



# A Casebook on the Enforcement of Intellectual Property Rights

4<sup>th</sup> Edition

L.T.C. Harms

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# Preface

## 4<sup>th</sup> edition

Intellectual property (IP) violations remain a global concern. This is reflected, *inter alia*, in a constant high demand for IP enforcement-related technical assistance addressed to WIPO by its Member States. Within the mandate of the Advisory Committee on Enforcement (ACE), the World Intellectual Property Organization (WIPO) services include legislative advice, specialized training as well as educational and awareness programs, seeking to assist Member States in further developing effective and balanced IP enforcement systems, in the interest of socioeconomic development and consumer protection.

In this context, Member States continuously emphasize the need for improved access to case law developments relating to IP enforcement. In response to this demand, the Honorable Justice Harms, former Deputy President of the Supreme Court of Appeal of South Africa and renowned international expert in the field, was asked to prepare the WIPO *Casebook on the enforcement of intellectual property rights*; the first edition focusing on common-law jurisdictions, the second covering both common-law and civil-law jurisdictions, and the third updating the court decisions and creating a chapter on criminal enforcement of IP.

The *Casebook* proved to be popular and an excellent training tool for the judiciary, law enforcement officials, attorneys and rights holders. Building on this success, WIPO has requested Mr. Justice Harms to update and further develop this important publication. The present work is the fourth edition thereof.

WIPO is grateful to Mr. Justice Harms for preparing this new edition. It is a compilation of IP enforcement-related case law from a great number of courts and tribunals, providing a thorough analysis rather than a simple quotation of common and civil law jurisprudence, underscoring similarities and, where appropriate, highlighting differences. It covers the most recent decisions on topical issues in common and civil law jurisdictions (including the case law of the Court of Justice of the European Union). In addition, it emphasizes the jurisprudence in the area of copyright and trademark rights.

I am convinced that this fourth edition, like the first three editions, will constitute a relevant tool to further improve the handling of IP cases in developing countries and to enhance confidence in the IP system.



Francis Gurry  
Director General

# Foreword

A fourth edition of any work requires an explanation from the author. With a casebook on intellectual property law, the prime excuse is the avalanche of new, not necessarily novel, case law and the dynamic nature of the discipline. There are further reasons.

The general move from analogue to digital required an edition aimed at internet users. Consequently, judgments and other material used are invariable accessible on the internet and have been linked to the text for instant access.

Teaching after my retirement from the bench as Adams & Adams Professor in Intellectual Property Law at the Law School of University of Pretoria (graded as one of the top 100 in the world) and as resource person for WIPO has taught me much and is in part the cause of many substantive changes to the text. These include emphasis on the balancing of intellectual property rights; rearrangement of material; deletion of matter of lesser importance; greater emphasis on issues that are relevant for judiciaries and law enforcement agencies in developing countries; and special attention on enforcement in the digital era.

Acknowledgements in the third edition stand, but it is necessary to recognize again the active support and encouragement of WIPO's Building Respect for Intellectual Property Division and that of my wife, Irene, who does not accept that I am retired.

Errors and omissions, as always, remain my responsibility, and the views expressed are not those of WIPO but my own.

A handwritten signature in black ink, appearing to read 'L Harms', with a stylized flourish at the end.

Louis Harms  
April 2018  
Pretoria

# **Chapter 1**

## **Introduction:**

### **The world of intellectual property law**

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## A. Introduction

1. *Objective:* This work was written at the request of the World Intellectual Property Organization (WIPO), more particularly the WIPO Building Respect for Intellectual Property Division, and for its purposes.<sup>1</sup> The division's focus on enforcement has changed, as has its name, which was the Enforcement Division. Consequently, the main subject of this work is the enforcement of intellectual property rights (IP rights or IPRs) in the context of balancing IP rights against the public interest. It should be emphasized that the views expressed are those of the author and not of WIPO.

2. *Readership:* The work is intended for those (mainly in the developing world) who are involved in the enforcement of IP rights, such as judicial officers in both civil and criminal courts, lawyers, prosecutors as well as law enforcement officers and customs officials.

3. *Subjects covered:* The main focus is the protection of trademarks and copyright through civil and criminal law. The discussion of patents and designs is limited because their enforcement is infrequent and of relatively less importance in the target jurisdictions. The *droit romain* legal tradition is covered by WIPO publication *L'application des droits de propriété intellectuelle*,<sup>2</sup> and the Spanish legal tradition by *La observancia de los derechos de propiedad intelectual*.<sup>3</sup> This work does not intend to overlap with them.

4. *Sources:* Because this is a 'casebook' (or source book) and has to cover a large number of jurisdictions, a major selection criterion is the accessibility of judgments. Internet links, accessed during the preparation of this edition, are provided where possible. Because IP litigation is less prevalent in developing countries, and case law not always available, the use of a broader selection of jurisprudence was not feasible.

5. *Generalizations:* It will soon become apparent that intellectual property law has two main sources, namely, international conventions or agreements and national statutory law.

Although national laws are, in general, based on these international treaties, it does not follow that national laws are all the same.<sup>4</sup> Even within the two general legal traditions, common and civil, laws differ from jurisdiction to jurisdiction; and every individual system of law has its own history and development, which accords with its own legal culture, statutes and judge-made law.

It would thus be wrong to assume that there is a unified or single common-law or civil-law IP law system or that IP law and practice of different jurisdictions correspond. Even where the laws of different countries may bear substantial similarity, the differences between any two legal cultures may result in different outcomes in any particular case on the same facts.

This exercise consequently contains many generalizations because it is basic and the degree of exposure to IP law by those who may have occasion to use it may vary considerably.

**HARVARD COLLEGE v. CANADA (COMMISSIONER OF PATENTS) 2002 SCC 76<sup>5</sup>:**

Intellectual property has global mobility, and states have worked diligently to harmonize their patent, copyright and trademark regimes. Legislation varies of course, from state to state, but broadly speaking Canada has sought to harmonize its concepts of intellectual property with other like-minded jurisdictions. The mobility of capital and technology makes it desirable that comparable jurisdictions with comparable intellectual property legislation arrive (to the extent permitted by the specifics of their own laws) at similar legal results.

6. *Common law and civil law – a comparison:* The differences between the substantive provisions of IP laws in common-law and civil-law countries are, subject to the foregoing, relatively small.

The differences between the two systems are, in the present context, mainly procedural. The common-law judge plays a less active role in the proceedings than

1. Its website is <http://www.wipo.int/enforcement/en/>. Enforcement issues are discussed at meetings of WIPO's Advisory Committee on Enforcement (ACE): [www.wipo.int/enforcement/en/ace/](http://www.wipo.int/enforcement/en/ace/).  
2. [http://www.wipo.int/edocs/pubdocs/fr/wipo\\_pub\\_629.pdf](http://www.wipo.int/edocs/pubdocs/fr/wipo_pub_629.pdf).  
3. [http://www.wipo.int/edocs/pubdocs/es/intproperty/627/wipo\\_pub\\_627.pdf](http://www.wipo.int/edocs/pubdocs/es/intproperty/627/wipo_pub_627.pdf).

4. Statutory IP texts are normally accessible through the WIPO webpage at <http://www.wipo.int/portal/en/index.html>.  
5. See also *Human Genome Sciences Inc v. Eli Lilly and Company* [2011] UKSC 51; *Beecham Group Plc v. Triomed (Pty) Ltd* [2002] ZASCA 109.

the civil-law judge because, in the case of the former, the parties tend to drive the litigation, while in the latter, cases are judge-driven. Judges in common-law countries at first instance (and on appeal) are seldom specialists in the particular field of litigation and as a general rule do not sit with experts or use court experts. It is often different in civil-law countries.

7. *Precedents*: The common law lays greater emphasis on the value and binding force of precedents than does the civil law and, consequently, judgments in common-law countries tend to be more wide-ranging than in civil-law countries. As Sir Stephen Sedley (a former appellate judge from England and Wales) explained,<sup>6</sup> the prose form of common-law judgments remains that of the oral judgment, and the oral judgment at base represents the process of thinking aloud. Civil-law judgments are more closely reasoned and somewhat formalistic in the sense that they are not self-explanatory and therefore not as elaborate and loquacious as common-law judgments.<sup>7</sup> Appellate judgments in the civil tradition usually answer legal questions put to that court (*a cour de cassation*) and refer the case back to the lower court for finalization while appeal judgments in the common-law tradition may raise new legal issues and involve a reconsideration of the factual underlay, and usually lead to the final disposal of the case without a reference back. Dissenting or concurring judgments are not widespread in the civil tradition.

8. *U.K. jurisprudence*: The jurisprudence of the United Kingdom was a major source of information and inspiration for the judiciaries of most of the common-law world but is now of a different value. Due to European Union (EU) law and directives, the United Kingdom was drawn more and more into the civil-law tradition although the future is uncertain. Conversely, the continental civil law is influenced by common-law principles.

9. *USA jurisprudence*: Another warning for those interested in comparative exercises concerns the law of the United States of America. It is determined by the fact that much of its IP law is derived from its Constitution and its federal nature (although not all trademark,

unfair competition or copyright issues are federal), and it differs in many respects from the laws of other common-law jurisdictions that had or have closer or more recent ties with the United Kingdom and whose constitutions do not create a similar diversity.

## B. What is ‘intellectual property’?<sup>8</sup>

10. *Right to imitate*: Aristotle in *Περὶ ποιητικῆς* (*Ars Poetica* in Latin), written in about 335 BCE, already recognized that we all learn by imitation.

Not all imitation is unlawful. On the contrary, imitation may be said to be the essence of life. From the cradle to the grave man imitates his fellow-men in speech and song, habits, fashions and fads. Imitation is also, therefore, legitimate in business, up to a point.<sup>9</sup>

IP rights limit the right to imitate in a particular manner in the public interest for a limited period of time.

11. *The Stockholm Convention*: Intellectual property is defined in the Stockholm Convention,<sup>10</sup> which established WIPO. This Convention states that intellectual property includes the rights related to:

- literary, artistic and scientific works,
- performances of performing artists, phonograms and broadcasts,
- inventions in all fields of human endeavor,
- scientific discoveries,
- industrial designs,
- trademarks, service marks and commercial names and designations,
- protection against unfair competition and
- all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.

12. *Formalities*: Some IP rights depend for their existence on formalities, while others are not so dependent and exist by virtue of creation. Patents, industrial designs and trademarks are registered rights and are only enforceable once they have been granted (although

6. Stephen Sedly. (2007). Second time around. *London Review of Books*, 29(17), 14–15.

7. See also Dieter Stauder and David Llewelyn. (2004). Oskar Hartweg's thoughts on the English legal system. In Vaver, D. and Bently, L. (eds), *Intellectual Property in the New Millennium: Essays in Honor of William R. Cornish*. Cambridge: Cambridge University Press, 56.

8. As useful reference work, see WIPO. (2017). *Introduction to Intellectual Property: Theory and Practice*. Second Ed. Kluwer Law International.

9. *Lorimar Productions Inc v. Sterling Clothing Manufacturers (Pty) Ltd* 1981 (3) SA 1129 (T) [South Africa].

10. [http://www.wipo.int/treaties/en/text.jsp?file\\_id=283854](http://www.wipo.int/treaties/en/text.jsp?file_id=283854).

trademark registrations may have retroactive effect). The subsistence of copyright, on the other hand, does not depend on any formalities, such as registration.

13. *Overlap of rights*: The same commercial object may incorporate or reflect different IP rights, and the same intellectual endeavor may be protected by more than one IP right. For instance, a label may be entitled to trademark and copyright protection, and a container may be entitled to both trademark and design protection. This, however, does not justify the blurring of the differences between the different IP rights; each must be kept within its strict statutory limits.<sup>11</sup>

14. *Balancing of IP rights*: Because IPRs are not absolute, they have to yield to other rights and must be balanced against the public interest, and they are dependent upon public policy considerations.

Excessive control by holders of copyright and other forms of intellectual property may limit unduly the ability of the public domain to incorporate and embellish creative innovation in the long-term interests of society as a whole or create practical obstacles to proper utilization.<sup>12</sup>

The Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement)<sup>13</sup> requires a balancing of rights and obligations (Art. 7):

The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

The Supreme Court, the First Petty Bench, of Japan, for instance, said that ‘the protection of the rights of the by the Copyright Law needs to be realized in harmony with public and social interests.’<sup>14</sup>

**BRISTOL-MYERS SQUIBB CO v. CANADA (ATTORNEY GENERAL)** 2005 SCC 26:<sup>15</sup>

Our court has often spoken of the balance struck under the Patent Act in which the public gives an inventor the right to prevent anybody else from using his or her invention for a period of 20 years in exchange for disclosure of what has been invented. As a general rule, if the patent holder obtains a monopoly for something which does not fulfil the statutory requirements of novelty, ingenuity and utility, then the public is short-changed.

**JT INTERNATIONAL SA v. COMMONWEALTH OF AUSTRALIA** [2012] HCA 43:

There are and always have been purposive elements reflecting public policy considerations which inform the statutory creation of intellectual property rights. The public policy dimensions of trademark legislation and the contending interests which such dimensions accommodate were referred to in *Campomar Sociedad, Limitada v Nike International Ltd*. The observation in that case that Australian trade marks law has manifested from time to time a varying accommodation of commercial and the consuming public’s interests applies with varying degrees of intensity to other intellectual property rights created by statute. Intellectual property laws create property rights.

## C. National law and international instruments

15. *Relationship between national law and international obligations*: Intellectual property law has both a national and an international aspect.

IP law is statute-based, and IP laws are, accordingly, first and foremost territorial and apply only within the particular jurisdiction. They are, though, as mentioned, based on international conventions and treaties.

The international instruments seek to (a) harmonize IP laws and (b) provide for minimum levels of protection in

11. *Roland Corp. v. Lorenzo & Sons Pty Ltd* (1991) 105 ALR 623; *Kirkbi AG v. Ritvik Holdings Inc* 2005 SCC 65.

12. *Théberge v. Galerie d’Art du Petit Champlain inc* 2002 SCC 34.

13. [https://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](https://www.wto.org/english/docs_e/legal_e/27-trips.pdf).

14. Case: 2001(Ju) No.952, *Minshu Vol 56 No 4 808*.

15. *Cf. Metro-Goldwyn-Mayer Studios Inc v. Grokster Ltd* 380 F.3d 1154.

all jurisdictions. They, accordingly, establish guidelines for uniform definition and uniform protection of IP rights.

A major objective of these conventions and treaties is to ensure that citizens and residents of one country receive recognition for and protection of their IP rights, more particularly, that a foreigner will be entitled to the same rights as those accorded to nationals. This is referred to as 'national treatment.' In other words, IP laws may not, in general terms, discriminate against foreigners.<sup>16</sup>

16. *WIPO conventions and treaties*:<sup>17</sup> Of importance for present purposes are the Paris Convention for the Protection of Industrial Property of March 20, 1883,<sup>18</sup> the Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886<sup>19</sup>, and the more recent WIPO Copyright Treaty<sup>20</sup> and the WIPO Performances and Phonograms Treaty.<sup>21</sup> Other treaties administered by WIPO, such as the Patent Cooperation Treaty, the Trademark Law Treaty and the Treaty on the Law of Trademarks, fall beyond the scope of this work.<sup>22</sup>

17. *TRIPS Agreement*: Countries that are members of the World Trade Organization (the WTO) are necessarily parties to the General Agreement on Trade and Tariffs and, consequently, to the schedule containing the Agreement on Trade-Related Aspects of Intellectual Property Rights,<sup>23</sup> also known as the TRIPS Agreement. The TRIPS Agreement requires of member states of the WTO to have laws in place that provide substantive provisions for the recognition of IP rights, in particular in respect of copyright and related rights (Section 1), trademarks (Section 2), and patents (Section 5).

The TRIPS Agreement sets minimum IP law standards, and member countries are free to impose higher standards. Member countries are also free to determine the appropriate method of implementing the provisions of the Agreement within their own legal systems and practices.

Local laws also have to comply with the minimum standards for IP protection: the TRIPS Agreement places an obligation on member countries to provide for remedies and enforcement procedures (most of which are fairly common in both the civil-law and common-law traditions) that are to be at the disposal of rights holders.

18. *Effect of international instruments on interpretation*:

*TWG TEA CO PTE LTD v. TSIT WING (HONG KONG) CO LTD* [2016] HKCFA 2:

Before turning specifically to the text of s 18(3) and the issues of construction which arise, attention first should be given to any relevant international arrangements. Article 16(1) of the 1994 Agreement on Trade-Related Aspects of Intellectual Property Rights ('the TRIPS Agreement') states: [quoted by the Court but omitted here].

Hong Kong acceded to TRIPS with effect 1 January 1995, as did the European Union and the United Kingdom. If there are several reasonably possible interpretations of a statutory provision such as s 18(3), the Court should favour that which is consistent with the international obligation found in Art 16(1) of TRIPS.

19. *TRIPS compliance by member states*: This work is based on the minimum requirements laid down by the TRIPS Agreement.<sup>24</sup> The question of whether TRIPS forms part of national law creating rights for citizens and residents depends on local law.

16. There is a related principle of 'most-favored-nation' treatment. The effect of this is that any advantage, favor, privilege or immunity granted by a member country (which is party to the TRIPS agreement – see below) to the nationals of any other country is accorded unconditionally to the nationals of all other member countries. The TRIPS Agreement was the first agreement to adopt the 'most-favored-nation' treatment as a principle in relation to the protection of IPRs.

17. For details see WIPO. (2017). *Introduction to Intellectual Property: Theory and Practice*. Second Ed. Kluwer Law International.

18. <http://wipo.int/treaties/en/ip/paris>.

19. <http://www.wipo.int/wipolex/en/details.jsp?id=12214>.

20. <http://www.wipo.int/treaties/en/ip/wct/>.

21. <http://www.wipo.int/treaties/en/ip/wppt/>.

22. <http://www.wipo.int/treaties/en/>

23. [https://www.wto.org/english/docs\\_e/legal\\_e/27-trips\\_03\\_e.htm](https://www.wto.org/english/docs_e/legal_e/27-trips_03_e.htm).

24. In accordance with Article 66 TRIPS, the least developed countries (LDCs) that are members of the WTO had until 2013 to comply with the TRIPS provisions (and until 2016 for the provisions on pharmaceuticals), without prejudice to a further extension if so decided by the council for TRIPS. Extensions have been granted, and the matter is pending: <http://www.ictsd.org/bridges-news/bridges/news/least-developed-countries-table-wto-proposal-to-extend-pharma-patents>.

## D. Territoriality

20. *National law and territoriality*:<sup>25</sup> The international conventions all accept the principle of territoriality, which means that national law creates IP rights, creates remedies, provides structures for enforcement and provides procedures for enforcement.

It means that the scope of an IP right is limited to the territory of the state granting it. The exclusive right can only cover activities occurring within the respective territory.

No intangible subject matter (say copyright in a particular photograph) is protected by one uniform right covering the whole world. Such a work may be subject to a bundle of possibly more than 200 territorial rights of national or regional provenance. These rights are independent of one another so that an invention, copyright work or trademark may exist and be protected in one country but not in another.<sup>26</sup>

This gives rise to enforcement problems as a result of the increased opportunities for infringement of IPRs in the digital environment by means of cross-border online IP infringement.<sup>27</sup>

21. *Territoriality and enforcement*: The enforcement of IP rights is regulated by national or regional legislation and within defined territorial borders. Yet IP assets are of a global character and their use is not limited by territorial boundaries. Because of globalization, ever-closer economic integration and fast-moving digitization, challenges surrounding the interaction between IP law and private international law are inevitably becoming ever-more frequent and acute. Indeed IP infringements routinely impact multiple territories, resulting in questions of jurisdiction, applicable law and enforcement and recognition of foreign judgments.<sup>28</sup>

25. *Lucasfilm Ltd v. Ainsworth* [2009] EWCA Civ 1328, [2011] UKSC 11; *Microsoft Corp v. AT&T Corp* 550 US (2007) [USA]; *Gallo Africa v. Sting Music* [2010] ZASCA 96; *Chugai Pharmaceutical Co Ltd v. UCB Pharma SA* [2017] EWHC 1216 (Pat); *Abdichtsystem German Bundesgericht* 16th May 2017, X ZR 120/15.

26. Alexander Peukert, *Territoriality and Extraterritoriality in Intellectual Property Law* at <https://www.ssrn.com/abstract=1592263>.

27. See the WIPO publication by Andrew F Christie, *Private International Law Issues in Online IP Infringement with Cross-Border Elements* at <http://www.wipo.int/publications/en/details.jsp?id=3975&plang=EN>.

28. [http://www.wipo.int/enforcement/en/news/2015/news\\_0002.html](http://www.wipo.int/enforcement/en/news/2015/news_0002.html). See also *Google Inc v. Equustek*

Other areas of dispute relate to contractual obligations concerning IP rights, parallel importation and transit or transshipment of goods. There are also questions concerning jurisdiction over extra-jurisdictional infringements committed by locals.

22. *Jurisdiction and territoriality*: The fact that IP rights are territorial in nature does not mean that there cannot be jurisdictional issues, because it is necessary to distinguish between judicial competence and legislative competence.

Private international law distinguishes between personal jurisdiction (judicial competence) of the court and the applicable law (legislative competence). In intellectual property, such a distinction was often ignored, mainly because of the principle of territoriality, under which the forum was most often the place of the injury, and the applicable law was generally assumed to be the law of the forum state.

23. *Basic jurisdictional principles*: Jurisdiction depends on the particular laws of a given country, including principles relating to *forum (non) conveniens*.

The first rule of jurisdiction is that the court of residence or domicile of the defendant is the primary court with jurisdiction. This means that a court must have jurisdiction over the person of the defendant.

In addition, a court must have subject-matter jurisdiction. For registered rights, the law applicable to determine the existence, validity, duration, attributes, and infringement of IPRs and the remedies for their infringement is the law of the state of registration. For other IPRs, it is the law of the state in and for which protection is sought.<sup>29</sup>

Cross-border online infringement has become ubiquitous and has created new challenges in the area of jurisdiction and enforcement.<sup>30</sup>

24. *Conventions concerning jurisdiction*: Within the European Union (and some other countries) the matter is determined or influenced by the Brussels Convention on Jurisdiction and the Enforcement of

*Solutions Inc*, 2017 SCC 34; Case X ZR 120/15 (German Bundesgerichtshof May 16, 2017).

29. *Voda v. CordisCorp* 476 F.3d 887 (Fed. Cir. 2007).

30. See Andrew F Christie quoted above.

Judgments in Civil and Commercial Matters 1968 and the Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters. These have, to some extent, been superseded by the Brussels Regulations.<sup>31</sup>

## E. Editorial policy

25. *Insertions and omissions*: Except for a few instances, the extracts from judgments are relatively short and do not deal with the facts of the case. Facts are given if necessary for understanding the extract. Square brackets '['] indicate insertions. To improve readability, omissions are not shown. Words, phrases and paragraphs have been omitted to create (what the author wishes to believe) a user-friendly text. So, too, long paragraphs have been broken up into shorter ones, and if a judgment dealt with more than one issue, the judgment may have been subjected to the same treatment.

26. *Spelling and style*: The author's text is in U.S. English because that is the house style of WIPO. One example concerns trademarks. There are different spellings: 'trade mark,' 'trade-mark' and 'trademark,' sometimes depending on whether the term is used as an adjective or noun. U.S. English uses 'trademark,' therefore that is the spelling in this work. The original spelling, as far as practicable, has been retained, although a few changes to spelling and style were made for the sake of uniformity. Likewise, citations within quotations are, if not omitted, standardized.

## F. Useful websites

The following internet sources are useful: they all provide free access to laws, law reports and related material. But if all else fails, a search on a general search engine may produce something useful.

An important academic site is the Social Sciences Research Network: <https://www.ssrn.com/>.

The following sites are especially important for treaties and conventions, judgments of the Court of Justice of the European Union (CJEU) and judgments on domain name decisions:

- WIPO: <http://www.wipo.int>
- WIPO has a non-exhaustive compilation list that provides links to publicly and freely accessible online databases: [www.wipo.int/enforcement/en/case\\_law.html](http://www.wipo.int/enforcement/en/case_law.html)
- WIPO Intellectual Property Laws and Treaties Database (WIPO Lex): <http://www.wipo.int/wipolex/>
- WTO: <http://www.wto.org>
- Internet Domain Name Arbitration Decisions: <http://www.arbiter.wipo.int/domains/>
- CJEU: [http://curia.europa.eu/jcms/jcms/j\\_6/](http://curia.europa.eu/jcms/jcms/j_6/).

The Free Access to Law movement provides what its name promises in relation to mainly English-speaking law reports: [www.worldlii.org](http://www.worldlii.org).

Particular countries:

- Australia: <http://www.austlii.edu.au>
- Canada: [www.canlii.org/](http://www.canlii.org/)
- Hong Kong: <http://www.hklii.hk/eng/>
- India: <http://www.liiofindia.org/>
- Ireland: <http://www.ucc.ie/law/irlii/index.php>
- Japan: <http://www.ip.courts.go.jp/eng/hanrei/index.html>; [http://jta.tokyo/english/documents/?doc\\_cat\\_id=3](http://jta.tokyo/english/documents/?doc_cat_id=3)
- New Zealand: <http://www.nzlii.org/>
- Singapore: <http://www.commonlii.org/sg/cases/>
- Southern and East Africa countries: <http://www.saflii.org>
- The United Kingdom and Ireland: <http://www.bailii.org/>
- United States: [www.law.cornell.edu/](http://www.law.cornell.edu/); <http://www.findlaw.com>

The China Legal Publishing House published in hard copy a substantial work entitled *Intellectual Property Cases of the Supreme People's Court 2008-2015* with translation of the cases. It is not available online.

31. See Council Regulation (EC) No 44/2001 of 22 December 2000 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters (Brussels 1 Regulation) at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32001R0044>.



# Chapter 2

## Trademark law principles

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The purpose of this chapter is to introduce some trademark principles that are particularly relevant in the context of enforcement of trademark rights.

## A. Trademark law sources<sup>1</sup>

1. *TRIPS requirements*: In terms of the TRIPS Agreement,<sup>2</sup> country members of the WTO must have laws that provide for trademarks and their protection. These must comply with certain minimum requirements. The discussion that follows takes these minimum requirements as its starting point. The provisions of TRIPS relevant to trademarks will be quoted during the discussion.

2. *Paris Convention*: Another important aspect of TRIPS (Art. 2.1) is that it requires of WTO member states to comply with certain provisions relating *inter alia* to trademarks of the 1967 text of the Paris Convention for the Protection of Industrial Property.<sup>3</sup> Similar obligations are also imposed by the Trademark Law Treaty (TLT) (1994)<sup>4</sup> and the Singapore Treaty on the Law of Trademarks.<sup>5</sup>

3. *National treatment*: TRIPS (Art. 3.1), like the Paris Convention, requires that each member state must, in relation to the protection of trademark rights, treat nationals of other member states no less favorably than it treats its own nationals. This is referred to as 'national treatment.' This means that IP laws may not discriminate on the grounds of nationality or residence.

4. *European Union Directive*: The EU has a directive on trademark law, and the national laws of all members of the EU must be in conformity with the directive.<sup>6</sup>

The directive provides for some broader trademark protection than that envisaged in TRIPS.

In addition to national trademarks, the EU also provides for Community marks. A new set of council regulations<sup>7</sup> came into operation on March 23, 2016. A Community trademark has a unitary character and has equal effect throughout the community, and it may not be registered, transferred or surrendered or be the subject of a decision revoking the rights of the proprietor or declaring it invalid, nor may its use be prohibited, save in respect of the whole Community.<sup>8</sup>

A similar court, but with limited jurisprudence, is the Court of Justice of the European Free Trade Association States.<sup>9</sup>

Reference will, from time to time, be made to the terms of the directive and the regulation, and judgments of the CJEU<sup>10</sup> as well as those of the General Court,<sup>11</sup> which deal with their interpretation and application. This is because judgments based on the directive and national laws based on it provide a useful benchmark against which to test outcomes in other jurisdictions.

The CJEU is essentially a *cour de cassation* because one of its functions is to answer legal questions put to it by the national courts of its member states in relation to the scope of union laws and regulations. The judgments are, consequently, of importance as legal expositions concerning matters of principle (unless they are concerned with an internal appeal) but may give limited practical guidance to the outcome of any particular case. Their persuasive force depends on the similarity between EU laws and directions and local statute law.

5. *U.K. trademark law*: Many judiciaries have regard to judgments of U.K. courts because of history and language reasons.<sup>12</sup> It is, however, necessary to consider

1. *TWG Tea Co PTE LTD v. Tsit Wing* (Hong Kong) Co LTD [2016] HKCFA 2.  
 2. [http://www.tripsagreement.net/?page\\_id=40](http://www.tripsagreement.net/?page_id=40).  
 3. <http://www.wipo.int/treaties/en/ip/paris/>.  
 4. <http://www.wipo.int/treaties/en/ip/tlt/>.  
 5. <http://www.wipo.int/treaties/en/ip/singapore/>.  
 These two treaties do not deal with enforcement issues and are not dealt with. The same applies to the Madrid Agreement Concerning the International Registration of Marks (1891) and the Protocol Relating to that Agreement (1989).  
 6. Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the EU member states relating to trade marks.

7. Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015 amending Council Regulation (EC) No 207/2009 on the Community trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the Community trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (Trade Marks and Designs).  
 8. See the excellent European Union Intellectual Property Office (EUIPO) Guidelines on trademarks for a full discussion of principles with examples.  
 9. <http://www.eftacourt.int/cases/>.  
 10. [https://curia.europa.eu/jcms/jcms/Jo2\\_6999/en/](https://curia.europa.eu/jcms/jcms/Jo2_6999/en/).  
 11. [https://curia.europa.eu/jcms/jcms/Jo2\\_7033/en/](https://curia.europa.eu/jcms/jcms/Jo2_7033/en/).  
 12. *Crocodile International PTE Ltd v. Lacoste* [2017] NZSC 14.

that the U.K. Trade Marks Act of 1994<sup>13</sup> is a statute that complies with the TRIPS Agreement and the EU Directive and that the substantive provisions of this Act represent an amalgam of civil-law and common-law principles.

**INTER LOTTO (UK) LTD. v. CAMELOT GROUP PLC** [2003] EWCA Civ 1132:

As that summary makes clear, the 1994 Act is a hybrid. There are two main European sources: The Directive, aimed at harmonization of the national trademarks laws, and the Regulation, introducing the new Community trademark. However, many of the basic concepts are derived, in some cases solely, from the previous domestic law. Old authorities may be of assistance, but 'it should not be forgotten at any point that the system is fundamentally different and frequently demands a fresh look.

This means that judgments must be read in the context of their time and in relation to the laws then applicable and that judicial pronouncements, old and new, cannot simply be transfused onto present local law.

6. 'Trademark law is a remarkably difficult subject': This observation was made in a book review<sup>14</sup> by Judge Richard Arnold in respect of European trademark law, but what he said is generally true of all trademark law. He gave several reasons:

- While many of the concepts and doctrines may seem straightforward, they are much more slippery and elusive than they first appeared.
- There is a vast body of case law, a significant proportion of which is contradictory or poorly reasoned.
- It faces a series of challenges posed by new technologies and business models.
- It is an increasingly contested field, with trademark proprietors continually trying to expand the boundaries of protection and others pushing back.
- Last, it needs to be understood holistically, but an overall view of the system is hard to obtain. This only comes with a great deal of experience.

13. <https://www.gov.uk/government/publications/trade-marks-act-1994>.

14. Judge of the High Court of England and Wales, Chancery Division in *Journal of Intellectual Property Law & Practice*, 2017 (Oxford University Press) at [https://academic.oup.com/jiplp/search-results?f\\_Authors=Richard+Arnold](https://academic.oup.com/jiplp/search-results?f_Authors=Richard+Arnold).

7. *Related laws*: What has been said thus far concerns laws that deal with *registered* trademarks. There are other related and relevant laws that may protect such trademarks but also *unregistered* trademarks. Prime examples would be laws, statutory or common law, relating to unfair or unlawful competition, more particularly, those that deal with passing-off.

**DRISTAN TRADE MARK** case [1986] RPC 161(SC):

The registration of a trademark confers very valuable rights upon the registered proprietor of that mark. Under s 27(1) of the 1958 Act, no person can institute any proceeding to prevent or to recover damages for, the infringement of an unregistered trademark.

However, his right of action against any person for passing off goods as the goods of another person or the remedies in respect thereof is not affected by reason of the fact that his trademark is an unregistered one. Under s 28(1), the registration of a trademark, if valid, gives to the registered proprietor of the mark the exclusive right to the use of the mark in relation to the goods in respect of which it is registered and to obtain relief in respect of infringement of the mark in the manner provided by the Act.

Other related laws deal with false trade descriptions and the protection of certain emblems, heraldry, business names, advertising standards, consumer protection and protection of geographic indications.

## B. Definition of a 'trademark'

8. *Subject matter of trademarks*: The TRIPS Agreement (Art. 15.1) defines the protectable subject matter of registered trademarks in these terms:

- Any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark.
- Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colours as well as any combination of such signs, shall be eligible for registration as trademarks.

- Where signs are not inherently capable of distinguishing the relevant goods or services, Members may make registrability depend on distinctiveness acquired through use. Members may require, as a condition of registration, that signs be visually perceptible.

9. *Essentials of trademarks*:<sup>15</sup> It follows that a trademark must:

- consist of a ‘sign’ or combination of ‘signs’ and
- be able to distinguish the goods or services of one undertaking from those of other undertakings.

The capability to distinguish can either be:

- inherent in the mark or
- acquired through use.

**DYSON LTD v. REGISTRAR OF TRADEMARKS**:<sup>16</sup>

It follows that to be capable of constituting a trade-mark, the subject-matter of any application must satisfy three conditions. First, it must be a sign. Secondly, that sign must be capable of being represented graphically. Thirdly, the sign must be capable of distinguishing the goods or services of one undertaking from those of other undertakings.

It is illustrated by the Indian law’s<sup>17</sup> definition of a trademark:

it is a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one person from those of others and it may include the shape of goods, their packaging, and a combination of colours.

A mark, in turn, includes a device, brand, heading, label, ticket, name, signature, word, letter, numeral, shape of goods, packaging or combination of colors or any combination thereof.

10. *Types of trademarks*: There are different types of trademarks. What is or is not registrable as trademark depends on the definition of the term in the relevant national statute.

Typical are devices or logos, names (such as FORD), words (like APPLE), letters (e.g., BMW), numerals (4711), slogans and shapes, configurations, patterns, ornamentations, colors or containers for goods (the Coca-Cola bottle). Some jurisdictions allow the registration of anything that can serve to distinguish, even musical tunes (for instance, mobile phone ringtones) or fragrances for perfumes.

11. *Factual issue*: The question whether a mark constitutes a trademark as defined is a factual matter. Older statutes often listed the kind of marks that were not capable of being registered, such as names of persons or localities, or laudatory words. The tendency is to move away from this approach, which is in any event incompatible with the TRIPS Agreement.

**WEST (T/A EASTENDERS) v. SMITH & TURNER PLC** [2003] EWCA Civ 429:

To a much greater degree, this case illustrates the break with our domestic past brought about by the 1994 Act. One has to start by forgetting the preconceptions of pre-1994 Act trademark law. The territory that can be occupied by registered trademarks has been significantly enlarged by the 1994 Act, and traders who use such marks without consent must increasingly rely on the limits as to the effect of a registered trademark.

15. *Glaxo Wellcome UK Ltd (t/a Allen & Hanburys) & Anor v. Sandoz Ltd* [2017] EWCA Civ 335.

16. The requirement of graphic representation has been superseded by a requirement that the sign be capable of ‘being represented on the register in a manner which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor’ (Article 3, Directive (EU) 2015/2436 of 16 December 2015).

17. [http://www.wipo.int/wipolex/en/text.jsp?file\\_id=128107](http://www.wipo.int/wipolex/en/text.jsp?file_id=128107).

## C. ‘Capable of distinguishing’

12. *A trademark must be distinctive*:<sup>18</sup> The primary function of a trademark (registered or unregistered) is to distinguish the goods or services of the trademark owner from those of others. That means that it acts as a badge of origin of the source.

In assessing infringement, the main question is whether the use of the infringing mark affects the ability of the senior mark to distinguish or serve as a ‘badge of origin.’

**CANON KABUSHIKI KAISHA v. METRO-GOLDWYN-MAYER INC**, C-39/97, ECR 1998, I-5507:<sup>19</sup>

The essential function of the trademark is to guarantee the identity of the origin of the marked product to the consumer or end user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin. For the trademark to be able to fulfill its essential role in the system of undistorted competition, it must offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality.

**WAL-MART STORES INC v. SAMARA BROTHERS INC** 529 US 205 (2000):<sup>20</sup>

In evaluating the distinctiveness of a mark, courts have held that a mark can be distinctive in one of two ways. First, a mark is inherently distinctive if ‘[its] intrinsic nature serves to identify a particular source.’ In the context of word marks, courts have applied the now-classic test originally formulated by Judge Friendly in which word marks that are ‘arbitrary’ (‘Camel’ cigarettes), ‘fanciful’ (‘Kodak’ film) or ‘suggestive’ (‘Tide’ laundry detergent) are held to be inherently distinctive. Second, a mark has acquired distinctiveness (even if it

is not inherently distinctive) if it has developed secondary meaning, which occurs when, ‘in the minds of the public, the primary significance of a [mark] is to identify the source of the product rather than the product itself.’

**GLAXO GROUP LTD v. DOWELHURST LTD** [2000] EWHC Ch 134:

A trademark is a badge, in the widest sense, used on or in relation to goods so as to indicate source. That is to say it is meant to indicate that goods are goods of the proprietor. In some cases this will mean that they are the goods of a particular manufacturer, as would be the case with RENAULT for cars, CADBURY for chocolates and AGFA for photographic equipment. Sometimes it will mean that they are goods selected by or distributed through a particular intermediary as would be the case with MARKS & SPENCER for own-brand food, flowers etc., LITTLEWOODS for mail order clothes etc. and AMAZON for books bought over the internet.

Furthermore, where goods have passed through a number of hands, the marks of more than one proprietor may be found on, or be used in relation to, the goods. Someone who buys a book over the internet will probably receive it in a box and with a delivery note, each of which bears the mark of the retailer while the book itself will bear the mark of the publisher. Similarly someone who purchases a product in a large department store will receive it in a bag bearing the store’s trademark. In some stores goods are priced with sticky labels bearing the name of the store, so that goods bear both the manufacturer’s and the retailer’s marks. Sometimes marks are anonymous. For example the marks BEEFEATER for gin and JIF, DAZ and OMO for cleaning materials are not the names of the companies which make those products.

In some cases the customer will realize from surrounding circumstances that a mark identifies the source as a manufacturer or as a retailer. RENAULT falls into the former category while MARKS & SPENCER falls into the latter. Sometimes it will not be clear in what capacity a mark identifies source. For example the well-known department store,

18. For Japanese examples, see Recent IP High Court Decisions (Distinctiveness)(2016) (1): <http://jta.tokyo/english/documents/archive/2017/>

19. See also *Wing Joo Loong Ginseng Hong (Singapore) Co Pte Ltd v. Qinghai Xinyuan Foreign Trade Co Ltd and Another and Another Appeal* [2009] SGCA 9; Municipality of Oslo EFTA Court E – 5/16.

20. *Playboy Enterprises Inc v. Bharat Malik* 2001 PTC 328 [India]; *Yale Electric Corporation v. Robertson*, 26 F.2d 972 (2d Cir. 1928).

Harrods, has many products which bear its trademark HARRODS. However it also has its own bakery. The mark HARRODS when used on or in relation to many of its breads and cakes is the mark of the manufacturer as well as the retailer. This reflects not only legal theory but the real world. A customer who is supplied with defective goods may complain to the retailer/distributor or the manufacturer, if different, or both. It may well be immaterial to him whether the mark is that of the distributor or the manufacturer, all that matters is that it is from a particular source. This variety of ways in which marks are used by proprietors and understood by customers does not undermine or detract from their value or function.

13. *Ability to distinguish may be acquired through use:*<sup>21</sup>

**SOCIÉTÉ DES PRODUITS NESTLÉ SA v. MARS UK LTD**, CJEU Case C-353/03:<sup>22</sup>

A mark devoid of any distinctive character may not be registered or, if registered, is liable to be declared invalid.

However, this is rendered inapplicable if, before the date of application for registration and following the use which has been made of the mark, it has acquired a distinctive character.

In regard to acquisition of distinctive character through use, the identification, by the relevant class of persons, of the product or service as originating from a given undertaking must be as a result of the use of the mark as a trademark.

The expression ‘use of the mark as a trademark’ must therefore be understood as referring solely to use of the mark for the purposes of the identification, by the relevant class of persons, of the product or service as originating from a given undertaking.

21. Oberbank and Santander (joined Cases C-217/13 and C-218/13, EU:C:2014:2012). <http://curia.europa.eu/juris/document/document.jsf?docid=153812&doclang=EN>

22. See also *Société Des Produits Nestlé SA v. Cadbury UK Ltd* [2016] EWHC 50 (Ch). <http://www.bailii.org/ew/cases/EWHC/Ch/2016/50.html>

14. *Assessment of distinctiveness:*<sup>23</sup>

**KONINKLIJKE PHILIPS ELECTRONICS NV v. REMINGTON CONSUMER PRODUCTS LTD** Case C-299/99:

Whether inherent or acquired through use, distinctive character must be assessed in relation, on the one hand, to the goods or services in respect of which registration is applied for and, on the other, to the presumed expectations of an average consumer of the category of goods or services in question, who is reasonably well-informed and reasonably observant and circumspect.

15. *Guarantee of origin:* A trademark offers a guarantee that all the goods bearing it have originated under the control of a single undertaking that is responsible for their quality. It does not, however, provide a legal guarantee of quality, but trademark owners know that consumers rely on the fact that they have an economic interest in maintaining the value of their marks. Trademarks, accordingly, provide a commercial guarantee of quality.

**SCANDECOR DEVELOPMENTS AB v. SCANDECOR MARKETING AV** 2001 UKHL 21:<sup>24</sup>

Although the use of trademarks is founded on customers’ concern about the quality of goods on offer, a trademark does not itself amount to a representation of quality. Rather it indicates that the goods are of the standard which the proprietor is content to distribute ‘under his banner’. The concept of the owner of a mark holding himself out as responsible for the quality of the goods sold under his mark was noted by Lord Wright:

The word origin is no doubt used in a special and almost technical sense in this connection, but it denotes at least

23. Case T85/13, *K-Swiss Inc v. OHIM and Künzli SwissSchuh AG*.

24. Also *L’Oréal SA v. Bellure NV*, C-487/07 [2010] R.P.C. 1, CJEU 14: *Laugh It Off Promotions CC v. South African Breweries International (Finance) BV t/a Sabmark International and another* 2005 8 BCLR 743 (CC), 2006 1 SA 144 (CC); *JT International SA v. Commonwealth of Australia* [2012] HCA 43.

that the goods are issued as vendible goods under the aegis of the proprietor of the trademark, who thus assumes responsibility for them, even though the responsibility is limited to selection, like that of the salesman of carrots on.

16. *Descriptive use*: Something that describes the goods or services concerned cannot distinguish them for trademark purposes.<sup>25</sup> One could, accordingly, not have the trademark 'Apple' for apples, but it is a perfect trademark for computers.

**CANADIAN SHREDDED WHEAT CO v. KELLOGG CO OF CANADA LTD** [1938] 1 All E.R. 618:<sup>26</sup>

A word or words to be really distinctive of a person's goods [or services] must, generally speaking, be incapable of application to the goods [or services] of anyone else.

The more a trademark is descriptive of the goods or services, the less likely it will be capable of distinguishing them in this sense. If a trademark is primarily descriptive, it requires 'sufficient capricious alteration' to be able to perform a trademark function.

The fact that a trademark, by use, has become such as to denote goods or services of a specific source, does not necessarily mean that it can distinguish those goods or services in the trademark sense.

17. *Unconventional trademarks*: The recognition of the ability of unconventional trademarks to perform a trademark function, i.e., to act as a badge of origin, is recent. As late as 1986, the House of Lords<sup>27</sup> regarded the idea that the shape of a bottle – in that case, the classic Coca-Cola bottle – could be a trademark as startling, although some countries had already accepted that they could be.

Once recognized, these trademarks do not differ from any other kind of trademark from a legal perspective,<sup>28</sup> and the criteria for assessing their distinctive character (for instance, the three-dimensional shape of products, marks) are no different from those applicable to other categories of trademark.

## D. Registration

18. *Effect of trademark registration*: Trademark registration, in general terms, grants the proprietor an exclusive right to the trademark to:

- use the trademark in relation to the goods or services in respect of which the mark is registered (subject to other limitations),
- prevent other persons from registering the trademark or a confusingly similar mark in relation to the same or similar goods or services,
- prevent other persons from infringing the trademark,
- license the use of the trademark and
- transfer (assign) the trademark.

**KIRKBI AG v. RITVIK HOLDINGS INC** 2005 SCC 65:

Registration of a trademark gives the registrant the exclusive right to the use throughout Canada of the trademark and a right of action to remedy any infringement of that right. In addition, in order to exercise those rights, the existence of the mark itself does not have to be established. Registration is evidence enough. Nonetheless, marks remain marks, whether registered or unregistered, because their legal characteristics are the same.

19. *Common-law and other rights are not affected*: The existing common-law (in common-law jurisdictions) or other statutory rights relating to unregistered marks are not affected by the registration of a trademark. A registered right cannot affect the use of an existing prior right, albeit unregistered, that was obtained through use. A party with an unregistered mark may rely on unfair competition or passing-off as a separate cause of action. This is discussed in a subsequent chapter.

25. *David Elliott, et al v. Google Inc*, U.S. Court of Appeals Ninth Circuit.

26. See also *Breakfast -Drink II* German Federal Court; Court interpretation of 12 March 2003; *Beecham Group Plc and Others v. Triomed (Pty) Ltd* [2002] ZASCA 109.

27. *Coca-Cola Trade Marks* [1986] 2 All E.R. 274 (HL).

28. *Henkel / OHIM* CJEU, 29 April 2004, joined cases C-456/01 P and C-457/01 P.

## E. Public interest and balancing of rights

20. *Nature of the right*: Trademarks are intangible and somewhat anomalously intellectual property rights.<sup>29</sup> Like all rights, a trademark right is not absolute but relative. There is no constitutional right to a trademark, but as a property right it is entitled to protection. It must be balanced against, and may be trumped by, other rights. Of consequence is freedom of speech, a factor of special significance in the context of infringement through dilution.<sup>30</sup>

21. *Different interests*: Both the trademark owner and the consumer are protected by trademarks and against the use of confusingly similar marks.

**MISHAWAKA RUBBER & WOOLEN MANUFACTURING CO v. S. S. KRESGE CO** [1942] USSC 98; 316 US 203 (1942):

The protection of trademarks is the law's recognition of the psychological function of symbols. A trademark is a merchandising short-cut which induces a purchaser to select what he wants, or what he has been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the trademark sphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the aim is the same – to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trademark owner has something of value.

**LAUGH IT OFF PROMOTIONS CC v. SOUTH AFRICAN BREWERIES INTERNATIONAL (FINANCE) BV** [2005] ZACC 7:

From the producer's side, trademarks promote invention, protect investment and enhance market share by securely identifying a product or service. From the consumer's

point of view, they facilitate choice by identifying the product and guaranteeing its provenance and presumed quality. Furthermore, although this case has been presented as a David and Goliath contest, it is not only the Goliaths of this world who need trademark protection. Small entrepreneurs fighting to increase their share of the market against the Goliaths strive energetically to identify their uniqueness and that of their products and services. Confusion, dilution or tarnishing of their trademarks can be as harmful to them as to any of the major companies, indeed more so, because their capacity to mitigate any detriment will be attenuated.

**MASTERPIECE INC. v. ALAVIDA LIFESTYLES INC.**, 2011 SCC 27, [2011] 2 S.C.R. 387:

Trademarks are an important tool to assist consumers and businesses. In the marketplace, a business marks its wares or services as an indication of provenance. This allows consumers to know, when they are considering a purchase, who stands behind those goods or services. In this way, trademarks provide a shortcut to get consumers to where they want to go. Where the trademarks of different businesses are similar, a consumer may be unable to discern which company stands behind the wares or services. Confusion between trademarks impairs the objective of providing consumers with a reliable indication of the expected source of wares or services.

22. *Trademark rights do not create monopolies*: Although trademarks give rise to exclusive rights as an indication of the source and quality of goods, it is only when relating to goods that they have life or value.

**GLAXO GROUP LTD v. DOWELHURST LTD** [2000] EWHC Ch 134 [UK]:

Not infrequently courts, lawyers and clients refer to trademarks as creating monopolies or discuss them in terms which suggest that that is so. But trademark rights do not create monopolies in the true sense. Although trademarks give rise to exclusive rights as an indication of the source and quality of goods, it is only when relating to goods that they have life or value.

29. *Mattel Inc v. 3894207 Canada Inc* 2006 SCC 22.

30. *Laugh It Off Promotions CC v. South African Breweries International (Finance) BV* [2005] ZACC 7; *The University of Alabama Board of Trustees v. New Life Art, Inc.*, Daniel A. Moore U.S. Court of Appeals Eleventh Circuit, June 11, 2012.

A trademark is not a type of copyright. A proprietor does not obtain a monopoly in the mark as such.

Mere copying of a mark, for example by writing it down on a piece of paper, even in the course of business, does not per se infringe any trademark rights. The result is that the same or similar marks can be owned by different proprietors in respect of dissimilar goods or businesses. This is an everyday experience. The name LLOYDS is used as a mark by, amongst others, a pharmacy chain, a bank and an insurance market and the mark GRANADA has been used by unrelated companies in respect of motor cars and a television rental business.

Importantly, a trademark is not a type of copyright.

**MUNICIPALITY OF OSLO** EFTA Court E – 5/16:

The protection of copyright and the protection of trademarks pursue different aims, apply under distinct legal conditions and entail different legal consequences.

In addition, marks, such as container marks, do not give a patent-like or industrial design-like monopoly in the container itself.

**NATION FITTINGS (M) SDN BHD v. OYSTERTEC PLC** [2006] 1 SLR 712; [2005] SGHC 225:

Whilst the court should recognize and give effect to the rights of registered trademark holders wherever appropriate, it should also bear in mind the fact that such rights should not be permitted to either blatantly or subtly develop into disguised monopolies which stifle or stymie the general public interest and welfare.

23. *The right to use is a limited right:* Although the main purpose of a trademark is the ability to use it,<sup>31</sup> a trademark is said to be a negative right. It is a right to prevent others from using the same or a confusingly

similar trademark for the same or similar goods or services as badges of origin. All things being equal, its ownership gives a preferential right to use to the owner but not an absolute right to use the mark on the goods or services for which it is registered. To illustrate, simply because one holds a trademark for a prohibited substance does not mean that one is entitled to market that substance, with or without the mark. This is the ratio of cases that deal with plain packaging for tobacco products.<sup>32</sup>

Thus, the only right conferred by registration was a right to prevent others from using the trademark as a mark for their goods. This does not mean that one may register trademarks for preventing others from using them.<sup>33</sup>

24. *Right of others to use a trademark otherwise than as a badge of origin:* A typical statutory exception to the rights of a trademark owner is to be found in the U.K. Act (art. 6):

The trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, (a) his own name and address; (b) indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service, or other characteristics of goods or services; (c) the trademark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts; provided he uses them in accordance with honest practices in industrial or commercial matters.

**ANHEUSER-BUSCH v. BUDĚJOVICKÝ BUDVAR**, C-245/02, the CJEU:

The exclusive right conferred by a trademark was intended to enable the trademark proprietor to protect his specific interests as proprietor, that is, to ensure that the trademark can fulfil its functions and that, therefore, the exer-

31. *Kirkby AG v. Ritvik Holdings Inc* 2005 SCC 65 <https://scc-csc.lexum.com/scc-csc/scc-csc/en/item/2246/index.do>; *Höltershoff v. Freiesleben* Case C-2/00 [CJEU] <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A62000CC0002>.

32. *JT International SA v. Commonwealth of Australia* [2012] HCA 43 <http://eresources.hcourt.gov.au/showCase/2012/HCA/43>; *Campomar Sociedad v. Nike International* [2000] HCA 12 <http://eresources.hcourt.gov.au/showCase/2000/HCA/12>.

33. *Lubbe NO v. Millennium Style* [2007] SCA 10 (RSA) <http://www.safiii.org/za/cases/ZASCA/2007/10.html>.



cise of that right must be reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trademark, in particular its essential function of guaranteeing to consumers the origin of the goods.

That is the case, in particular, where the use of that sign allegedly made by the third party is such as to create the impression that there is a material link in trade between the third party's goods and the undertaking from which those goods originate. It must be established whether the consumers targeted, including those who are confronted with the goods after they have left the third party's point of sale, are likely to interpret the sign, as it is used by the third party, as designating or tending to designate the undertaking from which the third party's goods originate.

25. *Application of the 'badge of origin' concept:* To explain, the German Federal Court in *Ferrari v. Jägermeister AG* held that the use of a Ferrari car as a prize in an advertisement for liquor did not infringe the Ferrari trademark in respect of vehicles:<sup>34</sup>

There is no justification for the trademark owner to oppose the awarding of branded goods bearing the competition sponsor's sign as prizes if the placing of the sign next to the trademark is clearly only an indication of the sponsorship and does not create the impression of there being a commercial relationship between sponsor and trademark owner.

The advertising effect of making the company look generous by promising a luxury product as a prize is a natural consequence of this particular competition. The fact that the prize on offer is a well-known make of luxury car does not push this transfer effect onto the wrong side of the legal line. [Translated.]

34. See also *Regina v. Johnstone* [2003] UKHL 28; CJEU Case C-63/97 *Bayerische Motorenwerke AG and another v. Deenik; Verimark (Pty) Ltd v. Bayerische Motoren Werke AG* [2007] ZASCA 53; *Bayerische Motoren Werke AG v. Technosport London Ltd & Anor* [2017] EWCA Civ 779. Cf. *Joop! GmbH v. OHIM* Case T-75/08.

26. *Doctrine of functionality:* A trademark must be a source identifier.<sup>35</sup> According to public perception, containers and shapes (especially functional shapes)<sup>36</sup> generally do not, in U.S. parlance, serve as source identifiers.<sup>37</sup> In particular, the shape of a product, which gives substantial value to that product, cannot constitute a trademark, even where, prior to the application for registration, it acquired attractiveness as a result of its recognition as a distinctive sign following advertising campaigns presenting the specific characteristics of the product in question.<sup>38</sup>

27. *Prohibited trademarks:* Trademark laws usually contain a list of signs that may not be registered as trademarks. The U.K. Act has the following list, which is comprehensive, of prohibited marks. These obviously include signs that do not satisfy the requirements of a 'trademark,' i.e., signs incapable of being represented graphically and not capable of distinguishing goods or services of one undertaking from those of other undertakings and trademarks that are devoid of any distinctive character.

But there are other prohibitions based on public policy grounds. These grounds for refusal listed must be interpreted in light of the public interest underlying each of them.<sup>39</sup> These are usually the following: trademarks that consist exclusively of signs or indications that may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, time of production of goods or of rendering of services or other characteristics of goods or services; trademarks that consist exclusively of signs or indications that have

35. *Qualitex Co v. Jacobson Products Co* 514 U.S. 159 (1995); *Bograin SA's Trade Mark Application* [2005] RPC 14 (CA); *Bang & Olufsen v. OHIM General Court*, 6 October 2011, T-508/08. See also the absolute prohibition of the registrations of signs discussed later.

36. BGH Case I ZR 17/05 – Pralinenform II (22 April 2010) [Germany]; *OHIM v Yoshida Metal Industry Case* C-340/12 P.

37. *In re Pacer Technology* 338 F.3d 1348, 67 USPQ2d 1629 (Fed. Cir. 2003).

38. *Benetton Group / G-Star International* CJEU, 20 September 2007, C-371/06, ECR 2007, I-7709; *Koninklijke Philips Electronics NV v. Remington Products Pty Ltd* [2000] FCA 876 [Australia]; *Lego Juris A/S v. OHIM – Mega Brands Inc (LEGO) Case* C48-09P [CJEU]; *Beecham Group Plc and Others v. Triomed (Pty) Ltd* [2002] ZASCA 109; *Wal-Mart Stores Inc v. Samara Brothers Inc* 529 US 205 (2000) [USA].

39. *Municipality of Oslo* EFTA Court E – 5/16. par 45 relying on *Koninklijke Philips Electronics NV v. Remington Consumer Products Ltd*, C-299/99, EU:C:2002:377.

become customary in the current language or in the bona fide and established practices of the trade; and trademarks that consist exclusively of the shape that results from the nature of the goods themselves, of goods that are necessary to obtain a technical result or that gives substantial value to the goods (cf. the previous paragraph on the doctrine of functionality).<sup>40</sup>

Furthermore, a trademark may not be registered if it is of such a nature as to deceive the public (for instance as to the nature, quality or geographical origin of the goods or service), its use is prohibited by any enactment or rule of law or to the extent that the application is made in bad faith.<sup>41</sup> Finally, it may not be registered if it is contrary to public policy or to accepted principles of morality.<sup>42</sup>

Singapore Trademarks Act and are that a registered trademark is not infringed by the use of the trademark in relation to goods that have been put on the market, whether within or outside the jurisdiction, under that trademark by the proprietor of the registered trademark or with their express or implied consent (conditional or otherwise). This does not apply where the condition of the goods has been changed or impaired after they have been put on the market, or the use of the registered trademark in relation to those goods has caused dilution in an unfair manner of the distinctive character of the registered trademark.

