

# INTELLECTUAL PROPERTY

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## Half a glass full of purple

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The Federal Court's decision in *Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd*<sup>1</sup> is the latest in the long-running endeavour by Cadbury to secure a level of exclusivity over its use of the colour purple as the substantial colour of packaging in relation to chocolate. The importance of the decision is that it demonstrates the difficulty of protecting a reputation associated with a single colour against use of that colour by rival traders under the *Trade Practices Act 1974* (Cth), or under the action of passing off. The decision also demonstrates the limitations of the use of survey evidence.

A few days later, IP Australia made a decision in relation to the opposition by Darrell Lea Chocolate Shops Pty Ltd to application number 779336 for the colour PURPLE in the name of Cadbury Ltd. This article considers both decisions in light of the somewhat lengthy history of Cadbury's efforts to protect its association with the colour purple and register the colour as a trade mark.

### Background to the proceedings

Cadbury Ltd, the UK parent of the Australian company, filed a trade mark application for the colour purple in Australia on 25 November 1998 for chocolate in class 30, for a particular shade of purple 'used as the substantial colour of packaging in relation to the nominated goods'.<sup>2</sup> This application was opposed by Darrell Lea and Nestlé and has been the subject of two IP Australia Trade Marks Office hearings.

### First Trade Marks Office hearing

In the first hearing, in June 2002 (which was at Cadbury's request after the Trade Marks Examiner refused to accept the mark for registration),<sup>3</sup> the Senior Examiner, Deirdre O'Brien, considered whether the colour purple in various pantone colour shades could be registered for 'chocolate and chocolate confectionery'.<sup>4</sup>

The Senior Examiner considered the dictionary definition of 'purple' and took the view that it has, 'at least to some extent, become capable of signifying lofty rank and position'.<sup>5</sup> She also noted that the *Macquarie Dictionary* definition of purple associates the colours with words such as 'imperial', 'regal', 'brilliant' and 'gorgeous' which, she observed, are connotations which are likely to appeal to the consumer.<sup>6</sup>

The Senior Examiner first considered whether the colour purple 'was inherently adapted to distinguish' Cadbury's chocolate under the provisions of s 41(5) of the *Trade Marks Act 1995* (Cth) (the Act). She found in the negative, as other traders would have a legitimate need to use the colour purple for confectionery packaging to indicate luxury and richness, which were important attributes of luxury foods



Illustration:  
Frances Ratford

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## Editor's introduction

In the light of four recent developments in the area of IP law and colour, this is the theme of this issue.

The first two developments relate to 'Cadbury purple'. The lead article sets out the history of the war over the colour purple, taking into account the background to Cadbury's trade mark application for the colour purple for packaging in respect of chocolate, initially lodged in November 1998. In this, article I examine the recent Federal Court decision of *Cadbury v Darrel Lea*, in which Cadbury lost its claim against Darrell Lea for misleading and deceptive conduct and passing off. It also considers the decision made by IP Australia on the same day, in which the Registrar's delegate granted Cadbury a trade mark for the colour purple for moulded block milk chocolate and boxed milk chocolate bonbons, rather than all packaging for chocolate.

Shifting focus from purple to green, Gerard Skelly, Principal at Spruson & Ferguson, considers the outcome of Woolworths' application for leave to appeal to the Full Federal Court in its dispute with BP concerning the colour green. He anticipates this case will have a significant bearing on trade mark practice because it clears the way for the Full Federal Court to properly consider, for the first time, issues relevant to the registrability of colour trade marks, and also the standard of proof in appeals from the Registrar.

Still on the colour theme, David Yates, Senior Associate with Allens Arthur Robinson, discusses an action to restrain a party from the allegedly misleading use of the distinctive Clark Rubber colour scheme on its shop front (particularly the yellow background).

Moving right away from the theme, Richard Donaldson writes about the major reforms to the *Copyright Act 1968* (Cth) recently announced by the Attorney-General. In particular, he considers whether the proposed changes, and the Commonwealth Government's stated aim of distinguishing more clearly between certain forms of 'private' copying and

piracy and counterfeiting, will help to shift community perceptions of, and consumer attitudes about, acts of infringement.

Following on, in their article on a decision of a delegate of the Commissioner of Patents, Justin Blows and David Clark investigate IP Australia's interpretation of the innovative step. Emily Hudson of the University of Melbourne notes that the Government has decided not to proceed with a resale royalty scheme, while the ALP remains in strong support.

In brief, Rob Brown sets out the reasoning of the Copyright Tribunal in declining to amend interim electronic use notices for the electronic reproduction and communication of copyright material by schools.

Next up, Penny Smith from Blake Dawson Waldron explores the recent Federal Court decision in *Colorado Group Ltd v Strandbags Group Pty Ltd*, which considers proprietorship by first use and inherent distinctiveness of the trade mark COLORADO, as well as trade mark infringement. The decision demonstrates the benefits of early trade mark registration and the dangers of delay in taking an action for passing off.

Following on, Marlia Saunders from Blake Dawson Waldron examines the Federal Court case of *Aristocrat Technologies Australia Pty Ltd v Videotech Gaming Services Pty Ltd*, which considers, among other things, authorisation of copyright infringement in the context of artwork on electronic gaming machines (EGMs).

Sarah Waladan, Executive Officer of the Australian Digital Alliance, provides brief updates on two recent trade mark decisions. The first summarises an attempt to register the popular ESKY mark in relation to a bottle shop. The second relates to an application to register the word 'babychino', in respect of the recently popular children's drink.

A jam-packed issue which I hope you will enjoy. ●

Sharon Givoni, General Editor.

such as chocolate. In doing so, she observed that coloured packaging for chocolate and confectionery may perform a function such as indicating flavour. For example, traders might legitimately wish to use purple to indicate a berry filling for chocolate.

The Senior Examiner went on to consider whether the colour purple 'was adapted to distinguish' Cadbury's confectionery under s 41(5). She took the view that the colour purple for packaging had not, in addition to its ordinary meaning of being an attractive packaging for confectionery, acquired a secondary meaning (as being connected with Cadbury).<sup>7</sup> Accordingly, she refused registration of the mark.

### Second Trade Marks Office hearing

The issue came before the Trade Marks Office again more recently after Cadbury submitted further evidence of use. The application was reconsidered and the trade mark was advertised as accepted for registration on 18 September 2003.

It was opposed by NSW-based Darrell Lea Chocolate Shops Pty Ltd and Société des Produits Nestlé SA and, after a hearing took place, was the subject of a second Trade Marks Office ruling, dated 27 April 2006 (with Darrell Lea's counsel appearing in the opposition).<sup>8</sup>

In the second hearing, the delegate of the Registrar of Trade Marks, Ian Thompson, took the view that the colour purple as an aspect of packaging was not inherently adapted to distinguish chocolate and chocolate confectionery, as purple was not so unique or unusual to the extent that other traders would not want to use it. Purple, he said, gives rise to an impression of luxury and richness and is an important attribute of a luxury food.<sup>9</sup>

The delegate went on to consider whether the trade mark did distinguish Cadbury's chocolate 'before the filing date', under the provisions of s 41(6) of the Act. The delegate commented that to succeed, Cadbury would need to establish that purple packaging acquired a 'secondary meaning' as an indicator of trade source.

Taking into account Cadbury's evidence, he noted that although Cadbury had made liberal use of the colour purple in its printed material and the like, this was not use in a trade mark sense. For example, he said there are no exhortations along the lines of, 'When you think purple, think Cadbury's'.<sup>10</sup> He was not satisfied that consumers seeing any chocolate in a purple wrapper would immediately associate that colour with Cadbury.

### Several shades of purple

In relation to the fact that Cadbury had applied to register several shades of purple, the delegate noted that the shades of purple that Cadbury uses are generally very close and that the public probably regards several shades of purple as being one shade.<sup>11</sup>

He also noted that most of the variation in the shade of the purple that Cadbury used occurred prior to 1994, *before* Cadbury had determined to use one shade of the colour consistently on block milk chocolate products and its boxed chocolate bonbons as a trade mark. The consistent use of one particular shade of purple was reinforced by Cadbury's own 1998 internal global branding guide, which mandated use of a particular shade of pantone purple (Pantone® PMS 2685c) as the standard. Accordingly, he held that the application be restricted to this singular Pantone shade.

In relation to the use of purple, the hearing officer noted that the applicant has used the colour on its moulded plain milk chocolate blocks and 'Milk Tray' boxed chocolate since at least 1929. Elements of Cadbury's packaging has changed over the years and, in 1993, the use of purple on its chocolate blocks actually diminished.<sup>12</sup> However, in 1994, the colour purple was reinstated and emphasised more or less uniformly across its range of moulded block milk chocolate. After considering the evidence that demonstrated that Cadbury had used the colour purple extensively as a house colour and on

products other than chocolate, the delegate was satisfied that Cadbury had started educating the public that purple is a trade mark prior to the filing date in November 1998.

