

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.

PASSING OFF /CONTRAVENTION OF THE TRADE PRACTICES ACT 1974 (CTH).

Ricegrowers Ltd v Real Foods Pty Ltd [2008] FCA 639

Ricegrowers alleged that there is a substantial similarity between the two flavoured rice cake and one flavoured corn cake products it sells and three flavoured corn cake products Real Foods sells. Both Ricegrowers and Real Foods make the majority of their sales of these products through the two large supermarket chains, Woolworths and Coles. Ricegrowers alleged that by selling its range of corn cakes, Real Foods had made false representations in trade or commerce, namely that:

- (1) Real Foods' flavoured corn cakes are products of Ricegrowers;
- (2) Real Foods' flavoured corn cakes are sold with the licence, endorsement, consent or approval of Ricegrowers;
- (3) Real Foods' flavoured corn cakes are a range of the products sold by Ricegrowers;
- (4) Ricegrowers was selling a range of corn products either alone or in tandem with its rice cake products.

The case is of interest in that the parties had been competitors in this product market for many years with both having at all times used their respective trade marks on their respective products. Real Foods had, in fact, been first in the market with a range of corn cakes which it had sold since 1996 under the mark CORN THINS. The two ranges had, at all times, been displayed as a grouped family of products in close proximity to each other. The evidence established that colour was used in this market to denote flavor.

The case raised the issue as to what the law will protect if a manufacturer uses a get-up which consists of a combination of descriptive elements such as colour for flavor and pictorial representations of

flavor.

Real Foods argued that all of the elements relied upon by the applicant simply represented descriptive matter which was as at April 2007 (the date when the respondent commenced selling its flavoured corn cakes) commonly employed in the packaging of many grocery items available on supermarket shelves, and moreover, the combination of these packaging elements was not new. It relied on the observation of Lord Jauncey in *Reckitt & Coleman Ltd v Borden* at [1990] 1 ALL ER “*Any monopoly which a plaintiff may enjoy in get-up will only extend to those parts which are capricious and will not embrace matters which are in common use.*” That of necessity requires the discounting of any descriptive element as a branding device.

The applicant argued that the trade mark CORNS THINS used by the respondent on corn cakes since 1996 should be discounted because of its descriptive nature and that the court should therefore focus on the other elements of the packaging. Rares J rejected that argument.

Intention to Deceive.

SunRice argued that evidence of intention to copy was determinative of whether a representation is conveyed. It relied on remarks of Dixon and McTiernan JJ in *Australian Woollen Mills Ltd v FS Walton & Co Ltd* (1937) 58 CLR 641 at 657. But as Rares J points out their Honours concluded that in the end it was still a question of fact for the court to determine whether, indeed, there had been established a reasonable probability of deception or confusion from the use of a trade mark or device.

Need For Exclusive Reputation

Another issue Rares J had to consider was whether the applicant needed to establish an exclusive reputation in the get-up. In *Cadbury Schweppes Pty Limited v Darrell Lea Chocolate Shops Pty Limited* (2007) 159 FCR 397 at 418-419 [96]-[99] Black CJ, Emmett and Middleton JJ observed that the principles relating to passing off **do not** necessarily require a plaintiff to establish an exclusive reputation in relation to the use of a particular colour, in that case, purple. They said that the question was whether the plaintiff could establish facts that demonstrate that a particular use by the defendant of the colour was likely to mislead or deceive consumers into believing that there was relevant connection between the defendant and the plaintiff or their respective products.

Black CJ, Emmett and Middleton JJ said, obiter, that whether or not there was a requirement for some exclusive reputation as an element in the common law tort of passing-off, Pt V of the Trade Practices Act did not include such a requirement. Under the Act, the question is whether the use of the particular get-up or name by an alleged wrongdoer in relation to his product is likely to mislead or deceive persons familiar with the claimant’s product to believe that the two products are associated, having regard to the state of knowledge of consumers in Australia of the claimant’s product.

Rares J concluded that for passing off or a contravention of s 52 to occur the defendant must make a false representation that the defendant’s goods are the plaintiff’s or are associated in some way with

the plaintiff. The focus of s 52 is on the misleading of others, rather than upon an injury to a competitor.

The application was dismissed.