#### MUNICIPALITY OF OSLO EFTA Court E – 5/16:

The subjective values, which are relevant for the assessment of this ground of refusal, are determined by reference to the perception of the sign by the relevant public. The perception of whether a mark is contrary to accepted principles of morality is influenced by the circumstances of the particular country in which the consumers who form part of the relevant public are found.

28. *Exhaustion of trademark rights*:<sup>43</sup> The TRIPS Agreement (Art. 6) merely states that nothing in the Agreement shall be used to address the issue of the exhaustion of intellectual property rights. The principles as generally applied<sup>44</sup> are well encapsulated in the

40. *Wing Joo Loong Ginseng Hong (Singapore) Co Pte Ltd v. Qinghai Xinyuan Foreign Trade Co Ltd and Another and Another Appeal* [2009] SGCA 9.

41. *Lindt C-529/07* (EU:C:2009:361).

42. 2013 (Gyo-Ke) 10233, March 26, 2014 [Intellectual Property High Court] ('Touyama-no-Kinsan' case) Japan. These may differ considerably: *Matal, Interim Director, United States Patent and Trademark Office v. Tam* 582 US (2017).

43. *Champagne Heidsieck v. Buxton* [1930] 1 Ch 330; *Samsonite IP Holdings Sarl v. An Sheng Trading Pte Ltd* [2017] SGHC 18; *Protective Mining and Industrial Equipment Systems (Pty) Ltd.* [1987] ZASCA 33; *R & A Bailey & Co Ltd v. Boccaccio Pty Ltd* 77 ALR 177; *Euro-Excellence Inc v. Kraft Canada Inc* 2007 SCC 37. 2002 (Ju) 1100, February 27, 2003 [Supreme Court] (Fred Perry case) Japan.

44. The European Economic Area and the European Union have a somewhat different approach because of the unity of the markets: IHT Internationale

Heiztechnik and Danzinger C-9/93; *L'Oréal Norge AS v. Aarskog Per AS and Others and Smart Club Norge EFTA court E-09/07 and E-10/07*; *Oracle America Inc (Formerly Sun Microsystems Inc) v. M-Tech Data Ltd* [2012] UKSC 27.



# Chapter 3

## Infringement of registered trademarks

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## A. Introduction

1. *Types of trademark infringement*: Registered trademarks may be infringed in one of three ways.<sup>1</sup>

Primary infringement consists of the use of any sign, which is identical to the registered trademark, in relation to goods or services that are identical with those for which the trademark is registered, in the course of trade, without the consent of the trademark proprietor. Secondary infringement consists of the use of any sign where, because of its identity with, or similarity to, the registered trademark and the identity or similarity of the goods or services covered by that trademark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trademark in the course of trade, without the consent of the trademark proprietor.

In the case of both primary and secondary infringement, confusion is of the essence.<sup>2</sup>

The third type concerns well-known marks, and they are protected against the use of a mark that takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.<sup>3</sup> The term 'dilution' is used as a shorthand way to refer to this type of infringement.

2. *Illustration*: The U.K. Trade Marks Act<sup>4</sup> is typical of a statute that provides for the three types of protection envisaged by TRIPS. The provision is preceded by the general principle that the proprietor of a registered trademark has exclusive rights in the trademark that are infringed by use of the trademark within the jurisdiction without the proprietor's consent.

- Section 10(1) deals with *primary infringement*: A person infringes a registered trademark if the person uses in the course of trade a sign that is identical with the trademark in relation to goods or services that are identical with those for which it is registered.

- Section 10(2) is concerned with *secondary infringement*: A person infringes a registered trademark if the person uses in the course of trade a sign where because:
  - the sign is identical with the trademark and is used in relation to goods or services similar to those for which the trademark is registered,
  - the sign is similar to the trademark and is used in relation to goods or services identical with or similar to those for which the trademark is registered and
  - there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trademark.
- Section 10(3) deals with *dilution*: A person infringes a registered trademark if the person uses in the course of trade a sign that:
  - is identical with or similar to the trademark,
  - is used in relation to goods or services that are not similar to those for which the trademark is registered and
  - where the trademark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.

*JOHNSTONE v. R* [2003] UKHL 28 explained the differences:

Section 10 deals with several different situations. Section 10(1) concerns the case where a person in the course of trade uses a sign identical with a registered trademark in relation to goods identical with those for which it is registered. Such use constitutes infringement. Section 10(2) addresses cases where either (a) a sign identical with a registered trademark is used in relation to goods similar to those for which the trademark is registered or (b) a sign similar to a registered trademark is used in relation to goods identical with or similar to those for which the trademark is registered. In such cases, user constitutes infringement if there exists a likelihood of confusion on the part of the public.

Section 10(3) concerns cases where a sign identical with or similar to a registered trademark is used in relation to goods not similar to those for which the trademark is registered.

1. *TWG Tea Co PTE LTD v. Tsit Wing (Hong Kong) Co LTD* [2016] HKCFCA 2.  
 2. TRIPS Article 16(1).  
 3. Art 16(3).  
 4. <http://www.legislation.gov.uk/ukpga/1994/26/contents>.

Then, in short, user constitutes infringement where the trademark has a reputation within the United Kingdom and the sign takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.

3. *Infringement of unregistered trademarks:* Trademark laws also provide for remedies in the case of the infringement of a specific class of unregistered trademark. This protection is available for a peregrine trademark owner whose trademark, even though not registered within the local jurisdiction, is well-known within the local jurisdiction. The obligation to protect such trademarks flows from Art. 6bis of the Paris Convention<sup>5</sup> as reinforced and extended by Art. 16.2 of the TRIPS Agreement.<sup>6</sup> This issue is dealt with in a subsequent chapter.

It will be recalled that laws relating to unfair competition protect unregistered (local) trademarks, and this issue will also be dealt with in a subsequent chapter.

4. *Infringement on the internet:*<sup>7</sup> Trademark infringement on the internet does not differ in principle from other trademark infringements. However, this form of infringement has its own challenges and is discussed separately.

## B. Elements of infringement of registered trademarks<sup>8</sup>

5. *The common elements of infringement:* The different classes of infringement of registered trademarks have several common elements:

- The trademark must be a ‘registered’ trademark. In other words, a typical statute dealing with trademarks requires registration as a pre-condition for relief provided under that law.
- The allegedly infringing use must have been ‘use in the course of trade.’

- The use must have been without the consent of the trademark owner.<sup>9</sup>
- The use must have been within the local jurisdiction.
- The infringing mark must be either identical (in all three cases) or confusingly similar to the registered mark (the second and third categories).

6. *Difference between primary and secondary infringement:* The difference between primary and secondary infringement lies in ‘same’ versus ‘similar’:

- Primary infringement is limited to use of an identical mark in relation to goods or services in respect of which the trademark is registered.<sup>10</sup>
- Secondary infringement can take place in respect of the use of an identical or similar mark in respect of similar goods or services, i.e., goods or services for which the mark is not registered or the use of similar marks in respect of identical goods or services.

7. *Likelihood of confusion:* The issue of likelihood of confusion does not arise in respect of primary infringement because identical marks (used on identical goods or services) are inherently confusing. It also does not arise in the context of dilution but for a completely different reason: marks that dilute do not confuse but impinge on the value of the mark because they take unfair advantage of, or are detrimental to, the distinctive character or the repute of the trademark. The likelihood of confusion is, however, the hallmark of secondary infringement.

## C. The subjective element in trademark litigation

8. *The subjective nature of determining infringement:* Infringement judgments depend to an extent on a value judgment of the relevant forum.

5. [http://www.wipo.int/treaties/en/text.jsp?file\\_id=283854](http://www.wipo.int/treaties/en/text.jsp?file_id=283854).

6. [https://www.wto.org/english/docs\\_e/legal\\_e/27-trips\\_03\\_e.htm](https://www.wto.org/english/docs_e/legal_e/27-trips_03_e.htm).

7. Frederick Mostert, ‘Study on Approaches to Online Trademark Infringements,’ WIPO/ACE/12/9 REV.2 at [http://www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=381836](http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=381836).

8. *TWG Tea Co PTE LTD v. Tsit Wing (Hong Kong) Co LTD* [2016] HKCFA 2. The significant elements are discussed in subsequent paragraphs, save for ‘confusion,’ which is dealt with in the next chapter.

9. *Marussia Communications Ireland Ltd v. Manor Grand Prix Racing Ltd & Anor* [2016] EWHC 809 (Ch).

10. *Céline SARL v. Céline SA CJEU*, 11 September 2007, C-17/06, ECR 2007, I-7041.

**FUTURE ENTERPRISES PTE LTD v. MCDONALD'S CORP** [2007] 2 SLR 845; [2007] SGCA 18:<sup>11</sup>

The smorgasbord of trademark cases which has reached the appellate courts demonstrates the innumerable (and subjectively perceived) similarities and differences that can be conjured up and persuasively articulated by an imaginative and inventive legal mind. Expert and experienced judges, such as Laddie J, have described trademark infringement as 'more a matter of feel than science' (in *Wagamama Ltd v City Centre Restaurants plc* [1995] FSR 713 at 732), and Chao Hick Tin JA similarly alluded to it as a matter of 'perception' (in *The Polo/Lauren Co, LP v. Shop-In Department Store Pte Ltd* [2006] 2 SLR 690). In the light of the highly subjective nature of assessing similarity and the likelihood of confusion, we agree with the approach that an appellate court should not disturb the findings of fact of a trademark tribunal unless there is a material error of principle.

This case dealt with 'MacCoffee' and 'McCafé,' the latter a trademark of McDonald's, and the court found that the former was too close for comfort.

## D. Registration

9. *Relevance of registration*: It is the mark as registered, i. e., as represented in the register, that delineates the proprietor's monopoly and proclaims to the general public what the forbidden territory is. And it is the mark as registered that forms the basis of the comparison that must be made when it is alleged that someone else is using a mark that infringes the rights of the registered proprietor.<sup>12</sup>

10. *Registered owner*: The trademark owner must prove the registration. A certificate of registration or one authenticated by the registry is usually regarded as *prima facie* evidence of registration. The right to enforce the statutory rights is usually reserved for the

registered owner of the trademark and a registered licensee, but it depends on the terms of the statute.<sup>13</sup>

11. *Registration in classes*:<sup>14</sup> Goods and services are registered in classes in terms of the classification under the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (1957).<sup>15</sup> Initially, trademarks could only be registered for goods, and trademarks for services are of a relatively recent origin, and an obligation to provide for them arises not only from TRIPS but also from the Trademark Law Treaty (1994)<sup>16</sup> and the Singapore Treaty on the Law of Trademarks (2006).<sup>17</sup>

The classification consists of a list of classes – there are 34 classes for goods and 11 for services – and an alphabetical list of goods and services. The latter comprises some 11,000 items. Both lists are, from time to time, amended and supplemented by a committee of experts. A typical class of goods looks like this:

Class 3: Bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics and hair lotions; and dentifrices. And one for services:

Class 36: Insurance; financial affairs and monetary affairs; and real estate affairs.

A trademark such as CHANEL No 5 (one may presume) will be registered in Class 3 because it is a perfume. It may be registered for all the goods in the class, or it may be limited to perfumes because the owner may consider that 'perfumes' and 'dentifrices' are not related, or it may not have any interest in dentifrices. The unauthorized use of CHANEL No 5 on perfumes will be a primary infringement. The unauthorized use of the trademark on dentifrices may amount to a secondary infringement, and, because it is a mark with a reputation, it may also amount to infringement by dilution.

11. See by way of contrast *Future Enterprises Pte Ltd v. EUIPO, McDonald's International Property Co Ltd*, T-518/13, EU:T:2016:389 (July 2016).

12. *Cointreau et Cie SA v. Pagan International* [1991] ZASCA 89. <http://www.saflii.org/za/cases/ZASCA/1991/89.html>

13. *Fujian Light Industrial Products v. Fuzhou Wan Da Pencil* (Supreme People's Court of the People's Republic of China ZHI ZHONG ZI NO.8 (1999)).

14. *British Sugar PLC v. James Robertson & Sons Ltd* [1996] RPC 281 [UK].

15. <http://www.wipo.int/treaties/en/classification/nice/>.

16. <http://www.wipo.int/treaties/en/ip/tlt/>.

17. <http://www.wipo.int/treaties/en/ip/singapore/>.

This means the choice of a narrow specification of goods or services does not exclude the possibility of wider protection.<sup>18</sup>

12. *Notional use by trademark owner*: In determining infringement, regard should be had to the way the registered trademark may be used by the owner by virtue of the registration and not to how it is in fact used by the owner. This is because the rights of the owner are determined by the scope of the registration and not by its use of the trademark.<sup>19</sup>

13. *Distinctive character is determined with reference to the classification of the goods or services*:

**MONDELEZ UK HOLDINGS & SERVICES LTD v. EUIPO AND SOCIÉTÉ DES PRODUITS NESTLÉ SA** Case T112/13 (General Court):

In the first place, it should be borne in mind that, according to settled case-law, distinctive character, whether inherent or acquired through use, must be assessed in relation, on the one hand, to the goods or services in respect of which registration has been sought and, on the other, to the presumed perception of the mark by an average consumer of the category of goods or services in question, who is reasonably well-informed and reasonably observant and circumspect.

In the second place, it should be borne in mind that, according to settled case-law, if a trademark has been registered for a category of goods or services which is sufficiently broad for it to be possible to identify within it a number of sub-categories capable of being viewed independently, proof that the mark has been put to genuine use in relation to a part of those goods or services affords protection only for the sub-category or sub-categories containing the goods or services for which the trademark has actually been used.

18. *Associated Newspapers Ltd & Another v. Express Newspapers* [2003] EWHC 1322 (Ch).  
 19. *The Shell Company of Australia Ltd v. Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407. *Cf Plascon-Evans Paints (TVL) Ltd. v. Van Riebeeck Paints (Pty) Ltd* [1984] ZASCA 51.

14. *Territoriality*: A trademark right is territorial.<sup>20</sup> It is only effective within the territory where it is registered or, if not registered, well-known.

**PERSON'S CO LTD v. CHRISTMAN** 900 F2d 1565 (Fed Cir 1990) [USA]:<sup>21</sup>

The concept of territoriality is basic to trademark law; trademark rights exist in each country solely according to that country's statutory scheme.

**VICTORIA'S SECRET INC v. EDGARS STORES LTD** (428/92) [1994] ZASCA 43:

A trademark is purely a territorial concept; it is legally operative or effective only within the territory in which it is used and for which it is to be registered. Hence, the proprietorship, actual use, or proposed use of a trademark mentioned in [the Trademarks Act], are all premised by the subsection to be within the [Republic of South Africa].

## E. Identical marks<sup>22</sup>

15. *Identical marks*: 'Identity' implies that the elements compared should be the same in all material respects. But in deciding whether a mark and a sign are identical, the decision must be based on the overall impression created by them, including their visual, aural and conceptual similarities. Insignificant differences must be ignored in making the comparison.<sup>23</sup>

20. *AMS Neve v. Heritage Audio* [2016] EWHC 2563 (IPEC).  
 21. *Barcelona.com, Inc v. Excelentísimo Ayuntamiento de Barcelona* 189 F Supp 2d 367 (ED Va 2002) [USA]; *Masterpiece Inc. v. Alavida Lifestyles Inc* 2011 SCC 27, [2011] 2 S.C.R. 387 [Canada]; *L'Oréal SA and Others v. eBay International AG and Others* CJEU Case C324/09.  
 22. *Supreme Pet Foods Ltd v. Henry Bell & Co Ltd* [2015] EWHC 256 at [83].  
 23. See also *International Business Machines Corporation & Anor v. Web-Sphere Ltd & Ors* [2004] EWHC 529 (Ch); 1991 (Gyo-Tsu) 103, September 10, 1993 [Supreme Court] ('SEIKO EYE' case) Japan; *Crocodile International PTE Ltd v. Lacoste* [2017] NZSC 14.



**LTJ DIFFUSION SA v. SADAS VERTBAUDET SA**  
C-291/00, ECR 2003, I-2799:

The criterion of identity of the [junior] sign [‘Arthur et Felice’] and the [registered] trademark [‘Arthur’] must be interpreted strictly. The very definition of identity implies that the two elements compared should be the same in all respects. Indeed, the absolute protection in the case of a sign which is identical with the trademark in relation to goods or services which are identical with those for which the trademark is registered, which is guaranteed by Art. 5(1)(a) of the directive, cannot be extended beyond the situations for which it was envisaged, in particular to those situations which are more specifically protected by Art. 5(1)(b) of the directive.

There is, therefore, identity between the sign and the trademark where the former reproduces, without any modification or addition, all the elements constituting the latter. However, the perception of identity between the sign and the trademark must be assessed globally with respect to an average consumer who is deemed to be reasonably well-informed, reasonably observant and circumspect. The sign produces an overall impression on such a consumer. That consumer only rarely has the chance to make a direct comparison between signs and trademarks and must place his trust in the imperfect picture of them that he has kept in his mind.

Since the perception of identity between the sign and the trademark is not the result of a direct comparison of all the characteristics of the elements compared, insignificant differences between the sign and the trademark may go unnoticed by an average consumer.<sup>24</sup>

**16. Presumption of confusion:** The use of an identical trademark mark on identical goods or services neces-

24. *Reed Executive plc v. Reed Business Information Ltd* [2004] EWCA (Civ) 159 held that ‘Reed Business Information’ was not identical to the trademark ‘Reed’. The same applies to ‘Compass’ and ‘Compass Logistics’: *Compass Publishing v. Compass Logistics* 2004 EWHC 520.

sarily gives rise to confusion. Consequently, the TRIPS Agreement (Art. 16.1) provides that in such instance, a likelihood of confusion is to be presumed. Because confusion is assumed, it is not mentioned as a separate requirement and need not be established by means of evidence. In such a case, the protection is absolute.

**17. Identical marks are not necessarily infringing:** The use of an identical mark is not, as such, an infringement of a trademark. For primary infringement, the marks must be used on identical goods or services. For secondary infringement, the use must be in relation to similar goods or services, but in the case of dilution, it is the effect that counts.

## F. Similar marks

The issue of similarity of marks that give rise to confusion is, because of its importance, dealt with in the next chapter.

## G. Similar goods or services

**18. Similarity of goods or services:**<sup>25</sup> The use of an identical mark may amount to a secondary infringement if the goods or services in respect of which they are used are similar to those in respect of which the trademark is registered. There are two possibilities depending on whether an identical or a confusingly similar mark is used. In this paragraph, the focus is on the similarity of goods or services: when are goods or services similar?<sup>26</sup> In order for there to be a likelihood of confusion, the goods or services designated must be identical or similar. Thus, even where the mark applied for is identical to a mark that is distinctive to a particularly high level, it must be established that the goods or services designated by the opposing marks are similar.<sup>27</sup>

25. For examples: *FDC Limited v. Docsuggest Healthcare Services* [Delhi High Court, Jan 3, 2017; Yu Hui (a judge from the Changsha Intermediate People’s Court of Hunan Province) ‘Preliminary Research on the Judicial Judgment of Similar Goods in Trademark Infringement Cases in China’ 2002 (Wa) 13569, April 20; and for Japan: 2004 [Osaka District Court] (‘Career-Japan’ case).

26. *Mettenheimer and Another v. Zonquadrif Vineyards CC* [2013] ZASCA 152.

27. Case T169/03 *Sergio Rossi v. OHIM – Sissi Rossi (SISSI ROSSI)* [2005] ECR II685; *Comic Enterprises Ltd v. Twentieth Century Fox Film Corporation* [2016] EWCA Civ 41.

**ASSEMBLED INVESTMENTS (PTY) LTD v. OHIM & WATERFORD WEDGWOOD PLC** 12 June 2007, T-105/05, ECR 2007, II-60:<sup>28</sup>

It should also be borne in mind that, in order to assess the similarity of the goods in question, account must be taken of all the relevant factors which characterize the relationship between those goods, those factors including, in particular, their nature, their intended purpose and their method of use and whether they are in competition with each other or are complementary. Next, the assessment of the similarity of the goods should be restricted, as regards the earlier mark, to ‘articles of glassware’, since the other goods covered by the earlier mark have no connection with wine. As is apparent from the contested decision, that category includes carafes, decanters and stemware or wine glasses, articles which are specifically intended to be used for the consumption of wine.

The parties do not dispute that the goods at issue, namely the articles of glassware, on the one hand, and, on the other hand, the wine, are distinct by nature and by their use, that they are neither in competition with one another nor substitutable and that they are not produced in the same areas.

As regards distribution channels, it is true that wine and certain articles of glassware are sometimes sold in the same places, such as specialist wine retailers. However, in the absence of information proving the contrary, it appears that such sales represent no more than a negligible proportion of the overall sales of the articles of glassware concerned.

Likewise, wine glasses and wine, although normally marketed separately, are occasionally distributed together for promotional purposes. However, it has not been shown that that practice by wine producers is of any significant commercial importance. In addition, the distribution of wine glasses with wine is normally

perceived by the consumers concerned as a promotional attempt to increase sales of the wine rather than as an indication that the producer concerned devotes part of his activity to the distribution of articles of glassware.

19. *The factors to consider in determining similarity between goods or services:*

**BRITISH SUGAR PLC v. JAMES ROBERTSON & SONS LTD** [1996] RPC 281:

Thus, I think the following factors must be relevant in considering whether there is or is not similarity:

- the respective uses of the respective goods or services;
- the respective users of the respective goods or services;
- the physical nature of the goods or acts of service;
- the respective trade channels through which the goods or services reach the market;
- in the case of self-serve consumer items, where in practice they are respectively found or likely to be found in supermarkets and in particular whether they are, or are likely to be, found on the same or different shelves;
- the extent to which the respective goods or services are competitive.

This inquiry may take into account how those in trade classify goods, for instance, whether market research companies, who of course act for industry, put the goods or services in the same or different sectors.

## H. Use in the course of trade and trademark use

20. *Meaning of trademark use:*<sup>29</sup> To infringe, the defendant must have used its mark in the course of trade, and the use must have been trademark use, i.e., to indi-

28. The subsequent appeal was dismissed: CJEU, 7 May 2009, *Waterford Wedgwood / Assembled Investments (Proprietary) and OHIM*, C-398/07 P.

29. *Nation Fitting (M) Sdn Bhd v. Oystertec plc* [2005] SGHC 225; 2003 (Ne) 899, August 31, 2004 [Tokyo High Court] ('Ink bottle' case) Japan.

cate origin. The case law is not harmonious<sup>30</sup> because the requirement is not expressly required by TRIPS or statutes. However, trademark use is implicit in the concept that the infringing use must have been in the course of trade.<sup>31</sup>

**L'ORÉAL SA AND OTHERS v. EBAY INTERNATIONAL AG AND OTHERS** Case C-324/09:

It is important to recall that the exclusive rights conferred by trademarks may, as a rule, be relied on only as against economic operators. Indeed, for the proprietor of a trademark to be entitled to prevent a third party from using a sign identical with or similar to his trademark, the use must take place in the course of trade.

Accordingly, when an individual sells a product bearing a trademark through an online marketplace and the transaction does not take place in the context of a commercial activity, the proprietor of the trademark cannot rely on his exclusive right. If, however, owing to their volume, their frequency or other characteristics, the sales made on such a marketplace go beyond the realms of a private activity, the seller will be acting 'in the course of trade'.

21. *Identifying the defendant's trademark use:* Before it is possible to compare the infringing mark with the registered trademark, it is necessary to establish whether the defendant is using the mark as a trademark to indicate origin or for other purposes.<sup>32</sup> To explain the difference: the trademark 'Penguin' for books does not imply that no one may publish a book with the word 'penguin' as part of its title, such as *The Book of Penguins* or *The Story of a Penguin* or even *Penguins*, because in these instances the word penguin is being

used in a descriptive manner to describe the particular book or its contents, and not its origin.

**JOHNSTONE v. R** [2003] UKHL 28:

The message conveyed by a trademark has developed over the years, with changing patterns in the conduct of business. But the essence of a trademark has always been that it is a badge of origin. It indicates trade source: a connection in the course of trade between the goods and the proprietor of the mark. That is its function. Hence the exclusive rights granted to the proprietor of a registered trademark are limited to use of a mark likely to be taken as an indication of trade origin. Use of this character is an essential prerequisite to infringement. Use of a mark in a manner not indicative of trade origin of goods or services does not encroach upon the proprietor's monopoly rights. Dillon LJ observed trenchantly in *Mothercare UK Ltd v Penguin Books* [1988] RPC 113:

it stands to reason that a Trademarks Act would only be concerned to restrict the use of a mark as a trademark or in a trademark sense, and should be construed accordingly. If descriptive words are legitimately registered [as a trademark], there is still no reason why other people should not be free to use the words in a descriptive sense, and not in any trademark sense.

In this regard I cannot forbear adding the extreme hypothetical example beloved of trademark lawyers. If a magazine publisher were to register an ordinary question mark, '?', as a trademark for magazines this would not prevent the grammatical use of question marks on the covers of other magazines.

Trademark use is a convenient shorthand expression for use of a registered trademark for its proper purpose (that is, identifying and guaranteeing the trade origin of the goods to which it is applied) rather than for some other purpose. It is easy to recognize those cases which fall squarely on one side or other of the line. If a counterfeiter sells a cheap imitation watch under the trademark OMEGA, he is

30. *Cf Anheuser Busch Inc v. Budweiser Budvar National Corporation* [2002] NZCA 264.

31. The Nigerian Trademarks Act is explicit because there a trademark is deemed to be infringed by any person who uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion, in the course of trade, in such manner as to render the use of the mark likely to be taken as being use as a trademark. An example of non-trademark use would be parodic use: *United Airlines, Inc. v. Cooperstock* 2017 FC 616.

32. *Apple Corps Ltd. v. Apple Computer, Inc* [2006] EWHC 996.

fraudulently engaging in trademark use (as he is, as [counsel] suggested, if he uses the mark HOME GAS but prints the first and last letters very faintly). But if a publisher publishes a book named MOTHER CARE/OTHER CARE (a serious study of the upbringing of young children of working mothers) there is no infringement of the registered trademark of Mothercare UK Limited, despite the fact that the trademark is registered for many classes of goods, including books.

22. *Complex trademarks*: Once the defendant's mark has been identified, it is impermissible to denude it by removing all additional material that differentiates it from the plaintiff's trademark, thereby bringing it closer to the latter. The 'added matter' doctrine does not permit a contextual examination of the accused sign because it is highly artificial to compare the accused mark through the eyes of the average consumer without considering what impact the overall use of the sign 'in context' would have upon the consumer.<sup>33</sup>

**O2 HOLDINGS LTD. & ANOR v. HUTCHISON 3G LTD**  
[2006] EWHC 534 (Ch):

There is no good reason to say that the consideration [for infringement] is limited to a comparison between the defendant's sign with the registered mark. Indeed the very Article clearly calls for an examination of the context of the use – you have to consider how the defendant is using the sign complained of to answer the basic question of whether he is using it 'in the course of trade'. So it is particularly artificial then to go on to try to isolate the sign of which complaint is made devoid from the context of its use.

23. *Descriptive (informative) use is not trademark use*:<sup>34</sup>

**THE GILLETTE COMPANY AND GILLETTE GROUP FINLAND OY v. LA-LABORATORIES LTD OY** CJEU, 17 March 2005, C-228/03:

The defendants sold razor blades using the Parason Flexor trademark, and the following reference to Gillette's trademarks was made on the packaging: All Parason Flexor and Gillette Sensor handles are compatible with this blade. The Finnish Supreme Court found that the defendant did not infringe Gillette's trademark. The reference in the packaging was necessary to indicate the intended purpose of the product and made in accordance with honest practices.<sup>35</sup> The CJEU held:

The lawfulness or otherwise of the use of the trademark depends on whether that use is necessary to indicate the intended purpose of a product. Use of the trademark by a third party who is not its owner is necessary in order to indicate the intended purpose of a product marketed by that third party where such use in practice constitutes the only means of providing the public with comprehensible and complete information on that intended purpose in order to preserve the undistorted system of competition in the market for that product. [The court must determine] whether such use is necessary, taking account of the nature of the public for which the product marketed by the third party in question is intended.

The fact that a third party uses a trademark of which it is not the owner in order to indicate the intended purpose of the product which it markets does not necessarily mean that it is presenting it as being of the same quality as or having equivalent properties to, those of the product bearing the trademark. Whether there has been such presentation, depends on the facts of the case.<sup>36</sup>

33. *British Sugar PLC v. James Robertson & Sons Ltd* [1996] RPC 281; *Joules Limited v. Macy's Merchandising Group Inc.*, United States Court of Appeals, Second Circuit, No. 16-3037-cv, 21 June 2017. For a useful analysis see *The Polo/Lauren Co, LP v. Shop-In Department Store Pte Ltd* [2006] 2 SLR 690; [2006] SGCA 14; *Matratzen Concord GmbH v. OHIM* (Case T-6/01).

34. *Wcvb-TV Boston Athletic Association 926 F2d 42* (1991); *BMW v. Technosport* [2017] EWCA Civ 779.

35. Finnish Supreme Court Judgment, 22.2.2006. KKO: 2006:17.

36. *Michelin v. CAW [Compagnie Generale Michelin v. National Automobile, etc Workers Union]* [1997] 2 FC 306; *Tommy Hilfiger Licensing, Inc. v. International Clothiers Inc* [2005] 1 FCR 148,

24. Trademarks that consist of shapes, configurations, patterns, ornamentations, colors or containers for goods:

**CLIPSAL AUSTRALIA PTY LTD v. CLIPSO ELECTRICAL PTY LTD (NO 3)** [2017] FCA 60:

Where the issue of whether a shape has been used as a trademark is concerned, common sense suggests, and authority confirms, that shapes dictated by functional requirements are less likely to involve trademark use, whereas those which are purely aesthetic are more likely to do so.

2004 FCA 252 (CanLII); *Adidas-Salomon AG and Adidas Benelux BV v. Fitnessworld Trading Ltd* ECR 2003, I-12537; *Miele ET CIE Gmbh & Co v. Euro Electrical (Pty) Ltd* [1988] ZASCA 1; *Arsenal Football Club plc v. Matthew Reed* CJEU, 12 November 2002, C-206/01, ECR 2002, I-10273; *Arsenal Football Club v. Reed* [2003] EWCA 696.

# Chapter 4

## Trademarks: similar marks and confusion

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## A. The relevance and meaning of confusion

1. *Relevance of ‘confusion’*: This chapter deals with the element of confusion caused by the similarity of marks.<sup>1</sup> It will be recalled that confusion is a requirement for secondary trademark infringement because a person infringes a registered trademark if, because of the similarity of the marks, there exists a likelihood of confusion or association on the part of the public with the trademark.<sup>2</sup>

Some Trademark Acts speak of the likelihood of ‘confusion or deception.’ Those that, in line with TRIPS, speak only of ‘confusion’ do not increase or reduce the level of protection. Although the words have different dictionary meanings (‘deception’ means to cause someone to believe something that is false, and ‘confusion’ means to cause bewilderment, doubt or uncertainty), they have been employed synonymously and interchangeably in this context.<sup>3</sup>

2. *Likelihood of confusion may include the likelihood of association*: The likelihood of confusion on the part of the public includes, in terms of some laws, the likelihood of association of the infringing sign with the registered trademark. It is not an alternative to the likelihood of confusion but serves to define its scope.<sup>4</sup>

**CERAMICHE CAESAR SPA v. CAESARSTONE SDOT-YAM LTD** [2017] SGCA 30 at #57:

There are at least two specific aspects to the element of confusion. The first is mistaking one mark for another. The second is where the relevant segment of the public may well perceive that the contesting marks are different but may yet remain confused as to the origin which each mark signifies and may perceive that goods bearing the two marks emanate from the same source or from sources that are economically linked or associated.

3. *Step-by-step analysis*:

**CERAMICHE CAESAR SPA v. CAESARSTONE SDOT-YAM LTD** [2017] SGCA 30 at #26:

Under the step-by-step approach, the three requirements of (a) similarity of marks; (b) similarity (or identity) of goods or services; and (c) likelihood of confusion arising from the two similarities are to be assessed systematically. The first two elements are assessed individually before the final element.

4. *List of factors to consider*:<sup>5</sup> Courts consider several factors in assessing the likelihood of confusion due to similarity. All these factors are not necessarily relevant in every case, but a checklist is nevertheless useful. The factors have been framed differently by different courts.<sup>6</sup> The lists are not mechanical checklists.<sup>7</sup>

- 1991 (Gyo-Tsu) 103, September 10, 1993 [Supreme Court] (‘SEIKO EYE’ case) Japan.
- Les Éditions Albert René SARL v. European Union Intellectual Property Office* Case C-16/06 P. See also Case C-425/98 *Marca Mode CV v. Adidas AG* [2000] ECR I-4861, Case C-3/03 *Matratzen Concord GmbH v. GmbG v. Office for Harmonisation in the Internal Market* [2004] ECR I-3657, Case C-120/04 *Medion AG v. Thomson Sales Germany & Austria GmbH* [2005] ECR I-8551 and Case C-334/05 *Office for Harmonisation in the Internal Market v. Shaker de L. Laudato & C SAS* [2007] ECR I-4529; *Red Bull v. OHMI - Sun Mark (BULLDOG) (Judgment)* [2015] EUECJ T-78/13.
- Insight Radiology Pty Ltd v. Insight Clinical Imaging Pty Ltd* [2016] FCA 1406. *Phones4u Ltd & Anor v. Phone4u.Co.UK & Ors* [2006] EWCA Civ 244: the same issue arises in the context of passing-off.
- SABEL BV v. Puma AG, Rudolf Dassler Sport* CJEU, 11 November 1997, C-251/95; 1998 (Gyo-Hi) 85, July 11, 2000 [Supreme Court] (‘Reerudyutan’ case) Japan.

- 1998 (Gyo-Hi) 85, July 11, 2000 [Supreme Court] (‘Reerudyutan’ case) Japan.
- Interpace Corporation, Appellant, v. Lapp, Inc* 721 F.2d 460.
- For a recent list summarizing most of what is stated in the chapter, see *Specsavers International Healthcare Ltd & Ors v. Asda Stores Ltd* [2012] EWCA Civ 24 as qualified in *Comic Enterprises Ltd v. Twentieth Century Fox Film Corporation* [2016] EWCA Civ 41. See also *TWG Tea Co PTE LTD v. Tsit Wing (Hong Kong) Co LTD* [2016] HKCFA 2. The standard list used by U.S. courts is to be found in *Interpace Corporation v. Lapp, Inc.* 721 F.2d 460 (3d Cir. 1983).

**VEUVE CLICQUOT PONSARDIN v. BOUTIQUES CLIQUOT LTÉE**, [2006] 1 SCR 824, 2006 SCC 23 (CanLII):

In every case, the factors to be considered when making a determination as to whether or not a trademark is confusing to the somewhat hurried consumer ‘in all the circumstances’ include, but are not limited to, those enumerated in s. 6(5) of the Act. These are:

- the inherent distinctiveness of the trademarks or trade-names and the extent to which they have become known;
- the length of time the trademarks or trade-names have been in use;
- the nature of the wares, services or business;
- the nature of the trade; and
- the degree of resemblance between the trademarks or trade-names in appearance or sound or in the ideas suggested by them.

The list of circumstances is not exhaustive and different circumstances will be given different weight in a context-specific assessment.

## B. Who must be confused?

5. *The average consumer must be confused*:<sup>8</sup> The class of persons who are likely to be the consumers of the goods or services in question must be considered in determining whether there is a likelihood of confusion. The problem is that it is not always possible to classify the consumers of particular products or services because they are consumed or used by members of many, or all, sectors of the population, irrespective of the level of literacy or sophistication.<sup>9</sup> The notional consumer may, therefore, be as elusive as the ‘reasonable person.’

8. *SABEL BV v. Puma AG, Rudolf Dassler Sport CJEU*, 11 November 1997, C-251/95; *Interflora Inc & Anor v. Marks and Spencer Plc* (Rev 1) [2014] EWCA Civ 1403; *Case C147/14 Louffi Management Propriété Intellectuelle SARL v. AMJ Meatproducts NV, Halalsupply NV*.
9. *Interflora Inc & Anor v. Marks and Spencer Plc* (Rev 1) [2014] EWCA Civ 1403; *Reckitt & Colman SA (Pty) Ltd v. SC Johnson & Son SA (Pty) Ltd* [1991] ZASCA 181; *Cadila Healthcare Limited vs Cadila Pharmaceuticals Limited* AIR 2001 SC 1952.

6. *The ‘reasonable consumer’*: The average consumer must be presumed to be reasonably well-informed and reasonably observant.

**LLOYD SCHUHFABRIK MEYER & CO. GMBH v. KLIJSEN HANDEL BV** CJEU, 22 June 1999, C-342/97:

The average consumer normally perceives a mark as a whole and does not proceed to analyze its various details. For the purposes of that global appreciation, the average consumer of the category of products concerned is deemed to be reasonably well-informed and reasonably observant and circumspect. However, account should be taken of the fact that the average consumer only rarely has the chance to make a direct comparison between the different marks but must place his trust in the imperfect picture of them that he has kept in his mind. It should also be borne in mind that the average consumer’s level of attention is likely to vary according to the category of goods or services in question.

7. *Substantial number of consumers*: The onus rests on the trademark owner to prove that a substantial number of persons interested or concerned (usually as a customer) in the class of goods for which his trademark has been registered will probably be confused.<sup>10</sup>

8. *Attentive client*: Depending on the product, the public may be more attentive and discerning and less likely to be confused.

**CLAUDE RUIZ-PICASSO AND OTHERS v. EUROPEAN UNION INTELLECTUAL PROPERTY OFFICE**, C-361/04 P:

Where it is established in fact that the objective characteristics of a given product mean that the average consumer purchases it only after a particularly careful examination, it is important in law to take into account that such a fact may reduce the likelihood of confusion between marks relating to such goods at the

10. *Plascon-Evans Paints (TVL) Ltd. v. Van Riebeeck Paints (Pty) Ltd* [1984] ZASCA 51. *Sexwax Incorporated v. Zoggs International Limited* [2014] NZCA 311 discusses the issue in some detail in the context of applications for registration, but the principles are the same.



crucial moment when the choice between those goods and marks is made.

## C. Global appreciation

9. *The trademark must be considered as a whole*:<sup>11</sup> The general trend in considering trademark infringement is to apply the global appreciation test. Rights in trademarks exist in the entire mark as registered and not as segmented or dissected because ‘it is a fallacy to break the faggot stick by stick’<sup>12</sup> and ‘legal surgery, in which trademarks have parts enhanced or discarded, is of little value in determining the effect of design marks on purchasers who merely recollect.’<sup>13</sup> A close analysis should accordingly be avoided.<sup>14</sup> This does not mean that the dominant feature of a trademark does not play a role in determining the likelihood of confusion. On the contrary, it plays an important part. The following test from *THE PIANOTIST COMPANY LTD* (1906) 23 RPC 774 has been applied in numerous cases.<sup>15</sup>

You must take the two words [or marks]. You must judge of them, both by their look and by their sound. You must consider the goods to which they are to be applied. You must consider the nature and kind of customer who would be likely to buy those goods. In fact, you must consider all the surrounding circumstances; and you must further consider what is likely to happen if each of those trademarks is used in a normal way as a trademark for the goods of the respective owners of the marks. If, considering all those circumstances, you come to the conclusion that there will be a confusion— that is to say, not necessarily that one man will be injured and the other will gain illicit benefit, but that there will be a confusion in the mind of the public which will lead to confusion in the goods—then you may refuse

the registration, or rather you must refuse the registration in that case.

10. *The global appreciation of sight, sound and concept*:

*SABEL BV v. PUMA AG, RUDOLF DASSLER SPORT* CJEU, 11 November 1997, C-251/95:

The appreciation of the likelihood of confusion ‘depends on numerous elements and, in particular, on the recognition of the trademark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trademark and the sign and between the goods or services identified’. The likelihood of confusion must therefore be appreciated globally, taking into account all factors relevant to the circumstances of the case.

That global appreciation of the visual, aural or conceptual similarity of the marks in question must be based on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant components.

*‘REERUDYUTAN’ CASE* 1998 (Gyo-Hi) 85, July 11, 2000 [Supreme Court]:

Whether or not a trademark is likely to cause confusion should be determined comprehensively in light of factors such as the degree of similarity between the trademark and another person’s indication, the degree of [being] well-known, fame and creative nature of the other person’s indication, and the degree of association in terms of nature, use or purpose between the designated goods or services of the trademark and the goods or services pertaining to the other person’s business, as well as the commonality in terms of traders and consumers of goods or services and other circumstances of transactions. Furthermore, such determination should be made on the basis of the level of care that traders and consumers of the designated goods or services of the trademark normally have.

11. *Ceramiche Caesar SpA v. Caesarstone Sdot-Yam Ltd* [2017] SGCA 30.
12. *Joseph Schlitz Brewing Co v. Houston Ice and Brewing Co* 250 U.S. 28 (1919) per Holmes J.
13. *Grandpa Pidgeon’s of Missouri Inc v. Borgsmiller* 447 F2d 586.
14. *Veuve Clicquot Ponsardin v. Boutiques Cliquot Ltée*, [2006] 1 SCR 824, 2006 SCC 23 (CanLII); *Cadila Healthcare Limited vs Cadila Pharmaceuticals Limited* AIR 2001 SC 1952 [India].
15. *N V Sumatra Tobacco Trading Co v. British American Tobacco (Brands) Inc* [2010] NZCA 24.

11. *Interdependence of factors:*

**CANON KABUSHIKI KAISHA v. METRO-GOLDWYN-MAYER INC**, 29 September 1998, C-39/97:

A global assessment of the likelihood of confusion implies some interdependence between the relevant factors, and in particular a similarity between the trademarks and between these goods or services. Accordingly, a lesser degree of similarity between these goods or services may be offset by a greater degree of similarity between the marks, and vice versa.

Furthermore the more distinctive the earlier mark, the greater the risk of confusion. Since protection of a trademark depends on there being a likelihood of confusion, marks with a highly distinctive character, either per se or because of the reputation they possess on the market, enjoy broader protection than marks with a less distinctive character.

12. *First impressions and imperfect recollection:*<sup>16</sup> *Aristoc Ltd. v. Rysta Ltd* (1945) 62 RPC 65 a leading case, was quoted in **APPLE CORPS LTD. v. APPLE COMPUTER, INC** [2006] EWHC 996:

The answer to the question whether the sound of one word resembles too nearly the sound of another must nearly always depend on first impression, for obviously a person who is familiar with both words will neither be deceived nor confused. It is the person who only knows the one word and has perhaps an imperfect recollection of it who is likely to be deceived or confused. Little assistance, therefore, is to be obtained from a meticulous comparison of the two words, letter-by-letter and syllable-by-syllable, pronounced with the clarity to be expected from a teacher of elocution.

The court must be careful to make allowance for imperfect recollection and the effect of careless pronunciation and speech on the part

not only of the person seeking to buy under the trade description, but also of the shop assistant ministering to that person's wants.

13. *Effect of dominant features of the marks on the assessment:*<sup>17</sup>

**PLASCON-EVANS PAINTS (TVL) LTD. v. VAN RIEBEECK PAINTS (PTY) LTD** [1984] ZASCA 51:

If each of the marks contains a main or dominant feature or idea the likely impact made by this on the mind of the customer must be taken into account. As it has been put, marks are remembered rather by general impressions or by some significant or striking feature than by a photographic recollection of the whole. And finally, consideration must be given to the manner in which the marks are likely to be employed as, for example, the use of name marks in conjunction with a generic description of the goods.

**MATRATZEN CONCORD GMBH v. OHIM** (Case T-6/01):

A complex trademark cannot be regarded as being similar to another trade mark which is identical or similar to one of the components of the complex mark, unless that component forms the dominant element within the overall impression created by the complex mark. That is the case where that component is likely to dominate, by itself, the image of that mark which the relevant public keeps in mind, with the result that all the other components of the mark are negligible within the overall impression created by it.

That approach does not amount to taking into consideration only one component of a complex trade mark and comparing it with another mark. On the contrary, such a comparison must be made by examining the marks in question, each considered as a whole.

However, an element of a complex trade mark which is descriptive of the goods covered by

16. *Australian Woollen Mills Limited v. F S Walton and Company Limited* [1937] HCA 51; 58 CLR 641; *Shell Co of Australia Ltd v. Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407(HC). *Glaxo Group Ltd. and Anr. v. Neon Laboratories Ltd* [2004] F.S.R. 46 (HC).

17. *Matratzen Concord GmbH v. OHIM* (Case T-6/01); *CCHG Ltd v. Vapouriz Ltd* [2017] CSOH 100.

that mark cannot, in principle, be considered to be the dominant element of the latter.

14. *Highly distinctive marks have wider protection than those that are less distinctive:*

**LLOYD SCHUHFABRIK MEYER & CO. GMBH v. KLIJSEN HANDEL BV** CJEU, 22 June 1999, C-342/97:

There may be a likelihood of confusion, notwithstanding a lesser degree of similarity between the trademarks, where the goods or services covered by them are very similar and the earlier mark is highly distinctive.

In determining the distinctive character of a mark and, accordingly, in assessing whether it is highly distinctive, the court must make an overall assessment of the greater or lesser capacity of the mark to identify the goods or services for which it has been registered as coming from a particular undertaking, and thus to distinguish those goods or services from those of other [undertakings].

15. *Confusion must be attributable to the resemblance (or otherwise) of the marks themselves and not to extraneous matter:*

**NATIONAL BRANDS LTD v. BLUE LION MANUFACTURING (PTY) LTD** [2001] ZASCA 17:

It is important to bear in mind that the likelihood (or otherwise) of deception or confusion must be attributable to the resemblance (or otherwise) of the marks themselves and not to extraneous matter. Similarities in the goods themselves or in the form in which they are presented might form the basis for an action for passing-off [unlawful competition], but that is not what is before us, and for present purposes, they must be disregarded.

(The trademark is ROMANY CREAMS. To establish trademark infringement, ROMANTIC DREAMS must be confusingly similar to ROMANY CREAMS, which it is not. The similarity of the packaging may give rise to passing off.)

16. *Degree of similarity of goods or services:* The greater the similarity between the goods or services covered

and the more distinctive the earlier mark, the greater will be the likelihood of confusion.<sup>18</sup>

17. *Multi-culturalism:* Regard should be had to multi-culturalism in the particular jurisdiction in considering the likelihood of confusion.

**CORN PRODUCTS REFINING CO. v. SHANGRILA FOOD PRODUCTS LTD** AIR 1960 SC 142:

It is well known that the question whether the two marks are likely to give rise to confusion or not is a question of first impression. It is for the court to decide that question. English cases proceeding on the English way of pronouncing an English word by Englishmen, which it may be stated is not always the same, may not be of much assistance in our country in deciding questions of phonetic similarity. It cannot be overlooked that the word is an English word which to the mass of the Indian people is a foreign word. It is well recognized that in deciding a question of similarity between two marks, the marks have to be considered as a whole.

18. *Conceptual association may not be enough:* The fact that two marks are conceptually similar may not be sufficient to give rise to a likelihood of confusion.<sup>19</sup>

**SABEL BV v. PUMA AG, RUDOLF DASSLER SPORT** CJEU, 11 November 1997, C-251/95:

The question was the extent to which a conceptual similarity can determine whether there is a likelihood of confusion. Puma's mark was the senior mark. The court did not answer the factual question.

It is therefore not impossible that the conceptual similarity resulting from the fact that two marks use images with analogous semantic content may give rise to a likelihood of confusion where the earlier mark has a particularly distinctive character, either per se or because of the reputation it enjoys with the public. However, where

18. *Lloyd Schuhfabrik Meyer & Co. GmbH v. Klijssen Handel BV* CJEU, 22 June 1999, C-342/97.  
19. *Zwilling v. Zweibrüder BGH*, Urt. v. 29. April 2004 - I ZR 191/01 [Germany]; *Cowbell AG v. ICS Holdings Ltd* [2001] ZASCA 18.

the earlier mark is not especially well known to the public and consists of an image with little imaginative content, the mere fact that the two marks are conceptually similar is not sufficient to give rise to a likelihood of confusion.

The criterion of 'likelihood of confusion which includes the likelihood of association with the earlier mark' means that the mere association, which the public might make between two trademarks as a result of their analogous semantic content, is not in itself a sufficient ground for concluding that there is a likelihood of confusion within the meaning of that provision.

## D. Evidence

19. *Evidence of intention*: The intention or motive of the defendant in adopting the plaintiff's trademark is sometimes considered in determining whether the defendant's mark is confusingly similar to that of the plaintiff. The argument is that it will not be assumed that a defendant, who intended to imitate, failed in its object.<sup>20</sup> The other view is that the subjective mental state of the defendant is irrelevant in determining confusion.<sup>21</sup>

20. *Evidence of the likelihood of confusion*: Where the goods are available to the public for purchase and consumption or domestic use, the fact-finder is entitled to have regard to his or her own experience and reaction as a member of the public. Because these are not specialist products, there is no need to rely on evidence from persons engaged in that trade or industry, and such evidence may even be irrelevant and inadmissible.<sup>22</sup>

**CLIPSAL AUSTRALIA PTY LTD v. CLIPSO ELECTRICAL PTY LTD (NO 3)** [2017] FCA 60:

Insofar as the market consists of industry participants, the principle in *GE Trade Mark* will require evidence from market participants that there was a likelihood of confusion. In relation to the segment that is made up of members of the public, the Court can itself reach a conclusion on the issue.

21. *Evidence of actual confusion*: Evidence of actual confusion (e.g., misdirected inquiries, complaints or mail) is valuable but seldom available. Evidence of the condition of the trade, especially if one is dealing with a specialist market, may be important.

22. *Expert and survey evidence*: The evidence of psychologists and linguistic experts tends to be singularly unhelpful, if not inadmissible, because in the final analysis it tends to disguise opinion as a statement of scientific principle or fact and attempts subtly to displace the court's value judgment with that of the witness.<sup>23</sup>

Survey evidence raises two questions: the problem of getting the evidence before the court (the problem of admissibility) and the problem of the value of the survey, having regard to the way in which it was conducted (the problem of weight). As far as admissibility is concerned, it is now generally accepted that the results of a properly conducted survey are admissible (sometimes under statutory exceptions to the hearsay rule, and sometimes subject to the court's prior approval).<sup>24</sup>

As far as weight is concerned, courts have sometimes tended to approach the evidence with a degree of skepticism.<sup>25</sup> If a survey is to have any value, the questions should be fair, and they should be so formulated as to preclude a weighted or conditioned response.<sup>26</sup>

20. *Cadbury Schweppes Pty. Limited and others (Appeal No. 5 of 1980) v. The Pub Squash Co. Pty. Limited (New South Wales)* [1980] UKPC 30.

21. *Advantage Group Ltd v. Advantage Computers Ltd* [2002] NZCA 282.

22. *Sexwax Incorporated v. Zoggs International Limited* [2014] NZCA 311; *Playboy Enterprises v. Bharat Malik* 2001 PTC 328.

23. *Reckitt & Colman SA (Pty) Ltd v. SC Johnson & Son SA (Pty) Ltd* [1991] ZASCA 181.

24. E.g., *McDonald's Corporation v. Joburgers Drive-Inn Restaurant (Pty) Ltd.* [1996] ZASCA 82; *Interflora Inc & Anor v Marks & Spencer Plc* (Rev 1) [2013] EWCA Civ 319; *Zee Entertainment Enterprises Ltd & Ors v. Zeebox Ltd* [2014] EWCA Civ 82.

25. *Masterpiece Inc. v. Alavida Lifestyles Inc.*, [2011] 2 SCR 387, 2011 SCC 27 (CanLII).

26. *Hoechst Pharmaceuticals (Pty) Ltd. v. Beauty Box (Pty) Ltd. and Another* [1987] ZASCA 5.



# **Chapter 5**

## **Trademark infringement: well-known trademarks**

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## A. Introduction

1. *Scope of chapter:* Well-known trademarks are entitled to protection in three circumstances.<sup>1</sup>

- The first, already mentioned in a previous chapter, is for well-known marks registered within the jurisdiction. They may be protected against ‘dilution’<sup>2</sup> without confusion. This kind of protection is not obligatory but envisaged in the TRIPS Agreement.<sup>3</sup>
- The second is based on a convention obligation created by Art. 6bis of the Paris Convention<sup>4</sup> as reinforced and extended by Art. 16.2 and 16.3 of the TRIPS Agreement. This protection is available for a peregrine trademark owner whose trademark, even though not registered within the local jurisdiction, is well-known locally.
- The third is the protection given against passing off (unfair competition). This general protection is available irrespective of whether the mark is registered. It is the subject of the next chapter.

## B. Trademark dilution<sup>5</sup>

2. *Protection of well-known registered trademarks:*

Use of a trademark constitutes infringement where the trademark (a) is registered, (b) is well-known within the local jurisdiction and (c) the objectionable mark takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the registered trademark.<sup>6</sup>

This is generally referred to as trademark ‘dilution.’<sup>7</sup>

The first requirement is that the trademark must be registered within the jurisdiction. This aspect was dealt with earlier and does not require any further discussion.

The second is that the trademark must be well-known within the jurisdiction. This requirement is differently expressed in national laws, but despite the semantic differences between ‘well-known,’ ‘famous’ and ‘trademarks with a reputation,’ the concepts mean the same.<sup>8</sup>

**GENERAL MOTORS v. YPLON C-375/97:**

In order to enjoy protection extending to non-similar products or services, a registered trademark must be known by a significant part of the public concerned by the products or services which it covers. It is sufficient for the registered trademark to be known by a significant part of the public concerned in a substantial part of the territory.

Finally, the objectionable mark must ‘dilute’ the registered mark in one or other of the different prescribed ways.

3. *Confusion is not required for dilution:* Confusion or its likelihood is not required. However, there must be a link in the mind of the public between the registered mark and the infringing mark.

**ADIDAS-SALOMON AG AND ADIDAS BENELUX BV v. FITNESSWORLD TRADING LTD C-408/01, ECR 2003, I-12537:**

Article 5(2) establishes, for the benefit of trademarks with a reputation, a form of protection whose implementation does not require the existence of such a likelihood [of confusion]. Article 5(2) applies to situations in which the specific condition of the protection consists

1. Cf. WIPO ‘Joint Recommendation Concerning Provisions on the Protection of Well-known Trademarks’ 1999.  
 2. The term is used in a generic sense.  
 3. [https://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](https://www.wto.org/english/docs_e/legal_e/27-trips.pdf).  
 4. <http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/paris.pdf>.  
 5. *Azumi Ltd v. Zuma’s Choice Pet Products Ltd* [2017] EWHC 609 (IPEC); *Red Bull GmbH v. Sun Mark Ltd & Anor* [2012] EWHC 1929 (Ch) (17 July 2012); *Louis Vuitton Malletier SA v. My Other Bag*, 156 F. Supp. 3d 425 - Dist. Court, SD New York 2016; *Enterprise Holdings Inc v. Europcar Group UK Ltd* [2015] EWHC 17 (Ch).  
 6. Case C-487/07 *L’Oréal v. Bellure NV* [2009] ETMR 55, [2009] ECR I-5185. A similar but more detailed Act is the 15 U.S. Code § 1125 - False designations of origin, false descriptions, and dilution forbidden.

7. *Interflora Inc & Anor v. Marks and Spencer Plc* (Rev 1) [2014] EWCA Civ 1403.  
 8. *Davidoff & Cie SA and Zino Davidoff SA v. Gofkid Ltd* CJEU, 9 January 2003. Compare *Y-Teq Auto Parts (M) Sdn Bhd v. X1R Global Holdings & Anor* (CACA NO. W-02(IPCV)(A)-511 -03/2016). It may be different in China: Cynthia S Wang, *China: the problem with defining famous*. See in general about China: Ran, Ruixue, *Well-known trademark protection in China: before and after the TRIPS amendments to China’s trademark law*, *UCAL Pacific Basin Law Journal*, 19(2).

of a use of the sign in question without due cause which takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.

The protection conferred is not conditional on a finding of a degree of similarity between the mark with a reputation and the sign such that there exists a likelihood of confusion between them on the part of the relevant section of the public.

It is sufficient for the degree of similarity between the mark with a reputation and the sign to have the effect that the relevant section of the public establishes a link between the sign and the mark.

4. *Dissimilar goods and services*: Importantly, the infringing use need not be in respect of goods or services that are the same or similar to those for which the trademark is registered.<sup>9</sup>

**PREMIER BRANDS UK LTD. v. TYPHOON EUROPE LTD & ANOR** [2000] EWHC 1557 (Ch)

The purpose of [the provision] is to provide ‘extensive protection to those trademarks which have a reputation’, and such protection is clearly intended to be over and above that available to marks without a reputation.

The basic principle is that a trader may not take unfair advantage of the trademark of another. This can be done in a number of ways. The principal method is by diluting the trademark through blurring or tarnishing. Confusion is not required.