### A bittersweet result

The Registrar considered that Cadbury's evidence had established to his satisfaction that 'the applicant's use of the colour purple as a trade mark ... was in fact capable of distinguishing at the filing date, in respect of moulded block milk chocolate and boxed milk chocolate bonbons', although '[t]he use, and acquired distinctiveness, was such that it clearly should not have been taken to be capable of distinguishing in respect of "chocolate" in general'.<sup>13</sup>



To this extent, as the delegate observed, 'although the opponent has established its opposition, both parties might be regarded as having had a measure of success'.<sup>14</sup> Darrell Lea has appealed against the decision.<sup>15</sup>

### Other matters

In addition to its trade mark applications, the following matters are in progress.

- Cadbury has been party to opposition proceedings against Effem Foods in relation to Effem's application to register a series of trade marks, one of which had a purple/blue background.<sup>16</sup> In relation to Cadbury's colour opposition argument, the hearing officer noted that it was somewhat premature given Cadbury's application for the colour purple was still on foot.
- Cadbury has sent letters to other confectioners requesting they cease using purple in their packaging.<sup>17</sup>

- Cadbury has also entered into agreements with other parties in relation to their use of the colour purple.<sup>18</sup>

### International trade marks

On the international front, Cadbury has been successful in obtaining registrations for the colour purple in the UK (these are limited to chocolate in a bar or tablet form and as applied to the whole or visible surface of the packaging of the goods).<sup>19</sup> There have also been trade mark proceedings in NZ.<sup>20</sup> In addition, Cadbury currently has a number of trade mark applications and a registration<sup>21</sup> for the colour purple in progress there.

### Recent Federal Court decision

Back on the Australian front, the second Australian Trade Marks Office ruling could be described as bittersweet consolation for Cadbury. It came just one day after Heerey J of the Federal Court rejected Cadbury's allegations that Darrell Lea had misled the public and tried to pass off its products as those of Cadbury's by selling purple-wrapped chocolates. I now turn to discuss this case.

### Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd

As set out in the decision, Cadbury has operated in Australia since the 1920s and commands 55 per cent of the Australian chocolate confectionery market (with Cadbury Dairy Milk holding 73 per cent of the market for block chocolate). Purple wrapping has been used by Cadbury almost continuously since it commenced operations in Australia. In the mid 1990s, Cadbury determined to extend its use of Cadbury branding (including use of the colour purple) across its chocolate confectionery range. This involved increased use of purple in its advertising.

### Other confectioners' use of purple

There was evidence that a number of confectioners use purple in the packaging of their products, most notably Nestlé's 'Violet Crumble',

which has been wrapped in a purple coloured wrapper for at least 50 years.<sup>22</sup> Nestlé has also used purple in a variety of other chocolate products, including the 'Polly Waffle' bar, the 'Wonka Wicked Chocolate Mud Sludge' bar and 'Quality Street' assorted chocolates. In addition to Nestlé's use, there was evidence of 54 other wholesalers and manufacturers using various shades of purple for confectionery, including the Ballantyne, Beacon, Kenman, Mars, Milka and Patons brands.

### Cadbury's claims

Cadbury claimed that Darrell Lea had breached ss 52, 53(c) and 53(d) of the *Trade Practices Act* and engaged in passing off as a result of its use of the colour purple in its chocolate confectionery business.

### Survey evidence and proof of confusion<sup>23</sup>

Cadbury tendered a 'chocolate sensory study' that it had commissioned. Participants were shown blue, gold, purple, red and green packaged chocolate without any indication of brand. When asked which brand was best represented by each of the colours, respondents answered 'Cadbury' for more than any other brand for *all* of the colours. Justice Heerey found that there was a 'wide awareness' among Australian consumers of Cadbury's use of purple. However, he noted that the survey evidence had its limitations.

For one, the weight of the evidence was reduced because it did not address how consumers reacted to the colour of packaging when the chocolate products also bore the words 'Cadbury' or 'Darrell Lea'.

Further:

- the survey was confined to the Melbourne metropolitan area;
- predominantly females participated;
- no children were surveyed;
- it was tested in a clinical environment (as opposed to the normal setting in which consumer purchasing decisions are made); and
- it did not assist in drawing a conclusion where goods have a brand and a colour (given that the survey

was designed so as not to introduce brands).

It is difficult to take any general pointers from the above limitations, other than casting as wide a net as possible in setting participant parameters.

In relation to survey evidence, Federal Court Practice Note 11<sup>24</sup> requires (among other things) that:

- a party seeking to have a survey conducted give notice to the other party; and
- the parties attempt to resolve any disagreement concerning the manner in which the survey is conducted, the purpose of and issues to which the survey is to be directed, the proposed form and methodology and the particular questions to be asked.

In the present case, although the survey did not comply with Practice Note 11, this was not fatal to Cadbury's case.

### No direct evidence of consumer confusion

While Heerey J observed that, to succeed in a claim for passing off or misleading conduct, it is not essential to show that consumers have actually been misled,<sup>25</sup> he ruled that direct evidence of consumer confusion would have given Cadbury's arguments far greater weight. His Honour went as far as to give hypothetical suggestions as to the sort of evidence that would have been useful for Cadbury, such as comments by consumers to the effect of 'I saw Darrell Lea using purple so I thought that they must have been taken over by Cadbury'.<sup>26</sup>

The lack of evidence in this particular case influenced the judge, who stated that Cadbury had had some five years to obtain evidence of confusion in the marketplace but had failed to do so.

### Exclusive rights in colour and use of purple by Cadbury

An essential part of Cadbury's case was that the shade of purple that it used, considered in isolation, distinguished Cadbury from its competitors, so that the colour purple in the context of chocolate has a secondary meaning as an identifier of Cadbury chocolate products.<sup>27</sup> In this regard, Heerey J considered Cadbury's

evidence, which highlighted the following:

- the components of its 'brand architecture', including the name Cadbury; and
- the colour purple and the image of the 'glass and a half' – he observed that Cadbury's marketing showed how the name Cadbury and the colour purple were 'inextricably intertwined';<sup>28</sup> for the purposes of a passing off and misleading and deceptive conduct case in relation to the colour purple alone, this created considerable difficulties.

Justice Heerey concluded that 'for all practical purposes', Cadbury's use of the colour purple for marketing material and the like, 'is always associated with the famous name Cadbury'.

### Coexistence agreement with Nestlé

It became apparent in the case that the Violet Crumble bar and other Nestlé products were the subject of a coexistence agreement made between the UK parent company of Cadbury and the parent company of Nestlé in Switzerland. Although this agreement was tendered as a confidential exhibit, the judge took the view that Cadbury had 'waived confidentiality by its assertion in this case that it has exclusive reputation and goodwill in the use of the colour purple in relation to chocolate products'.

The agreement, said the judge, was inconsistent with Cadbury's assertion of exclusivity. Given that it did not appear to contain material, 'the publication of which would damage the parties' competitiveness, such as manufacturing formulae or internal costings',<sup>29</sup> he concluded that he had no obligation to uphold Cadbury's claim for commercial confidentiality. Accordingly, he allowed it as evidence.

### Trade practices and passing off claims

Justice Heerey ultimately determined that Cadbury had not made out its claims, holding as follows.

- Cadbury does not have an exclusive reputation in the use of the colour purple (with other traders using purple).

- Cadbury has many chocolate products with little or no purple.
- Cadbury products always bear the Cadbury name.
- Cadbury does not use the colour purple in isolation 'as an indicium of trade'.
- Darrell Lea did not adopt the colour purple intending to mislead consumers and its use of purple did not convey any connection with Cadbury.

### Different trade channels

In reaching the decision that Darrell Lea's use of purple did not mislead consumers by suggesting some sort of connection with Cadbury, it was important that Cadbury and Darrell Lea largely used different trade channels for the sale of their respective products. Darrell Lea's products were primarily sold through its dedicated shops and had a very minor presence in some supermarkets.<sup>30</sup> In contrast, Cadbury products were sold through retail outlets that it did not own or operate (subject to minor exceptions such as the Cadbury shop in the Claremont factory and some stores at the 2000 Sydney Olympic Games). Also, there was no evidence of Cadbury and Darrell Lea products being placed side by side in a retail context. Accordingly, Heerey J concluded that 'Cadbury's submission that its products and those of Darrell Lea "are distributed via the same trade channels" was quite inaccurate'.<sup>31</sup>

The decision does not suggest that a *Trade Practices Act* or passing off claim in respect of colour will never be successful. Where a trader uses a colour to indicate that it produces a product, where that colour is used on all the trader's products and a rival trader's use of the colour does suggest a connection, such actions might be successful.

