

# Locutus

THE NEWSLETTER OF INTELLECTUAL PROPERTY LAW, STATUTORY DECEPTIVE CONDUCT AND  
FRANCHISING LAW.

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**Welcome to Locutus**

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Locutus is a newsletter of current news, recent cases, and practice decisions. It is authored by Carmen Champion Barrister-at-Law.

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## TRADE MARKS

### ***Chocolaterie Guylian N.V. v Registrar of Trade Marks*** [2009] FCA 891

The issue before the court was whether the seahorse shape when used in respect of chocolate was a mark whether mark inherently adapted to distinguish either under section 41(3) or (5) of the Trade Marks Act 1995.

Sundberg J first tackled the onus issue finding that there is nothing in section 33 that imposes a higher onus so that the Registrar or the Court must be “clearly” satisfied.

He then considered whether evidence of use of a similar seahorse shape by other manufacturers of chocolates after the priority date had any part to play in the section 41(3) assessment the parties having agreed that it was evidence relevant to the section 41(5) assessment since it is open to draw rational inferences from such evidence as to whether the shape in fact had the required capacity to distinguish as at the priority date.

In regards to section 41(3) he was of the opinion that evidence of what other traders were selling prior to, or subsequent to the priority date has the ability to rationally affect, albeit with varying degrees of weight, the conclusion one might reach about the extent to which a mark is inherently adapted to distinguish under section 41(3).

He also considered whether other manufacturers of chocolates who used the seahorse shape after the priority could be described as being motivated by improper motives in the absence of evidence of improper motive. Sundberg J refused to draw that inference in the

absence of evidence of improper motive.

He then moved on to the s. 41(3) issue and sets out the relevant principles at [59]. He refers to the fact that in *Kenman Kandy*, the court endorsed the test articulated by Kitto J in *Clark* at 111 CLR at 146. He distinguishes the *Kenman Kandy* case as one concerned with a concocted, imaginary shape not being referable to any specific insect. It therefore lacked the associations and significations attached to a shape that is referable to a particular animal. As Stone J said in *Kenman Kandy* at [147] “*it is the absence of these ordinary associations and significations that make a mark inherently adapted to distinguish one trader’s goods from those of another.*”

At [75] he summarizes the issue in the following terms:

*The ultimate question on the issue of inherent adaptation is whether a sign – in this case, a shape – possesses any ordinary significations and, if it does, whether or not other traders might think of the shape and want to use it for those ordinary significations in a manner which would infringe a registered mark in respect of the sign. In cases where a shape depicts a known object or concept (cf. wholly concocted or ambiguous shapes), and is therefore likely to signify the same to most if not all consumers, then a subsidiary question is whether the shape is nevertheless sufficiently distinctive or unique so that other traders wishing to represent the same or a similar concept will remain free to do so without infringing the mark, that is, without requiring use of the same shape or one substantially identical or deceptively similar. An important consideration in all of this is the nature of the goods for which the shape mark is to be used.*

He decided that the seahorse shape “is not so unique or imaginative that other traders, using a seahorse shape for ordinary signification, will be able to avoid potentially infringing the mark if registered.

Having decided the s. 41(3) in favour of the Respondent he then moved on to consider the issues raised by s41(5). The applicable principles are set out in [83].

s. 41(5) requires consideration of the nature of the use made of the shape, especially whether it has in fact been used as a trade mark. The Registrar of Trade Mark in its submissions pointed to continuing fallacy that “use equals distinctiveness”. Sundberg J refers to a number of cases where it has been held that the fact that the shape is recognized as a product of a particular manufacturer is not enough to establish a use as a trade mark. As was said in *BP* “*evidence of promotion and use does not, without more, demonstrate distinctiveness*”.

An important consideration was the survey evidence relied upon by the Applicant. The survey proved counterproductive in this instance.

His Honour’s conclusion is summarized in [100] as follows:

*“Finally, I have had regard to the survey evidence, and the expert evidence of Mr Callaghan,*