5. *Detriment must be actual*:

**VEUVE CLICQUOT PONSARDIN v. BOUTIQUES CLIQUOT LTÉE**, [2006] 1 SCR 824, 2006 SCC 23:

The depreciation or anti-dilution remedy is sometimes referred to as a ‘super weapon’ which, in the interest of fair competition, needs to be kept in check.

9. C-65/12 *Leidseplein Beheer BV, Herdrikus De Vries v. Red Bull GmbH, Red Bull Nederland BV; Y-Teq Auto Parts (M) Sdn Bhd v. X1R Global Holdings & Anor* (CACA NO. W-02(IPCV)(A)-511 -03/2016).

The Advocate General’s opinion in **GENERAL MOTORS v. YPLON**, C-375/97, CJEU expressed a similar word of caution:

It is to be noted in particular that Article 5(2) [of the EU directive] does not refer to a mere risk or likelihood of its conditions being fulfilled. The wording is more positive: ‘takes unfair advantage of, or is detrimental to’. Moreover, the taking of unfair advantage or the suffering of detriment must be properly substantiated, that is to say, properly established to the satisfaction of the national court: the national court must be satisfied by evidence of actual detriment, or of unfair advantage.

6. *Taking unfair advantage of the distinctive character or the repute of the trademark*:<sup>10</sup> It is an act of unfair competition to associate the quality of one’s goods or services with that of prestigious competitive products for the purpose of exploiting the good reputation of a competitor’s goods or services in order to enhance one’s promotional efforts.<sup>11</sup>

**L’ORÉAL v. BELLURE NV** Case C-487/07 [2009] ETMR 55, [2009] ECR I-5185:<sup>12</sup>

As regards the concept of ‘taking unfair advantage of the distinctive character or the repute of the trademark’, also referred to as ‘parasitism’ or ‘free-riding’, that concept relates not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign. It covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation.

7. *Detriment to the distinctive character of the mark (blurring)*:<sup>13</sup>

10. *Future Enterprises Pte Ltd v. EUIPO, McDonald’s International Property Co Ltd*, T-518/13, EU:T:2016:389 (July 2016).

11. *Dimple* [1985] GRUR 550 and *Quick* [1959] GRUR 182 quoted in *Premier Brands UK Ltd. v. Typhoon Europe Ltd & Anor* [2000] EWHC 1557 (Ch). *Y-Teq Auto Parts (M) Sdn Bhd v. X1R Global Holdings & Anor* (CACA NO. W-02(IPCV)(A)-511 -03/2016).

12. *L’Oreal SA & Ors v. Bellure NV & Ors* [2010] EWCA Civ 535.

13. *Interflora Inc & Anor v. Marks and Spencer Plc* (Rev



**L'ORÉAL v. BELLURE NV** Case C-487/07 [2009] ETMR 55, [2009] ECR I-5185:

As regards detriment to the distinctive character of the mark, also referred to as 'dilution', 'whittling away' or 'blurring', such detriment is caused when that mark's ability to identify the goods or services for which it is registered is weakened, since use of an identical or similar sign by a third party leads to dispersion of the identity and hold upon the public mind of the earlier mark. That is particularly the case when the mark, which at one time aroused immediate association with the goods or services for which it is registered, is no longer capable of doing so.

8. *Blurring erodes distinctiveness:*

**PREMIER BRANDS UK LTD. v. TYPHOON EUROPE LTD & ANOR** [2000] EWHC 1557 (Ch):

Blurring occurs where the distinctiveness of a mark is eroded. A pithy explanation of blurring may be found in the observations of Sir Thomas Bingham MR in *Taittinger SA v Allbev Ltd* [1993] FSR 641 where he said this [in the context of passing-off]:

The first plaintiff's reputation and goodwill in the description Champagne derive not only from the quality of their wine and its glamorous associations but also from the very singularity and exclusiveness of the description, the absence of qualifying epithets and imitative descriptions. Any product which is not Champagne but is allowed to describe itself as such must inevitably, in my view, erode the singularity and exclusiveness of the description Champagne and so cause the first plaintiffs damage of an insidious but serious kind.

9. *Detriment to the repute of the mark (tarnishing of a trademark):*<sup>14</sup>

**L'ORÉAL v. BELLURE NV** Case C-487/07 [2009] ETMR 55, [2009] ECR I-5185:

As regards detriment to the repute of the mark, also referred to as 'tarnishment' or 'degradation', such detriment is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived by the public in such a way that the trademark's power of attraction is reduced. The likelihood of such detriment may arise in particular from the fact that the goods or services offered by the third party possess a characteristic or a quality which is liable to have a negative impact on the image of the mark.

**LAUGH IT OFF PROMOTIONS CC v. SOUTH AFRICAN BREWERIES INTERNATIONAL** [2004] ZASCA 76:

For instance, the use of the American Express charge card and the slogan 'Don't leave home without it' in relation to condoms was not acceptable to a US court [*American Express Co v. Vibra Approved Laboratories Corp* 10 USPQ 2d 2006 (SDNY 1989)]. In Germany, the Federal Supreme Court found that the use of the confectionary trademark Mars and its slogan that it will liven you up in relation to a gag item consisting of a condom, tarnished Mars [Case I ZR 79/92, 1995 [26] IIC 282]. And in England, an attempt to register Visa as a trademark, also in relation to condoms, was dismissed on the same ground [A Sheimer (M) SDN BHD's Trademark Application [2000] RPC 13 (p 484)].

10. *Test for detriment:*

**PEBBLE BEACH COMPANY v. LOMBARD BRANDS** [2002] ScotCS 265:

I must also be satisfied that there is a prima facie case that the defenders' use of the sign would take unfair advantage of the distinctive character or repute of the pursuers' trademark. Not only must this advantage be

1) [2014] EWCA Civ 1403: *Intel Corp Inc v. CPM United Kingdom Ltd* (C-252/07) [2008] ECR I-8823.

14. C-65/12 *Leidseplein Beheer BV, Herdrikus De Vries v. Red Bull GmbH, Red Bull Nederland BV*. As to

parody, see *United Airlines, Inc. v. Cooperstock* 2017 FC 616 and *Laugh It Off Promotions CC v. South African Breweries International (Finance) BV* [2005] ZACC 7 and cases there mentioned. Also *The FRANCK MIURA* (2017) case Japan.

unfair, but it must be of a sufficiently significant degree to warrant restraining what is, ex hypothesi, a non-confusing use. It is worthy of note that there is a general reluctance to apply these provisions too widely.

11. *Evidence of detriment*: The degree of proof of detriment depends much on the terms of local laws. In the EU and, consequently the United Kingdom, the requirement is ‘detriment or unfair advantage,’<sup>15</sup> while in South Africa the Act requires a likelihood, and not an actual detriment or unfair advantage.<sup>16</sup> In the United States, the statute was amended after the *Victoria’s Secret* judgment,<sup>17</sup> and proof of actual harm is no longer required.

**COCA-COLA v. EUIPO - MITICO (MASTER)** T-61/16:

The proprietor of the earlier mark is required to adduce evidence that use of the later mark takes unfair advantage of the distinctiveness or repute of the earlier mark. To that end, the proprietor of the earlier mark is not required to demonstrate actual and present harm to the proprietor’s mark, as confirmed by the wording of that provision in the conditional. When it is foreseeable that such injury will ensue from the use that the proprietor of the later mark may be led to make of its mark, the proprietor of the earlier mark cannot be required to wait for it actually to occur in order to be able to prohibit that use. However, the proprietor of the earlier mark must establish the existence of evidence making it possible to conclude that there is a serious risk that such an infringement will occur in the future (see, to that effect, *Environmental Manufacturing LLP v. Société Elmar Wolf* Case C383/12 P, paragraph 51) or, in other words, adduce *prima facie* evidence of a non-hypothetical future risk of undue profit or injury.

A finding of a risk of free-riding may, like a finding of a risk of dilution or a risk of tarnishment, be established, in particular, on the basis of logical inferences — so long as they are not mere suppositions — resulting from an analysis of the probabilities and by taking

account of the usual practices in the relevant commercial sector as well as all the other circumstances of the case.

## C. Protection of foreign unregistered trademarks<sup>18</sup>

12. *The Paris Convention*:<sup>19</sup> According to Art. 6 bis(1) of the Paris Convention, a peregrine trademark owner whose trademark, even though not registered within the local jurisdiction, is well-known locally may object to the registration, claim cancellation or prohibit the use of a trademark that constitutes a reproduction, an imitation or a translation, which is liable to create confusion of the owner’s trademark.

13. *The TRIPS Agreement*:<sup>20</sup> The TRIPS Agreement provides additionally that the Art. 6bis protection must also be available in respect of service marks and not only to goods marks (Art. 16.2), and that it must apply to certain dissimilar goods or services, namely (Art. 16.3):

goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.

14. *Exceptional nature of protection*: These provisions overlap in part with the principles relating to unfair competition<sup>21</sup> but, on the other hand, form exceptions to some important trademark principles, namely those of:

- territoriality (a trademark is only effective within the jurisdiction of registration),
- specialty (trademarks protect goods and services for which they have been registered) and

15. *Comic Enterprises Ltd v. Twentieth Century Fox Film Corporation* [2016] EWCA Civ 41. <http://www.baillii.org/ew/cases/EWCA/Civ/2016/41.html>

16. *Laugh It Off Promotions CC v. South African Breweries International (Finance) BV* [2005] ZACC 7. <http://www.saflii.org/za/cases/ZACC/2005/7.html>

17. *Moseley V. v. Secret Catalogue, INC.* (01-1015) 537 U.S. 418 (2003).

18. *Novelty Pte Ltd v. Amanresorts Ltd and Another* [2009] 3 SLR 216.

19. <http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/paris.pdf>.

20. [https://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](https://www.wto.org/english/docs_e/legal_e/27-trips.pdf).

21. See the discussion in *Starbucks (HK) Ltd & Anor v. British Sky Broadcasting Group PLC & Ors* (Rev 1) [2015] UKSC 31 #42 to #46.

- registration (registration is a prerequisite for trademark protection).

15. *Requirements for protection:* The requirements for protection of a foreign trademark are these:<sup>22</sup>

- The owner of the foreign trademark must have a real and effective industrial or commercial establishment in a convention country.
- A sector of the population must be ‘interested in the goods or services to which the mark relates.’
- The mark must be well-known within the local jurisdiction as a trademark belonging to an enterprise with a base in another country.
- A substantial number of people must have the requisite knowledge.
- The local mark must constitute a reproduction, an imitation or a translation<sup>23</sup> of the foreign trademark.
- The local trademark must cause confusion.

16. *Establishing that a trademark is well-known:* A practical problem that arises in this context is whether the mark must be well-known to all sectors of the public or whether it will be sufficient if it is known to the relevant section of the public that has an interest in the mark. Other questions relate to the number of persons to whom the mark must have been known and how well it must have been known. The TRIPS Agreement, in Art. 16.2, states:

In determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

17. *Relevant sector of the public:* Article 16.2 of the TRIPS Agreement deals with the concept of ‘relevant sector’ of the public:

In determining whether a trademark is well-known, Members shall take account of the

knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.

***MCDONALD’S CORPORATION v. JOBURGERS DRIVE-INN RESTAURANT (PTY) LTD. AND ANOTHER*** [1996] ZASCA 82:

If protection is granted only to marks, which are known (not to say well known) to every segment of the population (or even to most segments of the population), there must be very few marks, if any, which could pass the test. The legislation would therefore not achieve its desired purpose. Moreover, there would not appear to be any point in imposing such a rigorous requirement. In argument, we were referred as an example to a mark which might be very well known to all persons interested in golf. Why should it be relevant, when deciding whether or not to protect such a mark, that non-golfers might never have heard of it? I consider therefore that a mark is well known in the Republic if it is well known to persons interested in the goods or services to which the mark relates.

The next question then is: how well should it be known to such persons? In the present context the important practical question is not whether a few people know the mark well but rather whether sufficient persons know it well enough to entitle it to protection against deception or confusion.

How many people are sufficient? The only guideline provided by the Legislature lies in the expression “well known”. It seems to me the Legislature intended to extend the protection of a passing-off action to foreign businessmen who did not have a business or enjoy goodwill inside the country, provided their marks were well known in the Republic. It seems logical to accept that the degree of knowledge of the marks that is required would be similar to that protected in the existing law of passing-off. The concept of a substantial number of persons is well established. It provides a practical and flexible criterion which is consistent with the terms of the statute.

22. *AM Moolla Group Limited and Others v. Commissioner for SARS* [2003] ZASCA 18. See also *Jordan v. Qiaodan*, a judgment of the Supreme People’s Court of China of December 7, 2016. The full judgment is not yet accessible.

23. Michael Jordan is well known in China as ‘Qiaodan’ (乔丹), which means that the translation of his name is also protected.

# Chapter 6

## Trademark infringement and unfair competition

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## A. Introduction

1. *TRIPS Agreement obligation*: Art. 2.1 of the TRIPS Agreement<sup>1</sup> requires of member states of the WTO to comply with Art. 10 bis of the Paris Convention,<sup>2</sup> which states that countries are bound to assure to nationals of such countries effective protection against unfair competition and that any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition. It particularizes acts that could be said to amount to passing off.

Laws dealing with unlawful trade practices, including laws against counterfeiting and monopolies, often cover much that would be protected by unfair competition, issues discussed in later chapters.<sup>3</sup>

2. *Civil law systems*: Civil law systems tend to recognize a general delict of unfair competition, which, latterly, is amplified by a list of examples. One such instance is German law. The general proposition in § 3 of the German UWG Act<sup>4</sup> is that acts of unfair competition likely to seriously impair competition to the disadvantage of competitors, consumers or other market participants are prohibited. The law then proceeds to provide a list of examples. The one of interest in the present context is that a person is acting unfairly, in the sense of Article 3, if he/she offers products or services that are imitations of the products or services of a competitor, if he/she:

- avoidably deceives the recipient about the commercial origin of the product or service,
- improperly exploits or negatively affects the reputation of the product or service imitated or
- has dishonestly obtained the knowledge or equipment required for forgery.

1. [https://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](https://www.wto.org/english/docs_e/legal_e/27-trips.pdf).
2. <http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/paris.pdf>.
3. E.g., the Australian Trade Practices Act 1974 (Cth). Cf *Re Taco Company of Australia Inc; Taco Bell v. Taco Bell Pty Limited; Denbrad Management Pty Limited; Robert Francis; Eric Baillie Francis* [1982] FCA 136; *Parkdale Custom Built Furniture Pty Ltd v. Puxu Pty Ltd* [1982] HCA 44; (1982) 149 CLR 191; *Sydney Medical Service Co-operative Limited v. Lakemba Medical Services Pty Ltd* [2016] FCA 763.
4. [https://www.gesetze-im-internet.de/englisch\\_uwg/englisch\\_uwg.html](https://www.gesetze-im-internet.de/englisch_uwg/englisch_uwg.html).

The Japanese Unfair Competition Prevention Act<sup>5</sup> is even more specific and defines the activities that amount to unfair competition in terms that cover not only passing-off but also the protection of well-known marks.

## B. Passing-off

3. *Scope of this section*: This section deals with what is known in the common-law tradition as classical passing-off. Passing-off is the common form of unfair competition, whether in civil-law or common-law jurisdictions. It is known in U.S. jurisprudence as ‘trade identity unfair competition.’ Classic passing-off protects goodwill.

**WILLIAMS T/A JENIFER WILLIAMS & ASSOCIATES AND ANOTHER v. LIFE LINE SOUTHERN TRANSVAAL** [1996] ZASCA 46:

Passing-off is a species of wrongful competition in trade or business. In its classic form it usually consists in A representing, either expressly or impliedly (but almost invariably by the latter means), that the goods or services marketed by him emanate in the course of business from B or that there is an association between such goods or services and the business conducted by B. Such conduct is treated by the law as being wrongful because it results, or is calculated to result, in the improper filching of another’s trade and/or in an improper infringement of his goodwill and/or causing injury to that other’s trade reputation.<sup>6</sup>

4. *Examples of passing-off*: A few Japanese cases will illustrate the matter.

In *McDonald’s* case,<sup>7</sup> the defendant used the well-known arched M of McDonald’s as part of its trademark. This was not a trademark infringement case because the arched M had not been registered as a trademark. The court found that the defendant’s use of the mark was unfair because the logo was unique to McDonald’s and had been in constant use for a long period. The court

5. <http://www.wipo.int/wipolex/en/details.jsp?id=16034>.
6. *Sydney Medical Service Co-operative Limited v. Lakemba Medical Services Pty Ltd* [2016] FCA 763; *Pioneer Foods v. Bothaville Milling* [2014] ZASCA 6.
7. Osaka District Court, Oct. 15, 1993.

also held that the defendant's use would cause ordinary customers and consumers to think that the defendant's business was connected to that of McDonald's and that there was accordingly a high probability that this would lead to false recognition and confusion.

In the *Amex* case,<sup>8</sup> American Express sought to prevent the use of the mark 'Amex' by the defendant in relation to foreign exchange transactions. American Express (at the time) never used Amex as a trademark, but everyone associated the name Amex with American Express. The court upheld the claim. Importantly, it considered the fact that the defendant could not show that it had been using Amex in good faith and without the object of competing unfairly as significant.

The third case is the *Manpower* case.<sup>9</sup> The plaintiff used as the essential part of its trade name the word 'Manpower.' The defendant used as the essential part of its trade name the term 'Woman Power.' The court found that it was likely that customers would believe that there was a trade association between the two firms and that causing such a misunderstanding amounted to unfair competition.

5. *Trademark law and unfair competition law*:<sup>10</sup> An infringement action in terms of a trademarks statute is based upon the exclusive right to use a trademark conferred upon the registered owner by that statute. This statutory law differs from the law relating to passing-off because it is concerned only with one method of passing-off, namely, using a registered trademark.

A rights holder is entitled to claim relief on either the registered mark or, in the alternative, on unfair competition, which means that the owner of a registered mark is not obliged to rely on its registration and may instead base the case on unfair competition. All this shows that the law relating to registered trademarks and unfair competition complement each other and the one does not exclude the other.

**BOEHRINGER INGELHEIM KG & ANOR v. SWINGWARD LTD** [2004] EWCA Civ 129:

Personally, I still have some doubts as to whether the law of registered trademarks needs to be stretched to cover conduct readily caught by more general unfair competition rules. Sometimes I wonder whether courts concerned with just an isolated question about registered trademark law overlook the fact that unfair competition rules can and do deal with the problem. There is more than one way to skin a cat.

#### 6. *Advantages of trademark registration*:

- Prior use is not required for trademark registration (usually) or enforcement. Passing-off, on the other hand, requires reputation by use before protection can be claimed. It requires the plaintiff to prove the existence and extent of its reputation each time an action is brought. A reputation may come and go and, with it, its legal protection. In other words, registered trademarks have legal protection in the marks themselves, while in the case of passing-off, it is the goodwill attached to the mark that is protected.
- Registration is presumed valid for all the wares and services for which the mark is registered. Protection continues, though the mark is little-used or known. Passing-off rights are limited to the actual business reputation of the owner of the mark.
- A trademark registration is effective countrywide.
- Passing-off protects only in the locality of its reputation. Passing-off requires proof of misrepresentation and loss of goodwill. This is not required for trademark protection.
- Passing-off does not protect against trademark dilution, while registration does.

7. *Scope of passing-off*: Passing-off is no longer anchored to a traditional trademark or a trade name but encompasses other material, such as slogans or visual images, the get-up of a business or product<sup>11</sup> and even the shape of a product,<sup>12</sup> provided always that this material has become part of the plaintiff's 'goodwill'.<sup>13</sup> An act of passing-off may also overlap with other types of unlawful competition, and the plaintiff may base the claim in the alternative on a contravention of the relevant statute.

8. Supreme Court, Dec. 16, 1993.

9. Supreme Court, Oct. 17, 1983.

10. *Kirkbi Ag v. Ritvik Holdings Inc* 2005 SCC 65 at #25; *Sydney Medical Service Co-operative Limited v. Lakemba Medical Services Pty Ltd* [2016] FCA 763.

11. As to the meaning of get-up: *Parkdale Custom Built Furniture Pty Ltd v. Puxu Pty Ltd* [1982] HCA 44.

12. *Reckitt and Colman Products Ltd v. Borden Inc & Ors* [1990] UKHL 12.

13. *Campomar Sociedad, Limitada v. Nike International Limited* [2000] HCA 12.

A get-up may also constitute an original artistic work protected in terms of a Copyright Act. If it does, the plaintiff may base the claim on passing-off, infringement of copyright or both, and may claim the remedies provided for in the Copyright Act.

However, a court should be wary of allowing the sharp outlines of the established branches of the law of unlawful competition, evolved through long experience, to be fudged by allowing a vague penumbra around the outline.

**PAYEN COMPONENTS SOUTH AFRICA LTD. v. BOVIC GASKETS CC AND OTHERS** [1995] ZASCA 57:

Unlawful competition should not be added as a ragbag and often forlorn final alternative to every trademark, copyright, design or passing-off action. In most cases, it is one of the established categories or nothing.

For example, there is no reason to import dilution into this part of the law.<sup>14</sup>

8. *Elements of passing-off*: Although there are other definitions, the one laid down in **CIBA-GEIGY CANADA v. APOTEX INC** 1992 CanLII 33 (SCC) suffices:<sup>15</sup>

The three necessary components of a passing-off action are thus: the existence of goodwill, deception of the public due to a misrepresentation and actual or potential damage to the plaintiff.

9. *Passing-off damages the right to goodwill of a business*: Passing-off injures the right of property in the plaintiff, namely the right to the goodwill of his business.<sup>16</sup>

14. *TWG Tea Co PTE LTD v. Tsit Wing (Hong Kong) Co LTD* [2016] HKCFA 2.
15. *Kirkbi Ag v. Ritvik Holdings Inc* 2005 SCC 65; *Reckitt and Colman Products Ltd v. Borden Inc & Ors* [1990] UKHL 12; *Novelty Pte Ltd v. Amanresorts Ltd and Another* [2009] SGCA 13; *TWG Tea Co PTE LTD v. Tsit Wing (Hong Kong) Co LTD* [2016] HKCFA 2; *Satyam Infoway Ltd vs Siffynet Solutions Pvt. Ltd AIR* 2004 SC 3540; *Sydney Medical Service Co-operative Limited v. Lakemba Medical Services Pty Ltd* [2016] FCA 763.
16. From Salmond on Torts quoted with approval in *Ciba-Geigy Canada v. Apotex Inc* 1992 CanLII 33 (SCC); *Star Industrial Company Limited v. Yap Kwee Kor trading as New Star Industrial Company (Singapore)* [1976] UKPC 2; *Starbucks (HK) Ltd & Anor v. British Sky Broadcasting Group PLC & Ors* (Rev 1) [2015] UKSC 31; *Oxford Pandaflex Canada Ltd. v. Korr Marketing Ltd.*, 1982 CanLII 45 (SCC).

**CHOCOSUISSE UNION DES FABRICANTS SUISSES DE CHOCOLAT v. CADBURY LTD** [1997] EWHC 360:

The type of action of which *Perry v. Truefitt* [(1842) 49 ER 749]<sup>17</sup> and *Spalding and Brothers v. A W Gamage Ltd* [84 LJ Ch 449, (1915) 32 RPC 273] are examples were described by Lord Diplock in *Advokaat*<sup>18</sup> as the ‘classic form’ of passing-off. To succeed in this, the plaintiff has to prove that he has built up the necessary goodwill by his own endeavors or that he has acquired it from a predecessor who had done so.

10. *Goodwill is based on reputation*:<sup>19</sup>

**CATERHAM CAR SALES AND COACHWORKS LTD. v. BIRKIN CARS (PTY) LTD. AND ANOTHER** [1998] ZASCA 44:

Goodwill is the totality of attributes that lure or entice clients or potential clients to support a particular business. The components of goodwill are many and diverse. Well recognized are the locality and the personality of the driving force behind the business, business licenses, agreements such as restraints of trade and reputation. These components are not necessarily all present in the goodwill of any particular business.

The only component of goodwill of a business that can be damaged by means of a passing-off is its reputation and it is for this reason that the first requirement for a successful passing-off action is proof of the relevant reputation. Misrepresentations concerning other components of goodwill are protected by other causes of action such as claims for injurious falsehoods. It is thus incorrect to equate goodwill with reputation (or vice versa) or to suggest that the ‘need for some reputa-

17. ‘A man is not to sell his own goods under the pretense that they are the goods of another man.’
18. *Star Industrial Company Limited v. Yap Kwee Kor trading as New Star Industrial Company (Singapore)* [1976] UKPC 2. See also *Erwen Warnick BV v. Townend & Sons (Hull) Ltd* [1979] AC 731 (HL): Passing off a liqueur as ‘Advokaat,’ although it was not made according to the traditional recipe for Advokaat.
19. *Novelty Pte Ltd v. Amanresorts Ltd and Another* [2009] SGCA 13.

tion or secondary meaning to be shown is not a principle or rule of law<sup>7</sup>.

11. *Reputation is dependent upon distinctiveness*: It is necessary to allege and prove that the trade name, trademark, get-up or service mark was known in the market and that the plaintiff's goods, business or service acquired a public reputation or became distinctive from other similar goods, businesses or services. Consequently, where a trader uses a descriptive term, it must be proved that, through use, the term acquired a secondary meaning and designates in the mind of the public only the plaintiff's goods, services or business. Where, however, a trader uses a fancy or invented name, it is difficult to avoid an inference of passing-off if a rival uses that name.

**SUTHERLAND & ORS v. V2 MUSIC & ORS** [2002] EWHC 14 (Ch):

The law of passing-off protects the goodwill of a small business as much as [the goodwill of] the large, but it will not intervene to protect the goodwill which any reasonable person would consider trivial.

12. *Reputation is a question of fact*:

**PARKER KNOLL LTD. v. KNOLL INTERNATIONAL LTD** 1962 RPC 278 (HL):

It is a question of fact whether it is proved that a name [or get-up] has acquired a secondary meaning so that it denotes or has come to mean goods made by a particular person and not goods made by any other person even though such person may have the same name.

If it is proved on behalf of a plaintiff that a name [or get-up] has acquired such a secondary meaning, then it is a question for the court whether a defendant, whatever may be his intention, is so describing his goods that there is a likelihood that a substantial section of the purchasing public will be misled into believing that his goods are the goods of the plaintiff. In arriving at a decision the court must not surrender in favor of any witness its own independent judgment.

13. *Misrepresentation*: The basis of the cause of action is misrepresentation giving rise to confusion.<sup>20</sup>

**A G SPALDING BROS v. A W GAMAGE LTD** (1915) 32 RPC 273:<sup>21</sup>

My Lords, the basis of a passing-off action being a false representation by the defendant, it must be proved in each case as a fact that the false representation was made. It may, of course, have been made in express words, but cases of express misrepresentation of this sort are rare. The more common case is, where the representation is implied in the use or imitation of a mark, trade name, or get-up with which the goods of another are associated in the minds of the public, or of a particular class of the public. In such cases the point to be decided is whether, having regard to all the circumstances of the case, the use by the defendant in connection with the goods of the mark, name, or get-up in question impliedly represents such goods to be the goods of the plaintiff, or the goods of the plaintiff of a particular class or quality, or, as it is sometimes put, whether the defendant's use of such mark, name, or get-up is calculated to deceive. It would, however, be impossible to enumerate or classify all the possible ways in which a man may make the false representation relied on.

14. *Confusion and causation*: Confusion, per se, is not actionable. The confusion must be caused by the defendant's misrepresentation.<sup>22</sup>

**PHONES4U LTD & ANOR v. PHONE4U.CO.UK & ORS** [2006] EWCA Civ 244:

In short, therefore, where the 'badge' of the plaintiff is descriptive, cases of 'mere confusion' caused by the use of a very similar description will not count. A certain amount of deception is to be tolerated for policy reasons – one calls it 'mere confusion'.

20. *TWG Tea Co PTE LTD v. Tsit Wing (Hong Kong) Co LTD* [2016] HKCFA 2.

21. The link is to a discussion of the case. See also *Playboy Enterprises v. Bharat Malik* 2001 PTC 328.

22. *Hoechst Pharmaceuticals (Pty) Ltd. v. Beauty Box (Pty) Ltd.* [1987] ZASCA 5.



15. *Damage that is actionable:*

**PHONES4U LTD & ANOR v. PHONE4U.CO.UK & ORS** [2006] EWCA Civ 244:

- Diverting trade from the plaintiffs to the defendants;
- injuring the trade reputation of the plaintiffs, and
- injury which is inherently likely to be suffered by any business when on frequent occasions it is confused by customers or potential customers with a business owned by another proprietor or is wrongly connected with that business.

16. *Calculated to deceive or confuse:* The defendant's get-up or trade name must have been calculated or likely to deceive or confuse the ordinary customer and, thus, to cause confusion and damage to the goodwill of the plaintiff's business by, for example, diverting customers from the plaintiff's business or products to that of the defendant. It is not necessary for a trader seeking relief to prove that anyone has actually been deceived or confused or that the defendant intended to deceive.<sup>23</sup>

17. *Reputation and its date:* In the case of passing-off, the plaintiff must prove a reputation in the mark or get-up, and the reputation of the claimant must exist at the time the respondent enters the market. In trademark infringement proceedings, the plaintiff's reputation is irrelevant.<sup>24</sup>

18. *Basis of comparison:* Infringement proceedings under a trademark statute are directed at a comparison between the registered trademark as such and the allegedly offending mark as such, whereas, in passing-off proceedings, the comparison is between the whole get-up of the goods as marketed by the plaintiff and the whole get-up of the defendant's goods.<sup>25</sup>

**NATIONAL BRANDS LTD v. BLUE LION MANUFACTURING (PTY) LTD** [2001] ZASCA 17:<sup>26</sup>

23. *TWG Tea Co PTE LTD v. Tsit Wing (Hong Kong) Co LTD* [2016] HKCFA 2; *Sydney Medical Service Co-operative Limited v. Lakemba Medical Services Pty Ltd* [2016] FCA 763; *Blue Lion Manufacturing (Pty) Ltd v. National Brands Ltd* [2001] ZASCA 62.
24. *Phones4u Ltd & Anor v. Phone4u.Co.UK & Ors* [2006] EWCA Civ 244.
25. *Blue Lion Manufacturing (Pty) Ltd v. National Brands Ltd* [2001] ZASCA 62.
26. The visuals appear in the preceding chapter.

It is important to bear in mind, particularly in a case like the present one that the likelihood (or otherwise) of deception or confusion must be attributable to the resemblance (or otherwise) of the marks themselves and not to extraneous matter. Similarities in the goods themselves or in the form in which they are presented might form the basis for an action for passing-off.

19. *Location:* An issue on which there is conflicting jurisprudence in the common-law world is whether a claimant who is seeking to maintain an action in passing off (unfair competition) need only establish a reputation among a significant section of the public within the jurisdiction, or whether such a claimant must also establish a business with customers within the jurisdiction. Courts in Australia and South Africa have held that it is not necessary to establish a business within the jurisdiction, but the U.K. and Hong Kong courts held otherwise while the Singapore court holds a somewhat intermediate view.<sup>27</sup> The issue is, however, covered in part by the requirements set in Art 16.2 and 16.3 of the TRIPS Agreement read with Art 6bis of the Paris Convention requiring the protection of foreign unregistered trademarks with a reputation (discussed earlier).

### C. Extended passing-off<sup>28</sup>

20. *Nature of extended passing-off:* Extended passing-off protects goodwill associated with descriptive and geographical terms. It allows a class of traders to prevent their rivals from incorrectly applying a descriptive term that the plaintiffs apply correctly. Extended passing-off goodwill requires clearly identified distinctive and recognizable characteristics associated with

27. The cases are collected and discussed in *Starbucks (HK) Ltd & Anor v. British Sky Broadcasting Group PLC & Ors (Rev 1)* [2015] UKSC 31 #42 to #46. See also *TWG Tea Co PTE LTD v. Tsit Wing (Hong Kong) Co LTD* [2016] HKCFA 2. For the position in the United States, see *Belmora LLC v. Bayer Consumer Care AG* Appeal No. 15-1335 (4th Cir. March 23, 2016 (certiorari denied). Cf *Prius Auto Industries v. Toyota RFA(OS) 62/2016* (India) (appeal denied).
28. *TWG Tea Co PTE LTD v. Tsit Wing (Hong Kong) Co LTD* [2016] HKCFA 2; *Chocosuisse Union Des Fabricants Suisses De Chocolat v. Cadbury Ltd* [1997] EWHC 360; *Fage UK Ltd & Anor v. Chobani UK Ltd & Anor* [2014] EWCA Civ 5; *Tilda Riceland v. OHIM/ Siam Grains* Case T136/14. See also Saunders, Katharine 'Choccosuisse – The New « Extended Extended « Passing Off' [2001] VUWLawRw 13.

the product. The goodwill is shared by the traders in the class. Extended passing-off is not protection of a mark as a badge of origin or against dilution, but it ensures the correct application of the descriptive term. To succeed in extended passing-off, the plaintiff's goodwill must be damaged by the defendant's incorrect application of the term. Traders cannot use extended passing-off to prevent rivals from applying the descriptive term correctly because this would not damage their goodwill.

Extended passing-off differs from classic passing-off in two key respects. First, a misrepresentation of origin is not required because it protects traders as a class rather than as individuals. Second, it protects descriptive terms. This does not give monopoly rights in the descriptive term because only incorrect application of the term can be prevented.

## D. Geographical indications (indications of origin) and collective (certification) marks

21. *Geographical indications*: The extended form of passing-off has, in a sense, been absorbed by the requirement of the TRIPS Agreement, which requires legislation for the protection of geographical indications. Such legislative provisions may impact the scope of the extended passing-off action, which developed in order to protect these indications against a misrepresentation relating to origin and replace it at least in part.

The issue is further dealt with in the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration (1958), but not all countries have joined the Lisbon Agreement. It serves to protect the 'geographical denomination of a country, region, or locality, which serves to designate a product originating therein, the quality or characteristics of which are due exclusively or essentially to the geographic environment, including natural and human factors.'<sup>29</sup>

22. *Defining geographical indications*: Geographical indications are defined (Art. 22.1) as indications that identify goods as originating in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristics of the good is essentially attributable to its geographical origin.

There is much dispute between countries about what a geographical indication is and what it is not. For instance, the term 'Champagne' for a sparkling wine is considered in many countries an indication of origin meaning that only wine of that kind produced within the Champagne area in France may use the appellation.<sup>30</sup> However, others, such as the United States, regard the term as generic to cover sparkling wines of whatever origin. The issue is often dealt with in bilateral or regional trade agreements.<sup>31</sup>

23. *Required protection*: Basically, the following protection for geographical indications is required (Art. 22):

- preventing the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner that misleads the public as to the geographical origin of the good and
- preventing any use that constitutes an act of unfair competition.

24. *Collective (certification) trademarks*: Some trademark statutes provide for the registration of collective (certification) trademarks. These are marks capable of distinguishing, in the course of trade, goods or services of, persons who are members of any association from goods or services of persons who are not members. A typical provision is that contained in Article 83 of EU Regulation No.1000/2017, which defines a certification mark as:

an EU trade mark which is described as such when the mark is applied for and is capable of distinguishing goods or services which are certified by the proprietor of the mark in respect of material, mode of manufacture of goods or performance of services, quality, accuracy or other characteristics, with the exception of geographical origin, from goods and services which are not so certified.

Examples would be the 'Woolmark' or a cotton mark.<sup>32</sup> If registered, the trademark holder need not prove a reputation to enforce its registered rights.

29. WIPO's Appellation of Origins (Lisbon) register.

30. *Comité Interprofessionnel du Vin de Champagne v. Aldi Süd Dienstleistungs-GmbH & Co. OHG*, C-393/16.

31. *Tilda Riceland v. OHIM/Siam Grains* Case T136/14.

32. *WF Gözze Frottierweberei GmbH, Wolfgang Gözze v. Verein Bremer Baumwollbörse*, C-689/15, EU:C:2017:434.



# Chapter 7

## Copyright principles

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The purpose of this chapter is to introduce some copyright principles that are particularly relevant to the enforcement of copyright.

## A. Copyright law sources

1. *The TRIPS Agreement*:<sup>1</sup> The TRIPS Agreement contains several provisions relating to copyright and related rights. In particular, member countries of the WTO are obliged to comply with the major provisions of the Berne Convention. It also adds to the Berne Convention, for instance, the nature of copyrightable material is extended to cover computer programs (which must be protected as literary works) and compilations of data.<sup>2</sup>

2. *The Berne Convention*:<sup>3</sup> The Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886, is the first and foremost international instrument that deals with copyright. It has been the subject of a number of revisions, and the Paris revision of July 24, 1971, is 'incorporated' by reference into the TRIPS Agreement and the WIPO Copyright Treaty (see later).

3. *Berne principles*: The Berne Convention rests on three basic principles:<sup>4</sup>

- National treatment: Works originating in one of the contracting states (that is, the country where the author is a national or where works were first published in a contracting state) must be given the same protection in every other contracting state to the same extent as the latter grants to the works of its own nationals.<sup>5</sup>
- Automatic protection: Copyright protection may not be conditional upon compliance with any formality. This means that copyright protection is not dependent on registration or the like.

- Independence of protection: Copyright protection is independent of the existence of protection in the country of origin of the work. If, however, a contracting state provides for a longer term than the minimum prescribed by the Convention and the work ceases to be protected in the country of origin, protection may be denied as soon as protection in the country of origin ceases.

4. *The WIPO Copyright Treaty (WCT)*:<sup>6</sup> The WCT in a sense duplicates the provisions of the TRIPS Agreement by incorporating by reference all the substantive provisions of the Berne Convention and by including computer programs and compilations of data as protected works.

In addition, it sets out to clarify existing norms and, where necessary, creates new norms to respond to the problems raised by digital technology, particularly by the internet. This is referred to as the 'digital agenda.'

The provisions of the WCT relating to the 'agenda' cover the following issues: the rights applicable to the storage and transmission of works in digital systems, the limitations on and exceptions to rights in a digital environment, technological measures of protection and rights management information.

The WCT also deals in some detail with certain rights of specified authors (not only of authors of computer programs or databases) and accords them three, namely a distribution,<sup>7</sup> a rental and a communications right.<sup>8</sup>

5. *National laws*: Copyright is based on local statute, and it is accordingly territorial. Although copyright statutes are generally based on international instruments, particularly the Berne Convention and the TRIPS Agreement, there are a number of differences between common-law countries and civil-law countries. These differences are often due to different theoretical approaches to the matter.<sup>9</sup>

1. [http://www.tripsagreement.net/?page\\_id=40](http://www.tripsagreement.net/?page_id=40).

2. The provisions of the Universal Copyright Convention have not been made applicable by TRIPS, and it does not contain any provisions relevant to the present work.

3. [http://www.wipo.int/treaties/en/text.jsp?file\\_id=283698](http://www.wipo.int/treaties/en/text.jsp?file_id=283698).

4. [http://www.wipo.int/treaties/en/ip/berne/summary\\_berne.html](http://www.wipo.int/treaties/en/ip/berne/summary_berne.html).

5. Joined Cases 110/88, 241/88 and 242/88 *François Lucazeau and Others v. Société des auteurs, compositeurs et éditeurs de musique* (Sacem).

6. <http://www.wipo.int/treaties/en/ip/wct/>.

7. CASE NUMBER: 2001(JU) NO.952 Supreme Court, the First Petty Bench (Japan) Reporter: Minshu Vol.56, No.4, at 808.

8. *Filmpeler, C-527/15; GS Media BV v. Sanoma Media Netherlands BV and Others* C-160/15.

9. *Théberge v. Galerie d'Art du Petit Champlain Inc.* [2002] 2 SCR 336, 2002 SCC 34.

**BUTTERWORTH AND CO (PUBLISHERS) LTD v. NG SUI NAM** [1987] RPC 485 (HC):<sup>10</sup>

Copyright is a creation by statute, and whether or not a work is entitled to copyright protection depends on whether there is any statute which confers copyright in such work. It is not a matter of 'mercantile' law or anything of that kind.<sup>11</sup>

6. *Common-law countries*: The first Copyright Act was the U.K. Act of Anne of 1709 (or 1710) 'To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.' Many amendments followed until the U.K. Copyright Act of 1911 (1 & 2 Geo 5 ch 46). In the common-law countries that formed part of the British Empire, copyright laws were primarily based on this Act, which applied directly or by adoption.<sup>12</sup> The 1911 Act was replaced by the 1956 U.K. Copyright Act (4 & 5 Eliz 2 c 74), which formed the basis of further developments in some of these countries.<sup>13</sup>

The current U.K. Copyright, Designs and Patents Act of 1988 (as amended),<sup>14</sup> complies in addition to TRIPS with copyright directives of the EU. It differs in form from the classical common-law copyright statutes, although much remains the same.

7. *U.S. law*: The U.S. law on copyright is based on the copyright clause in its Constitution 'to promote the progress of science and useful arts by securing for limited times to Authors and Inventors the exclusive rights to their respective writings and discoveries.' It differs in some material respects from the common-law norm, and U.S. precedents must be approached with that in mind.

8. *Civil law*: Civil-law countries do not have a basic law similar to U.K. Copyright Act of 1911, but their laws developed congruently based on principles laid down in the French Literary and Artistic Property Act, Paris (1793), namely that an exclusive right is conferred on authors because their property flows from their intellectual creation; and on the Prussian Copyright Act of 1837, which recognized that the author rather than the publisher is at the center of the protection and that the protected subject matter consists of abstract works, rather than specific physical goods.<sup>15</sup>

9. *EU directives*: There are 10 EU copyright directives.<sup>16</sup> The first was adopted in an attempt to harmonize certain aspects of copyright law in the EU, such as the term of copyright. Others deal with more specific topics, such as databases, computer programs, orphan works and resale rights of original works of art.

## B. The nature of copyright

10. *Copyright and author's right*: The term 'copyright' is somewhat of a misnomer even though it is commonly used in the common-law tradition. The correct term, which is used within the civil-law tradition, is 'author's right.' The Berne Convention uses neither 'copyright' nor 'author's right.' Instead, it refers to 'every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression' and lists examples.

11. *Copyright and industrial rights*: Underlying the distinction between copyright and related rights (e.g., rights relating to performances of performing artists, phonograms and broadcasts) on the one hand and, on the other, industrial rights (such as patents, trademarks and industrial designs) is the theory that copyright concerns artistic creations, whereas industrial property concerns creations that are in principle for industrial purposes.

The supposition is no longer true; on the contrary, copyright has taken on a life of its own and has become an important industrial asset because it covers, for example, computer programs, architectural and engineering drawings and collections of data.<sup>17</sup>

10. Quoted in *King v. South African Weather Services* (716/07) [2008] ZASCA 143.

11. Also *Frank & Hirsch (Pty) Ltd. v. A Roopanand Brothers (Pty) Ltd.* (580/91) [1993] ZASCA 90; *Bishop v. Stevens*, [1990] 2 SCR 467, 1990 CanLII 75 (SCC).

12. Section 1(1): 'Subject to the provisions of this Act, copyright shall subsist throughout the parts of His Majesty's Dominions to which this Act extends for the term hereinafter mentioned in every original literary dramatic musical and artistic work ...' See also *Butterworth and Co (Publishers) Ltd v. Ng Sui Nam* [1987] RPC 485 (CA) [Singapore].

13. *Ashdown v. Telegraph Group Ltd* [2001] EWCA Civ 1142. The position in the United States is more complicated due to its federal structure.

14. <https://www.legislation.gov.uk/ukpga/1988/48/contents>.

15. L. Bently and M. Kretschmer (ed), *Primary Sources on Copyright* (1450-1900): [www.copyrighthistory.org](http://www.copyrighthistory.org).

16. <https://ec.europa.eu/digital-single-market/en/eu-copyright-legislation>.

17. *Golden China TV Game Centre and Others v. Nintendo Co Ltd* (55/94) [1996] ZASCA 103;

Copyright does, nevertheless, differ from industrial rights in some important respects. The author of a copyrighted work has a moral right to the creation, whereas the creator of industrial property has no such right. The author's right in a copyrighted work is also not dependent on formalities (such as registration) for its subsistence, whereas the subsistence of industrial rights is, as a rule, dependent on compliance with formalities (registration) prescribed by national law.

12. *Copyright as a negative right*: Although copyright has often been referred to in common-law jurisdictions as the intellectual property right of a copyright owner to prevent 'unauthorized productions' of a 'work' that is entitled to copyright,<sup>18</sup> that is not always a fair reflection of the modern approach. For instance, Canadian law defines 'copyright' as the sole right to do certain things in relation to a work, such as to produce or reproduce the work in any material form. The South African Act, similarly, provides that copyright in a literary or musical work vests the exclusive right to do or to authorize the doing of any of the listed exclusive acts (such as reproducing the work in any manner or form) within the country.

Civil law is no different. The Copyright Act of the Netherlands, for one, states that copyright is the exclusive right of the author of a literary, scientific or artistic work to communicate that work to the public and to reproduce it (s 1). In the words of German law, copyright protects the author in the author's intellectual and personal relationship to the work and the use of the work; and it serves to secure reasonable remuneration for the use of the work.<sup>19</sup>

13. *Copyright rights are exclusive rights*: The Berne Convention lists a number of exclusive rights that, subject to certain permitted reservations, limitations or exceptions, must be recognized as exclusive rights of authorization. The list includes the right of reproduction, the right of communication to the public and the performance right. It also allows for exceptions to copyright protection. These have been amplified by the TRIPS Agreement.

Robertson v. Thomson Corp., [2006] 2 SCR 363, 2006 SCC 43.

18. *Ashdown v. Telegraph Group Ltd* [2001] EWCA Civ 1142.

19. National laws can be found at the WIPO Intellectual Property Laws and Treaties Database (WIPO Lex) at [www.wipo.int/wipolex/en/](http://www.wipo.int/wipolex/en/).

14. *Copyright protects 'works'*: The Berne Convention uses an expansive and non-limiting definition of 'literary and artistic works' to describe the works that are entitled to copyright protection (Art. 2(1)). They 'include' every production in the literary, scientific and artistic domain, whatever may be the mode or form of expression, and the Convention lists many examples.

15. *Copyright protects expression and not ideas*:<sup>20</sup> The TRIPS Agreement entrenches the principle that copyright protection does not extend to ideas, procedures, methods of operation or mathematical concepts as such but applies to expressions only (Art. 9.2).<sup>21</sup> In the WIPO publication, *Principles of Copyright: Cases and Materials* (2002), professor David Vaver summed the 'ideas versus expression' dichotomy up under these headings: copyright does not subsist in style; mere news; history, historical incidents or facts and factoids; scientific principles or descriptions of an art; mere principles or schemes; methods of operation; or, in general ideas, e.g., for entertainment.

## C. Moral rights

16. *Nature of moral rights*: Moral rights are basically the right to make the work public (dissemination right), the right of recognition as the author (right of paternity)<sup>22</sup> and the right of preserving the integrity of the work (integrity right).<sup>23</sup> How these rights are circumscribed are matters for local legislation and judicial interpretation. They may survive the death of the author. The Berne Convention obliges member states to recognize the moral rights of authors in these terms:

Independently of the author's economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honor or reputation.

20. *Baigent & Anor v. The Random House Group Ltd* [2007] EWCA Civ 247.

21. *Designer Guild Limited v. Russell Williams (Textiles) Limited (Trading As Washington Dc)* [2000] UKHL 58; *R.G. Anand v. Delux Films and Ors.* AIR 1978 SC 1613.

22. *Hyperion Records Ltd v. Sawkins* [2005] EWCA Civ 565 (19 May 2005).

23. *Confetti Records (a firm) & Ors v. Warner Music UK Ltd (t/a East West Records)* [2003] EWHC 1274 (Ch).

**AMAR NATH SEHGAL v. UNION OF INDIA** 2005 (30) PTC 253:

The author has a right to preserve, protect and nurture his creations through his moral rights.

When an author creates a work of art or a literary work, it is possible to conceive of many rights which may flow. The first and foremost right which comes to one's mind is the 'paternity right' in the work, i.e. the right to have his name on the work. It may also be called the 'identification right' or 'attribution right'. The second right which one thinks of is the right to disseminate his work i.e. the 'divulgence or dissemination right'. It would embrace the economic right to sell the work for valuable consideration. Linked to the paternity right, a third right, being the right to maintain purity in the work can be thought of. There can be no purity without integrity. It may be a matter of opinion, but certainly, treatment of a work which is derogatory to the reputation of the author, or in some way degrades the work as conceived by the author can be objected to by the author. This would be the moral right of 'integrity'. Lastly, one can conceive of a right to withdraw from publication [one's] work, if the author feels that due to the passage of time and changed opinion it is advisable to withdraw the work. This would be the authors right to 'retraction'.

Except for the 'divulgence or dissemination right', which perhaps is guided by commercial considerations, the other three rights originate from the fact that the creative individual is uniquely invested with the power and mystique of original genius, creating a privileged relationship between a creative author and his work.

17. *Different approaches to moral rights*: The approach to moral rights differs between common-law and civil-law jurisdiction.<sup>24</sup> Generally speaking, the protection in civil-law countries is more extensive.

24. U.S. law differs from both: Digital Millennium Copyright Act 17 U.S.C. § 1202(b) and the Visual Artists Rights Act of 1990. See *Cohen v. G&M Realty LP* Case No. 13-CV-5612 (FB) (JMA).

**THEBERGE v. GALERIE D'ART DU PETIT CHAMPLAIN INC** 2002 SCC 34:

The Act provides the respondent with both economic and 'moral' rights to his work. The distinction between the two types of rights and their respective statutory remedies is crucial.

Generally speaking, Canadian copyright law has traditionally been more concerned with economic than moral rights. The economic rights are based on a conception of artistic and literary works essentially as articles of commerce.

Moral rights, by contrast, descend from the civil law tradition. They adopt a more elevated and less dollars and cents view of the relationship between an artist and his or her work. They treat the artist's œuvre as an extension of his or her personality, possessing a dignity which is deserving of protection. They focus on the artist's right (which is not assignable, though it may be waived) to protect throughout the duration of the economic rights (even where these have been assigned elsewhere) both the integrity of the work and his or her authorship of it (or anonymity, as the author wishes).

## D. Balancing private and public interests

18. *The balancing act*:

**THEBERGE v. GALERIE D'ART DU PETIT CHAMPLAIN INC** 2002 SCC 34:

The Copyright Act is usually presented as a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect and obtaining a just reward for the creator (or, more accurately, to prevent someone other than the creator from appropriating whatever benefits may be generated). This is not new.

The proper balance among these and other public policy objectives lies not only in recognizing the creator's rights but in giving due weight to their limited nature. In crassly



economic terms it would be as inefficient to over-compensate artists and authors for the right of reproduction as it would be self-defeating to undercompensate them. Once an authorized copy of a work is sold to a member of the public, it is generally for the purchaser, not the author, to determine what happens to it.

Excessive control by holders of copyrights and other forms of intellectual property may unduly limit the ability of the public domain to incorporate and embellish creative innovation in the long-term interests of society as a whole or create practical obstacles to proper utilization.

**ROBERTSON v. THOMSON CORP** 2006 SCC 43:

This Court has repeatedly held that the overarching purposes of the Copyright Act are twofold: promoting the public interest in the encouragement and dissemination of artistic and intellectual works, and justly rewarding the creator of the work. Since these purposes are often in opposition to each other, courts ‘should strive to maintain an appropriate balance between those two goals’.

19. *Constitutional considerations – freedom of speech and the press*: Jurisdictions that have a constitutionally protected right to free speech (including the freedom of the press) may have to consider whether a particular copyright claim may be affected or inhibited by constitutional considerations. A constitutional complaint concerning a copyright dispute requires a balancing of intellectual property rights with freedom of expression and press freedom.

**BUNDESGERICHTSHOF I ZR 191/08**<sup>25</sup> of 14 October 2010:

The sanctions [for copyright infringement] must be effective, proportionate and dissuasive. In the interpretation of the Directive and the implementation of national law, fundamental rights to freedom of expression and freedom of reporting may only be restricted in accordance with the principle of proportionality.

25. *Klinger v. Conan Doyle Estate Ltd*, U.S. Court of Appeal (7th Cir).

The protection of freedom of the press covers the protection of freedom of the law, the subject of reports to choose freely. It is not for the courts to determine whether a particular issue is at all newsworthy or not. The protection of fundamental rights includes freedom of expression and press freedom in all its dimensions. It covers not only the content but also in the form of expression or reporting.

**ASHDOWN v. TELEGRAPH GROUP LTD** [2001] EWCA Civ 1142:

The infringement of copyright constitutes interference with ‘the peaceful enjoyment of possessions’. It is, furthermore, the interference with a right arising under a statute which confers rights recognized under international convention and harmonized under European law. There is thus no question but that restriction of the right of freedom of expression can be justified where necessary in a democratic society in order to protect copyright. The protection afforded to copyright under the 1988 Act is, however, itself subject to exceptions. Thus both the right of freedom of expression and copyright are qualified.

It is important to emphasize in the present context that it is only the form of the literary work that is protected by copyright. Copyright does not normally prevent the publication of the information conveyed by the literary work. Thus it is only the freedom to express information using the verbal formula devised by another that is prevented by copyright. This will not normally constitute a significant encroachment on the freedom of expression. The prime importance of freedom of expression is that it enables the citizen freely to express ideas and convey information. It is also important that the citizen should be free to express the ideas and convey the information in a form of words of his or her choice. It is stretching the concept of freedom of expression to postulate that it extends to the freedom to convey ideas and information using the form of words devised by someone else.

Freedom of expression protects the right both to publish information and to receive it. There will be occasions when it is in the public interest

not merely that information should be published, but that the public should be told the very words used by a person, notwithstanding that the author enjoys copyright in them. On occasions, indeed, it is the form and not the content of a document which is of interest.

20. *Term of protection*: Copyright lasts for a prescribed term only, and once the term expires, the work becomes part of the public domain and may be reproduced in any manner or form.<sup>26</sup> The term for protection under the Berne Convention is, in very general terms, for the life of the author and 50 years after his death. The TRIPS Agreement adds that whenever the term of protection of a work, other than a photographic work or a work of applied art, is calculated on a basis other than the life of a natural person, it shall be no less than 50 years from the end of the calendar year of authorized publication, or, failing such authorized publication within 50 years from the making of the work, 50 years from the end of the calendar year of making.

21. *Fair dealing and fair use justification*: Copyright laws generally provide for, what is sometimes referred to as, a fair dealing exception to copyright infringement. The theory behind exceptions to copyright protection is to achieve a proper balance between protection of the rights of the author and public interest.<sup>27</sup> A Copyright Act is supposed to provide a balance between promoting the public interest in the encouragement and dissemination of works of the arts and intellect obtaining a just reward for the creator (or, more accurately, to prevent someone other than the author from appropriating whatever benefits may be generated).<sup>28</sup>

22. *International rights and obligations*: Article 9(2) of the Berne Convention states that national legislation may permit the reproduction of works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author. Article 13 of the TRIPS Agreement is in similar terms:

Members shall confine limitations or exceptions to exclusive rights to certain special

cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder.

The Berne requirements are cumulative and are to be applied one after the other.<sup>29</sup>

23. *Application of the Berne requirements*: The stepped approach described is perceivable in several laws, especially in the civil tradition, such as France, China, Portugal and Spain, but also now in Australia, which means that a court must assess in each instance whether all these conditions exist.

Other countries interpret the Berne Convention differently: the legislature prescribes what amounts to fair use, and the overriding conditions prescribed by Art 9.2 of the Berne Convention and Art 13 of TRIPS do not concern courts in deciding the issue in the ultimate event. An example would be a law that allows the reproduction of a work for the purposes of research or private use to an extent that will not unreasonably prejudice the interests of the owner of the copyright. This means that a court does not have any discretion to dispense with copyright protection and that where use is made of a substantial part of copyright, any defense must be brought squarely within one or more of the fair dealing provisions.<sup>30</sup>

It also means that fair dealing is a defense to copyright infringement and that the defendant has to allege and prove that his use falls within one of the exceptions.<sup>31</sup> Because we are dealing with exceptions, they have to be interpreted restrictively, i.e., in favor of the owner and against the public/user.<sup>32</sup> There is, however, a movement in some countries to consider the exceptions not as exceptions per se but rather as expressions of the rights of users or the public and to balance those against that of the author: 'Fair use is not just excused by the law; it is wholly authorized by the law.'<sup>33</sup> This

26. *Klinger v. Conan Doyle Estate Ltd*, U.S. Court of Appeal (7th Cir).

27. *Pro Sieben Media A.G. v. Carlton Television Ltd & Anor* [1998] EWCA Civ 2001.

28. *IceTV Pty Limited v. Nine Network Australia Pty Limited* [2009] HCA 14.

29. Cohen Jehoram, 'Restrictions on copyright and their abuse' [2005] EIPR 359; Ricketson, *The Berne Convention for the protection of literary and artistic works: 1886-1996* p 482.

30. *Pro Sieben Media A.G. v. Carlton Television Ltd & Anor* [1998] EWCA Civ 2001.

31. *CCH Canadian Ltd. v. Law Society of Upper Canada*, [2004] 1 SCR 339, 2004 SCC 13 (CanLII) at [48].

32. 'A directive which derogates from a general principle established by that directive must be interpreted strictly': *Case C265/16 VCAST v. RTI SpA*.