### Conclusion

Among other things, the decision demonstrates the difficulty associated with survey evidence and, more particularly, with the nature of the questions asked. In this case, the survey was limited in its

demographics and did not address how consumers reacted to the colour of packaging when the chocolate products also bore a word or logo trade mark (for example, 'Cadbury' or 'Darrell Lea').<sup>32</sup> The case is also important in light of the increasing number of applications for colour marks and the ability of traders to obtain a certain level of exclusivity by virtue of the *Trade Practices Act* and passing off, where trade mark applications are pending or unsuccessful. ●

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### Endnotes

1. [2006] FCA 446; BC200602559.
2. Trade mark application number 779336.
3. Cadbury Ltd [2002] ATMO 56 (28 June 2002), trade mark application no 779336, available at <[www.austlii.edu.au/au/cases/cth/ATMO/2002/56.html](http://www.austlii.edu.au/au/cases/cth/ATMO/2002/56.html)>.
4. This would require Cadbury to establish that, prior to the date of making the application the mark, did distinguish Cadbury's goods or services.
5. Above note 3 p 8.
6. Above note 3 p 9.
7. Above note 3 p 13.
8. Decision available at <[www.ipaustralia.gov.au/resources/hearings.shtml#decisions](http://www.ipaustralia.gov.au/resources/hearings.shtml#decisions)>.
9. Above 8 at p 9.
10. Above note 8 at p 15. Another example he gave was 'When you see the purple wrapper, you know its Cadbury's'.
11. Above note 8 at p 33.
12. For example, apart from the TOP DECK and DAIRY MILK brands, the only colour purple to appear on the chocolate blocks (such as 'Energy' and 'Coconut Rough') was the word 'Cadbury,' and even this was not uniform.
13. A costs order was made in favour of the opponent.
14. Above note 8 at p 35.
15. On 18 June 2006 VID546/2006.
16. *Cadbury Schweppes Pty Ltd v Effem Foods Pty Ltd* (2006) 66 IPR 387.
17. See examples at 59–67. Justice Heerey noted in his decision that Cadbury had not been consistent in its approach.
18. For example, Cadbury and Nestlé entered into such an agreement. See above note 1 at [55].
19. Trade Mark nos 2020876A, 2126301, 2191893, 2191895 and 2360816.
20. *Cadbury Ltd v Effem Foods Ltd* (2003) 58 IPR 386.
21. New Zealand trade mark registration no 312997. The trade mark 'consists of the colour purple (PMS 2685C) as shown in the representation attached to the application as applied predominantly to the packaging of the goods'. See <[www.iponz.govt.nz/pls/web/dbssiten.main](http://www.iponz.govt.nz/pls/web/dbssiten.main)>.
22. Above note 1 at [53].
23. For a discussion of the use of survey evidence and how to increase its probative value, see Sylvester M and Sgourakis C 'Survey evidence: improving probative value in IP and trade practices cases' (2005) 18(1) *IPLB* 1.
24. Issued by the Chief Justice of the Federal Court in 1994.
25. See, for example, *Royal Warrant Holders' Association v Edward Deane & Beale Ltd* [1912] 1 Ch 1 at 14–15, cited above note 1 at [80].
26. Above note 1 at [80].
27. As stated by Heerey J above note 1 at [82].
28. Above note 1 at [84].
29. Above note 1 [55].
30. Above note 1 at [88]–[89].
31. Above note 1 at [90].
32. As stated above note 1 at [79], Cadbury sought an adjournment for a 'short period of time' of about 57 days to have a further survey conducted on this point in accordance with Practice Note 11. However, the application was refused.

# In living colour: Full Federal Court soon to consider registrability of colour trade marks

Gerard Skelly SPRUSON & FERGUSON

In the background to the Full Federal Court case of *Woolworths Ltd v BP plc* [2006] FCAFC 52; BC200602426, Woolworths successfully opposed registration of BP's trade mark applications before the delegate of the Registrar of Trade Marks (the Registrar). That decision was subsequently overturned on appeal by a single judge of the Federal Court. The decision of the primary judge has been previously reported<sup>1</sup> and also discussed in the context of survey evidence.<sup>2</sup> Woolworths has now been granted leave to appeal to the Full Federal Court. This is a significant opportunity for the Full Court to give proper consideration to the registrability of colour trade marks and the standard to be applied in considering an appeal under the *Trade Marks Act 1995* (Cth) (the Act).

## Background

The trade marks in dispute concern a green coloured square and a representation of a service station complex. The accompanying endorsements, as amended, described these trade marks by reference to the colour green applied as the predominant colour to various elements of service station complexes, as shown or exemplified in the respective representations attached to the trade mark applications.

The issues on appeal to the single judge of the Federal Court were whether:

- the applications were amended contrary to the Act; and
- the marks are capable of distinguishing BP's goods and services.

The primary judge considered the amendments to the endorsements of each application were permissible. His Honour also relied on US authority to conclude that separate components of

a single get-up or design may qualify for trade mark registration. In this case, the particular shade of green had itself acquired a secondary meaning notwithstanding it was only one aspect of BP's total image.

## Preliminary issue

Before even considering whether it was appropriate to grant Woolworths leave to appeal, the Full Court first had to determine whether, even if leave were granted, it could have any practical effect. This arose because Woolworths did not apply for a stay of the primary judge's order directing registration of BP's trade mark applications, and these applications were subsequently registered.

Section 68(1)(b) of the Act requires the Registrar to register an accepted trade mark 'if the Registrar's decision, or (in the case of an appeal against the Registrar's decision) the decision on appeal, is that the trade mark should be registered'. Sundberg and Bennett JJ decided that the reference to 'appeal' extended to the entire appeal process and included any appeal from the decision of the primary judge. The Registrar was in error in taking the view that she was obliged to register the trade marks following the decision of the primary judge. However, the Registrar was also complying with an order of the court that had not been stayed and therefore was not acting erroneously by entering the trade marks in the register.

Given that the trade marks were now registered, it was necessary to consider whether the Full Court, in an appeal from an opposition, could order rectification of the Register. If not, even if the oppositions to registration were successful on appeal, the appeal would then be a nullity for want of subject matter, namely whether the

trade marks should proceed to registration. Their Honours ultimately took the view that the court had power under the Act to order rectification of the register if the appeal was successful because, if the trade marks were found to be unregistrable, then the entry of these marks in the register would be in error and rectification would be appropriate. Furthermore, the court also had inherent power to preserve the subject matter of an appeal. As a result, the appeal was not a nullity and it was not fatal that Woolworths had not applied for a stay of the primary judge's decision.

Black CJ took a different view on this issue. His Honour did not agree that the Register could be rectified by removing or cancelling BP's registrations. The power to correct an error in an entry in the Register did not extend to cancellation. His Honour left open the possibility that the Federal Court may have power under the *Federal Court of Australia Act 1976* (Cth) to rectify the Register but such power should not be exercised in Woolworths' favour.

## Whether leave to appeal should be granted

Sundberg and Bennett JJ were of the view that a prima facie case of error is a prerequisite for granting leave to appeal. Hence, it was necessary to find some error on the part of the primary judge, even if there were factors such as the novelty and importance of a question of law and substantive injustice.

Their Honours followed *Lomas v Winton Shire Council*<sup>3</sup> in concluding that a decision to grant leave to appeal was discretionary in nature. In the present case, where Woolworths was successful before the Registrar and unsuccessful before the primary judge,

the relevant question was whether there has been a clear prima facie case of error on the part of the primary judge.

Their Honours then analysed the reasons given by the primary judge and considered that his Honour failed to assess distinctiveness, having regard to the scope of the applications and giving proper consideration to the combined effect of the representations and the endorsements. This failure to properly consider the interrelationship between the criteria for registration and the scope of a trade mark constituted a clear prima facie case of error.

### Standard to be applied in an appeal

In *Lomas*, the Full Court also considered that an opposition should only be upheld if the Court were satisfied that the trade mark should clearly not be registered. This view was taken based on drawing parallels between the Act and the *Patents Act 1990* (Cth) and without the benefit of submissions concerning the standard to

be applied by a single judge in considering an appeal.

Subsequent single judge decisions have been obliged to follow the *Lomas* test (for example, *Torpedoes Sportswear Pty Ltd v Thorpedo Enterprises Pty Ltd*),<sup>4</sup> but some judges have expressed reservation as to the correctness of this test (for example, *Kowa Co Ltd v NV Organon*).<sup>5</sup>

Their Honours thought it appropriate that this issue be properly considered by the Full Federal Court with the benefit of submissions. ●

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### Endnotes

1. Black M 'BP plc v Woolworths Pty Ltd' (2004) 17(7) *IPLB* at 125.
2. Sylvester M and Sgourakis C 'Survey evidence: improving probative value in IP and trade practices cases' (2005) 18(1) *IPLB* at 5.
3. (2003) AIPC 91-839.
4. (2003) 132 FCR 326.
5. [2005] FCA 1282 per Lander J.



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# The importance of colours: Clark Rubber

David Yates ALLENS ARTHUR ROBINSON

In January 2006, the Australian Federal Court made interlocutory orders restraining a company from trading at a store until such time as it changed the colour scheme on the front of the store to a colour scheme which did not misrepresent or pass itself off as the 'Clark Rubber colour scheme'. The decision, in *Intellectual Property Pty Ltd v Mygroups Pty Ltd* [2006] FCA 15; BC200600094, emphasises the important part that distinctive colours can play in distinguishing a business from that of its competitors and the approach that a court will take to identifying, from the perspective of a consumer, the visual impression created by the appearance of the get-up as a whole, even if different trade names are used.

## Clark Rubber colour scheme

Clark Rubber stores have been in existence for almost 60 years. Currently, there are approximately 70 stores operated by Clark Rubber franchisees throughout Australia. Clark Rubber stores use the 'Clark Rubber colour scheme' on their exterior comprising 'a vivid yellow background with yellow, blue, red and white signage', as well as the 'Clark Rubber' name and trade mark. The third applicant in this case licenses 'Clark Rubber' franchises in Australia. The applicants and their predecessors had spent substantial sums of money on advertising, promoting and marketing the Clark Rubber colour scheme and mark, and had achieved a wide exposure within the retail and business community.