which indicates that a significant proportion of the survey respondents were able to identify Guylian when they were shown the seahorse shape. However I am of the view that this association on the whole is likely to be referable to Guylian's sale of the sea shell and seahorse shaped chocolates, over a long period of time, under the banner of the distinctive "Guylian" and "G" trade marks, rather than to the shape itself being used as a trade mark. The cases confirm that association evidence on its own does not prove distinctiveness; the evidence must establish that the public has been educated to understand the sign as an identifier of the origin of the goods: see BP (No 2) [2006] FCAFC 132; 154 FCR 97 and Unilever [2003] RPC 35. The Full Court's observations to this effect in BP (No 2) are just as relevant to a consideration of use under s 41(5) as they are to s 41(6). In essence, the survey in this case tested respondents' ability to recognise a shape and associate it with a manufacturer or brand. It tested "brand recognition", as Mr Callaghan suggested; "the ability of a consumer to confirm prior exposure to a brand when presented with one of the brand's identity elements". When regard is had to the way the shape has been used, the survey results do not in my view confirm that consumers actually understand the shape as an indicator of the origin of the goods. The results plainly show a large degree of public recognition of the shape, but as Jacob J said in Unilever [2003] RPC 35 at 662: "[W]hat has not been proved is that any member of the public would rely upon the appearance alone to identify the goods. They recognise it but do not treat it as a trade mark". In any event, I agree with the Registrar's submission that the results tend to confirm the view I have already come to that the shape has not been used as a trade mark, because almost half the respondents were in fact unable to identify the shape with any particular brand or manufacturer. Two other matters should be noted about the survey results. Out of those respondents who did associate the shape with a particular brand or manufacturer, almost a quarter believed it was manufactured by someone other than Guylian. Further, Mr Callaghan also attributed the association to more than just the shape itself. He said it was likely that many associations would have been based on recognition of the overall image and not simply its shape, for example colour and a perception of the texture of the object. I agree with the Registrar's submission that the marbled appearance on the surface of the shape is also likely to have contributed. As Guylian seeks registration of the shape alone, it must be able to demonstrate that the shape, regardless of its colour for example, has become distinctive of its goods. This is important, because it is the shape alone over which Guylian seeks a monopoly. In the circumstances as described by Mr Callaghan, it seems to me that the probative value of the association evidence is to some extent diminished by the way many of the respondents are likely to have made their association.

## COPYRIGHT

**State of Victoria v Pacific Technologies (Australia) Pty Ltd** (ACN 065 199 439) (No 2) [2009] FCA 737

Issue: whether the words “Help-Help-Driver-in-Danger-Call-Police-Ph.000” constitute an original literary work.

Held: *“The Help Words simply indicate a desire to convey the notion that a taxi driver in duress seeks urgent assistance. They do no more than state an idea. The expression is inseparable from the fundamental idea that is being conveyed by the words. When the expression of an idea is inseparable from its function it forms part of the idea and is not entitled to the protection of copyright (see Autodesk Inc v Dyason [1992] HCA 2; (1992) 22 IPR 163 at 172).”*

**Larrikin Music Publishing Pty Ltd v EMI Songs Australia Pty Limited [2009] FCA 799**

“Kookaburra Sits in the Old Gum Tree” was written and composed in about 1934 by Ms Marion Sinclair. The Public Trustee was the trustee of the estate of Ms Sinclair, who died in 1988. The Libraries Board claimed to be the owner of the copyright by reason of a donation of records made by Ms Sinclair in 1987. Larrikin Music Publishing Pty Ltd (“Larrikin”) is an Australian music publisher which claims to have acquired the copyright in “Kookaburra” from either or both the Public Trustee and the Libraries Board of South Australia.

Ms Sinclair entered “Kookaburra” in a competition conducted by the Girl Guides Association of Victoria (“the Victorian Girl Guides”). “Kookaburra” was the winning entry in that competition which had, as one of the rules for entry, a condition that:- All matter entered to become the property of the Guide Association.

The question of whether the entry of “Kookaburra” in the competition constituted an assignment of the copyright to the Victorian Girl Guides had to be determined under the *Copyright Act 1912 (Cth)*, which was in force in 1934. The effect of the 1912 Act was that the assignment was required to be in writing and signed by the owner.

Relevant Questions:

- a) Should the court infer that Ms Sinclair was aware of the rules of entry so that it may be said that they contained the terms of a written contract between Ms Sinclair and the Victorian Girl Guides. **Held:** *not been established on the evidence that Ms Sinclair entered into a contract in writing on the terms contained in the circular, or, at least, that the contract included the term which provided for all “matter” to be the property of the Victorian Girl Guides. Therefore no assignment in writing to satisfy the requirements of the Copyright Act.*
- b) whether the “assignment” was signed by Ms Sinclair. The composers and EMI relied upon two signed or initialled manuscripts of “Kookaburra” submitted by Ms Sinclair as

her entry in the competition to satisfy the statutory requirement that an assignment be signed by the copyright owner. **Held:** *It is plain in my view that the signature and the initials constituted identification of the work as one that had been composed and written by Ms Sinclair. There is simply no evidentiary basis for the proposition that the signature and the initials were placed on the manuscripts to serve any other purpose.*

- c) even if the manuscripts formed part of the contract between Ms Sinclair and the Victorian Girl Guides, an issue arose as to whether Ms Sinclair signed them in the capacity of an assignor or merely to identify the manuscripts as her own works. **Held:** see answer to b);
- d) whether, in light of the surrounding circumstances in which the competition took place, viewed in light also of the subsequent communications between the parties, Ms Sinclair had an intention to assign the copyright to the Victorian Girl Guides. Larrikin sought to rely on correspondence covering the period from the 1950s which was said to point to actions by Ms Sinclair that were inconsistent with the claim that she had assigned the copyright to the Victorian Girl Guides. The composers and EMI relied on statements made by Ms Sinclair in her 1984 autobiography which were said to disclose an intention to assign the copyright in 1934. **Held:** *“Here, most of the communications referred to were between Ms Sinclair and third parties. The documents were contained in a joint tender bundle and were admitted without objection. Nevertheless, I have come to the view that they ought not to have been admitted as evidence. To admit them would be contrary to the principle stated in Cross on Evidence at [39290] that:[T]he parties’ subsequent conduct may be relied upon to establish the existence of [the] contract ... This statement emphasizes the fact that it is the communications between the parties themselves which are admissible, rather than statements made by one party to a stranger to the alleged contract.*