33. *Lenz v. Universal Music Corp.*, 801 F.3d 1126 (2015)

approach may have a profound effect on the application of the exceptions.<sup>34</sup>

#### 24. Assessing 'fair dealing':<sup>35</sup>

##### **FRASER-WOODWARD LTD v. BRITISH BROADCASTING CORPORATION BRIGHTER PICTURES LTD** [2005] EWHC 472 (Ch):

In considering whether the use in the present case amounted to fair dealing the following guidelines are relevant:

- i) It is relevant to have regard to the motives of the user (contrast the question of criticism and review where the focus is more on the actual use without, or without so much, reference to the motive).
- ii) Whether there is fair dealing is a matter of impression.

What amounts to fair dealing must depend on the facts of the particular case and must to a degree be a matter of impression. What is of prime importance is to consider the real objective of the party using the copyrighted work.

U.S. Court of Appeals for the Ninth Circuit.

- 34. *CCH Canadian Ltd. v. Law Society of Upper Canada*, [2004] 1 SCR 339, 2004 SCC 13 (CanLII); *Society of Composers, Authors and Music Publishers of Canada (SOCAN) v. Bell Canada*, 2012 SCC 36: the use of previews of musical works on commercial music websites amounts to fair dealing under s.29 of the Copyright Act. *Alberta (Education) v. Canadian Copyright Licensing Agency (Access Copyright)*, 2012 SCC 37: the photocopying of textbook excerpts by teachers, on their own initiative, to distribute to students as part of course materials is fair dealing pursuant to the provisions of the Copyright Act. *Entertainment Software Association and Entertainment Software Association of Canada v. Society of Composers, Authors and Music Publishers of Canada*, 2011 CanLII 16147 (SCC). Compare: *Case C-117/13 Tech. Uni. Darmstadt v. Eugen Ulmer KG*.
- 35. See also *HRH the Prince of Wales v. Associated Newspapers Ltd* [2006] EWHC 522 (Ch); *Ashdown v. Telegraph Group Ltd* [2001] EWCA Civ 1142; *Hubbard v. Vosper* [1972] 1 All ER 1023 (CA) [UK]; *Hyde Park Residence Ltd v. Yelland & Ors* [2000] EWCA Civ 37; *Newspaper Licensing Agency Ltd v. Marks & Spencer Plc* [2000] EWCA Civ 179; *Moneyweb (Pty) Limited v. Media 24 Limited and Another* [2016] ZAGPJHC 81. On private copying, which is generally unlawful, U.K. Intellectual Property Office Private Copying (2013).

Section 30 is designed to protect a critic or reviewer who may bona fide wish to use the copyright material to illustrate his review or criticism.

iii) If some degree of use would be fair dealing, excessive use can render the use unfair.

iv) In assessing whether the dealing is fair the court can have regard to the actual purpose of the work, and will be live to any pretense in the purported purpose of the work:

‘... it is necessary to have regard to the true purpose of the work. Is it a genuine piece of criticism or review, or is it something else, such as an attempt to dress up the infringement of another’s copyright in the guise of criticism, and so profit unfairly from another’s work?’

v) In the same vein, the amount of the work used can be relevant:

I may add, however, that the substantiality of the part reproduced is, in my view, an element which the Court will take into consideration in arriving at a conclusion whether what has been done is a fair dealing or not. To take an example, if a defendant published long and important extracts from a plaintiff’s work and added to those extracts some brief criticisms upon them, I think that the Court would be very ready to arrive at the conclusion that that was not fair dealing within the section.

vi) However, this must be carefully applied in relation to photographs. It makes more sense in relation to extended literary or musical works. If one is critiquing a photograph, or using it for the purpose of criticising another work, then the nature of the medium means that any reference is likely to be by means of an inclusion of most of the work because otherwise the reference will not make much sense. This degree of care is particularly appropriate in the context of a television program where the exposure is not as (for example) continuous or permanent as publication in printed form would be.

**CANADIAN COPYRIGHT LICENSING AGENCY v. YORK UNIVERSITY**, 2017 FC 669 (CanLII):

As the Supreme Court of Canada made clear, ‘fair dealing’ is a positive user right, not merely a defense to infringement. However, the burden of establishing fair dealing rests with the party asserting the right.

The analysis is a two-step process: first, the authorized purpose (in this case education) must be established and second, the dealing must be fair; ‘fair’ is not defined and is a question of fact depending on the circumstances of each case; and, the fairness analysis engages six non-exhaustive factors: purpose of the dealing, the character of the dealing, the amount of the dealing (amount of copying), alternatives to the dealing, the nature of the work, and the effect of the dealing on the work.

The first five features must be established by York. To the extent Access claims a negative effect of the dealing, the burden shifts to it to establish that factor.

Through the pentology of cases, the Supreme Court of Canada provided further guidance and underscored the importance of the rights of content users. However, importance does not equate with exclusivity or dominance. The analysis/fairness assessment requires a balancing of interests.

25. *Fair use in U.S. law*: U.S. law is different because it uses the concept of ‘fair use’ and sets out a list of purposes for which the reproduction of a particular work may be considered ‘fair,’ such as criticism, comment, news reporting, teaching, scholarship and research. It also sets out four factors that have to be considered in determining whether or not a particular use is fair: the purpose and character of the use, including whether such use is of commercial nature or is for nonprofit educational purposes, the nature of the copyrighted work, the amount and substantiality of the portion used in relation to the copyrighted work as a whole and the effect of the use upon the potential market for or value of the copyrighted work.<sup>36</sup>

36. *Louis Vuitton Malletier SA v. My Other Bag*, 156 F. Supp. 3d 425 - Dist. Court, SD New York 2016;

26. *Design defense*: It is recognized that because copyright protection may overlap with industrial design protection, the owner of a design right may be over-protected if they were also entitled to rely on copyright. Another problem relates to copyright protection in relation to spare parts: is it fair to prevent competitors to make spare parts using copyright laws?<sup>37</sup> Legislatures and courts approach these problems differently, and it is not possible to give a generally applicable set of rules.<sup>38</sup>

27. *Further possible exceptions*: Copyright conventions, in addition, permit a number of special exceptions or limitations on the rights of authors.<sup>39</sup> Examples relate to the exclusion of protection for political speeches and speeches in the course of legal proceedings; conditions under which lectures, addresses and like works that are delivered in public may be reproduced; the possible free use of certain articles and broadcast works and works seen or heard in connection with current events; compulsory licenses for broadcasting and the like; and the right to make quotations from a work, including quotations from newspaper articles and periodicals in the form of press summaries.

28. *The Appendix to the Berne Convention*:<sup>40</sup> It contains additional discretionary exclusions. Developing countries are, for instance, entitled, in relation to works published in printed or analogous forms of reproduction, to substitute for the exclusive right of translation a system of non-exclusive and non-transferable licenses, granted by a competent authority subject to conditions, and article III permits a licensing system for the publication of certain published works for educational purposes.

29. *The Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled*:<sup>41</sup> The Marrakesh

*Cambridge University Press et al. v. Patton et al* October 17, 2014 (U.S. Court of Appeals, 11th Circuit).

37. *British Leyland Motor Corp. v. Armstrong Patents Co* [1986] 1 All ER 850; *Klep Values (Pty) Ltd. v. Saunders Value Company Ltd.* (493/84/av) [1986] ZASCA 157.

38. Cf *Star Athletica, LLC v. Varsity Brands, Inc* 580 U.S. (2017); *Fisher-Price v. Dvoron Import [Israel]*; *Samsonite Corporation v. Vijay Sales* [2000] FSR 463 (HC) [India].

39. See further Article 15 Rome Convention; Article 13 TRIPS Agreement; Article 10 WCT; Article 16 WPPT.

40. [http://www.wipo.int/treaties/en/text.jsp?file\\_id=283698](http://www.wipo.int/treaties/en/text.jsp?file_id=283698).

41. <http://www.wipo.int/treaties/en/ip/marrakesh/>.

Treaty was adopted on June 27, 2013, in Marrakesh. It has a humanitarian and social development dimension, and its main goal is to create a set of mandatory limitations and exceptions for the benefit of the blind, visually impaired and otherwise print disabled.

30. *Exhaustion of rights*: Each country can decide on its own exhaustion regime.

**KIRTSAENG v. JOHN WILEY & SONS, INC.**, USSC No. 11-697 (18 March 2013):

In the absence of agreement at the international level, each country has been left to choose for itself the exhaustion framework it will follow. One option is a national-exhaustion regime, under which a copyright owner's right to control distribution of a particular copy is exhausted only within the country in which the copy is sold. Another option is a rule of international exhaustion, under which the authorized distribution of a particular copy anywhere in the world exhausts the copyright owner's distribution right everywhere with respect to that copy. The European Union has adopted the intermediate approach of regional exhaustion, under which the sale of a copy anywhere within the European Economic Area exhausts the copyright owner's distribution right throughout that region. [This] Court's decision, in contrast, places the United States solidly in the international-exhaustion camp.

31. *National exhaustion*: The 'first sale' doctrine limits the copyright owner's 'exclusive rights' to authorize or distribute copies of a copyrighted work to the public. It provides that a sale of a 'lawfully made' copy terminates the copyright holder's authority to interfere with or control subsequent sales or distributions of that particular copy. In short, through the first sale doctrine, the first purchaser and any subsequent purchaser of that specific copy of a copyrighted work receive the right to sell, display or dispose of their copy. If copyright owner A sells a copy of a work to B, B may sell that particular copy without violating the law. B does not, however, receive the right to reproduce and distribute additional copies made from that work. Thus, if B makes any unauthorized copies of that work, he or she violates the law.<sup>42</sup>

42. *Art & AllPosters International BV v. Stichting Pictoright*, C-419/13, ECLI:EU:C:2015:27.

**INTERSTATE PARCEL EXPRESS CO PTY LTD v. TIME-LIFE INTERNATIONAL (NEDERLANDS) BV** [1977] HCA 52:

The owner of copyright has not the exclusive right to use or sell the work in which copyright subsists. The buyer of a book in which copyright subsists does not need the consent of the owner of the copyright to read, or speaking generally to re-sell, the book. The necessity to imply a term in the contract which exists when a patented article is sold does not arise on the sale of a book the subject of copyright. It was not, and could not be, suggested that the sale of a copy of a book is a license to do the acts comprised in the copyright.

32. *International exhaustion*:<sup>43</sup> Copyright may be in different hands in the country of export and the country of import. This may be as a result of an assignment of the rights. A South African case held that the copyright owner in the importing country (South Africa), who became owner by means of an assignment, may prevent the importation of a work made by the Japanese copyright owner in Japan.<sup>44</sup> A later Canadian case<sup>45</sup> deals with the unusual position of an exclusive licensee in the importing country and held that such a person may not prevent the importation of goods made under license of the copyright holder/licensor.<sup>46</sup>

## E. Related rights

33. *Related rights*: Rights related to copyright are dealt with by conventions other than the Berne Convention. These are listed,<sup>47</sup> but will not be discussed separately because there is hardly any case law available and because they do not create problems with interpretation or application.

43. *KK Sony Computer Entertainmentan v. Pacific Game Technology (Holding) Ltd* [2006] EWHC 2509 (Pat).

44. *Frank & Hirsch (Pty) Ltd. v. A Roopnand Brothers (Pty) Ltd.* (580/91) [1993] ZASCA 90. *Interstate Parcel Express Co Pty Ltd v. Time-Life International (Nederlands) BV* [1977] HCA 52.

45. *Euro-Excellence Inc. v. Kraft Canada Inc.*, [2007] 3 SCR 20, 2007 SCC 37 (CanLII).

46. For the position in the United States: *Kirtsaeng v. John Wiley & Sons, Inc.*, No. 11-697 (18 March 2013).

47. WIPO Publication No.489 Ch 5 'International Treaties and Conventions on Intellectual Property', <http://www.wipo.int/export/sites/www/about-ip/en/iprm/pdf/ch5.pdf>.

34. *Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (1961)*: The Rome Convention secures protection for a period of 20 years in performances of performers, phonograms of producers of phonograms and broadcasts of broadcasting organizations.

35. *Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (1971)*: This Convention obliges contracting states to protect a producer of phonograms who is a national of another contracting state against the making of duplicates without the consent of the producer; the importation of such duplicates, where the making or importation is for the purposes of distribution to the public; and the distribution of such duplicates to the public.

36. *Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite (1974)*: The Brussels Convention provides for the obligation of contracting states to take adequate measures to prevent the unauthorized distribution on or from their territory of any program-carrying signal transmitted by satellite.

37. *WIPO Performances and Phonograms Treaty (1996)*: It deals with the IP rights of two kinds of beneficiaries, namely, performers (actors, singers, musicians, etc.) and producers of phonograms (the persons or legal entities who or which take the initiative and have the responsibility for the fixation of the sound).



# Chapter 8

## Enforcement of copyright: subsistence

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## A. Introduction

1. *Enforcement of copyright has two legs*: The first leg requires proof of the existence (subsistence) of the right of the claimant, and the second requires proof of the infringing act.

**FISHER & PAYKEL FINANCIAL SERVICES LIMITED v. KARUM GROUP LLC** [2012] NZHC 3314:

In order to establish breach of copyright, [the claimant] has to establish that:

- (a) It is the owner of a copyright work;<sup>1</sup> and
- (b) [the defendant] has infringed its copyright.

For the sake of convenience, the second issue, infringement, is discussed in the next chapter. Liberal use will be made of the structure used in the just quoted judgment in the New Zealand High Court, dealing with, *inter alia*, copyright in a computer program. The judgment was upheld on appeal,<sup>2</sup> but because the appeal judgment dealt with limited issues only, the High Court judgment will be used as a point of reference.<sup>3</sup>

2. *Subsistence of copyright does not depend on formalities*: It is a general principle, established by the Berne Convention,<sup>4</sup> that the subsistence of copyright may not be dependent on formalities, such as registration. Some laws do provide for the possibility of registration, but that is for purposes of proof only: there is a presumption that the registration is valid and that the registered owner does have copyright in the work deposited or described. Registration may also be required for purposes of enforcement, as appears to be the case in the United States.<sup>5</sup>

3. *Copyright is a technical subject*: The fact that copyright is not registered means that a person who wishes to assert copyright must prove the subsistence of copyright. In connection with works such as computer

programs, cinematographic works and the like, it may be an arduous and expensive exercise.

**VAGAR v. TRANSAVALON (PTY) LTD** 1977 (3) SA 766 (W):<sup>6</sup>

Copyright is a technical subject. In my view it is essential that a person who claims to be the owner of a whole or partial copyright should offer evidence, even if it is hearsay evidence in circumstances that may justify the use of hearsay evidence, to cover the technical points necessary to establish his claim.

4. *The ‘technical points’ to establish copyright*:<sup>7</sup>

**FISHER & PAYKEL FINANCIAL SERVICES LIMITED v. KARUM GROUP LLC** [2012] NZHC 3314:

In order to establish ownership, [the claimant] must show:

- (a) The software is a work in which copyright can subsist;<sup>8</sup>
- (b) Copyright in fact subsists in the software; and
- (c) [the claimant] owns the copyright in the software.

In order to establish that copyright subsists in a work, it must be shown that the work is:

- (a) Original (s 14(1) of the Copyright Act 1994);
- (b) That it qualifies for copyright under either s 18, because the author(s) are citizens of New Zealand or a prescribed country or s 19, because the work has been first published in New Zealand or a prescribed country; and
- (c) The work has been recorded in writing or otherwise (s 15).

## B. Ownership and authorship

5. *Ownership and conferral of copyright*: As shown, the right to enforce copyright belongs to the owner of the

1. See section B that follows.  
 2. *Karum Group LLC v. Fisher & Paykel Financial Services Limited* [2014] NZCA 389.  
 3. A similarly structured judgment on copyright in a musical work is *Eight Mile Style v. National Party* [2017] NZHC 2603.  
 4. [http://www.wipo.int/treaties/en/text.jsp?file\\_id=283698](http://www.wipo.int/treaties/en/text.jsp?file_id=283698).  
 5. National laws can be found at the WIPO Intellectual Property Laws and Treaties Database (WIPO Lex) at [www.wipo.int/wipolex/en/](http://www.wipo.int/wipolex/en/).

6. Quoted with approval in *Payen Components South Africa Ltd. v. Bovic Gaskets CC and Others* 1995 (4) SA 441 (AD); [1995] 2 All SA 600 (A).  
 7. *Toner v. Kean Construction (Scotland) Ltd & Anor* [2009] ScotCS CSOH\_105.  
 8. See section C that follows.

copyright and not necessarily to the author. Conferral of copyright and ownership of copyright accordingly do not necessarily coincide. There are three aspects to this, namely the wide meaning of the term ‘author’, the difference between ‘author’ and ‘owner’ and transmissibility. These are dealt with in the subsequent paragraphs.

6. *Wide meaning of ‘author’*: Although the ‘author,’ in relation to a literary, musical or artistic work, is the person who first makes or creates the work, depending on national legislation, the same does not necessarily apply to other works, e.g., in the case of a photograph, the ‘author’ may be the person who was responsible for the composition of the photograph or the person who commissioned it, the author of a sound recording may be the person who made the arrangements for the making of the sound recording and the author of a cinematograph film also may be the person by whom the arrangements for the making of the film are made.<sup>9</sup> A person who performs a mere mechanical function is not an author.<sup>10</sup> Copyright Acts recognize the concept of joint authors.<sup>11</sup>

7. *Author and owner*:

**KING v. SOUTH AFRICAN WEATHER SERVICES** (716/07) [2008] ZASCA 143:

Copyright infringement is actionable ‘at the suit of the owner of the copyright’. It is only actionable at the suit of the author if the author is also the owner.

The word ‘author’ has a technical meaning, and the author is not necessarily the person who first makes or creates a work. It depends on the nature of the work. In the case of a computer program, the author is ‘the person who exercised control over the making of the computer program’.

The author of a work that attracts copyright is usually the first owner of the copyright but that need not necessarily be the case. An excep-

tion, which applies to computer programs amongst others, concerns the case of a work ‘made in the course of the author’s employment by another person under a contract of service’: in this event, the employer is ‘the owner of any copyright subsisting in the work’. There is another relevant exception that concerns works which were made ‘by or under the direction or control of the state’ – ownership of any such copyright initially vests in the state and not in the author.

8. *Employees*: The employer – and not the actual author – is often the first owner of any copyright subsisting in works made ‘in the course of the author’s employment’ under an employment contract. This kind of provision, which is typical in common-law jurisdictions, is also found in civil-law countries, especially in respect of technical works and computer programs.

9. *Independent contractors and commissioned works*: An author who is an independent contractor retains copyright.<sup>12</sup> Where a person commissions the taking of a photograph, the painting or drawing of a portrait or the making of a cinematograph film or a sound recording, and pays or agrees to pay for it when the work is made in pursuance of that commission, the person who commissioned the work may be the owner of the copyright in the work.

10. *Transmissibility and right of action*:<sup>13</sup> Copyright is transmissible by assignment or by operation of law, but, as mentioned, moral rights are not. The right of action (except in relation to moral rights) belongs to the ‘owner,’ who may be an assignee or cessionary.<sup>14</sup> Exclusive licensees may also have an independent right of action without affecting the rights of the copyright owner.<sup>15</sup>

9. There are further possibilities under Art.14bis of the Berne Convention.

10. *Cala Homes (South) Ltd & Ors v. Alfred McAlpine Homes East Ltd* [1995] EWHC 7 (Ch). Cf *Najma Heptulla vs Orient Longman Ltd. And Ors* 1989 PTC 157.

11. *Fisher v. Brooker & Ors* [2009] UKHL 41; *Feldman NO v. EMI Music SA (Pty) Ltd* 2010 (1) SA 1 (SCA).

12. *Telephonic Communicators International Pty Ltd v. Motor Solutions Australia Pty Ltd* [2004] FCA 942 (21 July 2004).

13. *Crosstown Music Company 1, LLC v. Rive Droite Music Ltd & Ors* [2010] EWCA Civ 1222.

14. *Frank & Hirsch (Pty) Ltd. v. A Roopanand Brothers (Pty) Ltd.* (580/91) [1993] ZASCA 90.

15. *Klep Values (Pty) Ltd. v. Saunders Value Company Ltd.* (493/84/av) [1986] ZASCA 157.

## C. 'Work'

### 11. Need to identify the 'work':

**MICROSOFT CORPORATION v. PC CLUB AUSTRALIA PTY LTD** [2005] FCA 1522 [Australia]:

Copyright protection is only available to what are referred to in the Copyright Act as 'literary, dramatic, musical and artistic works' or 'subject-matters other than works.' As a first step in bringing an action for infringement of copyright in a literary work, it is necessary to demonstrate that copyright subsists in that work.<sup>16</sup>

12. *Types of works*: Copyright laws have different approaches toward the definition of copyrightable works. Some laws distinguish between literary works,<sup>17</sup> musical works, artistic works, cinematographic films, sound recordings, broadcasts, program-carrying signals, published editions (compilations) and databases. Each type of work may be defined and the rights attaching to each circumscribed. These definitions are wide-ranging.

Others, like Canada, apply the term 'original literary, dramatic, musical and artistic work' to every original production in the literary, scientific or artistic domain, whatever may be the mode or form of its expression, 'such as' compilations, books, pamphlets and other writings, lectures, dramatic or dramatico-musical works, musical works, translations, illustrations, sketches and plastic works relative to geography, topography, architecture or science.

This is not much different from the civil tradition where the general concept of the Berne Convention, namely that 'literary, scientific or artistic works' are defined by means of a similar list, but there one finds that the definition is extended because the list is not exclusive and can 'generally [include] any creation in the literary, scientific or artistic areas, whatever the mode or form of its expression', as in the Dutch definition.

13. *Definition of 'literary work'*: The Berne Convention uses an expansive and non-limiting definition of 'literary and artistic works' to describe the works that are entitled to copyright protection, because these works 'include' every production in the 'literary, scientific and

artistic domain', whatever may be the mode or form of expression, 'such as' books, pamphlets and other writings and so forth.

In common-law jurisdictions, 'literary works' were, historically, defined to 'include' irrespective of literary quality and in whatever mode or form expressed, novels, stories and poetical works; dramatic works, stage directions, cinematograph film scenarios and broadcasting scripts; textbooks, treatises, histories, biographies, essays and articles; encyclopedias and dictionaries; letters, reports and memoranda; and lectures, speeches and sermons.

Currently, U.K. law defines it as any work, other than a dramatic or musical work, that is written, spoken or sung, and accordingly includes (a) a table or compilation and (b) a computer program. Dutch law is similar by granting copyright protection to 'books, pamphlets, newspapers, periodicals and all other writings.'

14. *Expansive and unorthodox meaning of 'literary'*: All these definitions attach a meaning to 'literary' that is quite different from the orthodox dictionary meaning. Quality, especially literary quality, is not relevant.

**UNIVERSITY OF LONDON PRESS LTD v. UNIVERSITY TUTORIAL PRESS LTD** [1916] 2 Ch 601:<sup>18</sup>

It may be difficult to define 'literary work' as used in this Act, but it seems to be plain that it is not confined to 'literary work' in the sense in which that phrase is applied, for instance, to Meredith's novels add the writings of Robert Louis Stevenson. In speaking of such writings as literary works one thinks of the quality, the style, and the literary finish which they exhibit. Under the Act of 1842, which protected 'books', many things which have no pretensions to literary style acquired copyright; for example, a list of registered bills of sale, a list of foxhounds and hunting days, and trade catalogues; and I see no ground for coming to the conclusion that the present Act was intended to curtail the rights of authors. In my view the words 'literary work' cover work which is expressed in print or

16. Also *Nova Productions Ltd v. Mazooma Games Ltd & Ors* [2007] EWCA Civ 219.

17. Computer programs must, by virtue of a TRIPS requirement, be protected as literary works.

18. The images are available at <https://www.cipil.law.cam.ac.uk/virtual-museum/university-london-press-v-university-tutorial-1916-2-ch-601>.

writing, irrespective of the question whether the quality or style is high. The word 'literary' seems to be used in a sense somewhat similar to the use of the word 'literature' in political or electioneering literature and refers to written or printed matter.

15. *Definition of 'artistic work'*: An 'artistic work' in terms of copyright definitions is not necessarily 'artistic' within the dictionary meaning of the word. These definitions also do not require any artistic value or even artistic intent. The term 'artistic work' may refer to any graphic work, photograph, sculpture or collage, irrespective of artistic quality, work of architecture being a building or a model for a building or work of artistic craftsmanship.<sup>19</sup>

## D. Originality

16. *Originality*: The next inquiry is whether the 'work' was original.<sup>20</sup> The types of works listed in Copyright Acts are 'eligible for copyright' provided they are 'original.' Although that presupposes, as a general rule, two different inquiries: first, whether the work falls within one of the categories of 'works' and, if so, whether it was original, the concept of 'work' and 'originality' are intertwined.<sup>21</sup> Whether an alleged work is proper subject-matter for copyright protection involves an objective test, both in respect of originality and 'work'.

The approach to the concept of 'originality' differs from jurisdiction to jurisdiction as will be shown.

The inquiry is not whether its parts are original. A work may be original even if its making involves the infringement of copyright in some other work. That would be the case where the work infringes by taking a substantial part of the premier work but, in addition, contains original material. A second version or edition of a work is entitled to its own copyright provided it differs in substance from the first (i.e. is not a mere copy).

19. *Nova Productions Ltd v. Mazooma Games Ltd & Ors* [2007] EWCA Civ 219; *Klep Values (Pty) Ltd. v. Saunders Value Company Ltd.* (493/84/av) [1986] ZASCA 157.
20. *Baigent & Anor v. The Random House Group Ltd* [2007] EWCA Civ 247; *Designer Guild Limited v. Russell Williams (Textiles) Limited* [2000] UKHL 58.
21. This may also depend on the statutory formulation: *Exxon Corp v. Exxon Insurance Consultants Ltd* [1982] Ch 119 (CA) [UK].

Where a defendant does not copy the plaintiff's 'work' but takes from it parts that are primarily commonplace, the plaintiff's burden of proving originality and infringement may be more difficult than otherwise. This does not imply that the plaintiff's work may be deconstructed to assess originality.<sup>22</sup>

17. *Common-law approach*: Typically, common-law jurisdictions that follow U.K. precedents require a very low level of 'originality' and have denigrated the requirement of originality to the question of whether the author has copied the work, also known as the 'sweat of the brow' test.<sup>23</sup> The sweat of the brow test for originality requires a substantial (or not trivial) degree of skill, judgment or labour in the creation of the work.<sup>24</sup> The reason for the extensive interpretation approach may be the fact that U.K. law does not recognize a general tort of unfair competition and that matters that could have been protected by such a tort are given the generous protection of copyright laws.

The approach of the U.S. Supreme Court is different. Its test is this:<sup>25</sup>

Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity.

Canadian jurisprudence is moving toward an intermediate position. This judgment of the Supreme Court of Canada deals with the opposing views and suggests a compromise.

22. *Henkel KGAA v. Holdfast NZ Limited* [2006] NZSC 57 (4 August 2006). See also *Holdfast NZ Ltd v. Henkel KGAA* [2006] NZCA 88; [2007] 1 NZLR 336 (17 May 2006).
23. *The Newspaper Licensing Agency Ltd & Ors v. Meltwater Holding BV & Ors* [2010] EWHC 3099 (Ch).
24. *Appleton and Another v. Harnischfeger Corporation and Another* (495/92) [1994] ZASCA 141; *Haupt t/a Softcopy v. Brewers Marketing Intelligence (Pty) Ltd. and Others* (118/05) [2006] ZASCA 40; *Fairfax Media Publications Pty Ltd v. Reed International Books Australia Pty Ltd* [2010] FCA 984 (7 September 2010) *IceTV Pty Limited v. Nine Network Australia Pty Limited* [2009] HCA 14 (22 April 2009).
25. *Feist Publications, Inc., v. Rural Telephone Service Co.*, 499 U.S. 340 (1991). For a full analysis, see *Global Yellow Pages Ltd v. Promedia Directories Pte Ltd* [2017] SGCA 28.

**CCH CANADIAN LTD v. LAW SOCIETY OF UPPER CANADA** 2004 SCC 13:

There are competing views on the meaning of ‘original’ in copyright law. Some courts have found that a work that originates from an author and is more than a mere copy of a work is sufficient to ground copyright. This approach is consistent with the ‘sweat of the brow’ or ‘industriousness’ standard of originality, which is premised on a natural rights or Lockean theory [John Locke’s] of ‘just desserts’, namely that an author deserves to have his or her efforts in producing a work rewarded.

Other courts have required that a work must be creative to be ‘original’ and thus protected by copyright. This approach is also consistent with a natural rights theory of property law; however, it is less absolute in that only those works that are the product of creativity will be rewarded with copyright protection. It has been suggested that the ‘creativity’ approach to originality helps ensure that copyright protection only extends to the expression of ideas as opposed to the underlying ideas or facts.

I conclude that the correct position falls between these extremes. For a work to be ‘original’ within the meaning of the Copyright Act, it must be more than a mere copy of another work. At the same time, it need not be creative, in the sense of being novel or unique. What is required to attract copyright protection in the expression of an idea is an exercise of skill and judgement. By skill, I mean the use of one’s knowledge, developed aptitude or practised ability in producing the work. By judgement, I mean the use of one’s capacity for discernment or ability to form an opinion or evaluation by comparing different possible options in producing the work. This exercise of skill and judgement will necessarily involve intellectual effort. The exercise of skill and judgement required to produce the work must not be so trivial that it could be characterized as a purely mechanical exercise. For example, any skill and judgement that might be involved in simply changing the font of a work to produce ‘another’ work would be too trivial to merit copyright protection as an ‘original’ work.

In reaching this conclusion, I have had regard to: (1) the plain meaning of ‘original’; (2) the history of copyright law; (3) recent jurisprudence; (4) the purpose of the Copyright Act; and (5) that this constitutes a workable yet fair standard.

18. *Civil-law approach*: The civil law has a stricter approach. It generally requires some level of creativity.<sup>26</sup> The work must carry the personal stamp of the author.<sup>27</sup>

**INFOPAQ INTERNATIONAL A/S v. DANSKE DAGBLADES FORENING** [2009] EUECJ C-5/08:

Article 2(a) of Directive 2001/29 provides that authors have the exclusive right to authorize or prohibit reproduction, in whole or in part, of their works. It follows that protection of the author’s right to authorize or prohibit reproduction is intended to cover ‘work’.

It is, moreover, apparent from the general scheme of the Berne Convention, in particular, Article 2(5) and (8), that the protection of certain subject-matters as artistic or literary works presupposes that they are intellectual creations.

Copyright is liable to apply only in relation to a subject-matter which is original in the sense that it is its author’s own intellectual creation. As regards the parts of a work, it should be borne in mind that there is nothing in Directive 2001/29 or any other relevant directive indicating that those parts are to be treated any differently from the work as a whole. It follows that they are protected by copyright since, as such, they share the originality of the whole work. In the light of the considerations referred to the various parts of a work thus enjoy protection, provided that they contain elements which are the expression of the intellectual creation of the author of the work.

26. *Construction Denis Desjardins inc. v. Jeanson*, 2010 QCCA 1287 (CanLII).

27. *The Newspaper Licensing Agency Ltd & Ors v. Meltwater Holding BV & Ors* [2011] EWCA Civ 890 Case C-604/10 *Football Dataco and Others v. Yahoo! UK Ltd*.

**EVA-MARIA PAINER v. STANDARD VERLAGSGMBH AND OTHERS** Case C-145/10:

A portrait photograph can be protected by copyright if such photograph is an intellectual creation of the author reflecting his personality and expressing his free and creative choices in the production of that photograph.

**CASE NUMBER: 2003(WA)NO.12551**, 2004(WA)NO.8021 Tokyo District Court, 47<sup>th</sup> Civil Division:

This case must be understood in the light of the definition of ‘work’ in Japanese law, namely ‘work’ means a production in which thoughts or sentiments are expressed in a creative way and which falls within the literary, scientific, artistic or musical domain.

## E. Criteria of eligibility for protection

19. *When is copyright conferred on a work, i.e., when does a work qualify for copyright?:* Copyright may be conferred on a work under three alternative circumstances: (a) if the author is a qualified person, (b) by first publication or (c) state (crown) copyright.

20. *Qualified persons:* Copyright is conferred on every work, eligible for copyright, of which the author is, at the time the work is made, a ‘qualified person.’ This applies to published and unpublished works. A ‘qualified person’ is an individual who is a local citizen or is domiciled or resident within the jurisdiction or a body incorporated under local laws.

To give effect to the requirement of *national treatment*, as required by the Berne Convention, citizens of a convention country or persons there domiciled or resident, and juristic persons there incorporated, are deemed to be ‘qualified persons.’<sup>14</sup>

21. *First publication:* If the work was not made by a qualified author, copyright will be conferred on a work if the work was first published within the local jurisdiction or in a convention country.<sup>28</sup>

22. *State (crown) copyright:* Copyright may also be conferred on a work made by or under the direction or control of the State or an international organization. In such event, the initial copyright vests in the State or international organization and not in the author.

## F. Fixation

23. *Fixation is an optional requirement:* According to the Berne Convention, it is a matter for legislation for each country to prescribe that works in general or any specified categories of works will not be protected unless they have been fixed in some material form. (The terminology used in statutes differs in this regard.) As a rule, works are not eligible for copyright unless they have been written down, recorded, represented in digital data or signals or otherwise ‘reduced to a material form.’

The rule does not apply to works that are not literary, dramatic or musical, such as a broadcast or program-carrying signal: they require either a broadcast or transmission to be eligible for copyright.

**CHEN WEIHUA v. CHENGDU COMPUTER BUSINESS INFORMATION WEEKLY** Judgment No. (1999) 18 Intellectual Property Branch of Haidian District Court:

The term ‘works’ means intellectual creations with originality in the literary, artistic or scientific domain and to the extent that they are capable of being reproduced in a tangible form. An intellectual creation should be fixed in a tangible medium of expression and kept stable enough to permit it to be reproduced or contacted by the public directly or with the help of some machines. The work is a literary description of 3D technology, in character of originality. Besides, it could be fixed in a digital format in the hard disc of a computer and uploaded onto the internet through a www server and kept stable enough to be accessed and reproduced by the public via any host. Therefore, the work is deemed to be a copyrightable work. The time of its first publication should be the time when it was first uploaded onto the personal homepage.

28. The term has a technical meaning. See e.g., *Fisher & Paykel Financial Services Limited v. Karum Group LLC* [2012] NZHC 3314 para [176].

## G. Proving subsistence of copyright

24. *Proof of subsistence of copyright*: It will immediately be clear that proving subsistence of copyright can be bothersome. It is consequently not surprising that most laws contain special provisions for alleviating this problem. There are three models (apart from oral evidence), but they are not exclusive or self-excluding: registration (notification),<sup>29</sup> affidavit evidence and presumptions. These matters are dealt with in the chapter on criminal enforcement and are therefore omitted from this chapter.

29. See WIPO's survey on the registration requirement: [http://www.wipo.int/copyright/en/registration/registration\\_and\\_deposit\\_system\\_03\\_10.html](http://www.wipo.int/copyright/en/registration/registration_and_deposit_system_03_10.html).

# Chapter 9

## Copyright: the infringing act

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## A. Introduction

1. *Scope of chapter*: As pointed out in the preceding chapter, to establish copyright infringement, two things must be established, namely, (a) ownership of copyright and (b) the infringing act. This chapter deals with the second and assumes that the claimant has satisfied the first.<sup>1</sup>

2. *Types of infringement*: Copyright laws tend to distinguish between direct (primary) and indirect (secondary) infringement.

**STEVENS v. KABUSHIKI KAISHA SONY COMPUTER ENTERTAINMENT** [2005] HCA 58:

Copyright remains defined in the Act primarily in terms of the doing (or the authorizing of the doing) of any of various acts listed as those comprised in the relevant copyright. Other infringement provisions include those dealing with importation for sale and hire and sale and other dealings. It follows from this specificity that not all activities involving the use of copyright material require a license to escape infringement.

The two will be discussed separately.

3. *Proof of copyright infringement requires proof of lack of consent*:<sup>2</sup> If disputed, the claimant must establish the lack of consent. Consent can be either express or implied. Consent may be presumed from the circumstances. The inference of consent must be clear before it will operate and must come from the person holding the right.<sup>3</sup>

## B. Direct infringement

4. *Relationship between the original and the copy*: The rights of an author are all rights in relation to derivations from the original. What this, in general, means is that the accused work must be a 'copy' or reproduction of the owner's work and that there must be some causal connection between the two works. The copyrighted work must be the source from which the infringing work is derived.

There is no reproduction where two persons produce substantially similar works through independent effort.

5. *Infringing acts*: Copyright statutes, as a rule, define acts of infringement, e.g., reproducing or translating a literary work, performing it in public or broadcasting it. It is not feasible to discuss all these possibilities, and the emphasis will be on a few aspects important for enforcement. The main form of infringement is reproducing or copying the copyright work.

Copyright is infringed by any person, not being the owner of the copyright, who, without the license of the owner, does or causes any other person to do, within the jurisdiction, any act that the owner has the exclusive rights to do or to authorize.

6. *Berne Convention*:<sup>4</sup> Although the term 'reproduction' is not defined in the Berne Convention, it guarantees authors the right of reproduction in any manner or form.

**ROBERTSON v. THOMSON CORP** 2006 SCC 43:

Article 9 of the Berne Convention guarantees authors a right of reproduction of works 'in any manner or form', which the WIPO Guide to the Copyright and Related Rights Treaties Administered by WIPO and Glossary of Copyright and Related Rights Terms (2003), at p. 55, develops as follows:

The text of the Berne Convention does not contain any complete and explicit definition of 'reproduction'. Certain elements of the concept of reproduction may, however, be identified in it. A good example is the clarification offered in Article 9(3) [sound or visual recordings deemed to be reproductions] which makes it obvious that it is not a condition that, on the basis of the reproduction, the copy of the work be directly perceivable; it is sufficient if the reproduced work may be made perceivable through appropriate equipment.

1. *Global Yellow Pages Ltd v. Promedia Directories Pte Ltd* [2017] SGCA 28.  
 2. *Albian Sands Energy Inc. v. Positive Attitude Safety System Inc.*, 2005 FCA 332 at [39].  
 3. *Tajdin v. Aga Khan*, 2012 FCA 12 (CanLII); *Pinto v. Bronfman Jewish Education Centre*, 2013 FC 945.

4. <http://www.wipo.int/treaties/en/ip/berne/>.

7. *Reproduction*: Reproduction requires not only a reproduction of the work but also that it must have been ‘copied,’ i.e., there must be a causal connection between the copyright work and the ‘copy.’<sup>15</sup>

**CREATIVE TECHNOLOGY LTD v. AZTECH SYSTEMS PTE LTD** [1997] FSR 491:

To ‘reproduce’ within the meaning of the Act means to copy and in order for there to have been an infringement of the copyright in an original work it must be shown (i) that there is sufficient objective similarity between the alleged infringing work and the original work, or a substantial part thereof, for the former to be properly described, not necessarily as identical with, but as a reproduction or copy of the latter; and (ii) that the original work was the source from which the alleged infringing work was derived, i.e. that there is a causal connection between the original work and the alleged infringing work, the question to be asked being: has the defendant copied the plaintiff’s work, or is it an independent work of his own?

8. *Reproduction involves the making of a copy or copies*:

**THEBERGE v. GALERIE D’ART DU PETIT CHAMPLAIN INC** 2002 SCC 34:

The historical scope of the notion of ‘reproduction’ under the Copyright Act should be kept in mind. As one would expect from the very word ‘copyright’, ‘reproduction’ is usually defined as the act of producing additional or new copies of the work in any material form. Multiplication of the copies would be a necessary consequence of this physical concept of ‘reproduction’.

A similar understanding of ‘reproduction’ is reflected in decisions under the U.K. Act on which s 3(1) of the Act is based, i.e., the physical making of something that did not exist before.

9. *To reproduce does not require exact replication*:

**SPECTRAVEST INC v. APERKNIT LTD** [1988] FSR 161<sup>6</sup>:

Reproduction does not mean exact replication. A man may use another’s work as an inspiration to make a new work of his own, treating the same theme in his own manner; but he is not entitled to steal its essential features and substance and retain them with minor and inconsequential alterations. The question is whether there is such a degree of similarity between the salient features of the two works that the one can be said to be a reproduction of the other. In considering whether a substantial part of the plaintiffs’ work has been reproduced by the defendant, attention must primarily be directed to the part which is said to have been reproduced, and not to those parts which have not.

10. *Objective similarity*: Where there is sufficient resemblance shown between the two works, the court may draw an inference of access and of copying. It is, however, possible that the similarity is due to mere chance, that the claimant’s work was taken from the defendant’s or that the two works were taken from the same source.

**CREATIVE TECHNOLOGY LTD v. AZTECH SYSTEMS PTE LTD** [1997] FSR 491:

The burden of proof does remain with the plaintiff in an infringement claim, to prove copying and access to his work, and, where there is sufficient resemblance shown between the two works, he will invite the court to draw an inference of copying. The defendant then has the opportunity to rebut the inference; to give an alternative explanation of the similarities where this is possible; and at this point, in our view, the burden shifts.

The copyright owner must essentially show that ‘causal connection’ is the explanation of the similarity between the work and infringement – but there are other possibilities which may be pleaded by way of defense; that the

5. *Galago Publishers (Pty) Ltd. and Another v Erasmus* (130/88) [1988] ZASCA 131; *Baigent & Anor v The Random House Group Ltd* [2007] EWCA Civ 247; *Toy Major Trading Co v Hang Shun Plastic Toys* Civil Appeal No. 11 of 2007 [Hong Kong Special Administrative Region]; *Clarendon Homes (Aust) Pty Ltd v Henley Arch Pty Ltd* [1999] FCA 1371 (7 October 1999); *University of Waikato v Benchmarking Services Ltd* [2004] NZCA 90.

6. Quoted in *Jacana Education (Pty) Ltd v Frandsen Publishers (Pty) Ltd* (305/96) [1997] ZASCA 109.

plaintiff copied from the defendant, that they both copied from a common source, or that they arrived at their respective results independently. The relevant question in our case is this: whether the inference of copying could be displaced by evidence from Aztech how in fact they had arrived at their design and that they had not done so by copying?

The above statement must not be read to mean that the copyright plaintiff is awarded a lower standard of proof. He must still run his case in the most thorough and best way he can, to show the existence of probative similarities leading to the inference of copying, whereupon the opportunity then arises for the defendant to explain those difficulties away.

**CREATIVE TECHNOLOGY LTD v. AZTECH SYSTEMS PTE LTD** [1997] FSR 491:

Next, we turn to the literal similarities which exist (including the programming errors) between the respective firmware of the parties, when viewed in toto, raise the irresistible inference that the chances of independent development on the part of Aztech were low. We find that Aztech have failed to provide a reasonable explanation, one that is consistent with the absence of any copying through disassembly. In our view, the learned Judicial Commissioner failed to address the question of the cumulative weight and significance of all the similarities in reaching his decision, including similarities in non-essentials and errors.

11. *Reproduction is concerned with form and not ideas:*

**BAIGENT v. THE RANDOM HOUSE GROUP LTD** [2007] EWCA Civ 247:

If the copyright work in question is a literary work, the allegation will normally be that part of the text of the earlier work was copied, exactly or with some modification, in the creation of the later work. In the present case that is not what is alleged as the basis for the claim in copyright infringement. What is said to have been copied is a theme of the copyright work. Copyright does not subsist in ideas; it protects the expression of ideas, not the ideas themselves. No clear principle is or could be laid

down in the cases in order to tell whether what is sought to be protected is on the ideas side of the dividing line, or on the expression side.

**RG ANAND v. MIS DELUX FILMS** (1978) 4 SCC 118:

Where the same idea is being developed in a different manner, it is manifest that the source being common, similarities are bound to occur. In such a case the courts should determine whether or not the similarities are on fundamental or substantial aspects of the mode of expression adopted in the copyrighted work. If the defendant's work is nothing but a literal imitation of the copyrighted work with some variations here and there it would amount to violation of the copyright.

In other words, in order to be actionable, the copy must be a substantial and material one which at once leads to the conclusion that the defendant is guilty of an act of piracy.

12. *'What is worth copying is worth protecting':* This is a commonly quoted axiom, but it is dangerous and may beg the question.<sup>7</sup>

**NETWORK TEN PTY LIMITED v. TCN CHANNEL NINE PTY LTD** [2004] HCA 14:

Counsel invoked 'the rough practical test that what is worth copying is prima facie worth protecting'. But later authorities correctly emphasize that, whilst copying is an essential element in infringement to provide a causal connection between the plaintiff's intellectual property and the alleged infringement, it does not follow that any copying will infringe. The point was stressed by Laddie J when he said:

Furthermore, many copyright cases involve defendants who have blatantly stolen the result of the plaintiff's labors. This has led courts, sometimes with almost evangelical fervor, to apply the commandment 'thou shalt not steal'. If that has necessitated pushing the boundaries of copyright protection

7. See also *Lambretta Clothing Company Ltd v. Teddy Smith (U.K.) Ltd* [2004] EWCA Civ 886.

further out, than that has been done. This has resulted in a body of case law on copyright which, in some of its further reaches, would come as a surprise to the draughtsman of the legislation to which it is supposed to give effect.

### 13. *Reproduction in the digital era:*

#### **ROBERTSON v. THOMSON CORP** 2006 SCC 43:

That there is no loss of copyright by virtue of reproduction in digital storage form, such as databases, is further confirmed by an Agreed Statement concerning Art. 1(4) of the WIPO Treaty which is set out in a footnote to that article:

The reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, fully apply in the digital environment, in particular to the use of works in digital form. It is understood that the storage of a protected work in digital form in an electronic medium constitutes a reproduction within the meaning of Article 9 of the Berne Convention.

Just as individual authors do not lose copyright in their articles by virtue of their inclusion in an electronic database, newspaper publishers do not lose their right to reproduce their newspaper, including the articles that comprise it, by doing the same.

The fact that the actual newspaper page is not fully or identically reproduced in the database and the articles are therefore presented in a different form from a paper newspaper is irrelevant. It is not the physical manifestation of the work that governs; it is whether the product perceivably reproduces the exercise of skill and judgment by the publishers that went into the creation of the work.

### 14. *Two-dimensional drawings may be 'reproduced' by three-dimensional articles:*

#### **KING FEATURES SYNDICATE INC v. O AND M KLEEMAN LTD** [1940] 2 All ER 355 (Ch):

There can be no doubt at all that a figure which in fact reproduces an original artistic work consisting, in substance, of a sketch of that figure, is none the less a reproduction of the original artistic work, because the maker of it has copied it not directly from the original but from some representation derived directly or indirectly from the original work. It seems to have been suggested in the court below that the fact that the alleged infringement was in three dimensions, whereas the original was in two, prevented the plaintiffs making good their claim. I agree with the learned judge that while this circumstance may add to the difficulty of forming a conclusion on the degree of resemblance between the infringing article and the original, the plain words of the Act ('in any material form') get rid of any difficulty there might otherwise have been in treating a copy in three dimensions as an infringement of copyright in a sketch in two dimensions.

15. *Fault is not an element of copyright infringement:* Copyright infringement, although a statutory wrong, does not require fault on the part of the infringer for liability. The question is simply whether there has been copying, not what the intention of the copier was in doing it. Although some older cases referred to infringement as theft and made mention of *animus furandi* (the intention to steal), the comparison is false, and *animus furandi* is not required. Although intention is not required, copying requires an act of volition.<sup>8</sup>

#### **BAIGENT & ANOR v. THE RANDOM HOUSE GROUP LTD** [2007] EWCA Civ 247:

Breach of copyright does not depend on intention or knowledge (though these may be relevant in some cases to remedy). The question now is whether there has been copying, not what the intention of the copier was in doing it. If the alleged infringer denies copying, and is disbelieved, then what matters is the finding of fact as to copying which follows, though no doubt his

8. *Religious Technology Center v. Netcom On-Line Communications Services, Inc.* 907 F.Supp. 1361.

being disbelieved may also have other forensic effects as to the findings made by the judge in the case. I cannot see how the intention with which any copying was done is or can be legally relevant to the issue whether the copying is an infringement, either generally or by reference to the question whether what was copied is a substantial part of the copyright work.

16. *Copying of a part of a work*: There are two approaches to the question as to when the reproduction of part of a work amounts to infringement: The one is reflected in the wording of many Copyright Acts and requires that the part must be a substantial part of the work,<sup>9</sup> and the other, which is the position under the present European copyright regime, is as follows:<sup>10</sup>

As regards the parts of a work, it should be borne in mind that there is nothing in Directive 2001/29 or any other relevant directive indicating that those parts are to be treated any differently from the work as a whole. It follows that they are protected by copyright since, as such, they share the originality of the whole work. In the light of the considerations referred to the various parts of a work thus enjoy protection, provided that they contain elements which are the expression of the intellectual creation of the author of the work.

17. *Quotations*: The Berne Convention (Article 10)<sup>11</sup> provides for the fair use of quotations and for the use of illustration in publications, broadcasts or sound or visual recordings for teaching, provided such use is compatible with fair practice.

18. *When is a part 'substantial'?*

**NETWORK TEN PTY LIMITED v. TCN CHANNEL NINE PTY LTD** [2004] HCA 14:

The term 'substantial part' has a legislative pedigree [and] keeps separate the concepts of substantial part and fair dealing. Accordingly:

9. *Warman v. Fournier* 2012 FC 803.

10. *Infopaq International A/S v. Danske Dagblades Forening* [2009] EUECJ C-5/08. *The Newspaper Licensing Agency Ltd & Ors v. Meltwater Holding BV & Ors* [2011] EWCA Civ 890.

11. <http://www.wipo.int/treaties/en/ip/berne/>.

acts done in relation to insubstantial parts do not constitute an infringement of copyright and the defenses of fair dealing only come into operation in relation to substantial parts or more.

It would be quite wrong to approach an infringement claim on the footing that the question of the taking of a substantial part may be by-passed by going directly to the fair dealing defenses.

As already emphasized in these reasons, the requirement that an infringer who takes less than the whole of the protected subject-matter must take at least a substantial part thereof plays a well-established and central part in copyright law. Questions of quality (which could include the potency of particular images or sounds, or both, in a broadcast), as well as quantity, arise.

**GLOBAL YELLOW PAGES LTD v. PROMEDIA DIRECTORIES PTE LTD** [2017] SGCA 28:

The third principle [of copyright] is that the method of analysis is heavily shaped by what it is in a work that attracts copyright protection, especially where infringement and fair dealing are concerned. In other words, there is a nexus between the originality, skill and effort that goes into a work, and the substantiality of copying required to establish infringement. Thus, although copyright may subsist in a work as a whole, there would be no infringement of such copyright unless one copies the work as a whole or a substantial portion of the part of the work that attracts copyright protection in the first place.

19. *The test is rather qualitative than quantitative*:

**LADBROKE (FOOTBALL) LTD v. WILLIAM HILL (FOOTBALL) LTD** [1964] 1 All ER 465 (HL):

If he does copy, the question whether he has copied a substantial part depends much more on the quality than on the quantity of what he has taken. One test may be whether the part which he has taken is novel or striking, or is merely a commonplace arrangement of ordinary words or well-known data.

The more correct approach is first to determine whether the plaintiff's work as a whole is 'original' and protected by copyright, and then to enquire whether the part taken by the defendant is substantial. A wrong result can easily be reached if one begins by dissecting the plaintiff's work and asking, could selection be the subject of copyright if it stood by itself and so on.

To my mind, it does not follow that because the fragments taken separately would not be copyright, therefore the whole cannot be. Indeed, it has often been recognized that if sufficient skill and judgment have been exercised in devising the arrangement of the whole work, that can be an important or even decisive element in deciding whether the work as a whole is protected by copyright.

**DESIGNER GUILD LIMITED V. RUSSELL WILLIAMS (TEXTILES) LIMITED (TRADING AS WASHINGTON DC) [2000] UKHL 58:**<sup>12</sup>

Plainly there can be no copyright in an idea which is merely in the head, which has not been expressed in copyrightable form, as a literary, dramatic, musical or artistic work. But the distinction between ideas and expression cannot mean anything so trivial as that. On the other hand, every element in the expression of an artistic work (unless it got there by accident or compulsion) is the expression of an idea on the part of the author. It represents her choice to paint stripes rather than polka dots, flowers rather than tadpoles, use one colour and brush technique rather than another, and so on. The expression of these ideas is protected, both as a cumulative whole and also to the extent to which they form a "substantial part" of the work. Although the term "substantial part" might suggest a quantitative test, or at least the ability to identify some discrete part which, on quantitative or qualitative grounds, can be regarded as substantial, it is clear upon the authorities that neither is the correct test. *Ladbroke (Football) Ltd. v. William Hill (Football) Ltd.* [1964] 1 W.L.R.

273 establishes that substantiality depends upon quality rather than quantity. And there are numerous authorities which show that the «part» which is regarded as substantial can be a feature or combination of features of the work, abstracted from it rather than forming a discrete part. That is what the judge found to have been copied in this case. Or to take another example, the original elements in the plot of a play or novel may be a substantial part, so that copyright may be infringed by a work which does not reproduce a single sentence of the original. If one asks what is being protected in such a case, it is difficult to give any answer except that it is an idea expressed in the copyright work.

20. *Reproduction by adaptation:*<sup>13</sup> A work may be reproduced by adapting it. Adaptation of a work involves producing a different version of the work incorporating the same product of originality. The term is usually defined in the relevant Copyright Act. In relation to a literary work, 'adaptation' may include the conversion of a non-dramatic work, such as a novel, into a dramatic work or vice versa. The Berne Convention (Art. 2(3)) provides in this regard that 'translations, adaptations, arrangements of music and other alterations of a literary or artistic work shall be protected as original works without prejudice to the copyright in the original work.'

**CASE NUMBER: 2005(NE) NO.10023** [2005.6.14] Intellectual Property High Court, Second Division [Japan]:

'Adaptation' under the Copyright Law is an act of creating a separate work by modifying, adding/subtracting, changing, etc., a specific expression, based on an existing work while maintaining the same essential expression of the existing work, so as to creatively express a new thought or feeling. Under this Article, a person exposed to this separate work must be able to directly perceive the essential expression of the existing work. Along these lines, if a work created based on an existing work is merely identical to the existing work with respect to an aspect which is not in itself an expression or which has no expressional creativity, such as any thought, feeling or idea, or fact or incident in the existing work is not an

12. Images of the designs can be found at [http://www.bailii.org/ew/cases/EWHC/Patents/1998/349\(image1\).pdf](http://www.bailii.org/ew/cases/EWHC/Patents/1998/349(image1).pdf).

13. *Benchmark Building Supplies Ltd v. Mitre 10 (New Zealand) Ltd* [2003] NZCA 213.

adaptation. The ‘Seven Samurai’ is a work that is much more artistic than ‘MUSASHI’ and these works have similarities or commonalities in their ideas only. The essential expression of the ‘Seven Samurai’ cannot be perceived from ‘MUSASHI’. Therefore, the similarities or commonalities do not constitute an infringement of the copyright (right of adaptation) or of the author’s moral rights (right of attribution and right of integrity).

### C. Indirect (secondary) infringement

21. *Meaning of indirect infringement:* Indirect infringement refers to those instances in which the infringing act does not involve the reproduction of the copyright work.

Traditionally it applied principally to commercial dealing with infringing works with guilty knowledge, more particularly the importation of goods that would have infringed the copyright, had they been made within the country of importation.<sup>14</sup>

The TRIPS Agreement has added another kind through the recognition of a rental right in respect of at least computer programs and cinematographic works: member states must provide copyright owners the right to authorize or to prohibit commercial rental to the public of originals or copies of their copyright works. As mentioned before, the WIPO Copyright Treaty recognizes additional rights of specified authors (not only of authors of computer programs or databases) and accords them three: a distribution, a rental and communications right.

**EURO-EXCELLENCE INC v. KRAFT CANADA INC**  
2007 SCC 37:

The Kraft companies thus allege that Euro-Excellence has engaged in ‘secondary infringement’ by importing for sale or distribution copies of KFS and KFB’s copyrighted works into Canada. Secondary infringement is dealt with under s. 27(2) of the Act.

Three elements must be proven to establish secondary infringement: (1) a primary infringe-

ment; (2) the secondary infringer should have known that he or she was dealing with a product of infringement; and (3) the secondary infringer sold, distributed or exposed for sale the infringing goods. Perhaps the most straightforward form of secondary infringement arises when one sells a copy of an infringing work. Under s. 27(2)(a),

[i]t is an infringement of copyright for any person to [...] sell [...] a copy of a work [...] that the person knows or should have known infringes copyright.

Section 27(2)(e) stands out as an apparent exception to the rule in CCH that secondary infringement first requires primary infringement because, unlike s. 27(2)(a) to (d), it does not require actual primary infringement. Instead, it requires only hypothetical primary infringement. Under s. 27(2)(e),

It is an infringement of copyright for any person to [...] import [...] a copy of a work [...] that the person knows [...] would infringe copyright if it had been made in Canada by the person who made it.

Section 27(2)(e) substitutes hypothetical primary infringement for actual primary infringement. It is possible that the infringing imports may have been lawfully made outside of Canada. Still, they are deemed to infringe copyright if the importer has imported into Canada works that would have infringed copyright if those works had been made in Canada by the persons who made the works abroad.