## Respondents' new store

The second respondent is a director of the first respondent, which was incorporated on 10 October 2005. In July 2006, the second respondent made an enquiry of the third applicant about opening a Clark Rubber franchise business. However, the second

respondent did not proceed with her proposal for a franchise. During December 2005 and January 2006, preparations were made for the opening of a business trading as 'Oasis Foam & Rubber' from a building on the first respondent's premises. The building was painted yellow, with some signage in red and blue on the exterior. On 19 January 2006, the respondents' solicitor told the applicants' solicitor that his clients planned to open a store and commence trading on either 24 or 25 January 2006. These proceedings were heard on 23 January 2006 and judgment was given on the same day.

## Applicants' claims

The applicants claimed that the colour scheme of the first respondent's store was misleading or deceptively similar to the Clark Rubber colour scheme. The applicants sought an interlocutory injunction requiring the respondents to change the colour scheme to one that was neither the Clark Rubber scheme nor a colour scheme that was misleading or deceptively or confusingly similar to it, and which did not include yellow, red or blue.

The second respondent said that the first respondent intended that its store would use the company's registered name 'Oasis Foam & Rubber' as part of its storefront logo. The second respondent asserted that the basic colour scheme of 'gold', chosen by the first respondent, was designed to be an attractive colour that related to the leisure and outdoors nature of the business, and that the blue and red colours were chosen because they were colours which particularly complimented the main colour.

## Court's determination: injunction granted

The court considered that there was a serious question to be tried. The

Clark Rubber scheme, particularly its yellow background, had acquired a secondary meaning in relation to Clark Rubber stores and had become distinctive of Clark Rubber stores. The colours adopted and used in Clark Rubber stores were not functional or utilitarian in their nature. There was also a serious question to be tried: that the first respondent had passed off the first respondent's store as and for a business that was associated in some way with the Clark Rubber stores, and that its conduct was misleading or deceptive or likely to mislead and deceive persons who saw the outside of the store before entering it. Although one could point to differences between the outside façades of each of the stores, including the words 'Clark Rubber' as opposed to 'Oasis Foam & Rubber', the critical issue was whether the visual impression created by the façade of the first respondent's store was that persons who saw it would consider there was an association with Clark Rubber stores. This was not a case where the consumers would be able to undertake a side-by-side comparison, as they might with products on the store's shelf.

The court was satisfied that the balance of convenience lay in favour of the grant of an interlocutory injunction. While not disposed to requiring the respondents to change the colour scheme, in circumstances where the respondents had not yet commenced trading, the court ordered that the respondents be restrained from trading at the store until such time as they changed the colour scheme on the front of the store to a colour scheme that did not misrepresent itself or pass itself off as the Clark Rubber colour scheme. ●

*David L Yates, Senior Associate,  
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# IP crimes: copyright law reform and changing cultural perceptions of infringement

Richard Donaldson BLAKE DAWSON WALDRON

On 14 May 2006, the Attorney-General of Australia announced a package of major reforms to Australia's copyright laws. The proposed changes are intended to make the laws 'fairer for consumers and tougher on copyright pirates'.<sup>1</sup>

The significant changes heralded by the Attorney-General will allow consumers to legally engage in 'time shifting' (of television or radio broadcasts) and 'format shifting' (of works such as music, newspapers and books). These practices, which probably millions of otherwise law-abiding Australians already engage in on a regular, if not daily, basis, are currently prohibited under the *Copyright Act 1968* (Cth). The capacity of average Australians to better understand and abide by the copyright regime will most likely be enhanced by these changes, which have been guided by the principles (among others) that the law:

- needs to keep pace with developments in technology and rapidly changing consumer behaviour;
- should not be brought into disrepute with technical and out of date provisions; and
- should recognise reasonable consumer use of technology to enjoy copyright material that has been legitimately purchased or accessed for private or non-commercial use.

The Commonwealth Government has, however, also acknowledged that 'copyright piracy is serious and is becoming easier' and that stronger enforcement measures are necessary in order to tackle the growing piracy problem. A range of legislative reforms has been proposed in this regard. These include allowing the police to issue on-the-spot fines and to recover profits made from copyright piracy under proceeds of crime legislation, and giving the courts additional powers to award larger damages payouts and other

remedies in cases of large-scale piracy on the internet. Piracy of pay television services (such as Foxtel) will also attract criminal liability.

Other measures announced by the Attorney-General that are aimed at curbing the rising piracy rates in Australia include:

- Government support for industry initiatives to raise public awareness about piracy and to educate consumers about copyright;
- the commissioning of research by the Australian Institute of Criminology on the nature and extent of piracy and counterfeiting in Australia, including research into measures to effectively oppose these threats;
- referral to the Australian Crime Commission of the issue of organised crime involvement in piracy and counterfeiting; and
- the promotion of closer cooperation between Government agencies and others in the fight against piracy, which would include the Australian Customs Service and federal and state law enforcement bodies and industry groups, through the Interdepartmental Committee on Enforcement and the Intellectual Property Enforcement Consultative Group.

## Politics of entrenchment and the culture of cool

There are possibly (or rather, probably) millions of Australian consumers who, by creating 'private' copies of copyright material such as films, television shows and songs, have for many years unwittingly bumped up against the copyright laws. Until relatively recently, the reach of copyright into the home, and its enforcement in the private domain, has not been an issue of particular concern to lawmakers or copyright owners. In the new technological environment, however, private copying is an issue of increasing

significance from legal, economic, social and cultural perspectives.

It is a generally accepted precept of policy and lawmaking that it is bad policy to make bad laws, such as unenforceable laws, because they tend to impair fidelity to and due observance of enforceable laws. Unless the Government were willing to sanction the very heavy involvement of enforcement officials in the private lives of average Australians, the law that prohibits ordinary consumers from making essentially private use of copyright material is, as a practical matter, effectively unenforceable. As the Government has recognised, allowing such restrictions to remain on the statute book risks bringing copyright law into disrepute.

Faced with fairly entrenched consumer attitudes as to what constitutes acceptable behaviour or 'fair' use of copyright material, the Government has wisely elected to update the law to reflect the new technological environment and contemporary community attitudes concerning 'time shifting' and 'format shifting'. Importantly, however, the Government has also confirmed its intention to distinguish to a greater degree between the activities of ordinary Australians and those of pirates and counterfeiters.<sup>2</sup>

The new enforcement measures and other reforms reaffirm this view, previously expressed by the Attorney-General in a speech given on the subject of counterfeiting and piracy, in which he said that:

... the law should rightly provide strong mechanisms to deter and deal with commercial piracy ... everyday consumers shouldn't be treated like copyright pirates, and copyright pirates should not be treated like everyday consumers.<sup>3</sup>

As Wilcox J of the Federal Court of Australia recently observed in the *Kazaa* case,<sup>4</sup> visitors to the Kazaa website were encouraged to think it

'cool' to ignore copyright constraints. It is to be hoped that striking the right balance between the interests of users and those of the owners of copyright materials, and drawing a clear line to differentiate the activities of ordinary consumers and households from those of pirates, will help to change cultural attitudes, particularly among young users who think that downloading pirated copies of music, films or television shows from the internet is 'cool' behaviour.

The Government's new 'targeted approach of getting tougher on pirates, while easing the law for Australian consumers' should help to restore credibility and respect to the copyright law in the minds of the wider Australian community, and halt the growing public disrespect for copyright, which has been fuelled by certain cultural attitudes, and the law's previous failure to adequately distinguish between technical infringements of the law and commercial piracy. As the Attorney-General has noted, 'to merge both these types of "unauthorised" activity diminishes proper respect for copyright law'.<sup>5</sup>

Giving the police and other agencies such as the Australian Customs Service greater powers to tackle piracy and counterfeiting, excluding 'format shifting' and 'time shifting' from infringement liability, and raising awareness and educating the public on the important role that copyright has in cultural, economic and political life in Australia, should all help to alter the current situation where, to a significant degree, infringement is 'normalised' in terms of cultural perceptions. Shifting attitudes about what constitutes acceptable behaviour will drive down rates of piracy and counterfeiting by reducing public demand for illegal copies of copyright material and 'fake' products.

In response to the problem of copyright infringement on the internet, the music industry has tried to deter such conduct, both directly and indirectly, by bringing legal proceedings against over 5500 individual online file-sharers in 18 countries<sup>6</sup> as well as against the owners and operators of online file-sharing networks. Mindful of the ease with which piracy can occur in the online environment, and conscious of the need not to harm or discourage the development of new online distribution

markets by copyright owners (such as Apple Computers' popular 'iTunes' service), the Government has excluded the copying of digital audio-video materials (such as DVDs) and the uploading of digital materials onto the internet from the scope of the proposed new 'private use' exceptions. Such behaviour will continue to attract civil and criminal liability.

