her Honour concluded that the witnesses were "unreliable and defensive witnesses whose evidence was lacking in candour" and she "formed and maintained an unfavourable view of the credit of the above witnesses at the time of trial". Direct or indirect copying was found notwithstanding a denial of such and a failure by the applicant to establish by direct evidence that the draftspersons had visited the Barrett homes or collect Barrett plans.

The proceeding has since been dismissed, presumably as part of a settlement between the parties

***LED Technologies Pty Ltd v Roadvision Pty Ltd* [2011] FCA 146 (25 February 2011)**

Designs – whether uncertain – new and distinctive – infringed

LED Technologies sued Roadvision for infringement of its registered designs concerning rear combination lamps for vehicles - LED tail-lights. A significant portion of Justice Finkelstein's reasons for decision dealt with a claim that the respondents had induced a manufacturer to breach its contract not to use moulds to manufacture lamps for sale in Australia and New Zealand other than by LED Technology. His Honour dismissed that claim on the basis that it was equally open to the respondents to assume that new moulds had been used.

LED Technologies had previously successfully sued Elecspess for infringement of its registered designs and resisted cross claims for revocation: *LED Technologies Pty Ltd v Elecspess Pty Ltd* (2008) 80 IPR 85, affirmed *Keller v LED Technologies Pty Ltd* (2010) 185 FCR 449. The respondents in this case ran a broadly similar attack on the design which was unsuccessful. The applicant's allegations of infringement of the design also failed.

The respondents argued that the Statement of Newness and Distinctiveness was uncertain. The statement read "Separate clip in lenses. Base to take a variety of 2, 3 or 4 combination of lenses for

stop, tail, indicator, reverse LED lenses, no visible screws" and the respondents asserted, by way of expert evidence, that it was not clear from the drawings what the clip mechanism was and that the lenses could be connected to the base in any number of ways. His Honour dealt with the argument as follows: "the statement indicates clearly to the relevantly informed addressee (and probably to anyone familiar with the English language) that the base could be manufactured to take a number of lenses. Reference to "separate clip in lenses", when read with the phrase "no visible screws", indicates that the lenses clips in and are not held in place by screws. There is nothing relevantly uncertain contained in the statement."

The respondents also argued that the design was not new and distinctive as compared to the prior art. His Honour dealt with this ground of revocation in tandem with the allegation of infringement because both required the Court to consider whether the competing designs were substantially similar in overall impression to each other subject to the matters the Court must consider pursuant to section 19 of the *Designs Act* 2005. That is, that the Court should: give more weight to similarities between the designs than to differences between them; have regard to the state of development of the prior art base; have particular regard to the features identified in the statement of newness and distinctiveness; have regard to the freedom of the creator of the design to innovate; and have regard to the amount, quality and importance of those parts of the design that are substantially similar to another design. The standard to be applied is that of the informed user who is not an expert but is one familiar with the product to which the design relates.

His Honour found that the respondents' lamps were similar to the registered designs in ways in which the designs were similar to the prior art. The features which distinguished the registered designs from the prior art were not all taken in the respondents' lamps. Accordingly, the registered designs were new and distinctive but not infringed by the respondents' lamps.

There is both an appeal and cross appeal filed from Finkelstein J's decision.

***Albany Molecular Research Inc v Alphapharm Pty Ltd* [2011] FCA 120 (18 February 2011)**

Patents – novelty where prior art disclosed compound but not how to make it – false suggestion

Jessup J here considered an action by Albany Molecular Research (AMR) for infringement by Alphapharm and Sigma of its patent for the compound fexofenadine hydrochloride, the active ingredient of the pharmaceutical product known as Xergic. Alphapharm and Sigma cross-claimed for revocation of the patent.

His Honour's findings concerning novelty are of most interest (and are the subject of appeal by AMR). The primary claim of the patent in issue was a product claim for substantially pure fexofenadine. It was accepted that the prior art had disclosed the claimed compound but not how to make it. Indeed, when the method disclosed in the prior art was followed, substantially pure fexofenadine was not produced. AMR had found and disclosed a method of making substantially pure fexofenadine in its patent.

Alphapharm and Sigma contended that the prior art disclosure was enough to anticipate the product claim. AMR contended that the prior art did not do so because it did not enable the skilled addressee to make the claimed compound, it only described it. AMR contended that his Honour should follow the rule set down by Dixon J in *Acme Bedstead Co Ltd v Newlands Brothers Ltd* (1937) 58 CLR 689 at 707 that "a prior paper publication, giving information that does not become part of common knowledge, does not invalidate a subsequent patent unless it supplies enough information to enable a person of proper skill in the art to produce the mechanical device or appliance or carry out the process claimed in the later specification."