The apparent purpose of s. 27(2)(e) is to give Canadian copyright holders an added layer of protection where the Canadian copyright holder does not hold copyright in that work in foreign jurisdictions. Section 27(2)(e) protects Canadian copyright holders against ‘parallel importation’ by deeming an infringement of copyright even where the imported works did not infringe copyright laws in the country in which they were made.

14. *Frank & Hirsch (Pty) Ltd. v. A Roopanand Brothers (Pty) Ltd.* (580/91) [1993] ZASCA 90.

# Chapter 10

## Patent principles

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The purpose of this chapter is to provide a brief overview of patent principles that relate to the enforcement of patent rights against an infringer.

## A. Introduction

1. *The TRIPS Agreement*: The TRIPS Agreement<sup>1</sup> imposes obligations in relation to the protection of patents on the member states of the WTO. It also introduced certain provisions of the Paris Convention<sup>2</sup> by reference. Some of these will be referred to during the discussion and form its basis. As before, it will be assumed that the laws of WTO member states comply with these provisions.

2. *Patents for inventions*: Although the term ‘patent’ is often used as synonymous with ‘invention,’ the terms are not synonyms. Patents (or letters patent) are granted for inventions. A patent is the grant of exclusive rights by the state for an invention. In other words, an invention is the subject matter of a patent. For example, Thomas Edison found that an electric current passed through a tungsten filament in a vacuum produces light, and he used that finding to develop a light bulb. That was an invention, which entitled him to the grant of a patent.

3. *Patentable subject matter*: To be patentable, an invention must have patentable subject matter. The requirement is spelt out in the TRIPS Agreement (Art. 27), which provides that patents must be available for any inventions, whether products or processes, in all fields of technology, if they are (a) new, (b) involve an inventive step (are non-obvious) and (c) capable of industrial application (or useful).

4. *Rights conferred by the grant of a patent*: The exclusive rights conferred by a patent depend on the nature of the subject matter of the particular patent (Art. 28 of TRIPS). Patents are classified as (a) product patents or (b) process (method) patents. Typically, the same patent may have product and process claims.

Where the subject matter of a patent is a *product*, the patentee has the right to prevent third parties without

its consent from the acts of making, using, offering for sale, selling or importing for any of these purposes that product.

Where the subject matter of a patent is a *process*, the owner of the patent has the right to prevent third parties from using the process without its consent and from using, offering for sale, selling or importing for these purposes a product obtained directly by that process. In other words, a process patent protects the patentee not only against the use of the process within the jurisdiction but also against the importation of goods made elsewhere by the same process.<sup>3</sup> In addition, as appears from the TRIPS Agreement, the product produced by a patented process is also protected.

5. *Negative right*: It follows from the preceding paragraph that a patent does not entitle the patentee to use the invention, but only to prevent others from using it. Usually, though, a patentee will be able to exercise a patented invention, and a failure to exercise the invention may lead to a compulsory license.

**PANDUIT CORP v. STAHLIN BROS 575 F2d 1152:**

Patents must by law be given the attributes of personal property. The right to exclude others is the essence of the human right called property. The right to exclude others from free use of an invention protected by a valid patent does not differ from the right to exclude others from free use of one’s automobile, crops, or other items of personal property.

6. *Patent infringement*: Any act that infringes the exclusive rights of the patentee amounts to patent infringement.<sup>4</sup>

**LEONARDIS & ANOR v. THETA DEVELOPMENTS P/L & ORS No. SCGRG-93-344 [2000] SASC 402<sup>5</sup>**

It may be concluded that infringement occurs when a person does an act which breaches the monopoly of the patentee.

1. [https://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](https://www.wto.org/english/docs_e/legal_e/27-trips.pdf).  
2. [https://www.unido.org/sites/default/files/2014-04/Paris\\_Convention\\_0.pdf](https://www.unido.org/sites/default/files/2014-04/Paris_Convention_0.pdf).

3. Paris Convention Art. 5 quater.  
4. *Impression Products, Inc. v. Lexmark Int’l, Inc.* 581 U. S. \_\_\_\_ (2017).  
5. The judgment on appeal does not deal with the matter: *Theta Developments Pty Ltd v. Leonardis* [2002] FCAFC 170.

7. *Patents are territorial*: This principle is spelled out by the Paris Convention (Art. 4bis). In practical terms, ‘territoriality’ means that an inventor may apply for a patent for his invention in country A and, within one year, may apply in country B for a patent in relation to the same invention. This application is referred to as a convention application. The first application cannot destroy the novelty of the second application. These patents (if granted) will exist independently; they may differ in scope, and the one may lapse or be revoked without affecting the other.

It also means that a patentee can only sue for patent infringement in a country where the invention is patented. The principle is also relevant for judging the legality of parallel importation (the importation of so-called grey goods) and the doctrine of patent exhaustion.<sup>6</sup>

**BBS CASE** Japan Supreme Court 1 July 1997:

Article 4bis of the Paris Convention denies the mutual dependency of patents and stipulates that patents in the various countries of the Paris Union shall be independent of each other regarding their generations, variations and extinctions; that is, a patent in one country is independent from a patent in another country with respect to nullity, forfeiture and normal duration. A question of whether or not to allow a patentee to enforce his patent right under a certain condition is of no concern in Article 4bis.

The territoriality principle in patents means that a patent right in a country of the Paris Union shall be defined by that country’s laws as regards its establishment, transfer, validity, among other things, and that the patent right can be enforced only in that country’s territory. In the case where a Japanese patent owner enforces his/her Japanese patent right within Japan, it is entirely a matter of interpretation of the Japanese Patent Law as to how the fact that the accused products were already lawfully sold by the patent owner in a foreign country is considered for determining whether or not the patent owner can indeed enforce his Japanese patent right on the accused products in Japan.

6. The position under the European Patent Convention and in the EU is not discussed.

## B. Structure of a patent specification

8. *A patent specification (document) has different parts with different functions*: A typical patent specification (or document) contains (a) the name of the inventor (according to the Paris Convention an inventor is entitled to be named), (b) a title, (c) the so-called body of the specification and (d) one or more claims. Relevant for present purposes is the body and the claims.

**WELCH PERRIN CO PTY LTD v. WORREL** [1960] HCA 91:

The specification must be read as a whole. But it is a whole made up of several parts, and those parts have different functions. Courts have often insisted that it is not legitimate to narrow or expand the boundaries of monopoly as fixed by the words of a claim by adding to those words glosses drawn from other parts of the specification.

9. *The ‘body’ of the specification*: The purpose of the body of the specification is to describe, ascertain and, where necessary, illustrate or exemplify the invention through examples and drawings and the way it is to be performed to enable the invention to be performed by a person skilled in the art of the invention.

Apart from a description of the invention, the specification usually provides a general description of the prior art and the problem that faced the inventor, and it may explain the inventive step.

The specification may also contain a *consistory clause*, which is a paragraph or section that sets out the heart of the invention. Quite often it is a recital of the first or broadest claim and is inserted to avoid an attack of lack of fair basis or insufficiency.

Some laws require an *abstract* of the invention but provide that the abstract may not be used in interpreting the specification.

10. *Claims define the exclusive right*: Infringement involves the taking of the invention as claimed in the claims and not as described in the body of the specification. The claims circumscribe the monopoly. They define the invention, thereby setting the limits of the monopoly.

**ELECTRIC AND MUSICAL INDUSTRIES LTD v. LISSEN LTD** (1938) 56 RPC 23<sup>7</sup>:

The function of the claims is to define clearly and with precision the monopoly claimed, so that others may know the exact boundary of the area within which they will be trespassers. Their primary object is to limit and not to extend the monopoly. What is not claimed is disclaimed. The claims must undoubtedly be read as part of the entire document and not as a separate document; but the forbidden field must be found in the language of the claims and not elsewhere.

**CUTTER I**, BGH, judgment of March 12, 2002 – X ZR 168/00:

The extent of the protection conferred by a patent is determined by the terms of the claims and by the description and drawings used to interpret those claims. The construction of the patent claims serves not only to clarify any ambiguities but also to explain the technical terms used therein and to clarify the meaning and scope of the invention described therein.

The description should be geared to consider the point of view of a person skilled in the art: it is on his/her understanding that the meaning of the contents of the patent claims – including the terms used therein – depends, and his/her understanding that is decisive in determining from their wording how far the scope of the protection conferred by the patent claims extends.

In assessing whether use is being made of the invention protected under the patent, the contents of the patent claims must first be established, on the basis of the specialist's understanding – that is to say, the meaning inferred by the specialist from the wording of the claims.

**FREE WORLD TRUST v. ÉLECTRO SANTÉ INC** 2000 SCC 66:

Patent claims are frequently analogized to 'fences' and 'boundaries', giving the 'fields' of the monopoly a comfortable pretence of bright line demarcation. Thus, in *Minerals Separation North American Corp v Noranda Mines Ltd* [1947] Ex CR 306 Thorson P put the matter as follows:

By his claims the inventor puts fences around the fields of his monopoly and warns the public against trespassing on his property. His fences must be clearly placed in order to give the necessary warning and he must not fence in any property that is not his own. The terms of a claim must be free from avoidable ambiguity or obscurity and must not be flexible; they must be clear and precise so that the public will be able to know not only where it must not trespass but also where it may safely go.

In reality, the fences often consist of complex layers of definitions of different elements (or components or features or integers) of differing complexity, substitutability and ingenuity. A matrix of descriptive words and phrases defines the monopoly, warns the public and ensnares the infringer. In some instances, the precise elements of the fence may be crucial or essential to the working of the invention as claimed; in others the inventor may contemplate, and the reader skilled in the art appreciate, that variants could easily be used or substituted without making any material difference to the working of the invention. The interpretative task of the court in claims construction is to separate the one from the other, to distinguish the essential from the inessential, and to give to the field framed by the former the legal protection to which the holder of a valid patent is entitled.

7. Quoted in *Kirin-Amgen Inc & Ors v Hoechst Marion Roussel Ltd & Ors* [2004] UKHL 46 par. 20.

11. *What is not claimed is disclaimed:*

**RA-LIPASE CASE** Supreme Court of Japan 8 March 1991:

The summary of the invention in the patent application must be evaluated when examining whether the patent requirements of novelty and inventive step have been met as prerequisites. This determination, except for in cases of special circumstances, must be made on the basis of the scope of the patent claim as indicated in specifications attached to the patent application.

Only where the technological meaning contained in the scope of the patent claim cannot be clearly or unequivocally understood, or, where, in light of the detailed description of the invention, there is an obvious error in the entry of the scope of the patent claim, among other cases, can the detailed explanation in the Specification be taken into account. This is evident from [the] Patent Law, which stipulates that in the scope of the patent claim only matters that are essential to the constitution of the invention in the patent applications shall be entered.

12. *The purpose of integers:* For the sake of convenience, a claim is divided into its elements (or, in patent jargon, its integers) for purposes of interpretation. This division may be done by the patentee or by the court when considering the meaning of the claim, because it simplifies the exercise. But a claim need not have more than one element, for instance, a claim to a chemical compound may consist of a single element. A claim for a toothpaste may have more than one integer and may read thus:

(a) A toothpaste consisting of (b) a polishing agent, (c) a water-soluble fluoride-containing compound that yields fluoride ions in aqueous solution, (d) a buffering agent and (e) the dentifrice being such that its pH is from five to six.

To infringe, each of these integers must be present in the defendant's product.

13. *Embodiments are discrete inventions:* This claim for toothpaste contains more than one embodiment (or discrete invention). For instance, the use of any polishing agent is claimed in this combination, whether talcum, gel or whatever. Therefore, a toothpaste with

talcum and one with gel can be said to be discrete inventions falling within the scope of the claim (provided the other integers are present). Sometimes a claim may cover hundreds of thousands of embodiments, particularly when a general chemical formula is used to describe a class of compounds.

### C. Balancing patent rights and public interest

14. *The bargain between the inventor and the public:*

**FREE WORLD TRUST v. ÉLECTRO SANTÉ INC** 2000 SCC 66:

Patent protection rests on the concept of a bargain between the inventor and the public. In return for disclosure of the invention to the public, the inventor acquires for a limited time the exclusive right to exploit it. It was ever thus.

**CFS BAKEL BV v. STORK TITAN BV AU6098**, Hooge Raad (Supreme Court), C04/334HR (29 September 2006):

On the one hand, the granting of a patent honors the achievement underlying the invention embodied in the patent, as well as the research carried out and the investment in time and money. This encourages the making of inventions, which also serves the public interest. These considerations argue in favor of not regarding the owner of a tested patent liable to his competitors on the grounds of an unlawful act solely on the ground that the patent has been subsequently revoked or declared void. The patent owner would otherwise be discouraged from exercising his rights against those who deny them to him, which might reduce the incentive to produce inventions.

On the other hand, the granting of a patent (or at least the invoking of it) restricts competition and gives the patentee a lead on the competition. The invoking of the patent against third parties is generally an appropriate means of influencing the behavior of those third parties to the patent owner's benefit. The fact that our social system is based precisely on the encouragement of free competition in the

public interest is an argument, in this light, for allowing the person who relies on a patent that is subsequently revoked or declared void to bear the risk of his claims being disproved.

**CANON INC. v. RECYCLE ASSIST C, LTD** [2006] JIPIHC 3:

In addition, as compensation for the disclosure of an industrially applicable invention to the public, the patent holder is given the exclusive right to exploit the patented invention for making profit, and the patent holder has the discretion to set the prices of the patented products and other related products unless there are special circumstances where such pricing is against public interest or public order under the Anti-monopoly Law, etc.

15. *Exclusion of discoveries*: A discovery (including the laws of nature, physical phenomena and abstract ideas) is not a patentable invention, even where a statute provides that whoever ‘invents’ or ‘discovers’ any new and useful process, machine or manufacture may obtain a patent for it, as in the United States. Marie Curie, for example, discovered the radioactive element radium, isolated it and established its properties. This discovery without any industrial application did not entitle her to a patent. The discovery of X-rays by Röntgen consisted of an application for medical use of the properties of radioactive material and was an invention that could have been patented.

**DIAMOND v. CHAKRABARTY** (1980) 447 US 303, 100 S Ct 2204:

The laws of nature, physical phenomena, and abstract ideas have been held not patentable. Thus, a new mineral discovered in the earth or a new plant found in the wild is not patentable subject matter. Likewise, Einstein could not patent his celebrated law that  $E=mc^2$  nor could Newton have patented the law of gravity. Such discoveries are manifestations of nature, free to all men and reserved exclusively to none.

16. *Limitations on patentable subject matter*: Member countries may disallow the patenting of inventions if necessary to protect public order or morality within their territory, including to protect human, animal or plant life or health or to avoid serious prejudice to the environment.

They may, in addition, exclude from patentability: diagnostic, therapeutic and surgical methods for the treatment of humans or animals; plants and animals other than micro-organisms; and essentially biological processes to produce plants or animals other than non-biological and microbiological processes. However, there is a duty to provide for the protection of plant varieties either by patents or by an effective *sui generis* system, or a combination of them.<sup>8</sup>

Some laws exclude from their definition of patentable invention matters such as schemes, rules and methods for performing mental acts, playing games or doing business, programs for computers and presentations of information. In others, business methods and programs for computers are patentable.

17. *Period of protection*: The term of a patent is 20 years, calculated from the date of filing and not the date of grant (Art 33 of TRIPS). Because patent rights are only granted (many) years after filing of the application for a patent, the effective term of patent protection may be much shorter than 20 years.

Another complicating factor is the fact that for certain products, such as pharmaceuticals, some or other regulatory permission is required before they may be marketed, which further reduces the effective term of protection. For this reason, some countries used to provide for an extension of the term of a patent on the grounds of inadequate remuneration, and others provide for supplementary protection certificates.

18. *Exhaustion of patent rights*: The TRIPS Agreement (Art. 6) states ‘that nothing in this Agreement shall be used to address the issue of the exhaustion of intellectual property rights,’ which means that the issue is left for national law.

As far as domestic exhaustion is concerned, laws typically provide that patent or design rights are not infringed by the doing of anything in relation to products to which the patent or design has been applied or is incorporated where such products have been put on the market within the relevant jurisdiction by or

8. The International Convention for the Protection of New Varieties of Plants (at [http://www.upov.int/upovlex/en/upov\\_convention.html](http://www.upov.int/upovlex/en/upov_convention.html)) is administered by the International Union for the Protection of New Varieties of Plants. This work does not cover issues relating to protection of plant varieties.

with the consent of the registered proprietor. There is, however, a lack of unanimity in respect of international exhaustion, particularly in connection with so-called parallel importation.

**BBS CASE** Japan Supreme Court 1 July 1997:

Once a Japanese patent owner has sold a patented product in Japan under his/her Japanese patent right, it should be considered that the patent right has achieved its purpose and has been exhausted. There is no need to allow double profits, and therefore the patent right cannot be enforced on the acts of using, selling or lending the already sold product in this situation.

On the other hand, a situation where a Japanese patent owner sells a patented product in another country is not necessarily analogous to the above situation. The patent owner does not necessarily own [the corresponding] patent in the other country on the same invention as in the Japanese patent. Even if the patent owner owns the corresponding patent, the Japanese patent right and the corresponding patent right are separate rights and independent of each other. Accordingly, the patent owner's enforcing his Japanese patent right against the products sold by himself/herself in the other country does not fall under double profits. When a Japanese patent owner sells patented products to a purchaser in a foreign country without reservation, it is deemed that the patent owner implicitly assigns to the purchaser, or subsequent purchasers of the product, a right to control the patented products in Japan without restriction by the Japanese patent right.

On the other hand, it is possible for such patent owner to reserve the right to enforce its Japanese patent right in Japan when selling the patented products in the foreign country. If the patent owner agrees that Japan is excluded from the export destinations of the patented products, and such agreement is clearly indicated on the patented products, then even a subsequent purchaser who purchased through an intermediary will have notice of the agreement of exclusion on the patented products and will have been given an

opportunity to decline the purchase because of the exclusion.

**IMPRESSION PRODUCTS, INC. v. LEXMARK INT'L, INC.** 581 U. S. \_\_\_\_ (2017):<sup>9</sup>

A patentee's decision to sell a product exhausts all of its patent rights in that item, regardless of any restrictions the patentee purports to impose. As a result, even if the restrictions in [the patentee's] contracts with its customers were clear and enforceable under contract law, they do not entitle [it] to retain patent rights in an item that it has elected to sell.

When a patentee sells an item, that product 'is no longer within the limits of the [patent] monopoly' and instead becomes the 'private, individual property' of the purchaser. If the patentee negotiates a contract restricting the purchaser's right to use or resell the item, it may be able to enforce that restriction as a matter of contract law, but may not do so through a patent infringement lawsuit.

This Court accordingly has long held that, even when a patentee sells an item under an express, otherwise lawful restriction, the patentee does not retain patent rights in that product.

The Patent Act gives patentees a limited exclusionary power, and exhaustion extinguishes that power. A purchaser has the right to use, sell, or import an item because those are the rights that come along with ownership, not because it purchased authority to engage in those practices from the patentee.

An authorized sale outside the United States, just as one within the United States, exhausts all rights under the Patent Act. The question about international exhaustion of intellectual property rights has arisen in the context of copyright law. [*Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U. S. 519.]

Applying patent exhaustion to foreign sales is just as straightforward. Patent exhaustion,

9. The extracts were taken from the syllabus or summary of the case.

too, has its roots in the antipathy toward restraints on alienation, and nothing in the Patent Act shows that Congress intended to confine that principle to domestic sales. Differentiating between the patent exhaustion and copyright first sale doctrines would also make little theoretical or practical sense. The territorial limit on patent rights is no basis for distinguishing copyright protections; those do not have extraterritorial effect either.

Exhaustion is a distinct limit on the patent grant, which is triggered by patentee's decision to give a patented item up for whatever fee it decides is appropriate. The patentee may not be able to command the same amount for its products abroad as it does in the United States. But the Patent Act does not guarantee a particular price. Instead, the Patent Act just ensures that the patentee receives one reward—of whatever it deems to be satisfactory compensation—for every item that passes outside the scope of its patent monopoly.

[However], a sale abroad does not exhaust a patentee's rights when the patentee had nothing to do with the transaction. That just reaffirms the basic premise that only the patentee can decide whether to make a sale that exhausts its patent rights in an item.

Exhaustion occurs because allowing patent rights to stick to an already-sold item as it travels through the market would violate the principle against restraints on alienation. As a result, restrictions and location are irrelevant for patent exhaustion; what matters is the patentee's decision to make a sale.

**BRITISH LEYLAND MOTOR CORPORATION v. ARMSTRONG PATENT CO LTD [1986] AC 577:**

There are substantial differences between patent law and copyright law in relation to repairs. First, a patent for an invention is only infringed, for present purposes, where the invention is a product, by a person who 'makes' or 'uses' the product without the consent of the proprietor of the patent. Where therefore a patented product is sold for use with the consent of the proprietor, repair of the patented product will not constitute an infringement; repair amounting to

reconstruction will constitute the manufacture of a new and infringing product.

There is, in my view, no inconsistency between, on the one hand, allowing patent rights to be exercised to prevent the reproduction of an article covered by the patent and, on the other hand, not allowing copyright to be exercised in derogation of grant to prevent the reproduction of an article which is not covered by the copyright.

**CANON KABUSHIKI KAISHA v. GREEN CARTRIDGE CO (HONG KONG) LTD [1997] AC 728:**

Their Lordships would observe that the concept of a license, namely something which 'makes an action lawful, which without it had been unlawful' is not really applicable to the repair of a patented article. Because repair is by definition something which does not amount to the manufacture of the patented article, it is not an infringement of the monopoly conferred by the patent. It cannot, therefore, be an unlawful act and needs no special license to make it lawful, unless as part of a general implied license to use the patented product at all, which is sometimes used to explain why mere use does not infringe the patentee's monopoly. But this is perhaps better regarded as a consequence of the exhaustion of the patentee's rights in respect of the particular article when it is sold.

19. *Bolar exception*: It has become the norm to allow some experimental use of patents by third parties without the consent of the patentee. One of these is to permit someone to prepare a dossier for the registration of a drug before the expiry of the patent. This is known as the Bolar exception after the U.S. case of *Roche Pharmaceuticals v Bolar*<sup>10</sup> and the subsequent legislative measures.

20. *Compulsory licenses*: Articles 30 and 31 of the TRIPS Agreement permit member states to provide limited exceptions to the exclusive rights conferred by a patent. This is often provided for through the grant of compulsory licenses. The grant of exceptions is

10. *Roche Products v. Bolar Pharmaceutical*, 733 F.2d 858 (Fed. Cir. 1984).

subject to conditions, namely (a) the exceptions may not unreasonably conflict with a normal exploitation of the patent; (b) they may not unreasonably prejudice the legitimate interests of the patent owner, taking account of the legitimate interests of third parties; and (c) the requirements of Article 31 must be complied with. These include matters such as that authorization must be considered on its individual merits, use must be authorized predominantly for the supply of the domestic market (there is an exception in respect of pharmaceuticals for certain countries), the rights holder must be paid adequate remuneration and the legal validity of any decision relating to the authorization of such use shall be subject to judicial or some other independent review.





# Chapter 11

## Patent infringement

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*'In patent litigation an application of Murphy's Law has special significance: if a word or sentence is capable of two interpretations, the reader will choose the wrong one.'*

## A. Introduction

1. *Infringement and claim interpretation:* Infringement of a patent depends on the meaning of the claim alleged to have been infringed. In other words, the claims must be construed to determine their scope. Interpretation also performs an important role when the validity of claims is in issue.

2. *All the essential integers must be taken before there can be an infringement of the claim:* The basic rule of patent infringement is that the infringer must have taken all the integers of a claim properly interpreted. However, because courts dislike technicalities and frown on immaterial alterations or omissions to escape liability for infringement, different doctrines have developed that in effect extend the patentee's monopoly beyond the literal wording of the claim.

3. *Problems with interpretation:* The hypothetical claim mentioned previously can be used to illustrate the problems. It reads:

(a) A dentifrice [toothpaste] consisting of (b) a polishing agent, (c) a water-soluble fluoride-containing compound which yields fluoride ions in aqueous solution, (d) a buffering agent, (e) the dentifrice being such that its pH is from 5 to 6.

Four problems can arise with its interpretation.

- The first is one of meaning. A dispute may, for instance, arise in relation to the meaning of the term 'polishing agent,' and whether the defendant's product contains a polishing agent within the meaning of the term as used in the claim.
- The second relates to equivalents. The defendant may use a chemical, which is equivalent to fluoride, and the question will then be whether the claim is limited to fluoride or whether it extends to equivalents.
- The third problem, which is related to the second,

deals with the breadth of the claim: would a pH of 4,9 fall within the scope of the claim?

- Last: are all the integers essential? For instance, if the defendant omits a buffering agent, is it still infringement?

4. *The conventional answers:*

**AZUKO PTY LTD v. OLD DIGGER PTY LTD [2001] FCA 1079:**

Infringement requires that all integers of the claim be taken, with the exception of the substitution of a mechanical equivalent of an inessential integer. *Populin v HB Nominees (1982) 41 ALR 471 [held]* that –

the patentee must show that the defendant has taken each and every one of the essential integers of the patentee's claim. Therefore if, on its true construction, the claim in a patent claims a particular combination of integers and the alleged infringer of it omits one of them he will escape liability.

The invention must be defined with precision and with clarity in the claims. [The] application of this principle [of the functional equivalent] is limited to two possible situations:

where the alleged infringing article possesses a mechanical equivalent of an inessential integer; or

where upon a too literal construction of an integer of a claim, the alleged infringing device would escape infringement.

In both these situations, it is necessary to determine first whether or not the alleged infringing article possesses each and every integer of the claim. In considering the [first] question of a mechanical equivalent of an inessential integer, an assessment is made of the 'essentiality' of the integers taken or omitted by the alleged infringing device. But this is a very narrow class of case. Infringement was not demonstrated merely by showing the performance of substantially similar functions by the apparatus.

1. Monsanto Company v MDB Animal Health (Pty) Ltd (formerly MD Biologics CC) [2001] ZASCA 4 par. 1.

**IMPROVER CORPORATION AND ANOTHER v. RAYMOND INDUSTRIAL AND ANOTHER [1990] HKCA 312:**<sup>2</sup>

It is a well-known rule of patent law that no one who borrows the substance of a patented invention can escape the consequences of infringement by making immaterial variations. The question is whether the infringing apparatus is substantially the same as the apparatus said to be infringed. It is also clear that there will be an infringement of a patent even if the infringement is an improvement. If an inventor takes an essential integer of somebody else's patent and simply makes it work better by some alteration but does not change the way in which that integer basically operates, he can patent his own invention but it is what has been referred to by [counsel] as a 'nesting' patent and if his device is produced and sold he must pay royalties to the other patentee. The alleged infringing patent can perform the same task but it must, in at least one essential respect, do it in a different way if it is to escape liability.

5. *Interpretation is for the court:* Interpretation is not a 'jury question.' This means that it is not a factual issue but a legal one. Expert evidence has a limited role in relation to patent interpretation. As the German Federal Court said, the granted patent claim and its subject matter have a normative character and meaning must, therefore, be determined as a question of law.<sup>3</sup>

**PFIZER CANADA INC v. CANADA (MINISTER OF HEALTH) 2005 FC 1725:**

The Court construes the claim. It is not the function of an expert witness to construe the claim. As the [Canadian] Supreme Court said:

The role of the expert was not to interpret the patent claims but to put the trial judge in the position of being able to do so in a knowledgeable way.

The Court may be assisted by expert witnesses in order to understand the context of the invention described and the particular meaning of terms used in the patent. The expert, however, is not to displace the Court in the role of the person who is to interpret the claims. In *Whirlpool* the Supreme Court stated:

The key to purposive construction is, therefore, the identification by the court, with the assistance of the skilled reader, of the particular words or phrases in the claims that describe what the inventor considered to be the 'essential' elements of his invention.

**SACHTLER GMBH & CO KG v. RE MILLER PTY LTD [2005] FCA 788:**

Evidence can be given by experts on the meaning which those skilled in the art would give to technical or scientific terms and phrases and on unusual or special meanings given by such persons to words which might otherwise bear their ordinary meaning. Where the patent contains technical material, the Court must, by evidence, be put in a position of a person of the kind to whom the patent is addressed, a person acquainted with the surrounding circumstances of the state of the art at the relevant time. However, if the evidence does not establish that such a technical meaning exists words used in a patent specification should be given their ordinary meaning.

The evidence of the skilled reader is not determinative of the construction of the document. It is evidence of how a skilled reader would have read the document at the relevant time. It is then for the Court to construe the document, giving such weight to the evidence as it sees fit.

The construction of the specification is for the Court, not for the expert witness.

2. See also *SNE Engineering Co Ltd v. Hsin Chong Construction Co Ltd And Another* [2014] HKCFI 552.

3. BGH, Judgment of 31 March 2009, *Strassenbaumaschine* Case X ZR 95/05.

## 6. Interpretation begins with the words used:

**FABIO PERINI SPA v. LPC GROUP PLC & ORS** [2010] EWCA Civ 525:

The process of construction has to start somewhere, and when the ultimate issue is the interpretation of a common English word, it is often helpful to begin with its ordinary meaning before one turns to its documentary context and other relevant factors. After all, issues of interpretation (whether arising in connection with patents or any other commercial documents) often require an intracranial iterative process, involving multiple factors, including natural meaning, documentary context, technical considerations, commercial context, and business common sense.

Interpretation takes place without any regard to the infringing product or process. A patent has one meaning only, irrespective of whether validity or infringement has to be determined.<sup>4</sup>

## 7. The interpretation must be logical and make technical sense:

**YKK CORPORATION v. OPTI PATENT, FORSCHUNGS UND FABRIKATIONS AG BOARDS OF APPEAL OF THE EUROPEAN PATENT OFFICE** Case no T 0190/99 - 3.2.4:

The board adds that the skilled person when considering a claim should rule out interpretations which are illogical or which do not make technical sense. He should try, with synthetical propensity i.e. building up rather than tearing down, to arrive at an interpretation of the claim which is technically sensible and takes into account the whole disclosure of the patent (Article 69 EPC). The patent must be construed by a mind willing to understand not a mind desirous of misunderstanding.<sup>5</sup>

4. *Stauffer Chemical Company and Another v. Safsan Marketing and Distribution* (85/86) [1986] ZASCA 78; *Whirlpool Corp. v. Camco Inc.* [2000] 2 S.C.R. 1067.
5. The statement that a patent 'must be read by a mind willing to understand, not by a mind desirous of misunderstanding' must have been taken from *Lister v. Norton Brothers and Co.* (1886) 3 RPC199 (Ch D) per Chitty J.

## B. Primary rules of interpretation

8. *Primary rules of interpretation*:<sup>6</sup> These have often been formulated and reformulated. Here is a random sample.<sup>7</sup>

**FREE WORLD TRUST V. ÉLECTRO SANTÉ INC.,** [2000] 2 SCR 1024, 2000 SCC 66:

The appeal thus raises the fundamental issue of how best to resolve the tension between 'literal infringement' and 'substantive infringement' to achieve a fair and predictable result. There has been considerable discussion of this issue in Canada and elsewhere, which I will discuss briefly in support of the following propositions:

- (a) The Patent Act promotes adherence to the language of the claims.
- (b) Adherence to the language of the claims, in turn, promotes both fairness and predictability.
- (c) The claim language must, however, be read in an informed and purposive way.
- (d) The language of the claims thus construed defines the monopoly. There is no recourse to such vague notions as the 'spirit of the invention' to expand it further.
- (e) The claims language will, on a purposive construction, show that some elements of the claimed invention are essential while others are non-essential. The identification of elements as essential or non-essential is made:

- (i) on the basis of the common knowledge of the worker skilled in the art to which the patent relates;
- (ii) as of the date the patent is published;
- (iii) having regard to whether or not it was obvious to the skilled reader at the time the patent was published that a variant of a particular element would not make a

6. For an exposition by a U.K. court of the German approach, see *Celltech R & D Ltd. v. Medimmune Inc* [2004] EWHC 1124 (Patents); and one of U.S. law, see *Celltech Chiroscience Ltd. v. Medimmune Inc* [2002] EWHC 2167 (Patents). These cases must now be read in the light of *Eli Lilly v Actavis UK Ltd & Ors* [2017] UKSC 48 discussed later on.
7. See also *Ranbaxy Australia Pty Ltd v. Warner-Lambert Company LLC*(No 3) [2006] FCA 1797; *Monsanto Company v. MDB Animal Health (Pty) Ltd* (formerly MD Biologics CC) [2001] ZASCA 4.

difference to the way in which the invention works; or

(iv) according to the intent of the inventor, expressed or inferred from the claims, that a particular element is essential irrespective of its practical effect;

(v) without, however, resort to extrinsic evidence of the inventor's intention.

(f) There is no infringement if an essential element is different or omitted. There may still be infringement, however, if non-essential elements are substituted or omitted.

**GLAXOSMITHKLINE INC. v. CANADA (ATTORNEY GENERAL)**, 2004 FC 1725:

A dictionary approach is not to be used in construing claims. This would be using evidence from outside the four corners of the specification. Furthermore, looking at the claims of a patent using a dictionary approach is equivalent to looking at the words through the eyes of a grammarian or etymologist, rather than through the eyes of and with the knowledge of a person skilled in the art.

(The judgment contains a useful annexure setting out rules of construction.)

### C. Equivalence

9. *Doctrine of equivalence*: The basis of the doctrine (also called the pith and marrow doctrine) is that essential integers cannot be omitted or replaced (by equivalents) without infringing the claim. 'Equivalents' are usually mechanical equivalents; chemical equivalents are rare. The classic (Catnic) example relates to a claim that required that one structure had to be 'vertical.' The question that arose was whether vertical meant the strictly mathematical 90 degrees from the horizontal or could include something that was 'substantially' vertical. Both performed the same function.

**STAUFFER CHEMICAL COMPANY AND ANOTHER v. SAFSAN MARKETING AND DISTRIBUTION** (85/86) [1986] ZASCA 78:

To ascertain what are and what are not the essential features or integers of a claimed invention the specification must be read and

interpreted purposively or realistically, with the understanding of persons with practical knowledge and experience of the kind of work in which the invention was intended to be used and in the light of what was generally known by such persons at the date of the patent, which date by our law is the priority date of the claim.

Obviously, the fact that a claim incorporates a particular feature does not alone suffice to make that feature an essential one. Otherwise, the problem would not arise. In general, if the feature is, in fact, essential to the working of the claimed invention, then it must be regarded as an essential feature.

On the other hand, a patentee may indicate in his specification, either expressly or by implication, that he regards a particular integer as essential; and in that event, it must be treated as essential and it matters not that it may not be essential to the working of the invention. Where, however, a feature is not essential to the working of the invention and the patentee has not indicated that he regards it as an essential integer, then in general it may be treated as unessential and an alleged infringer may be held to have infringed the claim notwithstanding that his product or process does not incorporate that feature or substitutes an equivalent for it.

### D. Purposive construction

10. *Purposive construction*: The so-called doctrine of purposive construction is simply an aid to determine the scope of the claim as a matter of construction.

**NAMPAK PRODUCTS LTD AND ANOTHER v. MAN-DIRK (PTY) LTD** (162/97) [1999] ZASCA 21; [1999] 2 All SA 543 (A):

The concept of a purposive construction was used as an interpretive aid in these cases in different ways. In some, it is employed as a phrase of general application in the construction of claims connoting an approach based upon the skilled addressee's knowledge of the art (as opposed to a purely verbal analysis). In others, it is invoked as an interpretive aid

where the alleged infringer was considered to have appropriated what has been called the ‘pith and marrow’ of the invention and merely substituted a mechanical equivalent for an inessential part. It is necessary to point out that in all of the above cases the Court was concerned to establish whether the particular features of the claimed invention taken by the alleged infringer represented all the essential features of the claim. This, in the final analysis, remains a pure question of construction.

11. *European Patent Convention (EPC) and Its Protocol*:<sup>8</sup> The EPC and Its Protocol apply to a few countries, particularly the United Kingdom, Germany, the Netherlands, Italy, France and Spain, and seeks to unify the approach to patent infringement between its member states. Judgments from the United Kingdom, nowadays, are based on these documents and should be read in that light.

Article 69(2) of the Convention provides that:

[t]he extent of the protection conferred by a European patent ... shall be determined by the claims’, but that nevertheless ‘the description and drawings shall be used to interpret the claims.

The Protocol on the Interpretation of Article 69 provides as follows:

Article 1 General principles: Article 69 should not be interpreted as meaning that the extent of the protection conferred by a European patent is to be understood as that defined by the strict, literal meaning of the wording used in the claims, the description and drawings being employed only for the purpose of resolving an ambiguity found in the claims. Nor should it be taken to mean that the claims serve only as a guideline and that the actual protection conferred may extend to what, from a consideration of the description and drawings by a person skilled in the art, the patent proprietor has contemplated. On the contrary, it is to be interpreted as defining a position between these extremes which combines a fair protec-

tion for the patent proprietor with a reasonable degree of legal certainty for third parties.

Article 2 Equivalents: For the purpose of determining the extent of protection conferred by a European patent, due account shall be taken of any element which is equivalent to an element specified in the claims.

12. *‘Improver’ questions*: U.K. courts interpreted the Protocol (before the introduction of Article 2) as imposing a three-stage approach to claim construction. This was the leading case in the United Kingdom:<sup>9</sup>

**IMPROVER CORP v. REMINGTON CONSUMER PRODUCTS** [1990] FSR 181:

The claim required the use of a curved spring. The infringer used a curved rubber rod with slats. Both performed the same function. Courts from different jurisdictions came to different conclusions on infringement.

The language should be given a ‘purposive’ and not necessarily a literal construction. If the issue was whether a feature embodied in an alleged infringement which fell outside the primary, literal or a-contextual meaning of a descriptive word or phrase in the claim (a variant) was nevertheless within its language as properly interpreted, the court should ask itself the following three questions:

- Does the variant have a material effect upon the way the invention works? If yes, the variant is outside the claim. If no –
- Would this (i.e. that the variant had no material effect) have been obvious at the date of publication of the patent to a reader skilled in the art? If no, the variant is outside the claim. If yes –
- Would the reader skilled in the art nevertheless have understood from the language of the claim, that the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention? If yes, the variant is outside the claim.

8. <http://www.epo.org/law-practice/legal-texts/epc.html>.

9. Importantly, followed in *Kirin-Amgen Inc & Ors v. Hoechst Marion Roussel Ltd & Ors* [2004] UKHL 46. The result, however, differed from jurisdiction to jurisdiction.

## E. New approach?

13. *Change of direction*: In *Eli Lilly v. Actavis UK Ltd & Ors* [2017] UKSC 48, the U.K. Supreme Court reconsidered the approach to interpretation and equivalents as set out in the earlier House of Lords case of *Kirin-Amgen Inc & Ors v. Hoechst Marion Roussel Ltd & Ors* [2004] UKHL 46. It is important to restate that the *Eli Lilly* case is based on the European Patent Convention, and the judgment does not reflect the conventional approach set out earlier as followed by courts in common-law countries – and the Convention does not apply to them.<sup>10</sup>

*Eli Lilly* formulated these questions that arise if the infringer has not been infringed on a literal meaning of the claim but used a ‘variant’: (i) does the variant infringe any of the claims as a matter of ‘normal’ (non-literal, purposive) interpretation, and if not, (ii) does the variant nonetheless infringe because it varies from the invention in a way or ways that is or are immaterial? If the answer to either issue is ‘yes,’ there is an infringement; otherwise, there is not. In other words, there is not a single conflated or compound issue of interpretation.

### ELI LILLY v. ACTAVIS UK LTD & ORS [2017] UKSC 48:

In a nutshell, the rival contentions are these. Lilly [the patentee] argues that the Actavis products infringe the Patent because they are medicaments to be used as a treatment for cancer consisting of pemetrexed diacid, or a pemetrexed salt, with vitamin B12, which represents the essence of the teaching and claim of the Patent. By contrast, Actavis [the defendant] argues that their products do not infringe because the claims of the Patent are limited to a specific pemetrexed salt, namely pemetrexed disodium, and the Actavis products contain either pemetrexed diacid or different pemetrexed salts.

More specifically, two points appear to be clear from the Protocol. The first, which can be deduced from article 1, is that the scope of protection afforded to a patentee is not to be limited by the literal meaning of the claims.

Secondly, it is apparent from article 2 that there is at least potentially a difference between interpreting a claim and the extent of the protection afforded by a claim, and, when considering the extent of such protection, equivalents must be taken into account, but no guidance is given as to precisely what constitutes an equivalent or how equivalents are to be taken into account.

Any patent system must strike a balance between the two competing factors referred to at the end of article 1 of the Protocol, namely ‘a fair protection for the patent proprietor [and] a reasonable degree of legal certainty for third parties’. The balance cannot be struck on an *ad hoc* case-by-case basis without any guiding principles, as that would mean that there was no legal certainty. On the other hand, striking the balance by adopting a normal approach to interpretation would risk depriving patentees of a proper measure of protection. But, if one departs from ordinary language, it is necessary to have some guidance or to draw some lines.

In my view, a problem of infringement is best approached by addressing two issues, each of which is to be considered through the eyes of the notional addressee of the patent in suit, i.e. the person skilled in the relevant art. Those issues are: (i) does the variant infringe any of the claims as a matter of normal interpretation; and, if not, (ii) does the variant nonetheless infringe because it varies from the invention in a way or ways which is or are immaterial? If the answer to either issue is ‘yes’, there is an infringement; otherwise, there is not.

I have considerable difficulties with the notion that there is a single conflated, or compound, issue, and, even if that notion is correct, that that issue raises a question of interpretation. Indeed, in my view, to characterize the issue as a single question of interpretation is wrong in principle, and unsurprisingly, therefore, can lead to error.

Turning to the two issues identified [...] issue (i), as already mentioned, involves solving a problem of interpretation, which is familiar to all lawyers concerned with construing documents. While the answer in a particular case is by no means always easy to work out, the applicable principles are tolerably clear and were recently affirmed by

10. *Nampak Products Ltd and Another v. Man-Dirk (Pty) Ltd* (162/97) [1999] ZASCA 21; [1999] 2 All SA 543 (A); *SNE Engineering Co Ltd v. Hsin Chong Construction Co Ltd And Another* [2014] HKCFI 552.



Lord Hodge in *Wood v Capita Insurance Services Ltd*, [2017] UKSC 24 paras 8 to 15. In the present case, there is no doubt that, according to normal principles of interpreting documents, the Actavis products do not infringe the Patent. According to normal principles of interpreting documents, then, this would be the end of the matter.

However, the second issue poses more difficulties of principle: what is it that makes a variation ‘immaterial’? While the language of some or all of the questions may sometimes have to be adapted to apply more aptly to the specific facts of a particular case, the three reformulated questions are as follows:

- i) Notwithstanding that it is not within the literal meaning of the relevant claim(s) of the patent, does the variant achieve substantially the same result in substantially the same way as the invention, i.e. the inventive concept revealed by the patent?
- ii) Would it be obvious to the person skilled in the art, reading the patent at the priority date, but knowing that the variant achieves substantially the same result as the invention, that it does so in substantially the same way as the invention?
- iii) Would such a reader of the patent have concluded that the patentee nonetheless intended that strict compliance with the literal meaning of the relevant claim(s) of the patent was an essential requirement of the invention?

In order to establish infringement in a case where there is no literal infringement, a patentee would have to establish that the answer to the first two questions was ‘yes’ and that the answer to the third question was ‘no’.

## F. Japanese approach

14. *Japanese approach*: The courts of Japan have a somewhat different approach.

**BALL SPLINE BEARING CASE** Japan Supreme Court Feb 4, 1998:

In a patent infringement case, when deciding whether a product manufactured or sold by

an accused infringer or a process employed by same falls within the technical scope of a patented invention, the technical scope of the patented invention must be determined based on the invention recited in the patented claim.

In a case where the invention recited in the patented claim includes a part that is different from the accused device, the accused device is considered as not falling within the technical scope of the patented invention. In such case, however, it is reasonable to deem the accused device an equivalent to the invention recited in the patented claim, and therefore to fall within the technical scope of the patented invention, if the following five tests are met:

Positive tests:

Test 1: Such different part is not an essential part of the patented invention (non-essentiality).

Test 2: Even if such different part is interchanged with a part of the accused device, the objects of the patented invention can be achieved, and the same advantages attained by the accused device (interchangeability).

Test 3: Such interchange would have been easily conceived by a person skilled in the art at the time of manufacturing the accused device (ease of interchangeability).

Negative tests:

Test 4: The accused device was not the same as publicly known art at the time of filing the application or could not have been easily conceived by a person skilled in the art based on the publicly known art at the time of filing the application (exclusion of publicly known art).

Test 5: There is no special circumstance such as where the accused device was intentionally excluded during the prosecution of the patent application (file wrapper estoppel).

# Chapter 12

## Industrial designs

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## A. Introduction

1. *The Paris Convention*:<sup>1</sup> The Paris Convention recognizes industrial designs as ‘industrial property’ without defining it. Member countries are obliged to protect industrial designs and to apply the principle of national treatment to nationals of the other member countries. The protection of industrial designs may not be subject to forfeiture due to, for instance, non-working. In this respect, they differ from patents.

The Convention also refers to utility models without defining them. According to Japanese law, for instance, a utility model is a device that is industrially applicable and that relates to the shape or construction of the device, and ‘device’ is in turn defined as the creation of technical ideas by which a law of nature is used. However, because there is no convention obligation to recognize utility models, the issue is not discussed.

2. *The TRIPS Agreement*:<sup>2</sup> The protection of industrial designs is also required by the TRIPS Agreement, but it is silent about utility models. It lays down the requirements for the validity and the minimum term of protection of industrial designs without, once again, defining them. There is, in addition, a special provision relating to textile designs.

Articles 25 and 26 provide as follows:

- Members must provide for the protection of independently created industrial designs that are new or original.
- Designs are not new or original if they do not significantly differ from known designs or combinations of known design features.
- Protection does not extend to designs dictated essentially by technical or functional considerations.
- The requirements for securing protection for textile designs, in particular in regard to any cost, examination or publication, may not unreasonably impair the opportunity to seek and obtain such protection.
- The owner of a protected industrial design must have the right to prevent third parties not having the owner’s consent from making, selling or importing articles bearing or embodying a design that is a copy,

or substantially a copy, of the protected design when such acts are undertaken for commercial purposes.

- Limited exceptions to the protection of industrial designs are permitted, provided that they do not unreasonably conflict with the normal exploitation of protected industrial designs and do not unreasonably prejudice the legitimate interests of the owner of the protected design, taking account of the legitimate interests of third parties.
- The duration of protection available must amount to at least 10 years.

3. *Definition*:<sup>3</sup> In general terms, a design consists of a shape, configuration and/or ornamentation (a) applied to an article (b) with features that are judged visually. It does not matter whether or not the design has any aesthetic quality.

To be valid, a design must be (a) new and/or (b) original (i.e., independently created) and (sometimes) have individual character.

A design is considered to have individual character if the overall impression it produces on the informed user differs from the overall impression produced on such a user by any design that has been made available to the public.

It may not involve a method or principle of construction, and any feature that is necessitated solely by the function that the article is intended to perform is not entitled to design protection.

4. *Registration*: Design rights are usually dependent upon registration and, in that regard, are similar to patent rights. As a result, infringement of a design right differs from copyright infringement: copyright infringement requires that the second (infringing) work must have been derived (copied) from the other, while this is not required in the case of design infringement – the

1. <http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/paris.pdf>.  
2. [https://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](https://www.wto.org/english/docs_e/legal_e/27-trips.pdf).

3. Council Regulation (EC) No 6/2002 of 12 December 2001 on Community Designs, amended by Council Regulation (EC) No 1891/2006 of 18 December 2006. See *PMS International Group Plc v. Magmatic Ltd* [2016] UKSC 12; U.K. Registered Designs Act 1949 (Consolidated version); U.S. design patents: <https://www.uspto.gov/patents-getting-started/patent-basics/types-patent-applications/design-patent-application-guide#def>; Australia: *Keller v. LED Technologies Pty Ltd* [2010] FCAFC 55, *LED Technologies Pty Ltd v. Elecspeess Pty Ltd* [2008] FCA 1941.

only issue is one of similarity, irrespective of independent creation.

Some systems recognize unregistered design rights, but the term of protection is substantially shorter than that of registered design rights.<sup>4</sup>

5. *The overlap between designs and copyright:* Many works that are entitled to design rights are, simultaneously, entitled to copyright, something recognized in the Community Designs Regulation.<sup>5</sup>

This has given rise to practical problems, because it means, for instance, that spare or body parts of motor vehicles may be protected for a minimum of 50 or 70 years, something many laws consider to be unacceptable.

The law in Singapore,<sup>6</sup> for example, states that the making of any useful article in three dimensions does not infringe the copyright in an artistic work if, when the useful article or reproduction is made, the artistic work has been industrially applied at any time before the useful article or reproduction is made. An artistic work is applied industrially if, for instance, more than 50 reproductions in three dimensions are made of it, for the purposes of sale or hire. A 'useful article' means an article has an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.

The South African Copyright Act,<sup>7</sup> similarly, provides that the copyright in an artistic work of which three-dimensional reproductions were made available, whether inside or outside the country, to the public by or with the consent of the copyright owner are not infringed if any person without the consent of the owner makes or makes available to the public three-dimensional reproductions or adaptations of the authorized reproductions, provided these reproductions primarily have a utilitarian purpose and are made by an industrial process.

6. *The overlap between trademarks and designs:* Because trademarks may consist of, for instance, shapes or containers, there is necessarily some overlap

between the two areas. Because the term of protection of a trademark may be renewed indefinitely, while the term of protection of a design may not, they have different commercial values. The point is, however, that a trademark may destroy the novelty of a design.

**BEIFA GROUP CO. LTD v. OHIM AND SCHWAN-STABILO SCHWANHAÜBER GMBH & CO. KG** General Court, 12 May 2010, T-148/08, ECR, 2010, II-1681 [EU]:

It should be borne in mind that the proprietor of an earlier [trade]mark – whether a Community mark or a mark registered in a Member State – has the right to prevent the use of a subsequent Community design both where use is made in that design of a sign which is identical to the earlier mark and the goods or services covered by the design are identical to those covered by the earlier mark, and where use is made in the Community design of a sign bearing such similarity to the earlier mark that, in view also of the fact that the goods or services covered by the mark are identical or similar to those covered by the design, there is a likelihood of confusion on the part of the public.

Given that the proprietor of an earlier mark – whether a Community mark or a mark registered in a Member State – has the right to prevent the use of a subsequent Community design in which use is made of a sign which is either identical to the earlier mark or similar to it, it is inconceivable that, in adopting Article 25(1)(e) of Regulation No 6/2002, the Community legislature intended to allow such a proprietor to submit an application for a declaration of invalidity of the design only where use was made in that design of a sign identical to the earlier mark, and not to allow such an application to be submitted where use was made in the design of a sign so similar that there would be a likelihood of confusion on the part of the relevant public.

Moreover, the proprietor of a mark – whether a Community mark or a mark registered in a Member State – cannot rely on the provisions referred to [...] above to prevent the use of a Community design which has been registered earlier and in which use is made of a sign identical or similar to the mark, since the

4. Cf. *Ifejika v. Ifejika* [2015] EWCA Civ 873.

5. Article 96(2) of Council Regulation (EC) Community Designs.

6. <http://www.wipo.int/wipolex/en/details.jsp?id=6132>.

7. <http://www.wipo.int/wipolex/en/details.jsp?id=4067>.

proprietor of the Community design is able to defend itself against such a prohibition by applying for a declaration of invalidity in respect of the subsequent mark in question, where necessary, by way of counterclaim.

*7. Design and trademark infringement differ:* The question of design infringement involves a determination of whether the respondent's products embody the registered design or a design not substantially different from the registered design. The search is not for differences but for substantial differences. This test is not a trademark infringement test, and the issue is not whether or not there is confusion or deception. It would, therefore, be wrong to use concepts developed in a trademark context, such as imperfect recollection. The design test is closer to the patent infringement test.

**HONEYWELL ANALYTICS LIMITED v. HEE JUNG KIM** Case R 609/2006-3 (OHIM) [EU]:

The appellant's argument that a registered design cannot be assumed to exist for the purposes of distinguishing goods and services, is not pertinent. It is true that the essential purpose of a design is not to distinguish the products or services of an undertaking from those of other undertakings. However, that does not mean that in a commercial context, when applied to products, their packaging and get up, or when used in advertising, the contested RCD [registered Community design] may not be perceived as a sign by the relevant public.

An assessment can, therefore, be made of whether there is a risk that the relevant public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings, within the meaning of Article 5(1)(b) TMD [Trademark Directive].

Within the meaning of that article, the assessment of the similarity of signs requires a global appreciation of their visual, aural or conceptual similarity, based on the overall impression they give, bearing in mind, in particular, their distinctive and dominant components.

The registered design and the earlier mark are visually similar. Phonetically, the marks are

identical. Conceptually, the signs are identical. In their overall impression, the signs are similar.

It is conceivable that when the public encounters the logo, the subject of the contested RCD applied to products, their packaging or their get up, it will perceive that logo as an indication of the commercial origin of the products in question and not as a pure embellishment. Consequently, the contested RCD is liable to jeopardize the guarantee of origin which constitutes the essential function of the respondent's trademark. The presence of the other elements in the contested RCD will not prevent the likelihood of the relevant public in the relevant Member States taking the products marketed with the appellant's logo as a line of products originating from the respondent undertaking or an undertaking economically connected to the respondent undertaking.

## B. Visual assessment

*8. Designs are assessed visually:*<sup>8</sup>

**PROCTER & GAMBLE COMPANY v. RECKITT BENCKISER (UK) LTD** [2007] EWCA Civ 936:<sup>9</sup>

The most important things in a case about registered designs are:

- The registered design;
- The accused object;
- The prior art.

And the most important thing about each of these is what they look like. Of course, parties and judges have to try to put into words why they say a design has 'individual character' or what the 'overall impression produced on an informed user' is. But 'it takes longer to say than to see' as I observed in *Philips v Remington* [1998] RPC 283 at 318. And words themselves are often insufficiently precise on their own.

8. *PMS International Group Plc v. Magmatic Ltd* [2016] UKSC 12.

9. Quoted with approval in *PMS International Group Plc v. Magmatic Ltd* [2016] UKSC 12.

It follows that a place for evidence is very limited indeed. By and large, it should be possible to decide a registered design case in a few hours. The evidence of the designer, e.g. as to whether he/she was trying to make, or thought he/she had made, a breakthrough, is irrelevant. The evidence of experts, particularly about consumer products, is unlikely to be of much assistance: anyone can point out similarities and differences, though an educated eye can sometimes help a bit. Sometimes there may be a piece of technical evidence which is relevant – e.g. that design freedom is limited by certain constraints. But even so, that is usually more or less self-evident and certainly unlikely to be controversial to the point of a need for cross-examination still less substantial cross-examination.

It follows that the design history of the P&G design, and whether Reckitt copied was irrelevant.

**EGYPTIAN GODDESS, INC. V. SWISA, INC** 543 F.3d 665 (Fed. Cir. 2008):<sup>10</sup>

The starting point for any discussion of the law of design patents is the Supreme Court's decision in *Gorham Co. v. White* (1871). That case involved a design patent for the handles of tablespoons and forks. In its analysis of claim infringement, the Court stated that the test of identity of design 'must be sameness of appearance, and mere difference of lines in the drawing or sketch or slight variances in configuration will not destroy the substantial identity.' Identity of appearance, the Court explained, or 'sameness of effect upon the eye, is the main test of substantial identity of design'; the two need not be the same 'to the eye of an expert,' because if that were the test, '[t]here never could be piracy of a patented design, for human ingenuity has never yet produced a design, in all its details, exactly like another, so like, that an expert could not distinguish them.'

10. For a discussion of the subject, Evan Szarenski's *Egyptian Goddess, Inc. v. Swisa, Inc.: A Dramatic Change in the Law of Design Patent?* at [https://scholars.unh.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1187&context=unh\\_lr](https://scholars.unh.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1187&context=unh_lr).

*The Gorham Court* then set forth the test that has been cited in many subsequent cases: '[I]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.' In the case before it, the Court concluded that 'whatever differences there may be between the plaintiffs' design and those of the defendant in details of ornament, they are still the same in general appearance and effect, so much alike that in the market and with purchasers they would pass for the same thing — so much alike that even persons in the trade would be in danger of being deceived.'

However, in a series of cases tracing their origins to *Litton Systems, Inc. v. Whirlpool Corp.*, 728 F.2d 1423 (Fed. Cir. 1984), this court has held that proof of similarity under the ordinary observer test is not enough to establish design patent infringement. Rather, the court has stated that the accused design must also appropriate the novelty of the claimed design in order to be deemed infringing.

After a review of those authorities, [...] we conclude that the point of novelty test, as a second and free-standing requirement for proof of design patent infringement, is inconsistent with the ordinary observer test laid down in *Gorham*, is not mandated by *Whitman Saddle* or precedent from other courts, and is not needed to protect against unduly broad assertions of design patent rights.