A stronger enforcement regime, combined with initiatives to educate the public about the detriment caused by piracy and counterfeiting, should help to change the misguided but popular perception that copyright infringement is generally harmless and, even if technically against the law, is a 'victimless crime'. The Government has nailed its colours to the mast in the fight against copyright piracy, stating: 'the Australian Government is committed to tackling copyright piracy. The Government regards this activity as stealing'.<sup>7</sup>

At bottom, the problem is that the arrival of new digital technologies and copying equipment in the homes of more and more Australian consumers has created, particularly among younger users, an expectation of free copying — to copy is 'cool'. The solution, therefore, is to try to dislodge these increasingly entrenched perceptions and habits of free use with balanced laws, which take into account both the reasonable expectations of consumers, who want to use technology to enjoy legally obtained copyright material, and the significant economic harm caused to copyright industries by unregulated use. Even if many Australians have become accustomed to think it 'cool' to ignore copyright restrictions it remains the case, in the words of Oliver Wendell Holmes, Senior, that:

In vain we can old notions fudge  
And bend our conscience to our dealing  
The Ten Commandments will not budge  
And stealing will continue stealing.<sup>8</sup>

### IP crimes

Although Australia has a somewhat distinct copyright regime, the latest legislative intervention proposed by the Government to deal with the threats of piracy and counterfeiting reflect international developments in this area. The term 'IP crime' is not yet in vogue in Australia, but appears with increasing

frequency in the discourse overseas on the problem of piracy and counterfeiting. The UK Government, for example, has established the National IP Crime Strategy<sup>9</sup> and the inter-agency IP Crime Group, and has made a commitment 'to educating and raising awareness about the value of IP, and the detriment caused by IP crime'.<sup>10</sup>

In the US, several federal Government agencies, including the Department of Justice and the Federal Bureau of Investigation, have specific responsibility for the investigation and prosecution of IP crimes. At the international, cross-border level, the International Criminal Police Organisation (Interpol) has established the dedicated IP Crime Unit and the IP Crime Action Group as part of the Interpol program to combat transnational IP crime. Also, the Organisation for Economic Co-operation and Development recently launched a project on counterfeiting and piracy, to assess its effects on national economies.

IP crime, according to Interpol, is a 'generic term for a wide range of counterfeiting and piracy offences', which includes 'trademark, patent and copyright infringement'.<sup>11</sup> It is 'the counterfeiting or pirating of goods for sale where the consent of the rights holder has not been obtained', and includes 'the manufacturing, transporting, storing and sale of counterfeit or pirated goods'.<sup>12</sup> The UK's IP Crime Strategy defines IP crime as crime involving 'wilful trade mark infringement' and 'wilful copyright infringement'.

The significance of the term 'IP crime' is that it throws light on the underlying nature and reality of the problems of piracy and counterfeiting, and does not downplay their seriousness. There is evidence to show that IP crimes are being carried out internationally on a massive scale by well-organised criminal enterprises attracted by high profits and low risks, and that such organised criminal activity poses a serious threat to both livelihoods and lives. The issue is not only one of increasing economic importance: anecdotal evidence suggests that a proportion of the profits from IP crimes are used to fund crimes such as drug trafficking and armed robbery and other violent crimes. Interpol has also expressed concern that IP crime may become the preferred method of terrorist

groups for financing their activities.

The current public disrespect for, or at least ambivalence towards, copyright and other IP rights, combined with the widespread acceptance of, and demand for, counterfeit or pirated goods, contributes to a cycle of destabilisation, which criminals are quick to exploit. Raising awareness of the connections between IP crime, organised crime and terrorist activities may have some deterrent effect on the demand for 'fakes', and help to shift cultural attitudes about infringement and what constitutes acceptable, or 'cool', behaviour. ●

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## Endnotes

1. Attorney-General of Australia, the Hon Philip Ruddock MP 'Major copyright reforms strike balance' media release 088/2006 (14 May 2006).
2. Above.
3. Attorney-General of Australia, the Hon Philip Ruddock MP, opening address to the Copyright Law and Practice Symposium, Australian National Maritime Museum, Sydney, 17 November 2005.
4. *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd* 220 ALR 1; (2005) 65 IPR 289.
5. Above note 3.
6. 'Music lawsuits launched', *The Australian Financial Review* 6 April 2006).

7. Above note 1.

8. Holmes O W 'Mechanism in thought and morals' *Pages from an Old Volume of Life: A Collection of Essays, 1857-1881*.

9. UK Patent Office *An IP Crime Strategy* publication no DDU/93/IPID/9-04 (10 August 2004).

10. Lord Sainsbury of Turville, speech delivered to the IP Crime Congress, London 5 July 2005.

11. Interpol 'Intellectual Property (IP) crime' at <[www.interpol.int/Public/FinancialCrime/IntellectualProperty/Default.asp](http://www.interpol.int/Public/FinancialCrime/IntellectualProperty/Default.asp)>.

12. Secretary General of Interpol, Ronald Noble, public testimony before the US House Committee on International Relations 16 July 2003.

# Innovative step: clarification at last?

Justin Blows and David Clark BLAKE DAWSON WALDRON

An invention must involve an innovative step to be the subject of a valid innovation patent. The question of what constitutes an innovative step was considered in a decision of a delegate of the Commissioner of Patents on 24 February 2006.<sup>1</sup> While this decision does not provide much-needed judicial comment on innovative step, it does provide a clear statement on how the Australian Patent Office interprets the phrase 'substantial contribution' contained in its definition.

## Innovative step

The delegate noted that in introducing the innovation patent, the legislature stated that 'the test for innovative step will require an inventive contribution lower than that required to meet the inventive step threshold set for standard patents'.<sup>2</sup> That is, incremental inventions that do not meet the threshold test of an inventive step, as required for a standard patent, may be suitable subject matter for an innovation patent.

Section 7(4) of the *Patents Act 1990* (Cth) defines an innovative step. The invention as claimed in an innovation patent is presumed to have an innovative step until shown not to. An invention does not involve an innovative step if a person skilled in the art considers that what differentiates the invention from the prior art makes no substantial

contribution to the working of the invention. This assessment is to be made in light of the common general knowledge.

There has been no judicial consideration to date of what an innovative step is. Of particular concern is the ambiguity of the phrase 'substantial contribution to the working of an invention'. The possible interpretations that a court may give to the innovative step have been the subject of several speculative articles.<sup>3</sup>

## The patent

The subject of the opposition was the certified innovation patent AU 2003100331, 'a thermoformable acoustic sheet' in the name of INC Corporation Pty Ltd. The corresponding specification describes a thermoformable acoustic sheet for sound absorption formed by a compressed fibrous web, including high melt fibres and thermoplastic fibres, where the thermoplastic fibres have been at least partially melted, making the sheet rigid. A feature of the invention is the ability to shape the sheet so that it contours a surface before melting the thermoplastic fibres. The specification states that a suitable acoustic sheet made from thermoplastic textile, while desirable for several reasons, has not previously been achieved. The specification contains two independent claims that are, as follows.

- 1 A thermoformable acoustic sheet formed by a compressed fibrous web including high melt and adhesive thermoplastic fibres in which the adhesive fibres are at least partially melted so that in the compressed web a fibre matrix is formed in which the adhesive fibres at least partially coat the high melt fibres and reduce the interstitial space in the fibre matrix to create a labyrinthine structure that forms a tortuous path for air flow through the fibre matrix and provide a selected air flow resistance of between 275 and 1100 Rayls; wherein the high melt fibres have a melting point above about 220°C, at least some of the high melt fibres are polyester fibres and the web of the thermoplastic fibres has a web weight of about 1000 g/m<sup>2</sup> or below.
- 2 A method of producing a thermoformable acoustic sheet including the steps of heating a fibre web including high melt and adhesive thermoplastic fibres to at least partially melt the adhesive fibres and compressing the web to form a sheet so that a fibre matrix is formed in which the adhesive fibres at least partially coat the high melt fibres and reduce the interstitial space in the fibre matrix to create a labyrinthine structure that forms a tortuous path for air flow through the fibre matrix and provide a selected air flow resistance of resistance between 275 and 1100 Rayls; wherein the high melt fibres have a melting point above about 220°C, at least some of the high melt fibres are polyester fibres and

the web of the thermoplastic fibres has a web weight of about 1000 g/m<sup>2</sup> or below.

### The case for revocation

The Smith Family, MCK Pacific Pty Ltd and the Foss Manufacturing Co opposed the patent on the grounds that the invention was not novel and did not involve an innovative step. The opponents presented evidence that the Smith Family, MCK Fabrics and the Foss Manufacturing Co made publicly available samples that, in their opinion, anticipated the claimed invention and left the invention without an innovative step.

The results of laboratory tests were presented by the opponents in evidence of their claim that the samples 'provided a selected airflow resistance of resistance between 275 and 1100 Rayls' and that 'the web of the thermoplastic fibres has a web weight of about 1000 g/m<sup>2</sup> or below'. It was not disputed that the sample took on the remaining integers of the independent claims. The opposition on the grounds of novelty failed because the examiner found incredible the evidence relating to the sample's airflow resistance.