The final issue arose from the assignments of copyright obtained by Larrikin from the Public Trustee and the Libraries Board. This issue arises because the composers and EMI contend that even if Ms Sinclair did not assign the copyright to the Victorian Girl Guides, the chain of title from Ms Sinclair to Larrikin, through the Public Trustee and the Libraries Board, was nonetheless ineffective to assign the copyright in “Kookaburra” to Larrikin. **Held:** *There is no reason why Larrikin cannot rely on the 2008 Deed even though it was brought into existence after the commencement of these proceedings. That Deed was no more than an expression of the covenants for further assurance contained in the Deed made in 1990 and the Tripartite Deed made in 2000.*

## PATENTS

### ***Mont Adventure Equipment Pty Ltd v Phoenix Leisure Group Pty Ltd [2009] FCAFC 84***

This appeal concerned the effect of s 24 of the *Patents Act 1990* (Cth) and rr 2.2 and 2.3 of the *Patents Regulations 1991* (Cth). The provisions deal with the grace period afforded to a patentee in respect of an attack on the validity of a patent on the ground of lack of novelty or inventive or innovative step by reason of prior acts of publication by the patentee or patent applicant.

The effect of s 24 is that, for the purpose of deciding whether an invention is novel or lacks an inventive step or lacks an innovative step, the decision maker must disregard any information made publicly available, through any authorized or consensual publication, or use, or use of the invention within 12 months before the filing date of the complete application, if a patent application for the invention is made within 12 months after the information was first made publicly available. The question in dispute in the appeal concerned the meaning of the phrase "*the filing date of the complete application*".

Held: *The phrase "the filing date of the complete application" must be construed in the context of all of the provisions of the 1990 Act and the Regulations, so as to give a harmonious result achieving the apparent goal of the provisions. To construe the phrase as referring to the Parent Application and not to the Divisional Application achieves that result. The construction is reasonably open and is consistent with the structure of the 1990 Act and the Regulations as a whole, particularly in relation to the treatment of divisional applications and avoids anomalous or unreasonable results.*

### ***Alphapharm Pty Limited v Wyeth [2009] FCA 945***

Issue: Applicant sought an interlocutory injunction. Question arose as to whether prima facie case of infringement to warrant injunction displaced in circumstances where the applicant/cross-respondent has established a prima facie case that patent is invalid

## FRANCHISING

### ***Allphones Retail Pty Ltd v Hoy Mobile Pty Ltd [2009] FCAFC 85***

Issues: whether party who has repudiated a contract may exercise an express power of termination conferred by the contract. The primary judge had concluded that Allphones' own fraudulent conduct constituted a repudiation of the agreement and that that repudiatory conduct disentitled Allphones from exercising the power of termination in cl 9.3(viii). Hoy relied upon a statement by Finlay LC in *Morris v Baron & Co* [1918] AC 1 at 9 which was in these terms: *A party to a contract which imposes certain obligations and confers certain rights upon him cannot claim to exercise these rights while repudiating his obligations in material particulars.*

Held on this issue: *I do not think it is necessary to reach a view on whether a party who has repudiated an agreement may take advantage of a breach by the other party of an essential term and, thereupon, terminate the agreement. This is because the outcome of that question has no impact on the position of express powers of termination. It is, I think, plain that the parties could by their compact expressly provide that powers given to them under it could be exercised even where the party seeking to do so had repudiated the agreement. None of the familiar doctrines which can strike at the validity of contractual terms would invalidate such a provision. It does not, for example, find itself keeping company with the many bargains which the common law will not countenance such as those which operate in restraint of trade or those which have the effect of undermining the criminal law.*

56 *It follows that the suggested principle is one which, if it exists, conforms itself to the agreement at which the parties have arrived..... Should it be presumed, for example, that where both parties have repudiated the agreement neither should be able to escape it notwithstanding the express bargain between them that either could? Particularly where, as here, the right of termination is expressly conferred in the case of fraud, it is difficult to identify the redeeming features of an approach to interpretation that locks the victim of a fraud into an inescapable bargain with its perpetrator as a result of an act of repudiation which may be trivial by comparison.*

57 *For similar reasons I do not think that a term having a similar effect could be implied. No doubt there are implied terms which require the parties to a contract to do everything that is necessary on each of their parts to ensure the smooth operation of the contract. The decisions of Cockburn CJ in *Stirling v Maitland & Boyd* [1864] EngR 752; (1864) 5 B & S 840 at 852; [1864] EngR 752; 122 ER 1043 at 1047 and Lord Blackburn in *McKay v Dick* (1881) 6 App Cas 257 at 263 show as much. But for reasons I have just given, I do not think that the implication of such a term is plausible. To the contrary, an implied term which perpetually confines the parties to a contract which neither wish for and both have repudiated seems to me to have little to commend it”.*

**And finally...**

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