**CLIPSAL AUSTRALIA (PTY) LTD AND ANOTHER v. TRUST ELECTRICAL WHOLESALERS AND ANOTHER** (125/06) [2007] ZASCA 24:

Important aspects to consider when determining the scope of the registered design protection flow from the definition of an 'aesthetic design', namely that design features have to appeal to and be judged solely by the eye. First, although the court is the ultimate arbiter, it must consider how the design in question will appeal to and be judged visually by the likely customer. Secondly, this visual criterion

is used to determine whether a design meets the requirements of the Act and in deciding questions of novelty and infringement. And thirdly, one is concerned with those features of a design that ‘will or may influence choice or selection’ and because they have some ‘individual characteristic’ are ‘calculated to attract the attention of the beholder.’ To this may be added the statement by Lord Pearson that there must be something ‘special, peculiar, distinctive, significant or striking’ about the appearance that catches the eye and in this sense appeals to the eye.

#### 9. Eyes of the informed user:

##### **PROCTER & GAMBLE COMPANY v. RECKITT BENCKISER (UK) LTD** [2007] EWCA Civ 936:

The ‘informed user’ test makes sense: a user who has experience of other similar articles will be reasonably discriminatory – able to appreciate enough detail to decide whether a design creates an overall impression which has individual character and whether an alleged infringement produces a different overall impression.

It follows that the informed user is not the same as the ‘average consumer’ of trademark law. The informed user of design law is more discriminating. Whilst I do not say that imperfect recollection has no part to play in judging what the overall impression of design is, it cannot be decisive. I would say that what matters is what strikes the mind of the informed user *when* it is carefully viewed.

I think the Higher Provisional Court in Vienna, in holding that P&G’s design is not infringed by the Air-Wick product (decision of 6<sup>th</sup> December 2006, overruling a lower court decision granting an interim injunction) was right when it said:

The ‘informed user’ will, in the view of the Appeals Court, have more extensive knowledge than an ‘average consumer in possession of average information, awareness, and understanding’, in particular, he will be open to design issues and will be fairly familiar with them.

##### **SAMSUNG ELECTRONICS (UK) LTD v. APPLE INC** [2012] EWCA Civ 1339:

The designs are assessed from the perspective of the informed user. The identity and attributes of the informed user have been discussed by the Court of Justice of the European Union [references omitted].

- i) He (or she) is a user of the product in which the design is intended to be incorporated, not a designer, technical expert, manufacturer or seller;
- ii) However, unlike the average consumer of trademark law, he is particularly observant;
- iii) He has knowledge of the design corpus and of the design features normally included in the designs existing in the sector concerned;
- iv) He is interested in the products concerned and shows a relatively high degree of attention when he uses them;
- v) He conducts a direct comparison of the designs in issue unless there are specific circumstances or the devices have certain characteristics which make it impractical or uncommon to do so.
- vi) I would add that the informed user neither (a) merely perceives the designs as a whole and does not analyze details, nor (b) observes in detail minimal differences which may exist.

##### **KWANG YANG MOTOR CO LTD v. OHIM AND HONDA GIKEN KOGYO KABUSHIKI KAISHA** 9 September 2011, T-11/08 [EU]:

Therefore, in assessing the individual character of the challenged design, it must be examined, [...] whether the overall impression that that design produces on an informed user is different from that produced by earlier designs [...], in particular, the design relied on by the applicant in support of the application for a declaration of invalidity, taking account of the degree of freedom enjoyed by the designer when developing the design.

#### *The informed user:*

According to the case-law, an ‘informed user’ [...] is neither a manufacturer nor a seller of the products in which the designs at issue are intended to be incorporated or to which

they are intended to be applied. An informed user is particularly observant and has some awareness of the state of the prior art, that is to say, the previous designs relating to the product in question that had been disclosed on the date of filing of the contested design.

Furthermore, the status of ‘user’ implies that the person concerned uses the product in which the design is incorporated, in accordance with the purpose for which that product is intended.

The qualifier ‘informed’ suggests in addition that, without being a designer or a technical expert, the user knows the various designs which exist in the sector concerned, possesses a certain degree of knowledge with regard to the features which those designs normally include, and, as a result of his interest in the products concerned, shows a relatively high degree of attention when he uses them.

However, that factor does not imply that the informed user is able to distinguish, beyond the experience gained by using the product concerned, the aspects of the appearance of the product which are dictated by the product’s technical function from those which are arbitrary.

Therefore, an informed user is a person having some awareness of the existing designs in the sector concerned, without knowing which aspects of that product are dictated by technical function.

#### 10. Overall impression:

**SHENZHEN TAIDEN INDUSTRIAL CO. LTD v. OHIM AND BOSCH SECURITY SYSTEMS BV** General Court, 22 June 2010, T-153/08, ECR 2010, II-2517 [EU]:

Since Article 6(1) of Regulation No 6/2002 refers to a difference between the overall impressions produced by the designs at issue, the individual character of a Community design cannot be examined in the light of specific features of various earlier designs.

Therefore, a comparison should be made between, on the one hand, the overall impression produced by the contested Community design and, on the other, the overall impres-

sion produced by each of the earlier designs legitimately relied on by the party seeking a declaration of invalidity.

The obligation to make a comparison between the overall impressions produced by the designs at issue does not preclude the possibility of taking into consideration, as representations of one and the same earlier design, features which were made available to the public in different ways, in particular, first, by the publication of a registration and, second, by the presentation to the public of a product incorporating the registered design. The purpose of registering a design is to obtain an exclusive right, in particular, to make and market the product incorporating it, which means that the representations in the application for registration are, as a general rule, closely related to the appearance of the product placed on the market.

**PROCTER & GAMBLE COMPANY v. RECKITT BENCKISER (UK) LTD** [2007] EWCA Civ 936:

Once one has identified the notional ‘informed user’ correctly and what he would know about the design corpus, one asks whether the accused product produces ‘a different overall impression’ to such a person?

This test is inherently rather imprecise: an article may reasonably seem to one man to create ‘a different overall impression’ and yet to another to do so. It is always so with the scope of rights in a visual work. You need to cover not only exact imitations, but also things which come ‘too close’. Whatever words you choose, you are bound to leave a considerable margin for the judgment of the tribunal.

Having said that, however, there are some general observations that can be made:

- For the reasons I have given above, the test [in the infringement context] is ‘different’ not ‘clearly different.’
- The notional informed user is ‘fairly familiar’ with design issues, as discussed above.
- Next is not a proposition of law but a statement about the way people (and thus the notional informed user) perceive things.



It is simply that if a new design is markedly different from anything that has gone before, it is likely to have a greater overall visual impact than if it is ‘surrounded by kindred prior art,

- On the other hand, it does not follow, in a case of markedly new design (or indeed any design) that it is sufficient to ask ‘is the alleged infringement closer to the registered design or to the prior art’, if the former infringement, if the latter not. The test remains ‘is the overall impression different?’
- It is legitimate to compare the registered design and the alleged infringement with a reasonable degree of care. The court must ‘don the spectacles of the informed user’ to adapt the hackneyed but convenient metaphor of patent law. The possibility of imperfect recollection has a limited part to play in this exercise.
- The court must identify the ‘overall impression’ of the registered design with care. True it is that it is difficult to put into language, and it is helpful to use pictures as part of the identification, but the exercise must be done.
- In this exercise the level of generality to which the court must descend is important. Here, for instance, it would be too general to say that the overall impression of the registered design is ‘a canister fitted with a trigger spray device on the top.’ The appropriate level of generality is that which would be taken by the notional informed user.
- The court should then do the same exercise for the alleged infringement.
- Finally, the court should ask whether the overall impression of each is different. This is almost the equivalent to asking whether they are the *same* – the difference is nuanced, probably, involving a question of onus and no more.

**GRUPO PROMER MON GRAPHIC SA v. OHIM AND PEPSICO INC** General Court, 18 March 2010, T-9/07, ECR 2010, II-981 [EU]:<sup>11</sup>

Since ‘conflict’ is not defined as such in Regulation No 6/2002, it is necessary to clarify that concept. [The] Board of Appeal found that a conflict arose between two designs when they produced the same overall impression on the informed user, and that in that connection the degree of freedom of the designer in developing the contested design had to be taken into account.

In the case of a design registered in a Member State, the scope of the protection conferred by a design is to include any design which does not produce on the informed user a different overall impression and that, in assessing the scope of that protection, the degree of freedom of the designer in developing his design is to be taken into consideration.

Next, in assessing whether a design is in conflict with a prior design, the designer’s freedom in developing his design is to be taken into consideration.

Consequently, Article 25(1)(d) of Regulation No 6/2002 must be interpreted as meaning that a Community design is in conflict with a prior design when, taking into consideration the freedom of the designer in developing the Community design, that design does not produce on the informed user a different overall impression from that produced by the prior design relied on.

11. *Comparing the whole*: The shape or configuration as a whole has to be considered, not only for purposes of novelty and originality, but also in relation to infringement.

**OCULAR SCIENCES LTD v. ASPECT VISION CARE LTD** [1996] EWHC Patents 1:

11. The appeal against this judgment was dismissed: Judgment of the Court (Fourth Chamber) of 20 October 2011 — *PepsiCo, Inc., v. Grupo Promer Mon Graphic SA*, Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Case C-281/10 P).

The proprietor can choose to assert design right in the whole or *any* part of his product. If the right is said to reside in the design of a teapot, this can mean that it resides in the design of the whole pot, or in a part such as the spout, the handle or the lid, or, indeed, in a part of the lid. This means that the proprietor can trim his design right claim to most closely match what he believes the defendant to have taken.

## C. Exclusions

12. *Methods or principles of construction are excluded:*

**LANDOR & HAWA INTERNATIONAL LTD v. AZURE DESIGNS LTD** [2006] EWCA Civ 1285:

The first issue centres around Azure's contention that Landor's claim for UKUDR [U.K. Unregistered Design Right] in the Expander Design is precluded by s 213(3)(a) of the Copyright, Designs and Patents Act 1988 which provides as follows:

Design right does not subsist in . . . a method or principle of construction.

This contention has given rise to two main arguments, one of principle and one essentially of fact. The argument of principle concerns the meaning and effect of [the provision]. The Judge held that the provision should be relatively narrowly construed, and that it did not apply merely because a design serves a functional purpose: it would not apply unless it can be shown that that purpose cannot be achieved by any other means.

In my opinion, the Judge's interpretation is correct. First, the section does not, as a matter of ordinary language, preclude a design being protected merely because it has a functional purpose. The language is perhaps a little opaque, but the words 'method or principle' are important, and serve, in my view, to emphasize that mere functionality is quite insufficient to exclude a design from protection.

Secondly, it would be wrong in principle to conclude that a design incapable of protection merely because it serves a functional purpose. There is simply no justification in policy or principle for such a conclusion. It would mean that a design which had only aesthetic features would be favored over one with both aesthetic and functional features, a curious consequence of legislation one of whose main functions is to reward imagination and inventiveness.

As Park J rightly observed in *A Fulton Co Ltd v Grant Barnett Ltd* [2001] RPC 257, at para 70:

'The fact that a special method or principle of construction may have been used in order to create an article with a particular shape or configuration does not mean that there is no design right in the shape or configuration. The law of design right will not prevent competitors using that method or principle of construction to create competing design as long as the competing designs do not have the same shape or configuration as the design right owner's design has.'



# Chapter 13

## Unfair (unlawful) competition

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## A. Introduction

1. *TRIPS requirements*: The TRIPS Agreement<sup>1</sup> requires WTO members to comply with the provisions of the Paris Convention for the Protection of Industrial Property<sup>2</sup> that deal with unfair competition. Nationals of member countries are entitled to effective protection against unfair competition, which is defined as ‘any act of competition contrary to honest practices in industrial or commercial matters.’ The following must be prohibited:

- all acts of such a nature as to create confusion by any means whatever with the establishment, the goods or the industrial or commercial activities of a competitor,
- false allegations in the course of trade of such a nature as to discredit the establishment, the goods or the industrial or commercial activities, of a competitor and
- indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quantity of the goods.

Some of these aspects have been dealt with in Chapter 6. Laws dealing with unlawful trade practices, including laws against counterfeiting and monopolies, often cover much that would be protected by unfair competition.<sup>3</sup>

2. *Civil law*: Civil-law systems tend to recognize a general delict of unfair competition that may be amplified by a list of examples.<sup>4</sup> One such instance is German law. The general proposition in § 3 of the German UWG Act is that acts of unfair competition likely to seriously impair competition to the disadvantage of competitors, consumers or other market participants are prohibited.

The law proceeds to provide a list of examples, such as if a person undertakes competitive acts calculated

to impair the freedom of consumers or other market participants to make choices, through the exertion of pressure, cruelty or other improper, undue influence, or obstructs competitors deliberately, contravenes a legal provision intended to regulate market relationships in the interests of market participants.

3. *The common law does not recognize a general tort*: U.K. common law does not recognize a general unfair competition tort.<sup>5</sup> Instead, it recognizes torts that cover some of the field, the important ones being passing off and the protection of confidential information.

**MOORGATE TOBACCO CO LTD v. PHILIP MORRIS LTD** [1984] HCA; (1984) 156 CLR 414:

The phrase ‘unfair competition’ has been used in judgments and learned writings in at least three distinct ways, namely, as a synonym of the doctrine of passing off; as a generic name to cover the range of legal and equitable causes of action available to protect a trader against the unlawful trading activities of a competitor particularly, by the ‘misappropriation’ of knowledge or information; and to describe what is claimed to be a new and general cause of action which protects a trader against damage caused either by ‘unfair competition’ generally or, more he has a ‘quasi-proprietary’ right.

The first and second of the above uses of the phrase are liable to be misleading in that they may wrongly imply that the relevant action or actions are restricted to proceedings against a competitor. The second use is also liable to imply that there exists a unity of underlying principle between different actions when, in truth, there is none. The third use of the phrase is, in an Australian context, simply mistaken in that “unfair competition” does not, in itself, provide a sufficient basis for relief under the law of this country.

The United States approaches unfair competition on a more general basis, in part because of its jurisprudence (including the Supreme Court’s opinion in *International*

1. [https://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](https://www.wto.org/english/docs_e/legal_e/27-trips.pdf).  
 2. <http://www.wipo.int/export/sites/www/treaties/en/documents/pdf/paris.pdf>.  
 3. E.g., the Australian Trade Practices Act 1974 (Cth). Cf *Re Taco Company of Australia Inc; Taco Bell v. Taco Bell Pty Limited; Denbrad Management Pty Limited; Robert Francis; Eric Baillie Francis* [1982] FCA 136; *Parkdale Custom Built Furniture Pty Ltd v. Puxu Pty Ltd* [1982] HCA 44.  
 4. Civil countries have, their own different laws.

5. *ABC v. Lenah Game Meats Pty Ltd* [2001] HCA 63; 208 CLR 199 (also referred to as *Australian Broadcasting Corp v. Lenah Game Meats Pty Ltd*).

*News Service v. Associated Press* [1918] 248 US 215) and in part because of legislative intervention, both at the state and federal level, the latter through the Lanham Act.

4. *The mixed-law approach*: In countries with a mixed legal tradition, such as South Africa, unfair competition is regarded as a manifestation of the general delict protected by the Aquilian action, but common-law precedents have a significant influence on this part of the law.<sup>6</sup> Unlawful acts are not limited to acts that fall into a category of clearly recognized illegality but may be determined by the application of certain criteria, which include fairness and honesty in competition (which requires that regard be had to *boni mores* and the general sense of justice in the community) and questions of public policy that may be of importance in a particular case, such as the importance of the free market and of competition in our economic system.

## B. Trade secrets

5. *Defining trade secrets*: Both the TRIPS Agreement and the Paris Convention do not deal in terms with the protection of trade secrets, but trade secrets have become an important IP asset and are generally protected.

**ANSELL RUBBER CO (PTY) LTD v. ALLIED RUBBER INDUSTRIES (PTY) LTD** [1967] VR 37:

There is very little in these English cases to enable one to identify a “trade secret”. But some collation of the characteristics may be attempted, without trying to make it an exhaustive statement. Its subject-matter may not be a process in common use, or something which is public property and public knowledge, but if it is the result of work done by the maker upon materials which may be available for the use of anybody, so as to achieve a result which can only be produced by somebody who goes through the same process, it will be sufficient. All of its separate features may have been published, or capable of being ascertained by actual inspection by

6. The general principles of the law relating to unlawful competition were settled in *Schultz v. Butt* (327/84) [1986] ZASCA 47.

any member of the public, but if the whole result has not been achieved, and could not be achieved, except by someone going through the same kind of process as the owner, it will not fail to qualify by reason of the publication. It may derive from a maker in another country without losing its character, if it is used, or entitled to be used, by the owner alone in the country in which the owner operates. There is no suggestion of the need for invention. Little can be gathered of the degree of secrecy required beyond what is implied in what is said. But it is a fair inference from what is said that the employer must have kept the matter to himself and from his competitors. The emphasis in the cases is on the confidence.

6. *The common-law approach*: The cause of action is at common law an equitable action and at present, it does not only protect confidential information in the commercial sense but also the right to privacy. It is not dependent on the existence of a contractual relationship.<sup>7</sup>

**ATTORNEY GENERAL v. GUARDIAN NEWSPAPERS LTD (NO 2)** [1988] UKHL 6:

The Crown’s case upon all the issues which arise invokes the law about confidentiality. So it is convenient to start by considering the nature and scope of that law. The law has long recognized that an obligation of confidence can arise out of particular relationships. Examples are the relationships of doctor and patient, priest and penitent, solicitor and client, banker and customer. The obligation may be imposed by an express or implied term in a contract but it may also exist independently of any contract on the basis of an independent equitable principle of confidence.

7. *Douglas & Ors v. Hello! Ltd & Ors* [2007] UKHL 21; *Campbell v. MGN Ltd* [2004] UKHL 22; *Campbell v. MGN Ltd* [2005] UKHL 61; *Force India Formula One Team Ltd v. 1 Malaysia Racing Team SDN BHD & Ors* [2012] EWHC 616 (Ch); *Wee Shuo Woon v. HT S.R.L.* [2017] SGCA 23; *Kerry Ingredients (UK) Ltd v. Bakkavor Group Ltd & oRS* [2016] EWHC 2448 (Ch); *Vestergaard Frandsen A/S & Ors v. Bestnet Europe Ltd & Ors* [2009] EWHC 1456 (Ch).

Most of the cases have arisen in circumstances where there has been a threatened or actual breach of confidence by an employee or ex-employee of the plaintiff, or where information about the plaintiff's business affairs has been given in confidence to someone who has proceeded to exploit it for his own benefit. In such cases the detriment to the confider is clear. In other cases, there may be no financial detriment to the confider, since the breach of confidence involves no more than an invasion of personal privacy. The right to personal privacy is clearly one which the law should in this field seek to protect. If a profit has been made through the revelation in breach of confidence of details of a person's private life it is appropriate that the profit should be accounted for to that person. Further, as a general rule, it is in the public interest that confidences should be respected, and the encouragement of such respect may in itself constitute a sufficient ground for recognizing and enforcing the obligation of confidence even where the confider can point to no specific detriment to himself.

**VESTERGAARD FRANSDEN A/S & ORS v. BESTNET EUROPE LTD & ORS [2013] UKSC 31:**

The classic case of breach of confidence involves the claimant's confidential information, such as a trade secret, being used inconsistently with its confidential nature by a defendant, who received it in circumstances where she had agreed, or ought to have appreciated, that it was confidential. Thus, in order for the conscience of the recipient to be affected, she must have agreed or must know, that the information is confidential.

Liability for breach of confidence is not, of course, limited to such classic cases. A defendant, who learns of a trade secret in circumstances where she reasonably does not appreciate that it is confidential, may nonetheless be liable to respect its confidentiality from the moment she is told, or otherwise appreciates, that it is in fact confidential. From that moment, it can be said that her conscience is affected in a way which should be recognized by equity.

Further, while a recipient of confidential information may be said to be primarily liable in a case of its misuse, a person who assists her in the misuse can be liable, in a secondary sense. However, as I see it, consistently with the approach of equity in this area, she would normally have to know that the recipient was abusing confidential information. Knowledge in this context would of course not be limited to her actual knowledge, and it would include what is sometimes called "blind-eye knowledge".

Further, even a person who did not know that the information which is being abused is confidential could nonetheless be liable if there were relevant additional facts. Thus, if a person who directly misuses a claimant's trade secret does so in the course of her employment by a third party, then the third party could (at least arguably) be liable to the claimant for the breach of confidence. However, that would simply involve the application of one well established legal principle, vicarious liability, to another, misuse of confidential information.

7. *Civil law*: Japanese law, as an example of the civil-law approach, defines the activities that amount to unfair competition in specific terms, and those relating to confidential information provide *inter alia* that the following acts amount to unfair competition:<sup>8</sup> acquiring a trade secret by theft, fraud, duress or other wrongful means; using or disclosing a trade secret so acquired; and acquiring a trade secret with the knowledge that such trade secret has been acquired through acts of wrongful acquisition. There does not appear to be any difference of consequence between this approach and the more detailed approach of the common law.

8. *Springboard doctrine*:<sup>9</sup> The object of the springboard doctrine is to prevent a person who has breached a duty to keep matters confidential to capitalize on any head start gained. The problems with this doctrine are manifold, especially when it concerns the issue of an injunction.<sup>10</sup>

8. Unfair Competition Prevention Act 1993 – Act No.47 of 1993.

9. *Aim Maintenance Ltd v. Brunt* [2004] WASC 49.

10. *Ocular Sciences Ltd v. Aspect Vision Care*

**TERRAPIN LTD v. BUILDERS SUPPLY CO (HAYES) LTD** [1960] RPC 128:

As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been published or can be ascertained by actual inspection by any member of the public.

It is, in my view, inherent in the principle that the possessor of such information must be placed under a special disability in the field of competition in order to ensure that he does not get an unfair start; or, in other words, to preclude the tactics which the first defendants and the third defendants and the managing director of both of those companies employed in this case.

10. *Balancing of rights:*

**VESTERGAARD FRANDSEN A/S & ORS v. BESTNET EUROPE LTD & ORS** [2013] UKSC 31:

Particularly in a modern economy, the law has to maintain a realistic and fair balance between (i) effectively protecting trade secrets (and other intellectual property rights) and (ii) not unreasonably inhibiting competition in the market place. The importance to the economic prosperity of the country of research and development in the commercial world is self-evident, and the protection of intellectual property, including trade secrets, is one of the vital contributions of the law to that end. On the other hand, the law should not discourage former employees from benefitting society and advancing themselves by imposing unfair potential difficulties on their honest attempts to compete with their former employers.

## C. Remedies

9. *Remedies:* The typical remedies available for torts and delicts are available in these cases.<sup>11</sup> As far as springboard relief is concerned, an injunction in the following terms may be appropriate:<sup>12</sup>

The defendant is enjoined for a period of x months of marketing any vacuum cleaner under or by reference to the trademark or name VORTEX, except that it shall not be a breach of this part of the order to use the same mark or logo in a context where there is no likelihood of deception.

*Ltd (No.2)* [1996] EWHC Patents 1.

11. As to damages: *MVF 3 Aps & Ors v. Bestnet Europe Ltd & Ors* [2016] EWCA Civ 541 ; *Kerry Ingredients (UK) Ltd v. Bakkavor Group Ltd & Ors* [2016] EWHC 2448 (Ch).
12. The issue is dealt with in detail in *Vestergaard Frandsen A/S & Ors v. Bestnet Europe Ltd & Ors* [2009] EWHC 1456 (Ch). See in general *Personnel Hygiene Services Ltd & Ors v. Rentokil Initial UK Ltd (t/a Initial Medical Services) & Ors* [2014] EWCA Civ 29.





# Chapter 14

## Civil remedies

<b>A. The TRIPS Agreement</b>	<b>122</b>
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## A. The TRIPS Agreement

1. *Introduction:* Civil remedies for the infringement of IP rights are prescribed in the TRIPS Agreement.<sup>1</sup> It states the minimum requirements, which, in general terms, are contained in one form or another in most legal systems: interim measures, injunctions, damages and destruction of infringing goods.

The underlying principles do not change simply because a matter involves an IP right – it is the application of those principles that may be challenging in the circumstances of a case.

2. *Interim measures:* The TRIPS Agreement (Article 50) sets the minimum requirements for interim measures that member countries have to provide for all IP rights holders. National laws must provide for (a) temporary injunctions (interim interdicts in the nomenclature of civil or mixed systems) on notice or, in cases of urgency, on an *ex parte* basis and (b) orders to preserve evidence. Most jurisdictions comply in general, without special legislation, with these requirements.

3. *Disclosure orders:* In accordance with the provisions of TRIPS (Article 47), member states may provide the judiciary with the authority to order the infringer to inform the rights holder of the identity of third persons involved in the production and distribution of the infringing goods or services and of their channels of distribution, unless this would be out of proportion to the seriousness of the infringement.

4. *Injunctions (interdicts):* In terms of Article 44.1, courts must have the authority to issue injunctions or interdicts<sup>2</sup> ordering a party to desist from infringing. The injunction must also prevent the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an IP right, immediately after customs clearance of such goods. Injunctions may be dependent on the defendant's prior knowledge (or having had reasonable grounds to know) that the act entails the infringement of an IP right.

5. *Damages:* Article 45 provides that courts must be able to order the infringer to pay the rights holder damages adequate to compensate for the injury suffered by the rights holder because of the infringement, as well as the rights holder's expenses, which may include appropriate attorney's fees. The liability to pay damages may be made dependent upon the infringer's knowledge or negligence.

Damages may consist of the recovery of profits and/or payment of pre-established damages, even where the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity.

## B. Temporary injunctions

6. *Nature of temporary injunctions:* A temporary injunction pending the full ventilation of the dispute at a trial is probably the most important legal remedy for the infringement of an IPR. Apart from restoring the status quo and halting the allegedly infringing act, interim injunction proceedings provide parties with a preview of the opponent's case. As a result, cases are often settled or concluded without subsequent proceedings, such as a trial. Interim injunctions are also cost-effective.

An interim injunction, however, has far-reaching commercial consequences, and it is seldom that the innocent respondent will be able to prove or recover its loss should it subsequently appear that the order was incorrectly granted.

This remedy has three legs. The first substantive issue is the IP right of the claimant and the second is the question whether the respondent is infringing or threatening to infringe that right.

The third is a discretionary issue, namely whether an order would do justice in the circumstances of the case. It includes a consideration of issues such as irreparable harm and the balance of convenience (sometimes referred to as the balance of hardship). This means that the court is entitled to have regard to a number of disparate and incommensurable features in coming to a decision, and not that the court has a free and unfettered discretion. The discretion is a judicial one that must be exercised according to law and upon established facts.<sup>3</sup>

1. [http://www.tripsagreement.net/?page\\_id=40](http://www.tripsagreement.net/?page_id=40).

2. For the sake of convenience, the English law term of injunction will be used in this text while recognizing that civil systems prefer the term interdict. There is not any substantive difference between the two.

3. *Google Inc. v. Equustek Solutions Inc.* 2017 SCC 34.

7. *The purpose of interim relief is to regulate the interim and to preserve the status quo:*<sup>4</sup>

**ATTORNEY GENERAL v. PUNCH LTD** [2002] UKHL 50:

The purpose for which the court grants an interlocutory injunction can be stated quite simply. In *American Cyanamid Co v. Ethicon Ltd* [1975] AC 396 Lord Diplock described it as a remedy which is both temporary and discretionary. Its purpose is to regulate, and where possible to preserve, the rights of the parties pending the final determination of the matter which is in issue by the court. That purpose should not be confused with the court's reasons for deciding that it would be appropriate to grant an interlocutory injunction. The court must, of course, have a good reason for granting an order of this kind.

It is no part of the court's function at that stage to resolve conflicts of evidence or questions of law that require detailed argument. All it can do is to preserve the *status quo* in the meantime until these matters can be determined at the trial.

8. *Threshold requirement – the right of the applicant:* Courts differ in their approach to the level of satisfaction that a court must have before it may issue a temporary injunction. It is not clear that these differences are material.

**AUSTRALIAN BROADCASTING CORPORATION v. LENA GAME MEATS PTY LTD** [2001] HCA 63:

When a plaintiff applies to a court for an interlocutory injunction, the first question counsel may be asked is: what is your equity? If a plaintiff, who has commenced an action seeking a permanent injunction, cannot demonstrate that, if the facts alleged are shown to be true, there will be a sufficiently plausible ground for the granting of final relief, then that may mean there is no basis for interlocutory relief.

The corollary of the proposition is that a plaintiff seeking an interlocutory injunction must

4. *Australian Broadcasting Corporation v. Lenah Game Meats Pty Ltd* [2001] HCA 63.

be able to show sufficient color of right to the final relief, in aid of which interlocutory relief is sought.

The one approach (the traditional one) is to ask whether the applicant has a *prima facie* right. This test, as formulated in the European directive, is that the court must be satisfied *with a sufficient degree of certainty* that the applicant is the right holder and that the applicant's right is being infringed, or that such infringement is imminent. In the United States, the test is a reasonable likelihood of success on the merits.<sup>5</sup> Other courts, under the influence of the House of Lords decision in *American Cyanamid Co v. Ethicon Ltd*, now use the 'serious question to be tried' test.<sup>6</sup> The requirement of a serious question to be tried is not the same as that of a *prima facie* right, although the court must be satisfied that the claim is not frivolous or vexatious.

**MANITOBA (A.G.) v. METROPOLITAN STORES LTD.,** [1987] 1 SCR 110:

The first test is a preliminary and tentative assessment of the merits of the case, but there is more than one way to describe this first test. The traditional way consists in asking whether the litigant who seeks the interlocutory injunction can make out a *prima facie* case. The injunction will be refused unless he can. The House of Lords has somewhat relaxed this first test in *American Cyanamid Co v. Ethicon Ltd*, where it held that all that was necessary to meet this test was to satisfy the Court that there was a serious question to be tried as opposed to a frivolous or vexatious claim.

**MOTT & ANOR v. MOUNT EDON GOLD MINES (AUST) LTD & ORS** [1994] WASC 81:

- The applicant must satisfy the court there is a serious question to be tried;

5. *Polymer Technols., Inc. v. Bridwell* (Fed Cir 1996) 103 F3d 970.

6. It has been adopted in *Canada: RJR-MacDonald Inc. v. Canada (Attorney General)* [1994] 1 SCR 311 at 348; *Australia: e.g., Australian Coarse Grains Pool Pty Ltd v. Barley Marketing Board* [1985] HCA 38. In India, however, it does not apply to (all) IP cases, and a patentee cannot, for instance, rely on the presumption that the patent is valid and has to prove it, *prima facie: Gujarat Bottle v. Coca-Cola Co* 1995 (5) SCC 545.

- If there is a serious question to be tried, an injunction will not be granted if common law damages would be an adequate remedy;
- If there is a serious question to be tried and damages would not be an adequate remedy, the court must then consider whether the balance of convenience lies in favor of granting or refusing the relief sought.
- When considering the balance of convenience, the relative strength and weaknesses of the applicant's case may be taken into account, and
- The court should not attempt to decide factual conflicts arising from the affidavit material and nor should it determine difficult questions of law which require detailed argument.

9. *Interim orders that are final in effect*: The tests set out in the previous paragraph do not apply where the interlocutory order will be final in effect.

**NWL LIMITED v. WOODS** [1979] 3 All ER 614:<sup>7</sup>

*American Cyanamid Co v. Ethicon Ltd*, which enjoins the judge on an application for an interlocutory injunction to direct his attention to the balance of convenience as soon as he has satisfied himself that there is a serious question to be tried, was not dealing with a case in which the grant or refusal of an injunction at that stage would, in effect, dispose of the action finally in favor of whichever party was successful in the application, because there would be nothing left on which it was in the unsuccessful party's interest to proceed to trial.

Where, however, the grant or refusal of the interlocutory injunction will have the practical effect of putting an end to the action because the harm that will have been already caused to the losing party by its grant or its refusal is complete and of a kind for which money cannot constitute any worthwhile recompense, the degree of likelihood that the plaintiff would have succeeded in establishing his right to an injunction if the action had gone to trial is a

7. No internet link available, but quoted by a Fiji court in *Mcpherson's Consumer Products Pty Ltd v. Usha Lal T/A Ishwar Industries* (2015).

factor to be brought into the balance by the judge in weighing the risks that injustice may result from his deciding the application one way rather than the other.

10. *Irreparable harm*:

**RJR-MACDONALD INC. v. CANADA (ATTORNEY GENERAL)** [1994] 1 SCR 311:

*Irreparable* refers to the nature of the harm suffered rather than its magnitude. It is harm which either cannot be quantified in monetary terms or which cannot be cured, usually because one party cannot collect damages from the other. Examples of the former include instances where one party will be put out of business by the court's decision; where one party will suffer permanent market loss or irrevocable damage to its business reputation; or where a permanent loss of natural resources will be the result when a challenged activity is not enjoined. The fact that one party may be impecunious does not automatically determine the application in favor of the other party who will not ultimately be able to collect damages, although it may be a relevant consideration.

11. *Balance of convenience*:

**AMERICAN CYANAMID CO v. ETHICON LTD** [1975] AC 396:

The plaintiff's need for such protection must be weighed against the corresponding need for the defendant to be protected against injury resulting from his having been prevented from exercising his own legal rights for which he could not be adequately compensated under the plaintiff's undertaking in damages if the uncertainty were resolved in the defendant's favor at the trial. The court must weigh one need against another and determine where 'the balance of convenience' lies.

It would be unwise to attempt even to list all the various matters which may need to be taken into consideration in deciding where the balance lies, let alone to suggest the relative weight to be attached to them. These will vary from case to case.

**POLO/LAUREN CO LTD PARTNERSHIP v. DINOON**  
2004 SCJ 44 [Mauritius];<sup>8</sup>

As it is not easy for me to decide if the prejudice allegedly suffered can or cannot adequately be compensated by damages on contradictory affidavit evidence, I shall, therefore, turn to the question of balance of convenience.

Here, the respondents tried to play on emotion, putting forward the argument that in granting the interlocutory order, thousands of workers would lose their employment.

On the other hand, there is the very strong case of the applicant as to the ownership of the copyright of the Artistic Work. Moreover, consideration must also be given to the obligation of the State to comply with its international obligations coupled with the fact that there is an element of public order, for the legislator has made it an offence for anybody who infringes the copyright in a work. Consequently, in the public interest, the rule of law must be upheld against any private interest, more especially in the field of infringement of copyright which is legion and rampant. I also take judicial notice of the fact that the State is attempting to put order to show another image of the country other than that of being notoriously known as a haven for counterfeiters.

12. *U.S. law*: The law in the United States requires, in addition, a consideration of the impact of the injunction on the public interest.<sup>9</sup>

**POLYMER TECHNOLS., INC. v. BRIDWELL (FED CIR 1996)** 103 F3d 970:

The grant or denial of a preliminary injunction is within the discretion of the district court. As the moving party, Polymer [the applicant] had to establish its right to a preliminary injunction in light of four factors:

8. No internet link available.
9. Discussed in *Cipla Medpro (Pty) Ltd v. Aventis Pharma SA, Aventis Pharma SA and Others v. Cipla Life Sciences (Pty) Ltd and Others* [2012] ZASCA 108.

- a reasonable likelihood of success on the merits;
- irreparable harm if the injunction were not granted;
- the balance of the hardships and
- the impact of the injunction on the public interest.

13. *Preservation orders*: Preservation of evidence orders are required by TRIPS as an interim measure.<sup>10</sup> The European Court of Human Rights had the opportunity to deal with these types of orders and to assess their legitimacy and it gave a useful exposition of their development under U.K. law and their scope.<sup>11</sup>

**CHAPPELL v. UNITED KINGDOM** [1990] 12 EHRR 1:

The High Court [in the United Kingdom] developed – in particular from 1974 onwards – the practice of granting in appropriate cases to the plaintiff or intending plaintiff in civil proceedings ‘Anton Piller orders’, so called after the name of a case in which their use was approved by the Court of Appeal (*Anton Piller KG v. Manufacturing Processes Ltd* [1976] 1 All ER 779). They are of a procedural and essentially provisional nature only, being granted pending the trial of the action on the merits.

Whilst Anton Piller orders have been made in a wide variety of cases, the great majority are granted in proceedings involving allegations of infringement of patents, trademarks or copyright or of passing off. Of these, by far the most frequent have been cases involving pirate records, tapes, and video-cassettes, where the risks of suppression of evidence are especially strong.

10. Another related type of order concerns the preservation of assets, but because it is not a TRIPS requirement, it is not discussed: *Fourie v. Le Roux and others* [2007] UKHL 1; *Karl Construction (Scotland) Ltd v. Palisade Properties plc (No1)* [2002] Adj.L.R.; *Knox D’Arcy Ltd. and Others v. Jamieson and Others* [1996] ZASCA 58.
11. See further *Anton Piller KG v. Manufacturing Processes Ltd* [1976] 1 All ER 779; *Shoba v Officer Commanding, Temporary Police Camp, Wagendrift Dam, Maphanga v. Officer Commanding, SA Police Murder & Robbery Unit, Pietermaritzburg* [1995] ZASCA 49.

One of the basic purposes of this interlocutory measure being to preserve for that trial evidence in the possession of the defendant or prospective defendant, its essence is surprise. For this reason, the court – by virtue, so it was held in the Anton Piller case, of a power deriving from its inherent jurisdiction – grants the order on an ex parte application, that is without the defendant's being given notice and without his being heard. For the same reason, the application is invariably heard in private and the defendant will become aware of the order's existence only when it is served on him with a view to immediate execution.

An Anton Piller order will normally contain restrictive or mandatory injunctions: prohibiting the defendant from dealing with materials that are the subject of the action; requiring the defendant to disclose the whereabouts of all such materials and details of suppliers and customers, and to deliver up the materials to the plaintiff; requiring the defendant to make an affidavit containing all the information to be disclosed by him under the order; [and] requiring the defendant to permit the plaintiff to enter the premises for the purpose of searching for the items.

Before making an Anton Piller order, the court must be satisfied that:

- the plaintiff has made out an extremely strong prima facie case that his claim will succeed on the merits;
- the actual or potential damage is very serious for him;
- there is clear evidence that the defendant has in his possession incriminating documents or things, and that
- there is a real possibility that, if he is forewarned, he may destroy such material.

## C. Injunctions (interdicts)

### 14. *Nature of injunctions*:<sup>12</sup>

**L'OREAL SA AND OTHERS v. EBAY INTERNATIONAL AG**, 12 July 2011, C-324/09:

Member States [must] ensure that the national courts with jurisdiction in relation to the protection of intellectual property rights are able to order the operator of an online marketplace to take measures which contribute, not only to bringing to an end infringements of those rights by users of that marketplace but also to preventing further infringements of that kind. Those injunctions must be effective, proportionate, dissuasive and must not create barriers to legitimate trade.

### 15. *Nature of the wrongful act*: The power of the court to grant an injunction is limited by the nature of the act that it is sought to restrain.

**CARDILE v. LED BUILDERS PTY LTD** [1999] HCA 18:

However, in England, it is now settled by several decisions of the House of Lords that the power stated in Judicature legislation – that the court may grant an injunction in all cases in which it appears to the court to be just and convenient to do so – does not confer an unlimited power to grant injunctive relief. Regard must still be had to the existence of a legal or equitable right which the injunction protects against invasion or threatened invasion, or other unconscientious conduct or exercise of legal or equitable rights. The situation thus confirmed by these authorities reflects the point made by Ashburner that 'the power of the court to grant an injunction is limited by the nature of the act which it is sought to restrain'.

12. An order for destruction or delivery-up as an adjunct to an injunction is discussed under criminal remedies.

16. *Rules relating to injunctions in IP cases are no different from those applicable in other cases:*

**EBAY INC. v. MERCEXCHANGE, L.L.C.**, 547 U.S. 388 (2006):

According to well-established principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate:

- that it has suffered an irreparable injury;
- that remedies available at law, such as monetary damages, are inadequate to compensate for that injury;
- that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and
- that the public interest would not be disserved by a permanent injunction.

These familiar principles apply with equal force to disputes arising under the Patent Act. This approach is consistent with our treatment of injunctions under the Copyright Act.

17. *Object of an injunction:* The object of a permanent injunction is to restrain feared future acts of infringement.<sup>13</sup>

**COFLEXIP SA & ANOR v. STOLT COMEX SEAWAY MS LTD & ORS** [2000] EWCA Civ 242:

An injunction is a remedy against further injury and the court will not make the order if satisfied that no such injury is likely to occur. It is not because a defendant has done a wrong that an injunction will be granted against him. Where a patentee has conclusively established the validity of his patent and that it had been infringed, as a general rule an injunction will be granted. However, that will not happen as a matter of course as an injunction is a discretionary remedy. It is for that reason there have been cases where injunctions have been refused, for example, where the defendant satisfied the court that further infringement was not likely.

13. See also *Phonographic Performance Ltd v. JJPB Ltd & Anor* [2017] EWHC 1370 (Ch).

18. *General entitlement:* Having established the infringement of an IP right, the claimant is entitled to an injunction. Not all jurisdictions accept the discretionary nature of the relief, which enables a court to refuse an injunction once the infringement has been established and there is some reason to believe that the respondent will continue with infringing.

Even if the remedy is discretionary, that does not mean that a party may be denied its rights through the exercise of discretion, unless there are special circumstances present.

In exercising its discretion, the court will, as a rule, have regard to whether payment of damages without an injunction does not, in fact, compel the applicant to part with its rights. Because of this consideration, final injunctions have been granted as a matter of course (if the claimant has otherwise established its entitlement) in IP cases in most countries. Otherwise, it could amount to granting the defendant a compulsory license.

**LOUIS VUITTON MALLETTIER SA v. KNIERUM** [2004] FCA 1584:

The true position is this. The basis for the grant of an injunction in an intellectual property case is in every respect the same as in any other case. The plaintiff must show that there is a risk that the defendant will engage in infringing conduct in the future. If the plaintiff is unable to make good that proposition, he will not obtain an injunction.

On the question of proof of the risk of repetition, some judges have been prepared to infer that risk simply from past infringement. But the better view is expressed by Laddie J in *Coflexip SA v Stolt Comex Seaway MS Ltd*, where he said that it is simply not right to treat [all intellectual property right] infringers as ‘bad apples’.

**SCHNEIDER ELECTRIC SA v. TELEMECANIQUE CONTROLS** 2002 PTC (24) 632:

It has to be appreciated that undoubtedly [a] patent creates a statutory monopoly protecting the patentee against any unlicensed user of the patented device. Thus once a violation is established in the case of a registered patent, subject of course to the patent being used, it



will not be permissible to contend that the said patentee is not entitled to an injunction.

**CIPLA MEDPRO (PTY) LTD v. AVENTIS PHARMA SA, AVENTIS PHARMA SA AND OTHERS v. CIPLA LIFE SCIENCES (PTY) LTD AND OTHERS** [2012] ZASCA 108:

The TAC's [Treatment Action Campaign] opposition to the grant of an interdict really comes down to no more than opposition to the monopoly that the law confers upon a patentee. It submits that those who cannot afford Taxotere, but are able to afford the price of Cipla Docetaxel, will be prejudiced if distribution of the latter were to be prohibited. Where the public is denied access to a generic during the lifetime of a patent that is the ordinary consequence of patent protection and it applies as much in all cases. To refuse an interdict only so as to frustrate the patentee's lawful monopoly seems to me to be an abuse of the discretionary powers of a court.

**NOKIA CORPORATION v. TRUONG** [2005] FCA 1141:

Permanent injunctions are granted conventionally in respect of cases of intellectual property infringement against proven infringement and a proven threat to continue infringing as this avoids multiplicity of proceedings. There is clear evidence that the respondents have continued to sell the infringing products, despite being aware of these proceedings, and the respondents have given no undertakings not to infringe. I, therefore, consider it appropriate to exercise my discretion to grant a permanent injunction.

19. *Formulation of injunction*: Care should be taken in formulating an injunction.<sup>14</sup>

14. *Coflexip SA & Anor v. Stolt Comex Seaway MS Ltd & Ors* [2000] EWCA Civ 242; *Vestergaard Frandsen A/S & Ors v. Bestnet Europe Ltd & Ors* [2009] EWHC 1456 (Ch); *Personnel Hygiene Services Ltd & Ors v. Rentokil Initial UK Ltd (t/a Initial Medical Services) & Ors* [2014] EWCA Civ 29.

**COFLEXIP STENA OFFSHORE LIMITED, COFLEXIP S.A.** [1999] EWHC Patents 258:

A defendant who has been enjoined must know what he can and cannot do. He should not be set a puzzle. [In] most cases the precise outer limits of a patent claim are far from clear. An injunction not to infringe a patent incorporates all this imprecision.

## D. Damages

20. *General rule*: Unless a statute provides otherwise, the ordinary rules of law that determine the quantification of damages for statutory wrongs apply.<sup>15</sup>

**ARO MFG. CO., INC. v. CONVERTIBLE TOP CO** 377 U.S. 476:

[Damages] have been said to constitute 'the difference between [the plaintiff's] pecuniary condition after the infringement, and what his condition could have been if the infringement had not occurred.' The question to be asked in determining damages is 'how much had the patent holder and licensee suffered by the infringement. And that question [is] primarily: had the infringer not infringed, what would the patent holder/licensee have made?'

The rule also applies in civil and mixed legal systems. For instance, according to Article 1382 of the French Civil Code, any harmful wrongdoing must be compensated, and according to Article 1149, compensation usually extends to the 'lost profit' (*gain manqué, lucrum cessans*) and the 'loss suffered' (*per te subie, damnum emergens*).

21. *Problem of quantification*: Courts often have great difficulty determining compensation for the infringement of IP rights. The problem is not limited to ordinary civil courts – specialist IP courts are probably less qualified to determine questions relating to damages. And in the United States, there is a right to a jury trial to quantify damages.<sup>16</sup>

15. For a full discussion of damages in copyright cases: *Eight Mile Style v. National Party* [2017] NZHC 2603.

16. *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998).

The problem is not peculiar to patent or other IP litigation. In many fields (such as damages for personal injuries, professional negligence, breach of contract and loss of profit and the like), quantification is a problem not only for the judiciary but also for the parties that must present proof of causation and the extent of damages suffered.

Despite the burden of proof, courts have a duty to assess damages, even if it means that they have to make an estimate. The claimant has a duty to adduce the best available evidence of quantum, and if that has been done, the court must apply the best estimate rule.<sup>17</sup>

The issue of the calculation of damages is usually determined separately, after the issues of validity of the intellectual property right and of infringement have been decided. In some countries with an inquisitorial procedure, like France, the court on finding infringement appoints an expert to provide it with all the information necessary to assess damages.

22. *Flexible approach*: The law sometimes has a more flexible approach toward the question of damages, and compensation may be available that, strictly, compensates the plaintiff for more than the actual financial loss. These other methods will be discussed later in this chapter.

**ATTORNEY GENERAL v. BLAKE AND ANOTHER** [2000] UKHL 45:

Damages are measured by the plaintiff's loss, not the defendant's gain. But the common law, pragmatic as ever, has long recognized that there are many commonplace situations where a strict application of this principle would not do justice between the parties. Then compensation for the wrong done to the plaintiff is measured by a different yardstick.

**FABIO PERINI SPA v. LPC GROUP PLC & ORS** [2012] EWHC 1393 (Pat):

Once causation is established (and subject to any question of remoteness arising in this

case) the issue is one of measurement. As to measurement:

It is probably a mistake in language to treat the methods usually adopted in ascertaining the measure of damages in patent cases as principles. They are the practical working rules which have seemed helpful to judges in arriving at a true estimate of the compensation which ought to be awarded against an infringer to a patentee. In the case of damages in general, there is one principle which does underlie the assessment. It is what may be called that of restoration. The idea is to restore the person who has sustained injury and loss to the condition in which he would have been had he not so sustained it. In cases of financial loss, injury to trade, and the like, caused either by breach of contract or by tort, the loss is capable of correct appreciation in stated figures. In a second class of cases, restoration being difficult, the task of restoration under the name of compensation calls into play inference, conjecture and the like [...] The restoration by way of compensation is therefore accomplished to a large extent by the exercise of a sound imagination and the practice of the broad axe. In all these cases the attempt which justice makes is to get back to the *status quo ante* in fact, or to reach imaginatively, by the process of compensation, a result in which the same principle is followed [...]

(Per Lord Shaw in *Watson Laidlaw & Co v Pott Cassels and Williamson* (1914) 31 RPC 104 at 117-118.)

23. *Statutory compensation*: It is consequently not only damages in the ordinary sense of the word that are recoverable in certain jurisdictions in the case of an IP infringement. Apart from the extended common-law approach toward the calculation of damages, legislatures (and the European directive) have realized that to require of plaintiffs to prove their damages in the ordinary manner may be unfair, and they have devised alternative methods of calculating compensation.

17. Canada: *Penvdic Contracting Co. Ltd. v. International Nickel Co. of Canada Ltd* (1975) 53 DLR (3d) 748. South Africa: *De Klerk v. Absa Bank Ltd and Others* [2003] ZASCA 6.

These other forms of monetary compensation will be dealt with later on in this chapter.

24. *Duty to present evidence*: Courts differ on whether or not damages may be presumed in trademark and passing-off cases. It is, however, generally accepted that damages must be proved in patent, designs and copyright cases.

**NISSAN CANADA INC. v. BMW CANADA INC.**, 2007 FCA 255:

With respect to the third component, i.e. damages, the trial judge accepted the respondents' argument that, once [infringement has been established,] damages [whether nominal or substantial] are presumed [in a passing-off case].

I find the trial judge erred in law in assuming that there would be damages. Actual or potential damage is a necessary element in finding liability. In the absence of evidence in this regard, the Court cannot conclude that there is liability. A plaintiff must 'demonstrate that he suffers or, in a quia timet action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source of those offered by the plaintiff'.

A bifurcation order does not relieve the appellant from the necessity of proving the existence of damage as an element of his cause of action. It simply defers proof of the extent of the damage pending a determination as to the respondents' liability. In this case, there was no evidence before the trial judge demonstrating damages and no finding of damages. It was not open to the trial judge to presume damages.

**TOMMY HILFIGER EUROPE v. MCGARRY & ORS** [2008] IESC 36:

Before considering what effect, if any, the correction of these errors may have I propose considering the basis upon which damages should be awarded for infringement of a registered Trade Mark and passing off. The position is the same in respect of each of the causes of action.

The object of an award of damages is to give to the plaintiff compensation for the damage or loss which he has suffered. Damage is divisible into pecuniary and non-pecuniary loss. The former comprises all financial loss such as loss of business profits or expenses incurred in a case such as the present. The latter in a case such as the present would include damage to reputation or goodwill and can be described as monetary compensation or reparation and takes the form of general as opposed to special damages as they do not admit of mathematical calculation.

The assessment of damages for infringement and passing off follow the same lines and both claims are frequently taken together with a single award being made. The plaintiff need not show damage and the law presumes that any interference with goodwill by infringement or passing off will result in damage. However unlike other causes of action which are actionable per se the plaintiff is not restricted to purely nominal damages.

There was no evidence of diversion given in this case and indeed the evidence was that no damage had been sustained by the respondents: in the absence of evidence, it will not be assumed that the sales achieved by the defendant would necessarily have been obtained by the plaintiff.

25. *General rules*:

**ULTRAFRAME (UK) LTD v. EUROCELL BUILDING PLASTICS LTD & ANOR** [2006] EWHC 1344 (Pat):

The general principles to be applied in assessing damages for infringement of patent are now well established. So far as relevant to the present case, they can be summarized as follows:

- Damages are compensatory. The general rule is that the measure of damages is to be, as far as possible, that sum of money that will put the claimant in the same position as he would have been in if he had not sustained the wrong.
- The claimant can recover loss which was (i) foreseeable, (ii) caused by the wrong, and (iii) not excluded from recovery by public or

social policy. It is not enough that the loss would not have occurred but for the tort. The tort must be, as a matter of common sense, a cause of the loss.

- The burden of proof rests on the claimant. Damages are to be assessed liberally. But the object is to compensate the claimant and not to punish the defendant.
- It is irrelevant that the defendant could have competed lawfully.
- Where a claimant has exploited his patent by manufacture and sale he can claim (a) lost profit on sales by the defendant that he would have made otherwise; (b) lost profit on his own sales to the extent that he was forced by the infringement to reduce his own price; and (c) a reasonable royalty on sales by the defendant which he would not have made.
- As to lost sales, the court should form a general view as to what proportion of the defendant's sales the claimant would have made.
- The assessment of damages for lost profits should take into account the fact that the lost sales are of 'extra production' and that only certain specific extra costs (marginal costs) have been incurred in making the additional sales. Nevertheless, in practice costs go up and so it may be appropriate to temper the approach somewhat in making the assessment.
- The reasonable royalty is to be assessed as the royalty that a willing licensor and a willing licensee would have agreed. Where there are truly comparable licenses in the relevant field these are the most useful guidance for the court as to the reasonable royalty. Another approach is the profits available approach. This involves an assessment of the profits that would be available to the licensee, absent a license, and apportioning them between the licensor and the licensee.
- Where damages are difficult to assess with precision, the court should make the best estimate it can, having regard to all the circumstances of the case and dealing with the matter broadly, with common sense and fairness.

26. *Burden of proof*: A claimant must ordinarily prove is:

- the extent of the infringement (usually the quantity of infringing articles sold),
- the proportion of them that the claimant could and would have sold but for the infringement and
- the profit the claimant would have made on the sale of those articles.

Sometimes the rights holder does not market the goods but holds the rights as negative rights; sometimes the right relates to something that is not sold, such as a manufacturing method. In these cases, the matter becomes even more complicated.<sup>18</sup>

27. *Causation – the 'but for' principle*: The burden of proving causation is on the plaintiff. The plaintiff's actual situation must be compared with a hypothetical situation where infringement had not taken place. The difference is the damage, but only insofar as the difference has actually been caused by the infringement.

**RITE-HITE CORP. v. KELLEY CO.** 56 F.3d 1538 (Fed. Cir. 1995):

To recover lost profits damages, the patentee must show a reasonable probability that, but for the infringement, it would have made the sales that were made by the infringer. *Panduit Corp v. Stahl Bros Fibre Works Inc* 575 F2d 1152 (6<sup>th</sup> Cir 1978), articulated a four-factor test that has since been accepted as a useful, but non-exclusive, way for a patentee to prove entitlement to lost profits damages. The *Panduit* test requires that a patentee establish: (1) demand for the patented product; (2) absence of acceptable non-infringing substitutes; (3) manufacturing and marketing capability to exploit the demand; and (4) the amount of the profit it would have made. A showing under *Panduit* permits a court to reasonably infer that the lost profits claimed were in fact caused by the infringing sales, thus establishing a patentee's prima facie case with respect to *but for* causation.

28. *Depreciation of the IP right*: Damages may consist of, or include, the amount by which the relevant IP right has been

18. *Paramount Pictures Corporation v. Hasluck* [2006] FCA 1431.

depreciated by the infringement.<sup>19</sup> The measure is sometimes used in copyright cases. Depreciation is, however, not an exclusive measure and is potentially misleading.

**RE AUTODESK AUSTRALIA PTY LTD AND AUTODESK, INC v. CHARLES CHEUNG** [1990] FCA 97:

In *Sutherland Publishing Co Ltd v Caxton Publishing Co Ltd* [1936] 1 Ch 323 Lord Wright MR said that the measure of damages, in a copyright case, 'is the depreciation caused by the infringement to the value of the copyright as a chose in action'. This formulation has often been cited in judgments. But it is a formulation to be applied with caution because it is potentially misleading. It will usually be difficult, often impossible, for a copyright owner to establish that a particular unauthorized reproduction has caused a diminution in the capital value of a copyright. There may be cases where this occurs, perhaps because of low-quality reproductions or saturation of the market. But, on other occasions, unauthorized reproduction may actually increase the residual value of a copyright. For example, the unauthorized broadcasting of a song on radio may have the effect of increasing the demand for recordings of that song. No doubt, it is because of these matters that judicial warnings have sometimes been given against applying Lord Wright's test too literally. Thus in *Interfirm Comparison v Law Society of New South Wales* (1975) 6 ALR 445 Bowen CJ in Eq. commented that it would be wrong to treat the measure of damages stated by Lord Wright as

having, in effect, the force and rigidity of statutory provision. The purpose of damages is to compensate the plaintiff for the loss which he has suffered as a result of the defendant's breach. It would, in my opinion, be wrong to regard it as the exclusive measure of damages for breach of copyright appropriate to all circumstances.

19. Cf *Universal City Studios Incorporated v. Mulligan (No.2)* [1999] IEHC 165; *Retail Systems Technology v. Mc Guire & Ors* [2007] IEHC 13.

29. *Notional royalty*: Another device is to permit the plaintiff to claim a notional royalty from the defendant. In some jurisdictions, it is a common-law measure of compensation based on the user principle, while in others there is a statutory basis for it.<sup>20</sup> The U.S. Patent Act, for instance, provides that a claimant is entitled to damages that are not less than a reasonable royalty,<sup>21</sup> and the EU directive has it as an option.<sup>22</sup> (South African law, until legislative intervention, did not regard notional royalty as available.) In order to succeed, a plaintiff has to prove what a reasonable royalty rate is in commercial practice. This may give rise to difficulties of proof, because in some industries licensing is uncommon. It has been said that this is the preferred method of calculating damages and is used in Germany in more than 90 percent of cases.<sup>23</sup> The reason is obvious: it is the method of calculation with the least risks.