The opponents alleged that even if a particular sample did not anticipate the claimed invention because the sample's airflow resistance or web weight value fell slightly outside the claimed ranges, then the minor variation of the claimed and measured sample values did not constitute a substantial contribution to the working of the invention. The opponents argued that the phrase 'substantial contribution' required that 'any alleged difference over the prior art must have some practical impact on the functionality of the claimed invention'. They also argued that only essential features of the claims could assist in establishing the substantial contribution. They cited supporting passages from the *Australian Patent Office Manual of Practice and Procedure*.<sup>4</sup>

The deputy commissioner agreed with the opponents' statement on the meaning of substantial contribution, and the requirement to consider only essential features. The deputy commissioner concluded differently from the opponents, however, deciding that 'the weight and specific airflow resistance specified in the claims is not merely peripheral to the invention, and makes a substantial contribution to the working

of the invention'. He found support for this in the specification, stating:

Also it is significant that, according to the specification, the manufacture of an acoustic sheet with these particular characteristics is the problem of the prior art which is supposedly overcome by the invention.

Thus the opposition failed.

### Do samples anticipate the method?

While nothing turned on it, the deputy commissioner considered whether merely making samples publicly available was sufficient to anticipate the method of producing the sample, especially when:

... the specific nature of the invention is not readily apparent from a product itself. The issue becomes more complicated where the claimed invention is for a process or the product of a process.

It was not shown, however, that an analysis of the samples made publicly available could be used to determine the method of producing the acoustic sheet. Thus, in our opinion, the deputy commissioner inappropriately applied the law when he stated:

... it is immaterial that no member of the public has actually bothered to analyse the R&D samples and that no-one has in fact ascertained the method by which they may have been deduced.

Clarification of this law is required, especially when analysis of the sample could not reveal the method.

### Essential features

The requirement that only essential features can contribute to a substantial contribution of the working of the invention suggests that a contributing feature should be properly highlighted in the body of the specification when drafted. The delegate defined an essential feature as it was in *Catnic*:<sup>5</sup> 'A feature is essential if the applicant has made it an essential feature by the terms of the claim when properly construed.'

It would further appear that the test for innovative step is sometimes inapplicable when the claimed invention contains both essential and non-essential features. For example, if the claimed invention had the essential feature, A, an inessential feature, B, and a prior art document contained features A and C, then after discounting inessential and common

features there is nothing remaining for the innovative step comparison. In this case, however, the invention would most likely be found to be anticipated by the prior art document.

### More than Griffin v Issacs?

The concept of a substantial contribution originates from the judgment of Dixon J in *Griffin v Isaacs*.<sup>6</sup> The test for innovative step requires that the contribution be judged by a person skilled in the art (PSA) and in light of the common general knowledge (CGK). However, the deputy commissioner does not discuss the PSA or CGK in the decision. It appears that the deputy commissioner has applied the test for substantial contribution as defined in *Griffin v Isaacs* rather than the test for innovative step as is required by the *Patents Act*.

### Conclusion

In conclusion, the deputy commissioner was of the opinion that unless it is proven that a PSA would believe that the novel essential features of the invention do not have some practical impact on the functionality of the claimed invention, then the invention must be assumed to involve an innovative step. ●

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### Endnotes

1. *Re Patent Application No 2003100331* by INC Corporation Pty Ltd and opposition under s 101M of the *Patents Act 1990* by the Smith Family, MCK Pacific Pty Ltd and Foss Manufacturing Co (24 February 2006).

2. Revised Explanatory Memorandum to Patents Amendment (Innovation Patents) Bill 2000.

3. See Blows J L and Clark D G 'Is an innovative step so easy that "any fool could do it"?' (2006) 18(8) *IPLB* at 129 and references therein.

4. See <[www.ipaustralia.gov.au/pdfs/patentsmanual/WebHelp/mergedProjects/Patents%20National/Innovation/2.31.4.5.4\\_Innovative\\_Step.htm](http://www.ipaustralia.gov.au/pdfs/patentsmanual/WebHelp/mergedProjects/Patents%20National/Innovation/2.31.4.5.4_Innovative_Step.htm)>.

5. *Catnic Components Ltd v Hill and Smith* (1982) RPC 183.

6. *Griffin v Isaacs* (1938) 12 *ALJR* 169.

# Resale royalties for visual artists: recent developments in Australia

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Resale royalties entitle visual artists and their heirs to receive a percentage of the sale price of certain resales of works of art.<sup>1</sup> Overseas jurisdictions that have resale royalty schemes include France, Italy, Germany and California. This list has been growing following the passage of a directive by the European Parliament requiring member states to adopt resale royalties.<sup>2</sup> That said, resale royalties have been resisted by the US, Switzerland and (until passage of the EU Directive) the UK — all major sites of commercial art trade. Furthermore,

Communications, Information Technology and the Arts (DCITA) released a discussion paper asking for submissions on whether Australia should adopt resale royalties and if so, how.<sup>6</sup> A range of responses to that paper was received.

In late March 2006, and with a formal response from the Government to the DCITA discussion paper yet to be released, another ALP Private Members' Bill (this time from Bob McMullan MP) was put forward.<sup>7</sup> This Bill contains some key differences from the 2004 version, including:

The question of whether Australia should adopt a resale royalty scheme (or *droit de suite*) has been the subject of ongoing debate.

resale royalties are not regularly enforced in all jurisdictions that have them.<sup>3</sup>

The question of whether Australia should adopt a resale royalty scheme (or *droit de suite*) has been the subject of ongoing debate. Over the years, calls for its introduction have come from, among others, the Australian Copyright Council and the Myer Inquiry.<sup>4</sup> In 2004, the Australian Labor Party's (ALP's) Senator Kate Lundy introduced a Private Members' Bill to adopt such a scheme.<sup>5</sup> Not long after, the Department of

- the use of a sliding rather than a fixed royalty rate;<sup>8</sup>
- a cap on the maximum royalty payable (\$25,000);<sup>9</sup> and
- the establishment of an Australia Council fund for the support of new and emerging artists, to be funded from royalties payable on works sold for greater than \$50,000.<sup>10</sup>

It was always clear that, given the outcome of most Private Members' Bills, passage of the McMullan Bill was highly unlikely. Confirmation of this came with a statement in the 2006/07 Budget that the Government

had decided not to adopt resale royalties because they:

... would not provide a meaningful source of income for the majority of Australian artists ...

Research shows that resale royalty schemes bring most benefit to successful late career artists and the estates of deceased artists. It would bring little advantage to the majority of Australian artists whose work rarely reaches the secondary art market and would also adversely affect commercial galleries, art dealers, auction houses and investors.<sup>11</sup>

Instead, the Government allocated \$6 million over four years toward other schemes to support visual artists. This decision been criticised by the Opposition as 'in no way a substitute for the long term benefits of a resale royalty scheme.'<sup>12</sup>

Thus, resale royalties are off the agenda in Australia, at least in the short-term. However, the question of whether such a scheme should be adopted is sure to be revisited in the future. ●

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### Endnotes

1. For discussion of resale royalties, see, for example, Lewis P 'The resale royalty and Australian visual artists: painting the full picture' (2003) 8 *Media and Arts Law Review* at 306; Hudson E and Waller S 'Droit de suite Down Under: should Australia introduce a resale royalties scheme for visual artists?' (2005) 10 *Media and Arts Law Review* at 1; Hudson E and Kenyon A T 'Copyright reform for visual artists: an analysis of proposals for a resale royalty scheme in Australia' (2005) 18(5) *Intellectual Property Law Bulletin* at 75.
2. Directive 2001/84/EC of the European Parliament and of the Council of 27 September 2001 on the resale right for the benefit of the author of an original work of art (Official Journal L 272/32, 13.10.2001).

3. See Hudson and Waller, above note 1 at 2-3.

4. Two notable examples are: Australian Copyright Council 'The art resale royalty' *Bulletin* 69 7 December 1989; Contemporary Visual Arts and Craft Inquiry *Report of the contemporary visual arts and craft inquiry* (2002) (the Myer Report).

5. Resale Royalty Bill 2004 (Cth).

6. Department of Communications, Information Technology and the Arts (DCITA) *Proposed Resale Royalty Arrangement* discussion paper (2004).

7. Artist's Resale Rights Bill 2006 (Cth).

8. Artist's Resale Rights Bill, Sch 1 s 248X(3).

9. Artist's Resale Rights Bill 2006, Sch 1 s 248X(4).

10. Artist's Resale Rights Bill 2006, Sch 1 s 248AJ.

11. Ruddock P and Kemp R 'New support for Australia's visual artists' media release 9 May 2006.

12. Garrett P 'Resale Royalty cop-out' media release 10 May 2006.

## Equitable remuneration considered

**Rob Brown** PHILIPS FOX

In *Copyright Agency Limited v Queensland Department of Education* [2006] ACopyT 1; BC200601907, the Copyright Tribunal (the Tribunal) was asked to consider an amendment to electronic use notices relating to equitable remuneration under Pt VB of the *Copyright Act 1968* (Cth).

The electronic use notices related to the electronic reproduction and communication of works and, consequently, the equitable remuneration payable as a result of such reproductions and communications. Currently, there is no agreement between the Copyright Agency Ltd (CAL) and schools as to the amount of equitable

remuneration payable. This quantum issue will be determined by the Tribunal at some future time. Accordingly, any amendment would be an interim measure only.