SECTION 75B OF THE TRADE PRACTICES ACT 1974 (CTH)/ FRANCHISING

J F Keir Pty Limited v Sparks [2008] FCA 611

In the July 2007 issue of LOCUTUS I reported **J F KEIR PTY LTD V PRIORITY MANAGEMENT SYSTEMS PTY LTD (ADMINISTRATORS APPOINTED)[2007] NSWSC 789 (24 July 2007)**. The plaintiff in that proceeding was successful. However as was reported the defendant was put into administration during an adjournment of the hearing.

Last December, JF Keir commenced proceedings in the Federal Court against the director of Priority Management Systems Pty Ltd based on section 75B of the *Trade Practices Act 1974*. The allegation is that Mr Sparks aided and abetted etc., Priority Management Systems Pty Ltd in its contravention of section 51AC of the *Trade Practices Act 1974* (unconscionable conduct against its franchisee). The respondent moved (unsuccessfully) to have the proceeding against Mr Sparks dismissed on the basis that it constituted an abuse of process (Anschun estoppel).

The history of this dispute points to the need to carefully consider the advisability of joining the relevant individuals in any proceedings based on a contravention of the *Trade Practices Act 1974* even in circumstances where the defendant company is trading profitably.

See also *Barcar Pty Limited v Carpatsea Pty Limited [2008] NSWSC 344* re issue of director's liability in those circumstances.

CONFIDENTIAL INFORMATION

Chaina & Ors v The Presbyterian Church (NSW) Property Trust & Ors [2008] NSWSC 290

Application by defendants for provision of formulae and manufacturing process. Issue: whether provision of samples of product sufficient - whether defendants should be required to test samples in order to work out formulae - whether provision of formulae and manufacturing process by plaintiffs reasonable and necessary - effect of competing scientific evidence.

Reverse engineering approach rejected by Hoeben J . He said: "There is another reason why I do not accept reverse engineering as a viable option for the defendants. This is a major piece of litigation involving enormous damages if the company plaintiffs make out their case. If the defendants have demonstrated a genuine need to have access to the formulae and manufacturing process, I find it an extraordinary proposition that they should be required to analyse and reverse engineer up to 100

products when there is no guarantee that such a process will be successful and when it is generally acknowledged that such a process will be time consuming and very expensive. This is particularly so when the formulae and method of manufacture information is in the hands of the company plaintiffs and can be readily provided to the defendants.

75 Such an approach is contrary to modern concepts of litigation and case management. In that regard I am mindful of what the Court of Appeal said in *Nowlan v Marson Transport Pty Limited* (2001) 53 NSWLR 116 at [26]:

“Fourthly, the conduct of litigation as if it were a card game in which opponents never see some of each other's cards until the last moment is out of line with modern trends. Those trends were developed because the expense of

courts to the public is so great that their use must be made as efficient as is compatible with just conclusions. Civil litigation is too important an activity to be left solely in the hands of those who conduct it...”

PATENTS

Ranbaxy Australia Pty Ltd (ACN 110 781 826) v Warner-Lambert Company LLC [2008] FCAFC 82

Construction of patent. Whether patent is restricted to the racemate of a claimed compound or extends to the enantiomers of the compounds individually and mixtures of the enantiomers Whether patent obtained by false suggestion or misrepresentation – representation in specification – representation in correspondence with Commissioner’s delegate – whether claimed invention is a patentable invention – whether claimed invention is a manner of manufacture within the meaning of the Statute of Monopolies – whether claimed invention is useful.

Appeal dismissed.

TRADE MARKS OFFICE DECISIONS.

Home Box Office, Inc v Susan Stigwood Pty Ltd [2008] ATMO 31 (30 April 2008)

Six in the City v Sex and the City. Opposition not established.

Verisign Inc v Vericorp Pty Ltd [2008] ATMO 30 (30 April 2008)

Veritime v Verisign. Section 44 ground established.

Aldi Stores v Kaldi Coffee Pty Ltd [2008] ATMO 29 (30 April 2008)

KALDI & Coffee Bean Device v Aldi. Opposition not established.

Royal Doulton (UK) Pty Ltd v Confectionery Importers of Australia Pty Ltd [2008] ATMO 28 (18 April 2008)

Doulton v Doulton and Royal Doulton. Opposition established.

SVP Industries Pty Ltd v Robert Patterson [2008] ATMO 26 (16 April 2008)

Section 58 ground established.

PRACTICE & PROCEDURE

Seiwa Australia Pty Ltd v Seeto Financial Services Pty Ltd [2008] NSWSC 305

Whether notice to produce oppressive – whether an invalid alternative to discovery – no substitute for order for discovery or for further and better discovery – notice set aside.

And finally...

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