**CINCINNATI CAR CO. v. NEW YORK RAPID TRANSIT CORP.**, 66 F.2d 592:

The whole notion of a reasonable royalty is a device in aid of justice, by which that which is really incalculable shall be approximated, rather than that the patentee, who has suffered an indubitable wrong, shall be dismissed with empty hands.

**PUMA AG RUDOLF DASSLER SPORT v. GLOBAL WARMING (PTY) LTD** [2009] ZASCA 89:

The object of permitting a claim for damages in the form of notional royalties is to obviate proof of actual loss, something extremely difficult to establish in intellectual property infringement cases. All a claimant has to prove is the number of infringing articles and the reasonable royalty rate.

20. *Paramount Pictures Corporation v. Hasluck* [2006] FCA 1431; *Eight Mile Style v. National Party* [2017] NZHC 2603; *Force India Formula One Team Ltd v. 1 Malaysia Racing Team SDN BHD & Ors* [2012] EWHC 616 (Ch); *Winnebago Industries Inc v. Knott Investments Pty Ltd (No 4)* [2015] FCA 1327.

21. 35 U.S.C. § 284; *Tektronix, Inc. v. The United States et al* 552 F.2d 343 (1977).

22. *Stowarzyszenie 'Oławska Telewizja Kablowa' w Oławie v. Stowarzyszenie Filmowców Polskich w Warszawie* case C- 367/15: Polish law that permits damages at twice the royalty rate is compatible with EU law.

23. BGH Case I ZR 87/07 – Zoladex 29 June 2009.

**CASE NUMBER: 2004 (WA) NO.12032** Osaka District Court, 26<sup>th</sup> Civil Division:<sup>24</sup>

The court mentioned that, in general, there may be various ways to decide how to pay a royalty under a trademark license contract between the trademark holder and the licensee, and the parties were free to choose one by agreement. The court then concluded that although such an agreement might not always exist in the case of trademark infringement, it was appropriate to calculate the amount of reasonable royalty by determining a monthly rate multiplied by the number of months during which the infringement continued, unless the calculation method thus argued was particularly unreasonable.

The court explained that the amount of reasonable royalty per unit period should be decided by taking into consideration various factors concerned, including the value of the trademark, the actual circumstances of transactions, and the details of the infringement. The court calculated the amount of damage taking into consideration the royalty rate usually imposed by a plaintiff on a third party for a non-exclusive license (whether or not and to what extent the trademarks were well known) and how the defendant used the marks.

30. *Account of profits*: Difference between accounts and loss: The profit made by the defendant is seldom equivalent to the plaintiff's loss. Some jurisdictions, such as common-law jurisdictions<sup>25</sup> and Japan,<sup>26</sup> allow a claimant to claim the infringer's gain.

The defendant is treated as if it conducted its business on behalf of the rights holder. The claimant usually must make an election between this remedy and claiming its actual loss. The maximum payment that can be ordered is the total profit made by the defendant. But

then it remains necessary to prove causation, i.e., that the profit was made because of the infringement.<sup>27</sup>

This remedy is not available in countries such as France because it conflicts with the ordinary civil-law rule that a harmed party is only entitled to be compensated to the extent of its loss. However, it is now available in Germany, and Dutch law provides that, in addition to claiming damages, the author or the author's successor in title may request the court to order anyone who has infringed the copyright to hand over the profits originating from the infringement and to render account therefor.

31. *Statutory damages*: Pre-established or statutory damages offer 'an alternative and perhaps more effective way to compensate rights holders and provide them with an expedient and economical way to prove and recover the damage suffered through counterfeiting and piracy.' Some lawgivers, in an attempt to ensure that rights holders receive their just recompense, have done just that. For instance, the U.S. Copyright Act (s 504(c)) gives the court a discretion to award a plaintiff up to USD30,000 with respect to one copyrighted work and USD150,000 if the court finds that the infringement was willful. Because this is a matter of local law, it will not be pursued in this text any further.

32. *Conversion*: Conversion, as a remedy for copyright infringement, is regulated by statute in many countries and works on the assumption that the rights holder is the owner of the infringing article.

**POLYGRAM PTY LTD & ORS v. GOLDEN EDITIONS PTY LTD & ANOR** [1997] FCA 686:

Section 116 [of the Copyright Act] confers a right to recover infringing copies or damages for conversion of those copies. A copyright owner's rights and remedies under s 116 are those which may be asserted in an action for conversion or detention. The hypothesis on which the remedy is conferred by s 116 is that the copyright owner is not the owner of the infringing copy, but is treated by a fiction, created by the section, of being entitled to sue for damages for conversion or detention as if he or she were the owner of the infringing copy.

24. Internet link not available.

25. *Attorney General v. Blake and Another* [2000] UKHL 45; *Monsanto Canada Inc. v. Schmeiser*, [2004] 1 SCR 902.

26. See 2001 (Ne) 6316, 2002 (Ne) 1980, September 26, 2002 [Tokyo High Court] ('Canadian Maple Syrup' case); 2012 (Ne) 10015, February 1, 2013 [Intellectual Property High Court] ('Waste Storage Device Grand Panel case').

27. *Dart Industries Inc v. Decor Corporation Pty Ltd* [1993] HCA 54; *Design & Display Ltd v. Ooo Abbott & Anor* [2016] EWCA Civ 95.

The measure of damages in conversion is generally the value of the infringing copy at the date of conversion. Conversion damages are awarded on the basis that the infringing copy is deemed to be the property of the copyright owner.

33. *Punitive damages*: Punitive damages are available in some common-law jurisdictions against a deliberate infringer who has behaved in a particularly appalling manner.

**LUBRIZOL CORP. v. IMPERIAL OIL LTD** [1996] 3 FCR 40, 1996 CanLII 4042 (FCA):

It is now clear that Canadian law recognizes three distinct types of damages. First, there are general or compensatory damages, which are meant to reimburse a victim of wrongdoing for any losses suffered, both pecuniary and non-pecuniary.

Second, there are aggravated damages, which are also compensatory, but which may be awarded only in cases where ‘defendants’ conduct has been particularly high-handed or oppressive, thereby increasing the plaintiff’s humiliation and anxiety’.

Third, punitive or exemplary damages, unlike general and aggravated damages, are not compensatory; their aim is ‘to punish’ a defendant and to express ‘outrage at the egregious conduct of the defendant’. They are akin to a civil fine which is meant to ‘act as a deterrent to the defendant and to others from acting in this manner’. Exemplary damages may be awarded only ‘where the combined award of general and aggravated damages would be insufficient to achieve the goal of punishment and deterrence’. In addition, it is necessary for such an award to ‘serve a rational purpose’, that is, ‘was the misconduct of the defendant so outrageous that punitive damages were rationally required to act as deterrence’?

The standard of proof in punitive or exemplary damage cases is the civil standard of proof on the balance of probabilities, not the criminal standard of proof beyond a reasonable doubt. Nevertheless, an award of exemplary damages should always receive the most careful

consideration and the discretion to award them should be most cautiously exercised. Furthermore, the *quantum* awarded should not be excessive but should be reasonable, in keeping with the Canadian experience in the award of relatively modest punitive damages.

**TIME INCORPORATED v. LOKESH SRIVASTAVA** 2005 (30) PTC 3:<sup>28</sup>

Coming to the claim of punitive and exemplary damages for the flagrant infringement of the plaintiff’s trademark, this Court is of the considered view that a distinction has to be drawn between compensatory damages and punitive damages. The award of compensatory damages to a plaintiff is aimed at compensating him for the loss suffered by him whereas punitive damages are aimed at deterring a wrongdoer and the like-minded from indulging in such unlawful activities. Whenever an action has criminal propensity also the punitive damages are clearly called for so that the tendency to violate the laws and infringe the rights of others with a view to make money is curbed. The punitive damages are founded on the philosophy of corrective justice and as such, in appropriate cases these must be awarded to give a signal to the wrongdoers that law does not take a breach merely as a matter between rival parties but feels concerned about those also who are not party to the *lis* [litigation] but suffer on account of the breach.

This Court has no hesitation in saying that the time has come when the Courts dealing actions for infringement of trademarks, copyrights, patents, etc. should not only grant compensatory damages but award punitive damages also with a view to discourage and dishearten lawbreakers who indulge in violations with impunity out of lust for money so that they realize that in case they are caught, they would be liable not only to reimburse

28. India. Quoted with approval in *Hero Honda Motors Ltd. v. Shree Assuramji Scooters* 2006 (32) PTC 117. Although overruled in *Hindustan Unilever Ltd. v. Reckitt Benckiser India Ltd.*, it has been followed repeatedly in cases such as *M/S Rsp/ Health Pvt Ltd v. M/S M.D Chemicals* on 28 July, 2017.

the aggrieved party but would be liable to pay punitive damages also, which may spell financial disaster for them.

34. *Statutory punitive damages*: Typical in common-law countries is a provision in copyright laws that provides for additional damages.<sup>29</sup> It is available in the case of flagrancy, which implies ‘the existence of scandalous conduct, deceit and such like; it includes deliberate and calculated copyright infringement.’

**MICROSOFT CORPORATION v. GOODVIEW ELECTRONICS PTY LIMITED** [2000] FCA 1852.<sup>30</sup>

The applicants claim that additional damages should be awarded under s 115(4) of the Copyright Act to take into account the ‘calculated and deliberate’ nature of the infringements by the respondents. Section 115(4) provides that, where an infringement of copyright is established, the court may award additional damages if it is satisfied that it is proper to do so, having regard to:

- the flagrancy of the infringement;
- any benefit shown to have accrued to the defendant by reason of the infringement; and
- all other relevant matters.

For the purposes of s 115(4), flagrant conduct will include conduct that is ‘deliberate, deceitful and serious’. The structure of s 115(4), however, demonstrates that it is not necessary to establish that a breach demonstrates a particular degree of flagrancy in order for additional damages to be awarded. That is, flagrancy is not a threshold which must be crossed, but merely one of the factors to be taken into account in calculating an award of damages.

In the present case, the conduct of the respondents can properly be described as flagrant in the sense referred to above. A defense filed

in these proceedings was proved to be false. The respondents have benefited financially from the sale of infringing copies of various Microsoft products. The profit margin created by the respondents was substantial in a very competitive industry. [It is] relevant to take into account the fact that computer software is easy to duplicate, distribute and conceal. This makes detection and proof of infringement a substantial task.<sup>31</sup> The court has a broad unilateral discretion in relation to the quantum of additional damages. I regard this as a strong case for an award of additional damages.

**WELLINGTON NEWSPAPERS v. DEALERS GUIDE** (1984) 4 IPR 417.<sup>32</sup>

What is flagrant must, of course, be a question of fact and degree to be decided against the background of relevant facts. The additional damages are to be awarded where the court is satisfied that the remedies otherwise provided by the section for an action brought under it do not provide effective relief. This would suggest that there may be some damage or loss suffered by a plaintiff which compensatory damages, injunction, the taking of accounts or other remedy would not assuage. It is difficult to see what is contemplated by the additional damage unless it is something in the nature of punishment to the defendant for the hurt done to the plaintiff which the conventional remedies would not provide. How otherwise would the flagrancy of the infringement be relevant?

35. *Willfulness*: Some statutes require proof of willfulness before punitive damages may be imposed on a defendant. And others provide that a defendant ‘in

29. *Winnebago Industries Inc v. Knott Investments Pty Ltd* (No 4) [2015] FCA 1327. U.S. law, which is not typical in this regard, permits a court to increase the award up to three times the actual damages. 35 U.S.C. § 284.

30. *Microsoft Corporation v. PC Club Australia Pty Ltd* [2005] FCA 1522.

31. The full quotation reads: ‘Turning to sub-para (iii), one matter which is, in my opinion, relevant, is the difficulty computer program owners face in trying to protect their copyrights. Computer software is easy to duplicate, distribute and conceal. Particularly in a case where a person is supplying computer programs as an adjunct to other equipment and is therefore not advertising the supply, infringements may be difficult to detect. And, when they are detected, proof of the facts may be a substantial task.’

32. Quoted in *Microsoft Corporation v. Able System Development Ltd T/A Able Computer Centre* [2002] HKCFI 240; *Eight Mile Style v. National Party* [2017] NZHC 2603.



proceedings for infringement of a patent, damages shall not be awarded, and no order shall be made or an account of profits, against a defendant or defender who proves that at the date of the infringement he was not aware, and had no reasonable grounds for supposing, that the patent existed.<sup>33</sup>

## E. Disposal of infringing and counterfeit goods

36. *The TRIPS Agreement*: The TRIPS Agreement contains two provisions relating to the disposal or destruction of goods that have been found to infringe IP rights. The one, Article 46, is of general application, i.e., it applies to the disposal or destruction of infringing goods, irrespective of whether they are counterfeit. The other, Article 59, deals with imported counterfeit goods in the hands of the customs authorities.

The two provisions are interrelated in the sense that Art 59 refers to Art 46. This has given rise to interpretation difficulties. A Panel Report, prepared under the auspices of the WTO, is invaluable in understanding these provisions.<sup>34</sup>

On a practical level, there are issues concerning the methods used to dispose of or destroy such goods. These would include environmental issues, but they fall outside the scope of this work.<sup>35</sup>

37. *Terms of Art 46 of TRIPS*: To create an effective deterrent to infringement, the courts must have the authority to order that goods found to be infringing, without compensation of any sort, be disposed of outside the channels of commerce in such a manner as to avoid any harm caused to the rights holder, or, unless this would be contrary to existing constitutional requirements, destroyed.

33. E.g., U.K. Patents Act 1977 s 62(1). In the United States: *Halo Electronics, Inc. v. Pulse Electronics, Inc* 579 U. S. \_\_\_\_ (2016).

34. WTO Panel Report: China – measures affecting the protection and enforcement of intellectual property rights 26 January 2009.

35. David Blakemore, A Study Relating to Existing Methods of Disposal and Destruction of Counterfeit Goods and Pirated Goods within the Asia Pacific Region; Martin Guard, 'The Environmentally Safe Disposal and Destruction of Intellectual Property Infringing Goods.'

Courts must also have the authority to order that materials and implements, the predominant use of which has been in the creation of the infringing goods be, without compensation of any sort, disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements.

In considering requests for disposal or destruction, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties must be considered.

Removal of a counterfeit trademark is insufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.

38. *Application of Art 46*: The Article is a general remedy that applies to all types of IP infringement, whether patent, designs, trademarks or copyright. It is as much a remedy as awards of damages or the grant of interdicts or injunctions. By its very nature, an order destruction or disposal requires a judicial finding of infringement.

39. *Remedies under Art 46 are discretionary*: The discretion to order disposal or destruction is not a free discretion: A disposal order should ensure that disposal will be outside of channels of commerce and in a manner that avoids harm to the rights holder; and, if this is not possible, destruction should be ordered. The rights holder must initiate the process and not *ex officio*.

In the exercise of this discretion, the judicial authority must consider (a) that these remedies are supposed to act as deterrents; (b) the issue of proportionality; and (c) the interests of third parties, such as innocent importers and the public. There is a limitation on this discretion because, as far as counterfeit trademark goods are concerned, the simple removal of the trademark unlawfully affixed is not sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.

40. *Text of Art 59*:

Without prejudice to other rights of action open to the right holder and subject to the right of the defendant to seek review by a judicial authority, competent authorities shall have the authority to order the destruction or disposal of infringing goods in accordance with the principles set out in Article 46.

In regard to counterfeit trademark goods, the authorities shall not allow the re-exportation of the infringing goods in an unaltered state or subject them to a different customs procedure, other than in exceptional circumstances.

41. *Scope of Art 59*: This Article is a Customs provision and applies to importation only. This means that it need not be made applicable to goods seized by Customs where those goods are destined for export or are being trans-shipped. The panel held as follows:

To be applicable, the goods must be ‘infringing goods’ within the terms of Art 51 which means that they must either be ‘counterfeit trademark goods’ or ‘pirated copyright goods’.

42. *Procedure*: Initiation of the process leading to disposal or destruction must be by the IP rights holder. Before the Article comes into play, there must have been a positive determination by the relevant administrative authority that the goods are counterfeit.

43. *Authority to order disposal or destruction vests in Customs*: The obligation on member states is to give the necessary authority to Customs. There is no obligation on Customs to ‘exercise’ that authority. It must, however, exercise its discretion. ‘Disposal’ means disposal ‘outside the channels of commerce.’ The responsibility of Customs is to ensure that the way the goods are disposed of outside the channels of commerce is designed (in terms of purpose, not result) in such a way that it will comply with the principle. It may entrust the actual disposal to another body, and it is not responsible for acts of such body in carrying out the disposal otherwise than in the authorized manner.

44. *Nature of the discretion*: Discretion must be exercised in terms of the Art 46. These are the principles as identified by the panel:

- Authorities shall have the authority to order disposal or destruction ‘without compensation of any sort.’
- Authorities shall have the authority to order disposal ‘outside the channels of commerce in such a manner as to avoid any harm caused to the rights holder.’
- Authorities shall have the authority to order destruction ‘unless this would be contrary to existing constitutional requirements.’
- In considering such requests, ‘the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the

interests of third parties shall be taken into account.’

- In regard to counterfeit trademark goods, the simple removal of the trademark unlawfully affixed shall not be sufficient, other than in exceptional cases, to permit release of the goods into the channels of commerce.

The discretion is not limited to disposal or destruction because these remedies are not exhaustive. There is, however, a limitation on discretion: re-exportation may not be used as a method of disposal other than in exceptional circumstances. The exercise of discretion by the administrative authority must be subject to judicial review.



# Chapter 15

## Criminal enforcement of IP rights

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## A. Introduction<sup>1</sup>

1. *Source of the obligation to criminalize*: The international obligation to provide for criminal sanctions for the infringement of IP rights derives from the TRIPS Agreement.<sup>2</sup> More particularly, Article 61 requires of member states to provide for criminal procedures and penalties to be applied at least in cases of willful trademark counterfeiting AND copyright piracy, committed on a commercial scale.

Penalties should include imprisonment and/or monetary fines sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity and, in appropriate cases, the seizure, forfeiture and destruction of infringing goods and of any materials and implements the predominant use of which has been in the commission of the offence.

2. *Counterfeiting is an age-old problem*: Part of the fame of Archimedes (287–212 BCE) rests on his discovery of the principle that bears his name. His king had ordered a gold crown but suspected that the crown delivered by the goldsmith was counterfeit containing silver. Having struck the answer in his bathtub, Archimedes is reputed to have run nakedly into the street, calling ‘Eureka, Eureka’ (I have found it, I have found it). Concern about the quality of drugs is as old as drugs themselves, says the World Health Organization. Writings from as early as the fourth century BCE warn about the dangers of adulterated drugs and, in the first century CE, Dioscorides, a celebrated Greek physician, botanist, pharmacologist and surgeon who traveled with the armies of the Roman Emperor Nero, identified fake herbal drugs in his *De Materia Medica*, the precursor of modern pharmacopeias, and advised on their detection.

3. *Counterfeiting relates to trademarks*: As the reference to Archimedes shows, counterfeiting is concerned with forgery, originally of coins. It still has that meaning but is now used in many senses. In the context of IPRs, the term ‘counterfeiting’ is used in a generic sense with reference to unauthorized appropriation of a variety of

different types of IP rights, such as copyright, patent, and design infringement. However, the term is technically accurate in the trademark area only. A trademark that cannot be distinguished in its essential aspects from a registered trademark, and thereby infringes the rights of the owner of the trademark in question, is a counterfeit trademark.

4. *Piracy relates to copyright*: Piracy, on the other hand, concerns copyright infringement. Commonly, it refers to clear-cut unauthorized infringement of printed works, sound recordings, audio-visual works and computer software. Pirated copyright goods are copies made without the consent of the rights holder and are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right.

*R v. JOHNSTONE* [2003] UKHL 28:

Counterfeit goods and pirated goods are big business. Counterfeit goods comprise cheap imitations of the authentic article, sold under the trademark of the authentic article, as with imitation ‘Rolex’ watches.

Pirated goods comprise illicit copies of the authentic article which are not sold under the trademark of the authentic article. This would happen, for instance, when a person makes and sells unauthorized copies of computer software which is the subject of copyright. Thus, in the context of music recordings, a counterfeit compact disc is an unlawful copy of, say, a Virgin compact disc sold ostensibly as a Virgin product. A pirated compact disc is an unlawful copy of, in my example, a Virgin compact disc which is sold, not as a Virgin product, but under a different brand name.

5. *Other IP rights*: Article 61 of the TRIPS Agreement does not require criminal sanctions for patent infringement but leaves it to member states to criminalize, especially in the case of willful infringement on a commercial scale. Although countries such as Japan, Thailand and Brazil do criminalize patent infringement, this is not found in most common-law jurisdictions.<sup>3</sup>

1. Much material is to be found at WIPO’s Advisory Committee on Enforcement (ACE) site: [www.wipo.int/enforcement/en/ace/](http://www.wipo.int/enforcement/en/ace/). See, in general, too: *Prosecuting Intellectual Property Crimes* (Fourth Edition, Office of Legal Education Executive Office for United States Attorneys).

2. [http://www.tripsagreement.net/?page\\_id=40](http://www.tripsagreement.net/?page_id=40).

3. Irina D Manta, ‘The Puzzle of Criminal Sanctions for Intellectual Property Infringement’, *Harvard Journal of Law & Technology* (2011).

Industrial design registrations may also be protected by criminal sanctions but, once again (except in those countries that criminalize patent infringement), it is not done as a rule. Activities related to counterfeiting, that are not necessarily so treated by enforcement laws are parallel importation and factory over-runs.<sup>4</sup>

6. *The criminalization of counterfeiting and piracy did not originate with TRIPS*: There are historical antecedents for the criminalization of counterfeiting. Trademark counterfeiting has been criminalized since, at least, the end of the 19<sup>th</sup> Century. For example, the U.S. Act of August 14, 1876, already punished the counterfeiting of and dealing in counterfeit trademark goods. Most, if not all, countries that fell under the British Crown had laws with a similar effect. These were statutes that dealt with merchandise marks and false trade description. (These statutes are still common and basically unchanged.) Copyright infringement, likewise, was criminalized since the beginning of the 20<sup>th</sup> century in all British dependencies.

7. *TRIPS did not introduce any revolutionary principles*: Counterfeiting may be regarded as a species of fraud – not necessarily on the consumer but on the state or the rights holder. And piracy is often referred to as a species of theft (albeit of intangible property). But this does not mean it is theft.

*PERRY v. TRUEFIT* (1842) 49 ER 749; (1842) 6 Beav 66:

I think that the principle on which both the courts of law and of equity proceed, in granting relief and protection in cases of this sort [an unregistered trademark case], is very well understood. A man is not to sell his own goods under the pretence that they are the goods of another man; he cannot be permitted to practice such a deception, nor to use the means which contribute to that end. He cannot, therefore, be allowed to use names, marks, letters or other indicia, by which he may induce purchasers to believe, that the goods which he is selling are the manufacture of another person. I have no doubt that another person has not the right to use that name or mark for the purposes of deception, and in order to attract to himself the course

of trade, or that custom, which, without the improper act, would have flowed to the person who first used, or was alone in the habit of using the particular name or mark.

*AUTODESK INC, AUTODESK AUSTRALIA PTY LIMITED, MICROSOFT CORPORATION AND MICROSOFT PTY LIMITED v. MICHAEL YEE AND PETER LEUNG* [1996] FCA 1774:

An element of penalty is an accepted feature of copyright legislation. The infringer has been regarded, at least since the eighteenth century, as a ‘pirate’, who ought to be treated accordingly. In *Millar v Taylor* (1769) 4 Burr 2303; 98 ER 201 reference was made to ‘the whole jurisdiction exercised by the Court of Chancery since 1710, against pirates of copies’; and, in the same case it was said that the statute of Queen Anne of 1709, from which modern copyright law takes its origin, ‘secures [the property of the copyright owner] by penalties’. The Copyright Act 1968 is entirely in keeping with traditional views of the matter.

The use of hyperbole is deprecated by some and may even be counterproductive.

*NETWORK TEN PTY LTD v. TCN CHANNEL NINE* [2004] HCA 14:

Professor Waddams,<sup>5</sup> speaking of the use of terms such as ‘piracy’, ‘robbery’ and ‘theft’ to stigmatize the conduct of alleged infringers of intellectual property rights, describes ‘the choice of rhetoric’ as ‘significant, showing the persuasive power of proprietary concepts’. He also remarks:

Against the merits of enlarging the property rights of one person or class of persons must always be set the loss of freedom of action that such enlargement inevitably causes to others.

8. *Reasons for criminal sanctions for IPR infringement*: Intellectual property rights are private rights, and it is legitimate to ask whether these rights should

4. *R v. C* [2016] EWCA Crim 1617 and *R v. M & Ors* [2017] UKSC 58.

5. *Dimensions of Private Law: Categories and Concepts in Anglo-American Legal Reasoning* (2003).

be enforced by means of criminal sanctions and why civil remedies do not suffice.<sup>6</sup> The short answer is that criminal law, in general, protects private rights against infringement if there is a public policy element involved. A typical example is theft.

9. *Public interest issues*: Public interests wider than the mere protection of private rights are at stake in the case of counterfeiting.<sup>7</sup> These include the protection of public health and safety,<sup>8</sup> tax and customs income,<sup>9</sup> local and regional industries, foreign investment and investor confidence, international trade relations and the prevention of corruption and organized crime.<sup>10</sup>

**SLINEY v. HAVERING** [2002] EWCA Crim 2558 (20 November 2002):

Implicit in the provisions of sections such as s 92 [of the Trademarks Act] itself is the objective not only of protecting the ownership rights relating to registered trademarks but also of enhancing trade and promoting a legitimate economy and of providing consumer protection. Trademarks have a value, often a very great value. People commonly buy products bearing a particular trademark just because the products bear that trademark: as representing or connoting some or all of the characteristics of reliability, quality, and fashion. It is precisely for that reason that there are those who seek to counterfeit goods bearing such marks: counterfeiting being an ever-increasing problem.

Moreover, there are also important considerations of public safety involved: counterfeit goods (in the form of toys or packaged food-stuffs or motor vehicle parts for example) have in numerous ways over the years proved to be highly dangerous.

6. Andreas Rahmatian, 'Trade mark infringement as a criminal offence,' 67 (4) *Modern Law Review*, p. 670.
7. Michael Blakeney, 'Enforcement of Intellectual Property Rights: Challenges' – WIPO.
8. 'Counterfeiting: A Global Spread, a Global Threat' – UNICRI at [http://www.unicri.it/news/article/0712-3\\_counterfeiting\\_crt\\_foundation](http://www.unicri.it/news/article/0712-3_counterfeiting_crt_foundation).
9. OECD/EUIPO, *Trade in Counterfeit and Pirated Goods*, 2016.
10. Michael Blakeney, 'Policy Responses to the Involvement of Organized Crime.'

A degree of protection, both in the mercantile and public interest, in respect of trademarks, going beyond the civil remedies available, is plainly desirable.

10. *Alternative charges*: The acts that give rise to charges of counterfeiting or piracy may also give rise to other alternative or additional charges, some of which might be easier to establish. In this regard, the following may be considered: fraud, customs and excise contraventions; tax evasion;<sup>11</sup> racketeering and money laundering; food and drug legislation; labor-related legislation; and trading offenses. In addition, laws like those dealing with proceeds of crimes may usefully be employed.

11. *Liability of accessories*: The liability of accessories can be civil or criminal and the principles are, depending on the question of *mens rea* and particular criminal legal precepts, more or less the same. An example would be the liability of landlords for the infringing acts of tenants. It is a possibility in some jurisdictions, though the legal basis varies. It is easier to attach civil liability than criminal liability because of the requirement of guilty knowledge and the lesser burden of proof.<sup>12</sup>

**FONOVISA INC. v. CHERRY AUCTION, INC.** 76 F.3d 259 (9<sup>th</sup> Cir. 1996):

This is a copyright and trademark enforcement action against the operators of a swap meet, sometimes called a flea market, where third-party vendors routinely sell counterfeit recordings that infringe on the plaintiff's copyrights and trademarks.

For purposes of this appeal, it is undisputed that Cherry Auction operates a swap meet in Fresno, California, similar to many other swap meets in this country where customers come to purchase various merchandise from individual vendors. The vendors pay a daily rental fee to the swap meet operators in exchange for booth space. Cherry Auction supplies parking, conducts advertising and

11. OECD/EUIPO, *Trade in Counterfeit and Pirated Goods*, 2016.
12. Case C494/15 *Tommy Hilfiger Licensing LLC v. Delta Center a.s.; Louis Vuitton Malletier S.A. v. Zekria Wakilzada*, 2017 ONSC 2409 (CanLII).

retains the right to exclude any vendor for any reason, at any time, and thus can exclude vendors for patent and trademark infringement. In addition, Cherry Auction receives an entrance fee from each customer who attends the swap meet.

There is also no dispute for purposes of this appeal that Cherry Auction and its operators were aware that vendors in their swap meet were selling counterfeit recordings in violation of Fonovisa's trademarks and copyrights.

Although the Copyright Act does not expressly impose liability on anyone other than direct infringers, courts have long recognized that in certain circumstances, vicarious or contributory liability will be imposed.

Similar principles have also been applied in the trademark field. The Seventh Circuit, for example, has upheld the imposition of liability for contributory trademark infringement against the owners of a flea market similar to the swap meet operated by Cherry Auction.

*Vicarious Copyright Infringement:* The concept of vicarious copyright liability was developed as an outgrowth of the agency principles of respondeat superior. Noting that the normal agency rule of respondeat superior imposes liability on an employer for copyright infringements by an employee, the court endeavored to fashion a principle for enforcing copyrights against a defendant whose economic interests were intertwined with the direct infringer's, but who did not actually employ the direct infringer.

The test was more clearly articulated in a later case as follows: 'even in the absence of an employer-employee relationship one may be vicariously liable if he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities.'

*Contributory Copyright Infringement:* Contributory infringement originates in tort law and stems from the notion that one who directly contributes to another's infringement should be held accountable. Contributory infringement has been described as an

outgrowth of enterprise liability and imposes liability where one person knowingly contributes to the infringing conduct of another.

There is no question that plaintiff adequately alleged the element of knowledge in this case. The disputed issue is whether plaintiff adequately alleged that Cherry Auction materially contributed to the infringing activity. We have little difficulty in holding that the allegations, in this case, are sufficient to show material contribution to the infringing activity. Indeed, it would be difficult for the infringing activity to take place in the massive quantities alleged without the support services provided by the swap meet. These services include, *inter alia*, the provision of space, utilities, parking, advertising, plumbing, and customers.

Moreover, we agree with the Third Circuit's analysis that providing the site and facilities for known infringing activity is sufficient to establish contributory liability.

*Contributory Trademark Infringement:* Just as liability for copyright infringement can extend beyond those who actually manufacture or sell infringing materials, our law recognizes liability for conduct that assists others in direct trademark infringement. Contributory trademark liability is applicable if defendant (1) intentionally induces another to infringe on a trademark or (2) continues to supply a product knowing that the recipient is using the product to engage in trademark infringement.

## B. Trademark counterfeiting<sup>13</sup>

12. *Counterfeiting is a crime:* Trademark infringement by means of counterfeiting is a crime, while 'ordinary' trademark infringement is a statutory civil wrong. Counterfeiting is regarded as a species of fraud. However, counterfeiting is not possible unless the particular action does not also amount to trademark infringement.

13. David J. Goldstone and Peter J. Toren, 'The criminalization of trademark counterfeiting,' *Connecticut Law Review*, Vol. 31, No. 1, 1998.



**R v. JOHNSTONE** [2003] UKHL 28:

Counterfeiting, piracy and bootlegging are not exact terms but all involve deliberate, and generally fraudulent, infringement of various intellectual property rights—notably trademarks, copyright, design right and performing rights.

13. *Counterfeiting defined*: The TRIPS Agreement defines ‘counterfeit trademark goods’ in footnote 14 –

to mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.

The reference in this footnote to the country of importation is because the definition appears in the context of customs obligations, and not elsewhere.

14. *Counterfeiting is more than trademark infringement*: All trademark infringement is not counterfeiting. Trademark infringement, in general terms, is committed if the infringer’s mark is so close to the registered mark that there is a likelihood of confusion between the marks. For counterfeiting, the likelihood of confusion is generally not enough; the two marks must either be identical or indistinguishable. In other words, the protected goods must be imitated in such a manner and to such a degree that the infringing goods are substantially identical copies of the protected goods or a colorable imitation thereof so that the infringing goods are intended to cause confusion.

**NOKIA CORPORATION v. REVENUE & CUSTOMS** [2009] EWHC 1903 (Ch) (27 July 2009):

It can be seen that the Regulation [EU Council Regulation 1383/03, the ‘Customs Regulation on IPR Enforcement’] is concerned with three categories of infringing goods, namely ‘counterfeit goods’ which infringe a registered trademark; ‘pirated goods’ the making of which would have infringed a copyright or design right; and goods which infringe a patent or other miscellaneous rights.

As for ‘counterfeit goods’, these must bear a mark which is the same or essentially the same as the registered mark and it must be used on goods which are of the same type as those the subject of the registration. It is apparent that this definition includes but is not limited to fakes. It also encompasses the use of the registered mark on goods which are of the same type as those the subject of the registration even if the trademark holder is not using the mark on those goods himself. It is, however, limited to goods which, by virtue of the fact they bear the offending mark, infringe the trademark holder’s rights.

15. *TRIPS provisions*: Art 61 of the TRIPS Agreement, as mentioned, contains the primary obligation to criminalize trademark counterfeiting ‘in cases of willful trademark counterfeiting on a commercial scale.’ The following issues arise in this context:

- The application of the mark to goods and services.
- To be entitled to protection, the mark must be a ‘registered’ trademark.
- The registration must be valid.
- Counterfeiting must be without authorization.
- Counterfeiting must be willful.
- Counterfeiting must be on a commercial scale.
- The accused mark must be ‘identical to’ or indistinguishable ‘in its essential aspects from’ the registered trademark.

16. *Goods and services*: The TRIPS Agreement requires not only the protection of goods marks against counterfeiting but also service marks. However, because of an interpretation issue, most countries appear to fail to criminalize counterfeit service marks. Others do not appear to distinguish between the two types of marks for present purposes and, accordingly, by implication, include service marks, while a country such as Singapore does so in its definition of a counterfeit trademark, which includes a registered trademark as applied to services.

Countries that rely on trade description or merchandise marks acts for dealing with counterfeiting, such as Nigeria, Malta and Malaysia, sometimes also criminalize the use of false trade descriptions in relation to services. Whether counterfeiting is possible when the trademark is used on dissimilar goods or services depends on each country’s laws.

17. *Local laws*: Each country is obviously entitled to define counterfeiting in its own terms and to prescribe sentences within the parameters set by the TRIPS Agreement. The most authoritative judgment on the subject came from the House of Lords (now the Supreme Court) in the United Kingdom in a judgment on the interpretation of the Trade Marks Act 1994 Chapter 26.<sup>14</sup>

*R v. JOHNSTONE* [2003] UKHL 28:

- The prosecution must prove the special mens rea of ‘with a view to gain’ (including causing loss to another). There is no civil equivalent.
- The offence-creating provisions apply only in respect of goods (whereas the civil provisions cover goods or services).
- The offence-creating provisions refer to a sign ‘identical to, or likely to be mistaken for’ the registered mark. This is a simpler and narrower formulation than [the civil test of ‘likelihood of confusion on the part of the public’].
- A defendant’s belief in his innocence is irrelevant to civil liability.

18. *Registered trademark*: The second requirement is that the counterfeited trademark must have been ‘registered.’ For imported goods, this means registered in the jurisdiction into which the goods are imported. Otherwise, it refers to the jurisdiction where the prohibited dealing takes place. The TRIPS Agreement does not require that counterfeiting of famous foreign trademarks must be criminalized.<sup>15</sup>

19. *Valid registration*: Because of a general presumption that a trademark registration is valid, the effect of this requirement for counterfeiting would, generally, mean that the accused must be able to attack the validity of the registration of the mark as a defense to the charge of counterfeiting. But by the very nature of things, counterfeiters do not bother to counterfeit weak marks – they prefer to use the magnetism of famous and strong marks, because that is where the money lies. Many laws do not require a ‘valid’ registration

but define counterfeiting with reference to ‘registered’ trademarks.<sup>16</sup>

20. *Counterfeiting presupposes trademark infringement*: Counterfeiting is by its very nature trademark infringement, and there cannot be counterfeiting without infringement. But something more than infringement is required for counterfeiting.

*PUMA AG RUDOLPH DASSLER SPORT v. RAMPAR TRADING (PTY) LTD AND OTHERS* (59/10) [2010] ZASCA 140:

It is now necessary to consider whether the shoes were counterfeit. As mentioned above, the answer has to be sought in para (b) of the definition of counterfeiting [in the South African Counterfeit Goods Act]. In view of the common cause facts, the only remaining issue is whether the marks applied to Rampar’s shoes are ‘the subject matter’ or ‘a colourable imitation’ of any of Puma’s registered trademarks. To be ‘the subject matter’ means, as mentioned, that the Rampar mark must be identical to a Puma trademark. An ‘imitation’, in turn, is by definition a copy, and the adjective ‘colourable’ reinforces the fact that the copy is counterfeit. In other words, the definition says no more than that a counterfeit must be counterfeit. That is why it must be ‘calculated to be confused with’ or ‘taken as being’ the registered mark and why it involves deliberate and fraudulent infringement of trademarks.

This test is not the same as the standard trademark infringement test of ‘likely to deceive or cause confusion’ but counterfeiting, by its very nature, amounts a fortiori to trademark infringement. Reference during argument to the test to be applied to determine the likelihood of deception and confusion, confusing similarity, to passing-off principles, imperfect recollection, momentary confusion, the prospective purchaser, that a substantial (ie, not negligible) number of people have to be confused, evidence about the public’s perception and how Rampar intended to

14. [http://www.wipo.int/wipolex/en/text.jsp?file\\_id=127270](http://www.wipo.int/wipolex/en/text.jsp?file_id=127270).

15. See Chapter 5. Some national laws do, however.

16. But see the Indian Trademarks Act 1999 sect 113 at <http://www.wipo.int/wipolex/en/details.jsp?id=2400>.

market the goods was, accordingly, singularly out of place and unhelpful.

21. *Actual confusion is not required*: It is known that many persons buy counterfeit goods willingly. However, an accused may not rely on the fact that the purchaser was not or could not have been misled because of, for instance, the price or low quality of the goods or the location of the seller's premises.

**BOULTER, R. v.** [2008] EWCA Crim 2375 (07 October 2008):

In our judgment, it is impossible to read Parliament as having intended that, where there is straightforward counterfeiting of goods and their registered trademark, it is open to a defendant to advance a defence that the quality was so poor as not to give rise to any risk of confusion, not only because that would fail to recognize the distinction drawn between section 10(1) and 10(2) but it would go a considerable way to assist the vice which Lord Nicholls, at any rate, thought that Parliament had attempted to combat, namely the counterfeiter who sells his wares as 'genuine fakes'.

In the present case, it is not and could not seriously be suggested that the use of the EMI logo or other logos was anything other than a replication of those badges as signs of origin registered by the proprietors. It had no other rational purpose. Whether the reproductions were poor, and whether they were actually likely to deceive, is in our judgment neither here nor there, and for good reason.

The goods, in this case, did not involve the use of a trademark for a descriptive purpose but, as already stressed, was pure counterfeiting. It self-evidently damages the registered proprietor of a trademark if that proprietor is not able to control the use of its logo as a badge of origin and if goods of variable quality bearing that stamp are on the market.

22. *Is cloning required?* The cloning issue can best be described with reference to a simplified example. A trademark is registered in class 25 in relation to clothing, shoes and headgear. The rights owner uses the trademark on shoes only, but the alleged counterfeiter uses the identical mark on headgear or on a completely

different type of shoe. One can also conceive of a situation in which the rights holder has not used the trademark at all. In these cases, the infringer (because it will be trademark infringement), although using the identical trademark, did not clone goods bearing a trademark of the rights holder. Some argue that unless trademarked goods have been cloned, they cannot be 'counterfeit' and that cloning of the mark itself and use on goods covered by the mark is not enough. The answer depends on the terms of national law.<sup>17</sup>

**PUMA AG RUDOLPH DASSLER SPORT v. RAMPAR TRADING (PTY) LTD AND OTHERS** (59/10) [2010] ZASCA 140:

Shorn of verbiage [the South African provision] covers any particular class or kind of goods which may bear a registered trademark, but has not yet been produced or to which it has not yet been applied with the authority of or by the IP owner. In other words, the goods protected are not actual goods but notional goods, ie, goods to which the owner could have applied the trademark. It means that counterfeiting is possible without cloning and the fact that Puma may not have produced a shoe bearing the particular trademark does not mean that Rampar's shoes could not be counterfeit.

Counsel submitted that in spite of the wide wording, [the provisions] should be read to conform to Trips which, it was suggested, does not require such protection.

Whatever the general understanding of the term 'counterfeiting', or the motive behind the anti-counterfeiting Trips provisions, the limitation is not to be found in Trips or in the clear wording of the Act.

23. *The counterfeit mark or packaging must either be 'identical to' or indistinguishable in 'essential aspects from' the registered trademark*: This requirement distinguishes counterfeiting from trademark infringement *simpliciter*. Trademark infringement may amount to counterfeiting but not necessarily so. A mark will, accordingly, be counterfeit if it is either (a) identical to

17. *United States of America v. Able Time Inc* (9th Circuit, 2008).

or (b) indistinguishable in its essential aspects from the registered trademark.

**FISHER v. FORREST** 1:14-cv-01304-PAE-AJP (District Court, Southern District of New York):

When comparing marks, a court asks whether an average purchaser would find the allegedly counterfeit mark to be ‘substantially indistinguishable’ from the registered mark as it appears on the actual merchandise. When comparing the alleged counterfeit mark with the registered mark, one must not view the marks in the abstract. Rather, the alleged counterfeit mark ‘must be compared with the registered mark as it appears on actual merchandise to an average purchaser.’ ‘There is nothing in the Act [...] which states that to determine whether a defendant is engaged in counterfeiting, one compares plaintiff’s and defendant’s marks in the abstract, without considering how they appear to consumers in the marketplace.’ A side-by-side comparison of the items’ distinct visual characteristics is important.

24. *Use as badge of origin*: From the fact that counterfeiting is by its very nature trademark infringement, it follows that the accused must have used the counterfeit mark as a badge of origin, i.e., to indicate a connection in the course of trade between the goods (or, if applicable, services) and the trademark owner. Descriptive use is not infringing use.

**R v. JOHNSTONE** [2003] UKHL 28:

Section 92 [of the U.K. Trade Marks Act, quoted earlier] is to be interpreted as applying only when the offending sign is used as an indication of trade origin. This is one of the ingredients of each of the offences created by s 92. It must, therefore, be proved by the prosecution. Whether a sign is so used is a question of fact in each case. The test is how the use of the sign would be perceived by the average consumer of the type of goods in question.

**US v. PETROSIAN** 126 F.3D 1232:<sup>18</sup>

Petrosian and two associates purchased genuine Coca-Cola bottles, filled them with a cola-like carbonated beverage that was not Coca-Cola, and told purchasers the beverage was Coca-Cola. Petrosian was charged with violating 18 U.S.C. § 2320(a), which provides: ‘Whoever intentionally traffics or attempts to traffic in goods or services and knowingly uses a counterfeit mark on or in connection with such goods or services shall’ be criminally liable. Petrosian asserts that the district court erred in instructing the jury that ‘[t]he term ‘counterfeit mark’ includes genuine trademarks, affixed to packaging containing products not made by, but sold as products of the owner of the registered trademark.’

When a genuine trademark is affixed to a counterfeit product, it becomes a spurious mark. A ‘spurious’ mark is one that is false or inauthentic. The Coca-Cola mark became spurious when Petrosian affixed it to the counterfeit cola because the mark falsely indicated that Coca-Cola was the source of the beverage in the bottles and falsely identified the beverage in the bottles as Coca-Cola.

Obviously, this spurious Coca-Cola mark was ‘identical with or substantially indistinguishable from’ the registered Coca-Cola mark. The spurious mark was also likely to cause confusion because consumers were likely to assume the mark indicated Coca-Cola was the source of the beverage inside the bottle.

25. *Counterfeiting must be without authorization*: The requirement that the use of the trademark must have been ‘without the consent of the proprietor’ of the registered mark is generally found in all anti-counterfeiting laws. It speaks for itself and is logical because there cannot be infringement of a right if what was done was with the consent of the rights owner.

18. No internet link available.

**LEOFELIS SA & ANOR v. LONSDALE SPORTS LTD & ORS** [2008] EWCA Civ 640:

A trademark, when registered, is a proprietary right, an item of property; the same is not true, under English law, of a trademark licence. A licence gives no proprietary interest and does no more than make lawful some use of the trademark (or other right) that would otherwise be unlawful. It is a matter of contract.

26. *Counterfeiting must be willful.* The minimum TRIPS requirement for counterfeiting is willfulness. This reference deals with the meaning of the (related) concept.

**R. v. BORGE**, 2007 CanLII 36083 (ON SC):

This is an appeal by the appellants from their convictions and sentences which followed their trial for various offences involving the sale and distribution of counterfeit Microsoft and Symantec Softwares contrary to the Copyright Act [for 'knowingly' selling or offering for sale infringing copies of works in which copyright subsists].

The appellants also submit that the trial judge misdirected himself in law as to the meaning of willful blindness. In articulating their position, the appellants correctly state the test for willful blindness as outlined in *R. v SANSREGRET*, 1985 CanLII 79 (S.C.C.). In these cases, it has been held that willful blindness is not just a mere failure to make inquiries in circumstances where a reasonable person would do so; it includes subjective components that make it tantamount to actual knowledge.

I also agree, as submitted by the appellants, that in order to establish willful blindness, the Crown must establish the following beyond a reasonable doubt:

- That the accused had a subjective realization that a certain fact in question was likely or, at least, 'possible above the average', or that there was a 'real suspicion in the mind of the accused that causes the accused to see the need for inquiry';
- That the accused failed to make the inquiry; and

- That the accused's purpose in not making the inquiry was to avoid actual knowledge of the suspected fact.

Applying the test formulated above within the context of this case, the Crown had to prove beyond a reasonable doubt that: The appellant had a real suspicion that the CDs were counterfeit; he failed to make the appropriate inquiries to confirm or refute this suspicion; and the specific purpose in failing to make these inquiries was to avoid finding out whether the CDs were counterfeit.

*R. v. Sansregret* clarified the legal definition of the concept of recklessness as a basis for criminal liability as well as the legal concept of willful blindness:

The concept of recklessness as a basis for criminal liability has been the subject of much discussion. Negligence, the failure to take reasonable care, is a creature of the civil law and is not generally a concept having a place in determining criminal liability. Nevertheless, it is frequently confused with recklessness in the criminal sense and care should be taken to separate the two concepts. Negligence is tested by the objective standard of the reasonable man.

In accordance with well-established principles for the determination of criminal liability, recklessness, to form a part of the criminal mens rea, must have an element of the subjective.

*R. v. Sansregret* (supra) also dealt with the issue of willful blindness, where he defined its legal concept and applicability:

Where willful blindness is shown, the law presumes knowledge on the part of the accused. Willful blindness is distinct from recklessness because, while recklessness involves knowledge of a danger or risk and persistence in a course of conduct which creates a risk that the prohibited result will occur, willful blindness arises where a person who has become aware of

the need for some inquiry declines to make the inquiry because he does not wish to know the truth. He would prefer to remain ignorant. The culpability in recklessness is justified by consciousness of the risk and by proceeding in the face of it, while in willful blindness it is justified by the accused's fault in deliberately failing to inquire when he knows there is reason for inquiry.

27. *National laws may be stricter*: Legislatures have chosen to deal with the requirement of *mens rea* (guilty consciousness) in different ways and do not necessarily limit criminal liability to willfulness. In many countries, it is for the accused to prove the absence of *mens rea*. In the United Kingdom and countries such as Barbados and Jamaica, it is a defense that the accused believed on reasonable grounds that the use of the sign in the way it was used, or was to be used, was not an infringement of the registered trademark. From this, it follows that the intention to profit or to cause loss must be established by the prosecution but that the accused must prove reasonable grounds for an innocent mindset. However, a lack of intention to infringe is not a defense. In Barbados, any trademark infringement is criminal, provided it is done knowingly, while in Singapore, the importation of counterfeit goods is punishable unless the accused can prove an innocent mindset. Different approaches to the matter of onus appear from the two cases next cited.

*R v. JOHNSTONE* [2003] UKHL 28 [UK]:

(1) Counterfeiting is fraudulent trading. It is a serious contemporary problem. Counterfeiting has adverse economic effects on genuine trade. It also has adverse effects on consumers, in terms of quality of goods and, sometimes, on the health or safety of consumers. The Commission of the European Communities has noted the scale of this 'widespread phenomenon with a global impact'. Urgent steps are needed to combat counterfeiting and piracy. Protection of consumers and honest manufacturers and traders from counterfeiting is an important policy consideration.

(2) The offences created by s 92 have rightly been described as offences of 'near absolute liability'. The prosecution is not required to prove intent to infringe a registered trademark.

(3) The offences attract a serious level of punishment: a maximum penalty on indictment of an unlimited fine or imprisonment for up to ten years or both, together with the possibility of confiscation and deprivation orders.

(4) Those who trade in brand products are aware of the need to be on guard against counterfeit goods. They are aware of the need to deal with reputable suppliers and keep records and of the risks they take if they do not.

(5) The s 92(5) defence relates to facts within the accused person's own knowledge: his state of mind, and the reasons why he held the belief in question. His sources of supply are known to him.

(6) Conversely, by and large, it is to be expected that those who supply traders with counterfeit products, if traceable at all by outside investigators, are unlikely to be co-operative. So, in practice, if the prosecution must prove that a trader acted dishonestly, fewer investigations will be undertaken and fewer prosecutions will take place.

In my view factors (4) and (6) constitute compelling reasons why the s 92(5) defence should place a persuasive burden on the accused person. Taking all the factors mentioned above into account, these reasons justify the loss of protection which will be suffered by the individual. Given the importance and difficulty of combating counterfeiting, and given the comparative ease with which an accused can raise an issue about his honesty, overall it is fair and reasonable to require a trader, should [the] need arise, to prove on the balance of probability that he honestly and reasonably believed the goods were genuine.

*LAU HOK TUNG AND OTHERS v. HKSAR* [2012] HKCFA 31:

The presumption of innocence is constitutionally protected and the principles applicable when statutory reverse onus provisions encroach upon such protection are well-established.

The starting point is the basic rule of the criminal law that an accused person is presumed innocent and that the prosecution bears the burden of proving his or her guilt beyond reasonable doubt. However, it is clear that a statute may reverse the burden, abrogating the presumption by placing a persuasive burden on the defendant to prove specified matters on a balance of probabilities as a condition of avoiding liability.

The second task is to ascertain whether such reversal of the onus engages and derogates from the presumption of innocence.

The burden placed on the prosecution is relatively light. It must first prove possession of the goods by the defendant in circumstances establishing that they are possessed for sale or other purposes of trade. Secondly, it must prove that the trademarks applied to those goods are in fact forged.

However, the statutory intent is plainly not to penalise the possession of goods bearing forged trade marks as a matter of absolute liability in respect of the falsity of the marks. The gravamen of the offence is that the accused possesses the offending goods knowing, or having reason to suspect that they bear forged trademarks or in circumstances where, using reasonable diligence, he could have ascertained that the marks are false.

However, the third condition makes our section qualitatively different from the English provision. It requires the defendant to satisfy the court that he 'could not with reasonable diligence have ascertained' the falsity. This condition does not involve any inquiry into what the defendant actually knew or believed. It is immaterial whether he thought there was or was not any likelihood of him discovering the forgeries by using reasonable diligence. It depends on what the court finds that he could have discovered, using reasonable diligence. Requiring the prosecution to prove the third condition, even applying the usual criminal standard of proof beyond reasonable doubt, is much less exacting than requiring the prosecution in England to negate the subjective defence specified in section 92(5) of the TMA [Trade Marks Act]. Accordingly, it is my view

that the concerns expressed in the English cases regarding the unworkability of their statutory regime in the absence of a reverse onus do not arise here.

28. *Counterfeiting must be on a commercial scale*: Private acts of counterfeiting need not be criminalized – only those done on a commercial scale. Accordingly, most laws are directed at punishing the counterfeiter and the dealer in counterfeit goods. The purchaser of a fake watch, CD or DVD does not commit a crime unless the purchase is with the object of an on-sale. Likewise, a person who for their own use makes an otherwise unauthorized copy does not commit the crime of counterfeiting.<sup>19</sup>

*R v. JOHNSTONE* [2003] UKHL 28:

Civil liability arises only in respect of use of a sign 'in the course of trade'. The equivalent phrase 'in the course of a business' appears in s 92 in respect of some, but not all, of the alternative sets of factual ingredients of the offences. An essential ingredient of all the criminal offences created by s 92(1) to (3) is that a person commits an offence where 'with a view to gain for himself or another, or with intent to cause loss to another' he does the act in question. With this in mind, it is hard to think of a realistic example of conduct which would attract criminal liability and yet be excluded from civil liability because it would not be 'in the course of trade'.

There is, however, a move toward a 'no tolerance' policy, and in France, for one, the purchaser or possessor may be guilty of an offence.

## C. Copyright piracy

29. *Pirating is more than copyright infringement*: Copyright infringement is essentially a civil wrong. All copyright infringement is not criminalized, and

19. On the notion of « commercial scale » within the meaning of Article 61 TRIPS, see WTO Panel Report in case DS362 *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights* ([http://www.wto.org/english/tratop\\_e/dispu\\_e/362r\\_e.pdf](http://www.wto.org/english/tratop_e/dispu_e/362r_e.pdf)), and, in particular, para 7.532 et seq.

copyright infringement is not per se piracy. On the other hand, there cannot be piracy without copyright infringement. The effect of this is that before there can be copyright piracy, there must be copyright infringement.

29. *The TRIPS obligations:* As mentioned before, the TRIPS Agreement obliges member countries to provide for criminal procedures and penalties to be applied at least in cases of willful copyright piracy on a commercial scale. The *minimum requirements* of Art 61 are accordingly the following:

- There must be an act of copyright piracy.
- The act of copyright piracy must be willful.
- The act of copyright piracy must be on a commercial scale.

Willfulness and commercial scale have been dealt with in the preceding section concerning trademark counterfeiting and will not be repeated.

30. *Subsistence of copyright:* Part and parcel of any copyright infringement case, whether civil or criminal, is that the subsistence of copyright must be established, meaning this means that special attention must be given to these elements, which were dealt with in Chapter 8. Some works, because of, especially, digital technology, are more prone to piracy, and they are (to use non-technical language) printed works, works published on the internet, sound recordings (CDs), cinematograph films (DVDs), computer programs, compilations of data and broadcastings.

30. *The act of piracy must constitute an infringement of a copyright of a particular type:* Anyone who violates any of the exclusive rights of the copyright owner infringes copyright. The position in relation to criminal infringement is generally different. The TRIPS requirement for pirating is the making of ‘copies’ that infringe ‘copyright.’ This, *prima facie*, means that all copyright infringement is not covered, only that consisting of the making of copies. A ‘reproduction’ or ‘adaptation’ is often defined in wider terms than ‘copying’ in local laws, and every reproduction would not necessarily amount to the making of a ‘copy’ for purposes of piracy. Copyright infringement requires a causal connection between the original work and the copy, which means that the fact that one work is the same as the other does not mean that it is copied, because both could have been original creations. The one must be derived from the other. In the criminal law context, this can hardly ever be an issue of any practical significance.

**CHAN NAI MING v. HKSAR** [2007] HKCFA 36:

A ‘copy’ of a work may exist in electronic or digital form. Section 24(4) expressly refers to issuing copies of a work in electronic form. It is, moreover, important to distinguish between the electronic copy itself and the physical medium in which it resides. Thus, section 23(2) refers to storing a work ‘in any medium by electronic means’ as an instance of copying. The resultant reproduction of the work, i.e., the copy, is ‘in electronic form’ consisting of a specific combination of digital data which is ‘usable only by electronic means’. The physical storage article is therefore conceptually and physically different from the electronic copy it contains. Obviously, if a further reproduction of the work were to be made from that electronic copy, the resultant copy would constitute a further electronic copy.

In the present case, when the appellant electronically copied a film from the VCD and stored the copy made on his computer’s hard disk, he was ‘reproducing the work in [a] material form’ as provided by section 23(2). The copy was an infringing copy since its making was an infringement of the copyright in the film, as stipulated by Section 35(2). Each copy was also a copy in electronic form as it was only usable by electronic means. If it were to be further reproduced, the resultant electronic copies would also be infringing copies of the protected work.

I agree of course that an electronic copy must exist in some physical medium or environment and not in a vacuum. But as the evidence established and as everyday experience indicates, electronic data constituting a digital copy of a work can plainly be transmitted via the medium of the network of computers and cables making up the internet. Electronic copies can thus plainly be transmitted without first being stored in a tangible article such as a CD or DVD to be physically handed over to a recipient.