The notices require school staff to complete a 'usage record', which includes staff answering a series of questions. The equitable remuneration payable is determined by the answers given by staff. CAL wished to add a question asking staff how often they told students to 'view' material, arguing that students often reproduce and communicate the material to which they are referred.

The Tribunal, however, declined to make the order adding the question

sought because of the limited assistance available from the question. The Tribunal commented that:

- responses to the additional question would provide only a 'basic measure' of reproduction or communication and would require further refinement at some future time;
- it was desirable to minimise amendments to the survey; and
- CAL would not be prejudiced by any delay in amending the survey.

The decision does very little to point to the ultimate result, with the issue remaining very much 'wait and see'. ●

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# IP Casenotes

## Proprietorship and infringement in COLORADO

### COLORADO GROUP LTD v STRANDBAGS GROUP PTY LTD

[2006] FCA 160; BC200600791

In this case, Colorado Group Ltd (Colorado Group) initiated proceedings for trade mark infringement, passing off, and misleading and deceptive conduct under s 52 of the *Trade Practices Act 1974* (Cth), based on use of the word 'Colorado' by Strandbags Group Ltd (Strandbags). In its cross-claim, Strandbags argued that Colorado Group did not own the mark, or

include clothing and accessories. Until Colorado Group was listed on the Australian stock exchange in 2001, the manufacture and supply of the COLORADO products was arranged by Colorado Group's parent company, Woolworth Corp (Woolworth), now known as Venator Group Inc, which marketed the COLORADO products in the US. The COLORADO trade mark was initially used in Australia with reference to an 'outdoors, rugged lifestyle', but the marketing concept was later refined to a 'smart, casual and integrated look'. The word mark was registered on 16 February 2001 for bags, wallets, purses, backpacks and belts in class 18.

Strandbags began using COLORADO as a trade mark in Australia after it purchased 'The Colorado Bag Co'

The COLORADO trade mark was initially used in Australia with reference to an 'outdoors, rugged lifestyle', but the marketing concept was later refined to a 'smart, casual and integrated look'.

alternatively that the mark was not inherently distinctive, or that it was obtained by false suggestion or misrepresentation. In a partial win for Colorado Group, Finkelstein J of the Federal Court upheld Colorado Group's ownership of the word mark in respect of backpacks only, and found that it had been infringed by Strandbags. However, his Honour found that there had been no misrepresentation to support the other causes of action. The decision demonstrates the dangers of delay in taking action for passing off, as well as the importance of applying early for trade mark protection.

### Use of the word 'Colorado'

The trade mark COLORADO, together with a mountain motif, was first used by Colorado Group on backpacks in 1982. The range later expanded to

business from Edgarlodge Pty Ltd (Edgarlodge) in September, 1998. In 1991, Edgarlodge had registered a combination mark incorporating the word 'Colorado' with a native American head motif for handbags, travelgoods and belts in class 18. Finkelstein J noted in his judgment that it was likely that the owner of Edgarlodge had seen Colorado Group's products and adopted the unregistered name.

### Validity: the Colorado Group mark

Justice Finkelstein first dealt with the cross-claim, in which Strandbags sought cancellation of the mark under s 88 of the *Trade Marks Act*. Strandbags argued that Colorado Group was not the proprietor of the COLORADO mark or, alternatively, that the mark was not distinctive of Colorado Group's goods.

Assuming the mark was distinctive, Finkelstein J found that Colorado Group was the proprietor of the COLORADO mark as first user, but only in respect of backpacks. Despite the mountain motif, proprietorship was established because the word 'Colorado' was found to perform a trade mark function separate from the logo component. However, Finkelstein J held that the other goods specified in class 18, namely bags, wallets, purses and belts, should be removed from the specification of goods for the COLORADO registered trade mark. This was on the basis that Colorado Group had not been the first to use the mark in respect of those goods in Australia. Justice Finkelstein held that bags, wallets, purses and belts were not goods of the 'same kind' as backpacks. In particular, the style of backpack was for use by schoolchildren and 'a schoolboy's backpack is not akin to a ladies [sic] handbag' (at [32]).

Strandbags argued that it was Woolworth and not Colorado Group who were using the mark in Australia, relying on the decision in *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd* (1967) 116 CLR 254. Justice Finkelstein rejected this argument on the basis that Woolworth had merely authorised its subsidiary to use one of its marks. The *Estex* case was distinguished by the fact that it established only that when a foreign owner of an Australian trade mark sells imported goods in Australia bearing the mark in question, the foreign owner uses the mark. It did not address the situation of a local retailer (at [29]).

In the alternative, Strandbags argued that the COLORADO mark was a geographical description and therefore not inherently distinctive. Justice Finkelstein rejected this argument, finding that the use of the mark on backpacks was arbitrary and did not have a descriptive effect. His Honour accepted that a slight exception was that the word might denote quality through notions of ruggedness or durability; however, he still found that the word was only indirectly informative and not likely to be perceived in a descriptive sense.

Justice Finkelstein noted that the mark did not signify the name of the place from which the goods came, nor was it the name of a place noted for the particular goods in question. The case was distinguished from a trader who uses 'Swiss' as a trade mark for watches, or 'Brazil' applied to coffee.

Strandbags also sought cancellation of the registered mark on the ground that it was obtained by false suggestion or misrepresentation. Strandbags alleged that Colorado Group had misled the Registrar by providing insufficient information as to its knowledge of Strandbags' trade under the COLORADO mark in 2001. Colorado Group had responded to the examiner's concern that the mark was a geographical description by providing additional information in support of its application, including information as to the use of the word 'Colorado' by Strandbags. Finkelstein J rejected Strandbags's argument, and further noted that even if there had been a misrepresentation by Colorado Group, the Examiner's concern that the mark was not distinctive was unfounded, and therefore it would have been an irrelevant misrepresentation.

### Trade mark infringement

After finding that Colorado Group owned the COLORADO word mark in respect of backpacks, Finkelstein J held that there was clear infringement by Strandbags in its use of the mark on backpacks. Strandbags had no defence under s 124 of the *Trade Marks Act*. This win for Colorado Group would appear to be a shallow victory, considering that backpacks represent only a small proportion of its business and that it was unable to protect its use of the COLORADO trade mark on bags, wallets, purses or belts. The infringement finding does, however, demonstrate the importance of trade mark registration, which allowed Colorado Group to enforce rights it

would not otherwise have had, albeit to a limited extent in this case.

### Passing off and s 52

Applying the principles in *Erven Warnink Besloten Vennootschap v J Townend & Sons (Hull) Ltd* [1979] AC 731, Finkelstein J found that there had been no misrepresentation by Strandbags and therefore no passing off. His Honour noted that Strandbags could not be held liable for the earlier activities of Edgarlodge, and therefore the relevant date on which to consider any misrepresentation was 21 September 1998, the date on which Strandbags purchased The Colorado Bag Co from Edgarlodge. On that date, both Colorado Group and Strandbags had a substantial reputation in the COLORADO brand. A situation of honest concurrent user existed and neither of the owners was engaging in a misrepresentation. Justice Finkelstein noted that Colorado Group had become aware of the



trading activity in The Colorado Bag Co stores around 1991, but proceedings for infringement were not initiated until 2004. The result was that Colorado Group had left their action too late. The s 52 claim brought by Colorado Group failed for the same reason, namely that no misrepresentation by Strandbags could be established. ●

*Penelope Smith, Lawyer,  
Blake Dawson Waldron, Melbourne.*

**ARISTOCRAT  
TECHNOLOGIES AUSTRALIA  
PTY LTD v VIDTECH  
GAMING SERVICES PTY LTD**  
[2006] FCA 275; BC200601459

This case primarily considered the issue of copyright infringement and the authorisation of copyright infringement in the context of artwork on poker machines, which are known in the industry as 'electronic gaming machines' (EGMs). The applicants (Aristocrat) commenced proceedings against a company (Vidtech) and its two directors, Mr and Mrs Parry, alleging infringement of copyright and trade marks and breach of s 52 of the *Trade Practices Act 1974* (Cth).

### Facts

Aristocrat, which designs, manufactures and distributes EGMs, is the owner of copyright in artistic works incorporated into Aristocrat's EGMs, as well as literary works in the form of computer programs that operate Aristocrat's EGMs.

Until it went into liquidation in mid-2005, Vidtech's business was to purchase and recondition used EGMs and resell them, apparently always outside Australia. Mr and Mrs Parry would from time to time commission a graphic design company (Capre) to produce artwork to be displayed on perspex panels installed in the reconditioned EGMs.

These artworks reproduced substantial parts of Aristocrat's 'Queen of the Nile' EGM, but instead bore the name 'Cleopatra'. It was conceded that over the years, the graphic designer had produced 615 perspex panels for Vidtech, all of which were reproductions of a substantial part of the Aristocrat artwork for various EGMs.

### Authorisation of copyright infringement

The main issue to be decided was whether the respondents had authorised infringement of Aristocrat's copyright in their artworks under s 36 of the *Copyright Act 1958* (Cth). Section 36 makes it an infringement of copyright for

a person who is not the owner or licensee of a copyright to authorise any act committed in Australia that is comprised in the copyright.