However, Jessup J felt bound by the Full Court's decisions in *H Lundbeck A/S v Alphapharm Pty Ltd* (2009) 177 FCR 151 and *Apotex Pty Ltd v Sanofi-Aventis* (2009) 82 IPR 416 to find in favour of Alphapharm and Sigma. His Honour did so because he felt that the Full Court had adequately reviewed the case law sought to be relied on by AMR. Bennett J (Middleton J agreeing) in *Lundbeck* had set down the rule that:

> *"It follows that, where the prior publication is of the subsequently claimed invention, that is*

sufficient. Where the prior disclosure falls short of a complete disclosure, the question of the sufficiency of that disclosure arises. It is there that consideration must be given to the quality of a disclosure to the skilled addressee armed with common general knowledge. It is in that context that, in a limited fashion, questions of "enablement" can be said to arise."

His Honour observed that if he were wrong as to the test for novelty, then the prior art did not supply enough information to enable the skilled addressee to produce the claimed compound and so the claim would not lack novelty.

Jessup J also found that the claims in question should be revoked on the ground of false suggestion. His Honour found that the patent applicant had represented to the patent office that when the prior art was followed, it was not possible to produce 98% purity or more of the compound. This representation was made in response to the patent office examiner citing that prior art as anticipatory of the various claims of the patent. His Honour found that if all the steps set out in the prior art were followed it would be possible to obtain 100% purity and so there had been a false suggestion. His Honour also found that the representation had been material to the grant of those claims since the examiner did not appear to dispute the point or its relevance to the question of anticipation of those claims.

His Honour dismissed the revocation case insofar as it relied on allegations that the claims of the patent lacked an inventive step, were insufficient, failed to define the invention, lacked clarity and lacked fair basis. On the question of fair basis, the respondents asserted that AMR should not be able to make a claim for a pharmaceutical product when the only advance over the prior art was devising a method to prepare that product. It will be interesting to see if that argument or an argument like it is pursued on cross-appeal.

The case for infringement was apparently not in issue on the product claims, but given they were all found invalid for lack of novelty, the infringement proceeding was dismissed. His Honour found that, while AMR had successfully resisted revocation of its method claim, it had not filed any evidence in support of infringement of that claim by the respondents.

His Honour's reasons and orders concerning to whether to revoke the patent entirely or specific claims are set out in *Albany Molecular Research Inc v Arrow Pharmaceuticals Pty Ltd* [2011] FCA 252 (note the change of name of the respondent). Put simply, the respondents sought revocation of the patent entirely on the basis of false suggestion but his Honour only revoked the product claims as they were the claims affected by the purported false suggestion.

Facton Ltd & Ors v Yuan **[2011] FMCA 266 (21 April 2011)**

Copyright – damages for lost sales and reputation – additional damages

The applicants (Facton) sell in Australia clothing branded "G-Star". The respondent (Yuan) had offered for sale at least 393 counterfeit G Star branded products. It was assumed that those products were sold by Yuan. On a successful application for default judgment, Facton sought among other things damages for copyright infringement under three main heads.

First, Facton sought the average lost profit it would have made on 393 lost sales, about $36,600. Federal Magistrate Burchardt found that the Facton had not established that it would have made every sale that Yuan did. Indeed, the price difference between the genuine products and counterfeit products meant that was very unlikely. However, his Honour did accept that some consumers who could have afforded genuine product would have instead purchased the counterfeit product and accordingly ordered $5,000 for lost sales.

Secondly, Facton sought damages to loss of reputation. His Honour accepted that Facton spent very considerable amounts of money and devoted considerable resources to establishing and maintaining the product reputation that it had in Australia. Because the infringement was "on what appears to have been a relatively large scale" his Honour awarded $20,000 under that head of damage. This head of damage is particularly nebulous and his Honour's ruling shows a trend recently to accept evidence as to loss or reputation in products by reason of sale of products infringing copyright in those products.

Finally, Facton sought additional damages which his Honour awarded in the sum of $30,000, relying on the apparently deliberate nature of the infringement; its wide ranging scope; the benefit likely to have been obtained by Yuan selling good quality fakes at a substantially reduced price; the total failure of the respondent to cooperate in any way with the applicants, despite being served with appropriate correspondence