Justice Wilcox of the Federal Court concluded that there was no evidence of Mr and Mrs Parry personally copying the artwork. The case against them, which his Honour found to be established, was that they had authorised the copying effected by Capre. He also concluded that as Mr and Mrs Parry were at all times acting on behalf of Vidtech, that company must also be taken to have authorised the copyright infringement.

### Damages for copyright authorisation

In calculating compensatory damages, Wilcox J thought it appropriate to adopt an accounting for profit approach to estimate the amount of Vidtech's net gain from the infringements, instead of by reference to Aristocrat's loss, which would have been too difficult to work out. The evidence permitted only a broad assessment of damages, and the figure reached was \$80,000 (plus interest) in relation to each respondent.

Justice Wilcox also thought it appropriate to award additional damages



under s 115(4) of the *Copyright Act* in relation to Mr Parry and Vidtech, given the flagrancy of the infringement and the need to deter similar infringements of copyright. This was partially due to the fact that Mr Parry had continued to offer machines incorporating infringing panels for sale, even after he was informed of an allegation of infringement. Accordingly, his Honour added an additional 50 per cent to the calculated compensatory damages for those two respondents (\$40,000).

### Other claims

Despite Aristocrat's success in its copyright claim, it was found that the

trade mark infringement claim was not made out since the application of Aristocrat's registered trade marks to Vidtech's perspex panels was carried out by the graphic design company, and not Vidtech itself. The *Trade Marks Act 1995* (Cth) does not have a doctrine comparable to the *Copyright Act's*

law of authorisation. The misleading conduct claim was also not made out, as any companies and poker machine players who may have been misled by Vidtech were outside Australia, and therefore any misleading representations made to them would fall outside the scope of s 52 of the *Trade Practices Act*.

## Conclusion

This case demonstrates the high cost of copyright infringement, and the Federal Court's willingness to award additional damages for flagrancy in an attempt to deter such infringements in the future. ●

*Marlia Saunders, Lawyer,  
Blake Dawson Waldron, Sydney.*

### NYLEX CORPORATION PTY LTD v PENCRAJ PTY LTD [2006] ATMO 28 (31 March 2006)

In this case (the *Esky* case), the Delegate of the Registrar of Trade Marks considered an opposition action filed by Nylex Corporation Pty Ltd (the opponent), the owner of the popular coolers, colloquially referred to as 'Eskies', against Pencraj Pty Ltd (the applicant).

The applicant operates the Prince Alfred Hotel and four retail bottle shops in the greater Brisbane/Ipswich area. In March 2002, the applicant renamed one of the bottle shops 'The Esky' and sought to register the word 'Esky' in class 35 of the Nice Classifications, relating to the sale of alcohol in retail shops and the retail sale of alcohol and beverages.

The application was opposed on the basis of ss 42(b), 43, 44, 58, and 60 (effectively all possible grounds available) of the *Trade Marks Act 1995* (Cth) (the Act). The opponent also alleged breach of s 52 of the *Trade Practices Act 1974* (Cth) (the TPA).

## Submissions

Counsel for the opponent submitted, among other things, that:

- the trade marks were identical or the applicant was not the owner of the mark (ss 44, 58);
- the applicant's trade mark contained a connotation that made the applicant's use of the mark likely to deceive or cause confusion;
- the ESKY trade mark had developed a significant reputation in Australia, and that this reputation would result in use of the applicant's trade mark being deceptive or confusing to consumers; and
- any use of the ESKY mark by a third party was likely to result in deception or confusion contrary to law.

Counsel for the applicant in turn submitted that:

- the purpose of the name change was to increase sales of beverages on offer at the shop;
- none of the applicant's premises had ever sold or ever intended to sell any coolbox products or other products of the type that bear the 'Esky' logo, or any other brand; and
- the manager of 'The Esky' bottle shop had not had any inquiries in relation to Esky-related products during his employment.

## Reasons for the decision

In making his decision, the delegate found the following:

- While the applicant's mark was clearly substantially identical to the opponent's, the opponent failed to establish the s 44 or s 58 grounds. The delegate was not satisfied that the relationship between alcoholic beverages and cooling apparatus was 'so close as to be generally regarded by the ordinary consumer as originating in, or being part of, the one industry or trade'.
- In relation to the s 43 ground, the delegate did not accept that there was any connotation within the trade mark itself that would make its use in relation to those goods or services likely to deceive or cause confusion. Rather, he found that any confusion would depend on similarity of the opposed marks rather than any connotation.
- The opponent had made out the grounds establishing s 60. The delegate considered that the primary issue for the applicant was that 'the opponent's trade mark has achieved "iconic" status in the Australian market, along with the Hills hoist, Vegemite, and the Victa lawnmower to name but three'. It was noted that, to satisfy s 60, the opponent needed to show that, because of the reputation of the opponent's mark, use of the applicant's trade mark would be likely to deceive or cause

confusion. In finding in favour of the opponent, the delegate cited Richards J in *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd* [1979] RPC at 423, who stated that the likelihood of causing a perplexing or mixing up of the minds of the purchasing public was sufficient to make out confusion. The delegate thus found that, while any confusion as to commercial origin may not persist to the point of sale or lead into error, the applicant's trade mark would cause most Australians, at least initially, to wonder whether the opponent had entered into the business of selling alcoholic beverages, or had licensed or authorised the applicant to market alcoholic beverages under its trade mark.

- Finally, the delegate did not accept that the use of the applicant's trade mark would be contrary to s 52 of the TPA. In rejecting the opponent's submission, the delegate found that, while there was no requirement that actual deception be proven, it was necessary for the opponent to show that the particular use *would*, rather than *could*, be contrary to law. Thus, it was not enough for the opponent to establish that the conduct of the applicant was confusing or caused people to wonder whether the two products may have come from the same source. Rather, it was necessary to show that there would be a real possibility that a reasonably significant number of persons would be misled or deceived if the opposed trade mark were to be used by the applicant.

## Decision

The delegate therefore found for the opponent on the basis of s 60 of the Act. The register applications 907155 and 907156 were refused, and costs were awarded against the applicant. ●

*Sarah Waladan, Executive Officer,  
Australian Digital Alliance, Canberra.*

**MCDONALD'S CORP v  
JOHN PANUCCIO**  
*[2006] ATMO 35 (24 April 2006)*

An application to register the trade mark *BABYCHINO & STAR (DEVICE)* was recently refused by the Delegate of the Registrar of Trade Marks (the delegate) pursuant to the *Trade Marks Act 1995 (Cth)* (the Act).

John Panuccio (the applicant), filed an application to register the mark *BABYCHINO* as a mark in relation to services which relate to flavoured milk, yoghurts and 'smoothies' (class 41), and ice cream and gelato (class 30).

McDonald's Corp (the opponent), filed Notice of Opposition to the application, based on s 41 of the Act, that the mark did not distinguish the applicant's goods or services. The primary contention of the opponent was that the words 'babycino' and 'babychino' are widely used in Australia to describe dairy based children's drinks. In support, counsel for the opponent produced evidence of internet searches producing extensive results suggesting the words 'babycino' and 'babychino' were not only extensively used to describe similar milk based drinks, but also that they were sometimes used interchangeably.

The delegate considered the scheme of assessment provided for in s 41 of the Act in determining whether the mark 'babychino' had inherent capacity to distinguish the applicant's goods or services from similar goods and services, and to what extent this could be done.

In reaching his decision, the delegate found the following.

- The evidence indicated that the words 'babycino' and 'babychino' are used interchangeably to mean, in effect, the same thing, namely 'a warm, frothy, milk-based beverage which is usually dusted with chocolate and may contain marshmallow or a variety of other ingredients according to the taste of the consumer'.



- The word 'babychino' (or any variants thereof) does not have any capacity to distinguish the goods of the applicant. In making this finding, the delegate accepted evidence provided by a coffee industry expert indicating that the term 'babycino' has been, and continues to be, a broadly defined term which is open to interpretation by baristas and café operators throughout Australia, and which may include a wide variety of ingredients. The delegate found that this evidence supported a finding that the word 'babychino' (or 'babycino') is commonly used to refer to a particular type of milk-based beverage, that it is one that traders use in respect of their goods and that these goods are either the same or similar to those of this application. The delegate found that the words 'appear to be the most obvious and logical way to describe

"a warm, frothy, milk-based beverage which is usually dusted with chocolate and may contain marshmallow or a variety of other ingredients according to the taste of the consumer"'. The word 'babychino' was therefore found to lack any capacity to distinguish the particular goods of the applicant.

- The star device included in the applicant's mark lacked any inherent capacity to distinguish the applicant's goods or services. The delegate found that star devices are commonly used by traders in many fields to indicate quality.
- Finally, in considering whether the elements of the applicant's trade mark in any event came together in such a way that the trade mark as a whole was capable of distinguishing the goods of the applicant, the delegate found that it could not. In his reasoning the delegate found that the star device formed only a minor part of the trade mark, and that the force of the mark must therefore lie in the word 'babychino'. Furthermore, the delegate noted that the word must necessarily be accorded greater significance in assessing the marks inherent capacity to distinguish, because customers will refer to the word when describing or ordering the product. Consequently, the opponent succeeded and was awarded costs. Application no 986750 was not registered. ●

*Sarah Waladan, Executive Officer,  
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