It is, of course, true that an electronic copy will often be stored in a disk or some similar tangible object which is capable of and intended for physical delivery. But use of such a storage device is not an essential condition for the transfer or distribution of an electronic



copy. An internet network made up of linked computers is no less tangible and effective a medium for its transmission.

31. *Proof of subsistence of copyright*: It will immediately be clear that proving subsistence of copyright can be bothersome. It is, consequently, not surprising that most laws contain special provisions for alleviating this problem. There are three models, but they are not self-excluding: registration (notification), affidavit evidence, and presumptions. Not all copyright presumptions apply necessarily to criminal cases. Whether they do, depends upon the laws of each country.

32. *Registration*: Registration is not – and may not be – a requirement for subsistence of copyright, but, if provided for in the laws of a country, registration may provide *prima facie* evidence of subsistence. The United States, which formerly required registration for subsistence, permits registration, which serves the mentioned purpose because a certificate of registration made before or within five years after first publication of the work constitutes *prima facie* evidence of the validity of the copyright.

33. *Affidavit evidence*: Systems that generally only permit oral evidence in relation to disputed issues may allow the use of affidavit evidence to establish subsistence of copyright. Australian and Singapore law, for instance, allow affidavit evidence in civil as well as criminal proceedings. This evidence may establish that, at a particular time, copyright subsisted in the work; that copyright in the work was owned by, or exclusively licensed to, a particular person; that copyright in that work or subject matter was not owned by, or exclusively licensed to, a particular person; or that a particular act was done without the license of the owner of the copyright, or of the exclusive licensee of the copyright, in that work or subject matter.

34. *Presumptions – the Berne requirements*: Last, there are some relevant presumptions having their origin in the Berne Convention (art. 15):

- Authorship is presumed if the author's name appears on the work in the usual manner. This provision applies to a pseudonym, where the pseudonym adopted by the author leaves no doubt as to their identity.
- The person or body corporate whose name appears on a cinematographic work in the usual manner must, in the absence of proof to the contrary, be presumed to be the maker of the said work.
- In the case of anonymous and pseudonymous

works, the publisher whose name appears on the work must, in the absence of proof to the contrary, be deemed to represent the author unless the author reveals their identity and establishes their claim to authorship of the work.

35. *Application of presumptions*: This judgment is cited as an example of the application of some of the presumptions contained in the Australian legislation.<sup>20</sup>

**MICROSOFT CORPORATION v. PC CLUB AUSTRALIA PTY LTD** [2005] FCA 1522 [Australia]:

By virtue of the respondents' denial of both subsistence of copyright in *Windows XP Home* and *Windows XP Pro* and Microsoft's ownership thereof, subsistence and ownership were placed in issue in the current proceedings: see again pars (a) and (b) of s 126 of the *Copyright Act*. For the purpose of establishing subsistence and ownership of copyright in those programs the applicants have relied upon the presumptions contained in s 128 of the *Copyright Act* and additionally, or at least in the alternative, on the evidentiary provisions ss 126A and 126B.

Section 128 was considered in *DHD Distribution*, a case similarly involving Microsoft computer programs. Lehane J was there presented with original copies of the relevant programs as first published. Having been satisfied that those computer programs were first published in the United States within the 50 year period prescribed by s 128(a) of the *Copyright Act*, his Honour then considered what was required under s 128(b) to prove that those original copies bore the *name purporting to be that of the publisher*. Lehane J found it significant that those copies of the computer program, as it was first published, made explicit reference to 'Microsoft Corporation' as the owner of copyright in the programs. Accordingly his Honour concluded that those references to 'Microsoft Corporation' were 'plainly references to the first applicant as a person who has issued or caused to be issued copies of

20. <http://www.wipo.int/wipolex/en/details.jsp?id=15724>.

the works, as they were first published', and hence Microsoft Corporation was entitled to the benefit of the s 128 presumptions as to subsistence of copyright and ownership of the same in those programs.

Likewise, I am satisfied that the evidence tendered by the applicants establishes Microsoft's ability to rely upon the presumptions contained in s 128. Pursuant to s 126A(3) of the *Copyright Act*, the United States certificate of registration of copyright in *Windows XP Pro* (that program wholly subsuming *Windows XP Home* as earlier pointed out constituted) is *prima facie* evidence of the facts stated therein, that is, that *Microsoft Windows XP Pro* (and as a corollary, also *Windows XP Home*) was first published in the United States on 25 October 2001, which is well within the 50 year period prescribed by s 128(a). As the United States is a Convention country, s 184 of the *Copyright Act* and reg 4 of the *Copyright Regulations* have the effect of applying the operation of s 128 to literary works first published in the United States. Furthermore, I find that the name of Microsoft, who purports to be the entity who has issued or caused to be issued copies of the relevant programs, duly appeared on copies of the programs and their packaging as first published, and was also stated to be the owner of the copyright therein, as was the case in *DHD Distribution*. Accordingly, I must conclude that copyright subsists in *Windows XP Home* and *Windows XP Pro*, and further that Microsoft is the owner of that copyright, unless I should find that the contrary has been established by the respondents.

Both parties made submissions to the effect that the *prima facie* case that each had respectively established had the effect of shifting the burden of proof to the other. It was the applicants' submission that having discharged the evidentiary burden of bringing into operation ss 126A, 126B and 128, it necessarily remained for the respondents to adduce sufficient evidence to extirpate the presumptions triggered respectively by those provisions.

The applicants urged that the words *unless the contrary is established* appearing in s 128 have the effect that the presumptions of subsistence and ownership in favour of the entity, whose name appeared on copies of the work first published, would stand unless the contrary was proved on the balance of probabilities. So much was not disputed by the respondents and correctly so in my view.

The standard of proof necessary to be achieved by the respondents to assail the *prima facie* evidentiary provisions of ss 126A and 126B is less straightforward. [After discussion] I accept the applicants' case that once enlivened, the presumptions of subsistence and ownership arising under s 128 stood, unless and until the respondents were to adduce evidence which would prove, on the balance of probabilities, that copyright did not subsist in the relevant programs, and that Microsoft was not the owner thereof.

36. *Copying must be without the authorization of the rights holder.* Copyright infringement is usually defined as an act committed without the consent of the rights holder. Copying with consent cannot be wrongful. The onus is important.

**ALBIAN SANDS ENERGY INC. v. POSITIVE ATTITUDE SAFETY SYSTEM INC.**, 2005 FCA 332:

Copyright is defined in terms of the absence of the consent of the owner of the copyright. Consequently, proof of copyright infringement requires proof of lack of consent. It is therefore illogical to conclude that there has been infringement, subject to the effect of a purported license. It may be that a party has done something which, by the terms of the *Copyright Act*, only the owner of the copyright may do. But, before that conduct can be defined as infringement, the judge must find that the owner of the copyright did not consent to that conduct.

## D. Sentencing

37. *TRIPS Agreement*: In terms of Art 61 of the TRIPS Agreement, member countries must provide for remedies for counterfeiting and piracy, which must include imprisonment and/or monetary fines, sufficient to provide a deterrent, consistently with the level of penalties applied for crimes of a corresponding gravity. It follows from this that the drafters of the TRIPS Agreement regarded deterrence as the main purpose of criminal sanctions.

It is also clear from the wording of the article that the level of penalties must be comparable to those for crimes of a corresponding gravity. The TRIPS Agreement does not, however, mention the names of those crimes, and it is left to member countries to identify them. By the very nature of counterfeiting and piracy, it is to be expected that the comparable crimes are commercial crimes, such as fraud and the like.

38. *Different approaches to sentencing*. Sentence levels and sentencing attitudes differ from society to society. It is impossible to make any sensible comparisons to draw any meaningful conclusions. Subject to statutory prescriptions, it remains the task of a court to impose the sentence that it thinks suitable in the circumstances.

**REGINA v. WAYNE EVANS** [2017] EWCA Crim 139:

Having considered the matter, our conclusion is that we cannot agree. The appellant may not have been motivated by gain for himself. But there was undoubtedly a real loss to the owners of the relevant copyrights and related performers. Further, quite apart from such loss as could be identified and quantified, such offending always has a wider detrimental impact on the music industry and its profitability: and the music industry is an important economic contributor to society. That detriment is none the less real for being difficult to quantify. As has, in fact, long been established in the context of intellectual property offending, an element of deterrent sentencing is justified in this context; not least also because of the difficulty in tracking down and investigating such offending. Most certainly here the appellant had strong personal mitigation. But his conduct was sustained and he persisted in it even after receiving the cease and desist notices. He

carried on his activities for a lengthy period of time and he used sophisticated equipment for the purpose.

In our view, the judge in his careful and thorough sentencing remarks addressed all relevant points. He correctly appraised the position. He had due regard to the plea and all other matters available to the appellant in terms of mitigation. We consider that overall the sentence of 12 months' immediate imprisonment was a well-judged sentence, and at all events cannot be said to be excessive.

Ms. Loftus, appearing for the Crown, has suggested that given there is no definitive guideline relating to such offences under the 1988 Act it may be of some assistance if some guidance is given by this court.

The position must be that in offending of this kind the sentencing court must retain flexibility and gear a sentence to the circumstances of the particular offence or offences and to the circumstances of the particular offender. Nevertheless, we would suggest that the following (non-exhaustive) considerations are likely to be relevant in sentencing cases of this particular kind, involving the unlawful distribution of infringing copyright articles:

(1) First, illegal downloading and distribution is very often difficult to investigate and detect. It can give rise to serious problems and losses (none the less real for not being readily quantifiable) to the music and entertainment industry. Deterrent sentencing in such a context is appropriate.

(2) Second, the length of time (and including also any continuation after service of cease and desist notices) of the unlawful activity will always be highly relevant.

(3) Third, the profit accruing to the defendant as a result of the unlawful activity will always be relevant.

(4) Fourth, and whether or not a significant profit is made by the defendant, the loss accruing to the copyright owners so far as it can accurately be calculated will also be

relevant: as will be the wider impact upon the music industry even if difficult to quantify in precise financial terms: because wider impact there always is.

(5) Fifth, even though this particular type of offending is not the subject of any Definitive Guideline there may be cases where it will be helpful to a judge to have regard to the Definitive Guidelines on fraud, bribery and money laundering offences. In some cases, such as the present, that will positively be required because one or more of the counts on the indictment, as here, will be a count which comes within the ambit of the guideline itself. But even where that is not the position there may be some cases where a judge, at least if only as a check, may wish to refer to the Definitive Guideline to get a feel, as it were, for the appropriate sentence. However, there will be other cases where the Definitive Guideline may be of marginal, and perhaps no, assistance at all. That will be a matter for the assessment of the judge in the individual case. Where the Definitive Guideline is required to be taken into account because one of the counts on the indictment is within the ambit of the guideline, that of itself will no doubt lend assistance in deciding what the appropriate overall sentence will be.

(6) Sixth, personal mitigation, assistance to the authorities and bases and pleas of guilt are to be taken into account in the usual way.

(7) Seventh, unless the unlawful activity of this kind is very amateur, minor or short-lived, or in the absence of particularly compelling mitigation or other exceptional circumstances, an immediate custodial sentence is likely to be appropriate in cases of illegal distribution of copyright infringing articles.

39. *Proportionality*: Professor Andreas Rahmatian adds this perspective:<sup>21</sup>

Sentencing practice for trademark crimes should not neglect the issue of proportionality. Too severe penalties may not deter, but even encourage counterfeiting at a larger scale (because taking the risk of harsh punishment only pays off in relation to larger operations), and they may undermine public respect and acceptance of trademark and criminal law alike: 'If the death penalty is imposed for both small and considerable thefts [quoting Voltaire], it is obvious that [the offenders] will try to steal much. They may even become murderers if they believe that this is a means not to be detected. All that proves the profound truth that a severe law sometimes produces crimes.' What Voltaire wrote in relation to theft in 1766, is also valid in relation to intellectual property offences today.

40. *Precedents on sentencing*:<sup>22</sup> The following extracts from judgments provide examples of how courts approach sentencing.

*HKSAR v. CHAN NAI MING* [2005] HKMC 2:<sup>23</sup>

I must say this first of all: that Hong Kong carefully guards intellectual property rights. These rights are not illusory; they are not something which exists only in theory and not in practice. They are real, they are valuable and they amount to genuine property. And the owners of those rights are entitled to the same level of protection from dishonest appropriation as the owners of ordinary, more tangible property. What is created by or on behalf of the owners of copyright is theirs to deal with and dispose of as they [may] choose. It is not up to others to dictate how they should do so or at what price. It is not open to others to

21. 'Trade mark infringement as a criminal offence,' *Modern Law Review*, 67 (4), p.670–683. See also Irina D. Manta, 'The puzzle of criminal sanctions for intellectual property infringement,' *Harvard Journal of Law and Technology*, 24 (2).

22. Cf. Sandra L. Rierson, 'Pharmaceutical counterfeiting and the puzzle of remedies,' 8 *Wake Forest Intellectual Property Law Journal*, 8 (3), p. 433.

23. Confirmed on appeal: *HKSAR v. Chan Nai Ming* [2006] HKCFI 1402.

make moral judgments about the price of a book or a DVD or a music CD, and claim that it is excessive, as some form of justification for infringing the copyright. The law does not accord any validity to such attempts to justify copyright piracy.

The practical application of this principle, when the courts are dealing with persons who criminally infringe copyright, is to apply a firm, deterrent based sentencing policy. This is nothing new. There are many decided cases of higher courts which have, time after time, affirmed this approach. In particular, in 1999, in a case called *Choi Sai-lok*, the Court of Appeal approved the comments of a judge in an earlier case when he said, ‘The victims are the proprietors of the intellectual property whose rights are being violated. There is international pressure upon Hong Kong to stamp out traffic in pirated goods. Failure to attack th[is] illegal activity [...] would be perceived as a default on the part of the government on its international obligations.’

This provided the foundation for the approach of the Court of Appeal in *Choi Sai-lok* because it went on to say, ‘We emphasize that custodial sentences of immediate effect [i.e., not suspended sentences] should be imposed for offences of this kind unless the circumstances can be said to be truly exceptional [...] The open flouting of the law in this trade requires sentences, even for first offenders, to act as a deterrent to others.’

This was, as I have found, at least an attempted distribution of the infringing copies to such an extent as to affect prejudicially the owners of the copyright. It was done in a public, open forum where anyone with the appropriate equipment could download. It is proper to infer that some copies of films obtained by downloaders in this manner would themselves be downloaded to others. The potential for prejudice to the copyright owners by this latent risk of re-distribution, beyond those who initially take the seeded film, is extensive.

**GOIK SOON GUAN v. PUBLIC PROSECUTOR**  
[2015] SGHC 31:

At the outset, I will acknowledge that the Prosecution rightly submitted that the primary sentencing consideration in cases of trademark or copyright infringement is deterrence. Strong intellectual property protection is an integral component of Singapore’s economic and industrial policy, and is vital to our economic success. This was recognised right from the start when we began developing our intellectual property laws.

The value of a robust intellectual property protection framework cannot be overstated as intellectual property continues to increase in strategic importance against traditional business advantages such as geographical location and abundance of natural resources. As we strive to develop our intellectual property laws to suit an increasingly global environment, it is crucial that strict measures are enforced so as to send a strong deterrent message to the public lest these efforts [would] be undermined.

That deterrence is the central consideration for copyright and trademark infringement offences is also highlighted by the authors of *Sentencing Practice in the Subordinate Courts*. Likewise, this has been recognised in numerous cases.

That having been said, it must be stressed that a deterrent sentence need not always take the form of a custodial term.

It is also important to bear in mind that the sentence imposed must, at the end of the day, be fair to the accused, bearing in mind all the relevant mitigating factors. The principle of proportionality ‘acts as a counterbalance to the principles of deterrence, retribution, and prevention’, in that ‘the sentence must be commensurate with the gravity of the offence, [...] the sentence must fit the crime, and [...] the court should not lose sight of the ‘proportion which must be maintained between the offence and the penalty and the extenuating circumstances which might exist’.

***THE SECRETARY FOR JUSTICE v. CHOI SAI LOK  
AND ANOTHER*** [1999] HKCA 3:

We have no doubt that a distinction should be drawn between the proprietors of retail outlets and warehouses to commit these offences, and the persons employed by them. The former should receive longer sentences than the latter. But where we disagree with the judge is in the distinction which he drew between salesmen on the one hand and couriers on the other. The roles played by store men, packers, delivery men and salesmen may be different, but we do not see much difference between them in terms of criminal culpability. What will justify differences in sentences between them will be, for example, the number of infringing copies involved, the length of time in which they had been engaged in the trade and factors personal to them such as pleas of guilty.



# **Chapter 16**

## **Enforcement of IPRs in the digital and internet age**

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## A. Introduction<sup>1</sup>

1. *From analogue to digital*: The principles of IP law were settled during the analogue age. It was a physical world. We have now moved into the digital era, where data are computerized and represented numerically. Digital technology and the process of ‘digitization’ allow the conversion of copyright material into binary form, which can be transmitted across the internet and re-distributed, copied and stored in perfect digital form.

The internet has become the main carrier and distributor of data. This has created new stresses for copyright and trademark law in particular, more often because of blatant piracy and counterfeiting. Old principles must be applied to new and ever-changing technology. Analogies must be found. Legal remedies must be adapted.

All this creates risks and opportunities. The risks for owners arise from perfect copies and easy distribution.<sup>2</sup> They have, however, new opportunities in the form of a reduction in production costs and the creation of new income sources based on new technologies. Consumers, in turn, demand lower product costs, easy access to information, free access to knowledge and preservation of culture and cultural diversity.

2. *The internet*:<sup>3</sup>

**PERFECT 10, INC. v. GOOGLE INC.** 508 F.3d 1146 (9<sup>th</sup> Cir. 2007):

[Computers] are connected to networks known collectively as the ‘Internet.’ ‘The Internet is a worldwide network of networks all sharing a common communications technology.’ Computer owners can provide information stored on their computers to other users connected to the Internet through a medium

called a webpage. A webpage consists of text interspersed with instructions written in Hypertext Markup Language (‘HTML’) that is stored in a computer. No images are stored on a webpage; rather, the HTML instructions on the webpage provide an address for where the images are stored, whether in the webpage publisher’s computer or some other computer. In general, webpages are publicly available and can be accessed by computers connected to the Internet through the use of a web browser.

## B. Copyright issues

3. *Internet treaties*: The TRIPS Agreement<sup>4</sup> introduced copyright protection for computer programs and databases. And WIPO became involved in the ongoing international debate to shape new standards for copyright protection in cyberspace. It administers the WIPO Copyright Treaty<sup>5</sup> and the WIPO Performances and Phonogram Treaty.<sup>6</sup> They provide international norms aimed at preventing unauthorized access to and use of creative works on the internet or other digital networks. Both require countries to provide a framework of basic rights and allow creators to control and/or be compensated for the various ways in which their creations are used and enjoyed by others. The treaties clarify that existing rights continue to apply in the digital environment, and the treaties also create new online rights.<sup>7</sup>

4. *Interpreting laws in the light of new technology*: The problem with the digital explosion is that the law finds it difficult to adapt. Amending laws are not promulgated. There are conflicts between different interests, especially between rights holders and the general public. Emerging technologies require a flexible approach, and wide definitions in copyright acts often permit flexible interpretation to cover new technologies as they appear.

1. Institutional Arrangements Concerning Intellectual Property Enforcement Policies and Regimes to Address Online Infringements at: [http://www.wipo.int/meetings/en/details.jsp?meeting\\_id=42290](http://www.wipo.int/meetings/en/details.jsp?meeting_id=42290); *Approaches to Online Trademark Infringements* at: [http://www.wipo.int/meetings/en/doc\\_details.jsp?\\_id=381836](http://www.wipo.int/meetings/en/doc_details.jsp?_id=381836).

2. Graham Dutfield and Uma Suthersanen, *Global Intellectual Property Law* (2008) pp. 234–5.

3. *Roadshow Films Pty Ltd v. iiNet Ltd* [2012] HCA 16 (20 April 2012); *Google Inc v. Australian Competition and Consumer Commission* [2013] HCA 1 (6 February 2013).

4. [https://www.wto.org/english/docs\\_e/legal\\_e/27-trips.pdf](https://www.wto.org/english/docs_e/legal_e/27-trips.pdf).

5. <http://www.wipo.int/treaties/en/ip/wct/>.

6. <http://www.wipo.int/treaties/en/ip/wppt/>.

7. WIPO Internet Treaties.

**GOLDEN CHINA TV GAME CENTRE AND OTHERS v. NINTENDO CO LTD** [1996] ZASCA 103:

As with many definitions in the Act and its antecedents, very wide terms have been employed. The only reason for this can be an intention to cover future technical innovations by using general words. Legislative inertia ought not to impede human ingenuity and the reasonable protection thereof. Typical is the case of computer programs. The wide wording of the Act made it possible to grant them protection as literary works. It was only in the amending Act that the Legislature dealt with the subject. This general scheme of the Act suggests to me that the definitions in the Act should be interpreted 'flexibly so that it would cover new technologies as they appeared, rather than to interpret those provisions narrowly and so force [the Legislature] periodically to update the act'.

5. *Software and data files are intangible property:* Copyright works, films, sound recordings and broadcasts are protected in the digital environment, as in the offline world.

**DIXON v. R** [2015] NZSC 147 (20 October 2015):

It cannot be seriously disputed that society's reliance on computers and electronic data is substantial, if not essential. Computers and digital information are ubiquitous and pervade all aspects of business, financial and personal communication activities. We cannot conceive of any reason in law or logic why this process of virtual creation should be treated any differently from production by pen on paper or quill on parchment. A document stored on a computer hard drive has the same value as a paper document kept in a file cabinet.

Information stored in the electronic records and databases at issue was valuable to the claimant regardless of whether the format in which the information was stored was tangible or intangible.

What emerges from our brief discussion of the United States authorities is that although they differ as to whether software is tangible

or intangible, they are in general agreement that software is 'property'. There seems no reason to treat data files differently from software in this respect.

6. *Computer programs:*<sup>8</sup> Computer programs, whether in source or object code, are, in terms of the TRIPS Agreement, entitled to copyright protection 'as literary works.' The WIPO Copyright Treaty is similar and states that computer programs, irrespective of the mode or form of their expression, are entitled to copyright protection.

**TELEPHONIC COMMUNICATORS INTERNATIONAL PTY LTD v. MOTOR SOLUTIONS AUSTRALIA PTY LTD** [2004] FCA 942:

For the purposes of the Copyright Act 1968, a computer program is a 'set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result'.

A computer program is a 'literary work'. Subject to a number of qualifications the original author of a computer program has the copyright in that program.<sup>9</sup>

The copyright entitles the owner to various monopoly rights in relation to the program, including the right to reproduce and copy it, to make an adaptation of it, to publish it to the public and to enter into a commercial rental arrangement in relation to it.

Breach of those monopoly rights is an infringement of the copyright. It is not necessary that the relevant reproduction be an exact copy. It is sufficient if there is a reproduction or copying of a 'substantial part' of the program. Copyright is also infringed by the sale of the computer program without the permission of the copyright owner in circumstances where the person selling it knew, or should reasonably have known, that the making of the program was a breach of copyright.<sup>10</sup>

8. *UsedSoft v. Oracle* CJEU Case 128/11; *Bezpečnostní softwarová asociace – Svaz softwarové ochrany v. Ministerstvo kultury* Case C-393/09.

9. This is often different in other laws.

10. *Karum Group LLC v. Fisher & Paykel Financial Services Limited* [2014] NZCA

7. *Video games*: Video games contain at least two main parts: (a) audiovisual elements (including pictures, video recordings and sounds) and (b) software, which technically manages the audiovisual elements and permits users to interact with the different elements of a game. For some countries, video games are predominantly computer programs because of the specific nature of the works and their dependency on software. In other jurisdictions, the complexity of video games implies that they are given a distributive classification. Finally, few countries consider that video games are essentially audiovisual works.<sup>11</sup>

8. *Databases*:<sup>12</sup> In terms of the TRIPS Agreement, compilations of data or other material (whether in machine-readable or other form) are, by reason of the selection or arrangement of their contents constitute intellectual creations, entitled to copyright protection. This protection does not extend to the data or material itself, and it does not affect any copyright subsisting in the data or material.

A database may be defined as a collection of independent works, data or other materials arranged in a systematic or methodical way and individually accessible by electronic or other means, including a method or system of some sort for the retrieval of each of its constituent materials.<sup>13</sup>

9. *New and extended exclusionary (copyright) rights*: The main exclusive rights affected by the internet are (a) the right of reproduction (copying) and (b) the right of communication to the public (publication). In other words, subject to fair use/dealing, the copyright owner can prevent copying (reproduction) and publication (communication to the public) of a copyrighted work in digital form.<sup>14</sup>

389, an appeal from [2012] NZHC 3314.

11. [http://wipo.int/copyright/en/activities/video\\_games.html](http://wipo.int/copyright/en/activities/video_games.html).
12. *Technomed Ltd & Anor v. Bluecrest Health Screening Ltd & Anor* [2017] EWHC 2142 (Ch). As to the originality requirement of databases, see *Global Yellow Pages Ltd v. Promedia Directories Pte Ltd* [2017] SGCA 28.
13. C-444/02, *Fixtures Marketing Limited v. Organismos Prognostikon Agonon Podosfairou (OPAP)* [2004] ECR I-10549.
14. The obligation of member countries to deal with circumvention of effective technological measures under the Treaty is not discussed. As to the EU lending right, see *Vereniging Openbare Bibliotheken [VOB] v. Stichting Leenrecht*, C-174/15, ECLI:EU:C:2016:856.

10. *Net neutrality*:

**ROBERTSON v. THOMSON CORP.**, 2006 SCC 43 (CanLII), [2006] 2 S.C.R. 363:

Media neutrality is reflected in s. 3(1) of the Copyright Act which describes a right to produce or reproduce a work ‘in any material form whatever’. Media neutrality means that the Copyright Act should continue to apply in different media, including more technologically advanced ones. But it does not mean that once a work is converted into electronic data anything can then be done with it. The resulting work must still conform to the exigencies of the Copyright Act. Media neutrality is not a license to override the rights of authors – it exists to protect the rights of authors and others as technology evolves.

**ENTERTAINMENT SOFTWARE ASSOCIATION v. SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA**, [2012] 2 SCR 231, 2012 SCC 34 (CanLII):

In our view, there is no practical difference between buying a durable copy of the work in a store, receiving a copy in the mail, or downloading an identical copy using the Internet. The Internet is simply a technological taxi that delivers a durable copy of the same work to the end user.

11. *Reproduction right*: The WIPO Copyright Treaty provides as follows:

The reproduction right, as set out in Article 9 of the Berne Convention, and the exceptions permitted thereunder, apply fully in the digital environment, in particular to the use of works in digital form. The storage of a protected work in digital form in an electronic medium constitutes a ‘reproduction’. Reproduction ‘in any manner or form’ irrespective of the duration of the reproduction, applies to a reproduction in digital form through storage in an electronic memory, even if the reproduction is of a temporary nature.

12. *Reproduction right – reproduction requires new copies*: On general principles, the resale of physical DVDs and CDs is permitted, because it does not

amount to an act of reproduction (the number of physical objects does not increase); also, it would be unlawful in the light of the 'exhaustion of rights' principle.<sup>15</sup> Resale of hardware (the PC hard disk, external hard drive or music player) onto which the media was originally downloaded is likewise permitted. However, it is illegal to make copies of CDs, DVDs, downloads and the like.

13. *Search engines*: Search engines do not reproduce, or copy, works, nor do they distribute works. They merely provide the internet address to the user.

**PERFECT 10, INC. v. GOOGLE INC.** 508 F.3d 1146 (9<sup>th</sup> Cir. 2007):

Google operates a search engine, a software program that automatically accesses thousands of websites (collections of webpages) and indexes them within a database stored on Google's computers. When a Google user accesses the Google website and types in a search query, Google's software searches its database for websites responsive to that search query. Google then sends relevant information from its index of websites to the user's computer. Google's search engines can provide results in the form of text, images, or videos. The Google search engine that provides responses in the form of images is called 'Google Image Search.' In response to a search query, Google Image Search identifies text in its database responsive to the query and then communicates to users the images associated with the relevant text. Google's software cannot recognize and index the images themselves. Google Image Search provides search results as a webpage of small images called 'thumbnails,' which are stored on Google's servers. The thumbnail images are reduced, lower-resolution versions of full-sized images, stored on third-party computers.

Google does not, however, display a copy of full-size infringing photographic images for purposes of the Copyright Act when Google frames in-line linked images that appear on a user's computer screen. Because Google's

computers do not store the photographic images, Google does not have a copy of the images for purposes of the Copyright Act. Instead of communicating a copy of the image, Google provides HTML instructions that direct a user's browser to a website publisher's computer that stores the full-size photographic image. Providing these HTML instructions is not equivalent to showing a copy. The HTML merely gives the address of the image to the user's browser. The browser then interacts with the computer that stores the infringing image. It is this interaction that causes an infringing image to appear on the user's computer screen. Google may facilitate the user's access to infringing images.

14. *Reproduction right – browsing*: Most websites are designed to be accessed by members of the public. The operators add content to their website with the very intention of wanting people to access it. Anyone who places material on the internet without restriction knows that the material may be downloaded, forwarded, printed and links provided. This may amount to a tacit or implied free-of-charge copyright license to the reader to make a copy of their content on the reader's computer screen to view it. As such, most acts of browsing will be entirely legal and will not infringe copyright. Such an implied license must, however, be construed strictly. It may not cover commercial use or more copies than the person accessing would require for personal use.

**PUBLIC RELATIONS CONSULTANTS ASSOCIATION LTD v. THE NEWSPAPER LICENSING AGENCY LTD & ORS** [2013] UKSC 18:<sup>16</sup>

The owner of a copyright has the exclusive right to do or to authorise a number of acts defined in sections 16 to 26 of the Copyright, Designs and Patents Act 1988. Broadly speaking, it is an infringement to make or distribute copies or adaptations of a protected work. Merely viewing or reading it is not an infringement. A person who reads a pirated copy of a protected book or views a forgery of a protected painting commits no infringement although the person who sold him the book or forged the painting may do.

15. *UsedSoft GmbH v. Oracle International Corp.*, Case C-128/11.

16. See, too, *Public Relations Consultants Association v Meltwater* C-360/13.

The ordinary use of the Internet will involve the creation of temporary copies at several stages. Copies will be created in the course of transmission in Internet routers and proxy servers. Where a webpage is viewed by an end-user on his computer, without being downloaded, the technical processes involved will require temporary copies to be made on screen and also in the Internet ‘cache’ on the hard disk. The screen copy is self-evidently an essential part of the technology involved, without which the webpage cannot be viewed by the user.

The important point is that in none of these cases does the end-user set out to make a copy of the webpage unless he chooses to download it or print it out. His object is to view the material. The copies temporarily retained on the screen or the Internet cache are merely the incidental consequence of his use of a computer to do that.

15. *Reproduction right – duplicating digital files*: The unauthorized duplication of digitized material, such as digital music files, over the Internet or otherwise, infringes a copyright owner’s exclusive right to reproduce. This is obviously subject to any fair-use exceptions, if applicable.

**CAPITOL RECORDS, LLC v. REDIGI INC**, 934 FSupp2d 640:

Courts have consistently held that the unauthorized duplication of digital music files over the Internet infringes a copyright owner’s exclusive right to reproduce. See, e.g., *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1014 (9<sup>th</sup> Cir.2001). However, courts have not previously addressed whether the unauthorized transfer of a digital music file over the Internet where only one file exists before and after the transfer constitutes reproduction within the meaning of the Copyright Act. The Court holds that it does.

The Copyright Act provides that a copyright owner has the exclusive right to reproduce the copyrighted work in phonorecords. Copyrighted works are defined to include, *inter alia*, sound recordings, which are works that result from the fixation of a series of musical, spoken, or other sounds. Such

works are distinguished from their material embodiments. These include phonorecords, which are the material objects in which sounds are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Thus, the plain text of the Copyright Act makes clear that reproduction occurs when a copyrighted work is fixed in a new material object.

16. *Reproduction right – linking*: Linking typically occurs when the creator of one website provides a reference to another website, usually indicated in colored text or icons, using software that allows the user to click on the reference and view the content on the linked website. Deep-linking involves the transfer of a user to an internal page of the second site and not only to the other website. This means that the user does not need to open the website itself and then move to the webpage. This does not amount to reproduction. As to whether linking may amount to a communication to the public, see item 21.

**TICKETMASTER v. TICKETS.COM** 2003 US Dist Lexis 6483 from 54 USPQ 2d 1344:

[H]yperlinking does not itself involve a [direct] violation of the Copyright Act (whatever it may do for other claims) since no copying is involved.

17. *Reproduction right – monitoring media websites*: The Meltwater<sup>17</sup> system monitors websites with a ‘spider’ computer program to ‘scrape’ or read the contents of sites to identify required information, which is communicated to a client by means of an email alert. The alert contains (a) a hyperlink to each relevant article, (b) the headline from the article, (c) the opening words of the article after the headline and (d) an extract from the article showing the context in which the agent appears by reproducing the agent and some words immediately preceding and following it.

17. *The Newspaper Licensing Agency Ltd & Ors v. Meltwater Holding BV & Ors* [2011] EWCA Civ 890 (27 July 2011); *The Associated Press v. Meltwater US Holdings Inc* 12-cv-1087, U.S. District Court, Southern District of New York.

This raises several issues, such as whether a headline and opening words can be original literary works,<sup>18</sup> whether extracts are substantial parts of the work, fair-use protection, and whether the end-user is infringing. These issues depend very much on local law, and for this reason, extracts are not provided.

18. *Reproduction right – television sports clips*: That the use of sports clips amounts to copyright infringement, if the clip reproduces a substantial part of the work, is beyond argument.

**ENGLAND AND WALES CRICKET BOARD LTD & ANOR v. TIXDAQ LTD & ANOR** [2016] EWHC 575 (Ch):

Quantitatively, 8 seconds is not a large proportion of a broadcast or film lasting two hours or more. Qualitatively, however, it is clear that most of the clips uploaded constituted highlights of the matches: wickets taken, appeals refused, centuries scored and the like. Thus most of the clips showed something of interest, and hence value. The majority of the clips also involved action replays discussed above. Thus each clip substantially exploited the Claimants' investment in producing the relevant broadcast and/or film. Accordingly, in my judgment, each such clip constituted a substantial part of the relevant copyright work(s).

19. *Reproduction right – time shifting*: As to whether manufacturers of video recording machines and the like could be held liable for contributory copyright infringement, reference should be made to *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417(1984). The grounds on which the court held that Sony was not liable were because (a) many copyright holders would likely not object to viewers recording programs to allow later viewing, (b) 'time-shifting' is fair use and (c) there existed 'substantial non-infringing uses' (i.e., the product was not directed at infringement only). The third point might be convincing.<sup>19</sup>

The second kind of time shifting is a subscription service that enables a subscriber to have television programs recorded when broadcast and then played

back at the time of the subscriber's choosing. Because this requires the copying and storing by the service of each television broadcast recorded for a subscriber, it amounts to copyright infringement.<sup>20</sup>

20. *Communication right*: Authors of literary and artistic works enjoy in terms of the WIPO Copyright Treaty the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.

The mere provision of physical facilities for enabling or making a communication does not in itself amount to communication.

Countries may carry over and adapt for the digital environment limitations and exceptions in their national laws that are acceptable under the Berne Convention. They also may devise new exceptions and limitations that are appropriate in the digital network environment. These remain subject to the limitations and exceptions permitted by the Berne Convention.

21. *Communication right – linking*: A hyperlink does not render the operator of the linking website liable based on an infringement of the communication right.<sup>21</sup>

**PERFECT 10, INC. v. GOOGLE INC.** 508 F.3d 1146 (9<sup>th</sup> Cir. 2007):<sup>22</sup>

Google's search engine communicates HTML instructions that tell a user's browser where to find full-size images on a website publisher's computer, but Google does not itself distribute copies of the infringing photographs. It is the website publisher's computer that distributes copies of the images by transmitting the photographic image electronically to the user's computer.

18. As discussed before, the meaning of 'original work' is differently understood in different jurisdictions.

19. But see *Stichting Brein v. Jack Frederik Willems (Filmspele)* C527/15.

20. *National Rugby League Investments Pty Limited v. Singtel Optus Pty Ltd* [2012] FCAFC 59 (27 April 2012).

21. *Warman v. Fournier*, 2012 FC 803 (CanLII).

22. The question whether, by indexing and displaying thumbnails of photographs publicly available on the internet, Google infringes the author's exclusive right of communication to the public, was also answered in the negative by the German court: (I ZR 11/16 - Preview III).

**NILS SVENSSON AND OTHERS v. RETRIEVER SVERIGE AB**, C-466/12, 13 February 2014:

Whether the act of communication (or rather the act of making the copyright work available) to the public is an infringing act depends on (i) whether the content to which the link is made is posted with the permission of the copyright owner and (ii) whether the link makes the content available to the same audience as that of the original website. If either of these components is missing, the provision of a hypertext link automatically amounts to a copyright infringement.

**GS MEDIA BV v. SANOMA MEDIA NETHERLANDS BV** (C-160/15):

The referring court asks, in essence, whether, and in what possible circumstances, the fact of posting, on a website, a hyperlink to protected works, freely available on another website without the consent of the copyright holder, constitutes a ‘communication to the public’ within the meaning of Article 3(1) of Directive 2001/29.

In that context, it raises the question of the relevance of the fact that the works in question have not yet been published in another way with the consent of that right-holder, that providing those hyperlinks makes it much easier to find those works, given that the website on which they are available is not easily findable by the general Internet public, and that whoever posts those links knew or ought to have been aware of those facts and the fact that that right-holder did not consent to the publication of the works in question on that latter website.

In order to establish whether the fact of posting, on a website, hyperlinks to protected works, which are freely available on another website without the consent of the copyright holder, constitutes a ‘communication to the public’ within the meaning of that provision, it is to be determined whether those links are provided without the pursuit of financial gain by a person who did not know or could not reasonably have known the illegal nature of the publication of those works on that other

website or whether, on the contrary, those links are provided for such a purpose, a situation in which that knowledge must be presumed.

22. *Communication/distribution right – file sharing:*

**DRAMATICO ENTERTAINMENT LTD & ORS v. BRITISH SKY BROADCASTING LTD & ORS** [2012] EWHC 268 (Ch):<sup>23</sup>

File sharing (Person-to-Person or P2P) services share certain basic elements: The user downloads and installs on his computer software, for example, µTorrent. No personal identification is required. Whenever that computer connects to the Internet, it becomes part of a P2P network consisting of many other computers using the same software. A user locates files for download made available by other users of the network. At the same time, the user’s computer acts as an uploader, making the files that it has available. The files are not stored or hosted on a central server.

P2P technology distributes large data files by breaking them up into small pieces (chunks) and sends them over the Internet to the requesting user. The P2P software then requests chunks of the file from different members of the P2P network. When all the data is received by the user’s computer, the file is reassembled as a whole.

23. *Legal consequences of file sharing:*<sup>24</sup>

**DRAMATICO ENTERTAINMENT LTD & ORS v. BRITISH SKY BROADCASTING LTD & ORS** [2012] EWHC 268 (Ch):

Operators authorize its users’ infringing acts of copying and communication to the public. They induce, incite or persuade its users to commit infringements of copyright. Thus they are jointly liable for the infringements commit-

23. Redacted version. *LondonSire Records, Inc. v. John Doe* 1, 542 F.Supp.2d 153, 166 & n. 16 (D.Mass.2008). *Stichting Brein v. Jack Frederik Willems (Filmspele)* C527/15.

24. Redacted. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster* 913 (2005). *EMI Records Ltd & Ors v. British Sky Broadcasting Ltd & Ors* [2013] EWHC 379 (Ch).

ted by users. The fact that the network was capable of substantial non-infringing uses is irrelevant since such downloads are not the principal aim of the system.

24. *Communication right – streaming*:<sup>25</sup> Streaming involves an act of communication by electronic transmission to each user who accesses a streaming server. Operators of the servers commit an act of communication because they intervene deliberately in communicating the works to the public.

**ITV BROADCASTING LTD AND OTHERS v. TV CATCHUP LTD** Case C-607/11:

Television broadcasters may prohibit the retransmission of their program by another company via the Internet. That retransmission constitutes, under certain conditions, ‘a communication to the public’ of works which must be authorized by their author. Authors have an exclusive right to authorize or prohibit any communication of their works to the public. An Internet television broadcasting service which permits its users to receive, via the Internet, ‘live’ streams of free-to-air television broadcasts which they are already legally entitled to watch in the United Kingdom by virtue of their television license infringes copyright in broadcasts and films as being a communication to the public.

The term ‘public’ refers to an indeterminate number of potential recipients and implies, moreover, a fairly large number of persons. The cumulative effect of making the works available to potential recipients should be taken into account and that, in that connection, it is in particular relevant to ascertain the number of persons who have access to the same work at the same time and successively.

## C. Trademark infringement issues

25. *Trademark infringement on the internet does not differ from any other trademark infringement*: Typically, it concerns counterfeit goods and the use of identical marks on identical goods.

The associated problems are mainly practical. As indicated by Dr. Frederick Mostert:<sup>26</sup>

In virtually all WIPO Member States, civil remedies against online infringers are available to trademark owners. These remedies more often than not prove to be ineffective for the following reasons: (1) the identity of the infringers is often unknown to the trademark owner; (2) the anonymity problem is exacerbated by the ‘whack-a-mole’ phenomenon – in those situations where the infringer is identified and their webpage is taken down, another online listing usually pops under a different URL or page almost instantly; (3) the sheer volume and velocity of online sales of counterfeits make them very time sensitive – postings are typically posted only for a few hours or days; this tempus fugit issue makes the timely online track and trace of counterfeit listings very difficult; (4) civil remedies are complemented with criminal and administrative measures, but these normally require a large volume of counterfeit infringements in order for authorities to take action; (5) it is not always clear what minimum contacts or links are required to find jurisdiction in a country; (6) infringers typically using more than one website in different countries raises questions of enforcement of foreign judgments and (7) currently there is no international mechanism for the voluntary arbitration of online counterfeit cases.

**PRO SWING INC v. ELTA GOLF INC** [2006] 2 S.C.R. 612, 2006 SCC 52:

Modern-day commercial transactions require prompt reactions and effective remedies. The advent of the Internet has heightened the need for appropriate tools. On the one hand,

25. *The Football Association Premier League Ltd v. British Telecommunications Plc & Ors* [2017] EWHC 480 (Ch); *Stichting Brein v. Jack Frederik Willems (Filmspeler)* C527/15.

26. Frederick Mostert, *Study on Approaches to Online Trademark Infringements* WIPO/ACE/12/9 REV.2.



frontiers remain relevant to national identity and jurisdiction, but on the other hand, the globalization of commerce and mobility of both people and assets make them less so.

Extraterritoriality and comity cannot serve as a substitute for a lack of worldwide trademark protection. The Internet poses new challenges to trademark holders, but equitable jurisdiction cannot solve all their problems. In the future, when considering cases that are likely to result in proceedings in a foreign jurisdiction, judges will no doubt be alerted to the need to be clear as regards territoriality.

26. *Keywords*: Two questions arise when trademarks are used as keywords: (a) does the seller of keywords (or AdWords) commit trademark infringement and (b) does the user (the competitor) commit trademark infringement?

**GOOGLE INC v. AUSTRALIAN COMPETITION AND CONSUMER COMMISSION** [2013] HCA 1

Internet users are increasingly resorting to search engines to locate information online, as an alternative to relying on domain names to navigate the Web. Users request a search of specified terms and the search engine then uses a mixture of manual and automated methods to locate those keywords on the Web, either in meta tags, URLs, keyword listing or based on a history of visits. Some of these search engines ‘sell’ keywords to advertisers who want to target their marketing, such that, whenever the keyword is entered into the search engine, an advertisement appears along with any search results. Retailers, for example, have purchased keywords so that their banner advertisements are displayed whenever certain trademarked products are the object of a search.<sup>27</sup>

27. *Institutional Arrangements Concerning Intellectual Property Enforcement Policies and Regimes to Address Online Infringements* at: [http://www.wipo.int/edocs/mdocs/enforcement/en/wipo\\_ace\\_12/wipo\\_ace\\_12\\_10.pdf](http://www.wipo.int/edocs/mdocs/enforcement/en/wipo_ace_12/wipo_ace_12_10.pdf); *Approaches to Online Trademark Infringements* at: [http://www.wipo.int/meetings/en/doc\\_details.jsp?\\_id=381836](http://www.wipo.int/meetings/en/doc_details.jsp?_id=381836).

27. *Sale of AdWords*: The preferred answer to the question is that a provider, such as Google, in selling AdWords does not use the trademark as a badge of origin – it does not use it in the trademark sense. It sells advertising space.

**GOOGLE FRANCE SARL AND GOOGLE INC. v. LOUIS VUITTON MALLETTIER SA (C-236/08)**:

Google operates an internet search engine. When an internet user performs a search on the basis of one or more words, the search engine will display the sites which appear best to correspond to those words, in decreasing order of relevance. These are referred to as the ‘natural’ results of the search.

In addition, Google offers a paid referencing service called ‘AdWords’. That service enables any economic operator, by means of the reservation of one or more keywords, to obtain the placing, in the event of a correspondence between one or more of those words and that/those entered as a request in the search engine by an internet user, of an advertising link to its site. That advertising link appears under the heading ‘sponsored links’, which is displayed either on the right-hand side of the screen, to the right of the natural results, or on the upper part of the screen, above the natural results.

That advertising link is accompanied by a short commercial message. Together, that link and that message constitute the advertisement (‘ad’) displayed under the abovementioned heading.

A fee for the referencing service is payable by the advertiser for each click on the advertising link. That fee is calculated on the basis, in particular, of the ‘maximum price per click’ which the advertiser agreed to pay when concluding with Google the contract for the referencing service and on the basis of the number of times that link is clicked on by internet users.

A number of advertisers can reserve the same keyword. The order in which their advertising links are then displayed is determined according to, in particular, the maximum price per

click, the number of previous clicks on those links and the quality of the ad as assessed by Google. The advertiser can at any time improve its ranking in the display by fixing a higher maximum price per click or by trying to improve the quality of its ad.

Google has set up an automated process for the selection of keywords and the creation of ads. Advertisers select the keywords, draft the commercial message, and input the link to their site.

A referencing service provider allows its clients to use signs which are identical with, or similar to, trademarks, without itself, using those signs. That conclusion is not called into question by the fact that that service provider is paid by its clients for the use of those signs. The fact of creating the technical conditions necessary for the use of a sign and being paid for that service does not mean that the party offering the service itself uses the sign. It follows from the foregoing that a referencing service provider is not involved in use in the course of trade.

28. *Use of AdWords*: If a competitor uses the trademark of a trademark owner as an AdWord, a user who searches for that trademark will be given a link to the competitor's site or an advertisement of the competitor will appear on the screen. In other words, the AdWord will trigger an advertisement of the competitor and divert the attention of the user to the competitor's website or advertisement. The general approach of courts appears to be that, unless the advertisement or sponsored link use the complainant's trademark in the trademark sense and cause confusion, there cannot be trademark infringement.<sup>28</sup>

28. *Interflora Inc & Anor v. Marks and Spencer Plc* (Rev 1) [2014] EWCA Civ 1403 (05 November 2014); *Cochrane Steel Products (Pty) Ltd v. M-Systems Group (Pty) Ltd and Another* (227/2015) [2016] ZASCA 74; *Argos Ltd v. Argos Systems Inc* [2017] EWHC 231 (Ch). But see *Victoria Plum Ltd (t/a Victoria Plumb) v. Victorian Plumbing Ltd & Ors* [2016] EWHC 2911 (Ch); See further *Network Automation, Inc. v. Advanced Systems Concepts, Inc.* 638 F.3d 1137 (9th Cir. 2011), *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, (4th Cir. 2012), and *Multi Time Mach., Inc. v. Amazon.com, Inc.*, 804 F.3d 930 (9th Cir. 2015) (2-1 decision), cert denied, 136 S. Ct. 1231 (2016).

29. *Use of trademarks as meta tags*:<sup>29</sup> A 'meta tag' or 'metadata' is a keyword or phrase embedded in a website's HTML (hypertext markup language) code as a means for internet search engines to identify and categorize the contents of the website. Meta tags are not visible to normal users on the website itself (although they can be made visible together with the source code of the page), however, a search engine seeking particular keywords will find and list that particular site. The more often a keyword appears in the hidden code, the higher a search engine will rank the site in its search results.

However, a trademark employed as a meta tag, because it is used in a way that is invisible to the average viewer, is not used primarily to distinguish particular goods or services. In some jurisdictions, the courts have nevertheless found that the use of competitors' names as meta tags constitutes unfair competition.

**RED LABEL VACATIONS INC. (REDTAG.CA) v. 411 TRAVEL BUYS LIMITED (411TRAVELBUYS.CA)**, 2015 FC 18 (CanLII):<sup>30</sup>

As with copyright, there is some dispute internationally on whether the use of a trademark in a meta tag can constitute passing off or trademark infringement. Both the English Court of Appeal, in *Reed Executive plc & Another v Reed Business Information Ltd & Others*, [2004] EWCA Civ 159 at para 147, and the British Columbia Supreme Court, in *Insurance Corp of British Columbia v Stainton Ventures Ltd*, 2012 BCSC 608 (CanLII) at paras 46-47 [ICBC], found that use of a trademark (and, I would add, a trade name) in a metatag would not support a finding of confusion or a likelihood of deception, and therefore trademark infringement or passing off could not be proven by that use alone. As stated by Justice Grauer, the behaviour of search engines is not evidence of anything other than the operation of an algorithm, and search-engine marketing. It is certainly not evidence of confusion.

29. *Institutional Arrangements Concerning Intellectual Property Enforcement Policies and Regimes to Address Online Infringements; Approaches to Online Trademark Infringements*.

30. On appeal: *Red Label Vacations Inc. (Redtag.ca) v. 411 Travel Buys Limited (411 Travel Buys Limited)*, 2015 FCA 290 (CanLII).

30. *Domain names and cybersquatting*: A domain name is a website address on the internet that gives an online identity. Domain names differ from trademarks.<sup>31</sup> In particular, their use is determined in terms of a contract with a registering authority, which invariably requires that disputes be settled through alternative dispute resolution.

Cybersquatting is the pre-emptive registration of trademarks by third parties as domain names. Cybersquatters exploit the first-come, first-served nature of the domain name registration system to register names of trademarks, famous people or businesses with which they have no connection.

International disputes are, pursuant to the standard dispute clause for registration, dealt with in terms of the Uniform Domain Name Dispute Resolution Policy (UDRP).<sup>32</sup> The registrant must submit to the Domain Name Dispute Resolution Service under WIPO.<sup>33</sup> Generally, complainants must show that they have valid rights in the mark, the domain name registrant has no rights in the mark and the domain was registered in bad faith. Local jurisdictions may have their own ADR systems.

**CONSORZIO PER LA TUTELA DEL FORMAGGIO GORGONZOLA V. ROB MONSTER / DIGITALTOWN, INC.** Case No. D2017-0253:

The disputed domain name <gorgonzola.city>. The Complainant is the holder of trademark registrations for CG GORGONZOLA. The Respondent is a U.S. public company and is engaged in developing a platform to enable cities worldwide to provide access to local information, including restaurants, lodging, and city services.

Under paragraph 4(a) of the Policy, the Complainant is required to prove each of the following three elements: (i) the Disputed Domain Name is identical or confusingly similar to a trademark or service mark in which the Complainant has rights; and (ii)

the Respondent has no rights or legitimate interests in respect of the Disputed Domain Name; and (iii) the Disputed Domain Name has been registered and is being used by the Respondent in bad faith.

The Panel accepts that the Complainant has rights in the CG GORGONZOLA device trademark [and that the] Disputed Domain Name is identical to the most prominent element of the Complainant's CG GORGONZOLA device trademark, i.e., the word 'gorgonzola'.

The Panel concludes that the Respondent is using the Disputed Domain Name in a descriptive manner, rather than in order to target the Complainant's CG GORGONZOLA mark and that such activity provides the defense to the Respondent set out in paragraph 4(c)(i), in respect of the Disputed Domain Name. The Panel [accordingly] finds that the Complainant has failed to satisfy paragraph 4(a)(ii) of the Policy.

## D. Intermediaries

31. *Liability of intermediaries*: In the digital environment, the services of intermediaries are increasingly used for infringing activities. The typical intermediary is the internet service provider (ISP). Intermediaries are often best placed to bring such infringing activities to an end.

In *Roadshow Films Pty Ltd v. iiNet Ltd* [2012] HCA 16 (20 April 2012), the court adopted what appears to be the consensus view on the liability of ISPs: they are not liable for 'authorizing' copyright infringement by making their services available to people who do infringe copyright because ISPs do not have any direct technical power to prevent their customers from using other systems to infringe copyright. The extent of their power to prevent customers from infringing is limited to an indirect power to terminate an ISP's contractual relationship with its customers. The same applies to trademark infringement.<sup>34</sup>

31. Hong Kong Trademark Registry, 'Differences Between Trade Marks and Domain Names.'

32. UDRP Procedures for Generic Top Level Domains (gTLDs), at <http://www.wipo.int/amc/en/domains/gtld/udrp/>.

33. <http://www.wipo.int/amc/en/domains/>.

34. *Cartier International AG & Ors v. British Sky Broadcasting Ltd & Ors* [2016] EWCA Civ 658 (06 July 2016); *Cartier International Ltd & Anor v. British Telecommunications Plc & Ors* [2016] EWHC 339 (Ch); *Dallas Buyers Club LLC v. iiNet Limited* [2015] FCA 317 (7 April 2015).

32. *Injunctive relief against ISPs*: However, rights holders may apply for an injunction against intermediaries if the rights holders' services are being used by a third party to infringe a copyright or related right.<sup>35</sup>

Four things need to be established to satisfy the jurisdictional requirements for an injunction: (a) that the respondent is a service provider, (b) that the users and/or the operators of the websites infringe an IP right, (c) that the users and/or the operators use the services of the respondent to do that and (d) that the respondent has actual knowledge of the infringement. If these jurisdictional requirements are satisfied, the court then considers issues of proportionality and discretion before granting the injunction.

**2010 (Ne) 10076**, February 14, 2012 [Intellectual Property High Court] ('*Chupa Chups*' case):

A case in which, with regard to the infringement of a trademark right by the participating shops of an Internet-based shopping mall called 'Rakuten market (Rakuten ichiba)' and whether or not it is possible to seek an injunction and damages against the appellee, a company which operates said market, the court dismissed the appeal by finding that, while operators of webpages are liable in certain cases, the appellee, in this case, had taken steps to rectify the infringement of the trademark right within a reasonable period from the time when it became aware of or there were reasonable grounds to find that it could have become aware of such infringement of trademark right and thus was not liable for injunction or compensation of damages

## E. Jurisdictional issues<sup>36</sup>

33. *Typical problem*: Because copyrights and trademarks are territorial, they can only be protected as a general principle by the court where they are infringed. In the digital era, though, the problem is that the infringing website may be situated beyond the jurisdiction

of the court. To determine whether such a website is committing copyright or trademark infringement within the local jurisdiction, courts tend to determine whether the local jurisdiction is being targeted by the website.<sup>37</sup>

**ARGOS LTD v. ARGOS SYSTEMS INC** [2017] EWHC 231 (Ch):<sup>38</sup>

(i) The question is not one of the subjective intention of the advertiser, but rather one of the objective effect of its conduct viewed from the perspective of the average consumer; (ii) in order to determine whether there is use in a territory there must be an inquiry as to what the purpose and effect of the advertisement in question is; (iii) it all depends upon the circumstances, particularly the intention of the website owner and what the reader will understand if he accesses the site, (iv) any other evidence of the advertiser's intention (which I would interpret, in context, as being a reference to evidence of intentions which are manifested in such a way that the average consumer of the goods or services in issue within the UK would regard the advertisement and site as being aimed and directed at him); (v) the question of whether a website is targeted to a particular country is a multi-factorial one which depends on all the circumstances; (vi) what matters is how the site looks and functions when someone in this jurisdiction interacts with it, and (vii) the focus should [not] be anywhere other than on the effect of the trader's activity on the average consumer.

**EMI RECORDS LTD & ORS v. BRITISH SKY BROADCASTING LTD & ORS** [2013] EWHC 379 (Ch):<sup>39</sup>

The third question is whether the act of communication to the public occurs in the UK. Since the operators appear to be based outside the UK, the question is whether their acts of

35. *The Football Association Premier League Ltd v. British Telecommunications Plc & Ors* [2017] EWHC 480 (Ch).

36. Annabelle Bennett and Sam Granata, 'The Intersection Between Intellectual Property Law and Private International Law.' at [http://www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=382036](http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=382036).

37. Much depends on local law, and the facts may be complex: *Nintendo Co Ltd v. BigBen Interactive GmbH* (C-25/16) of 27 September 2017; BGH, I ZR 164/16 of 20 November; 'Parfummarken.'

38. *Stichting BDO & Ors v. BDO Unibank, Inc & Ors* [2013] EWHC 418 (Ch), [2013] FSR 35; *Thomas Pink Limited v. Victoria's Secret UK Ltd* [2014] EWHC 2631 (Ch), [2014] WLR(D) 368.

39. *Omnibill (Pty) Ltd v. Egpsxxx Ltd & Anor* [2014] EWHC 3762 (IPEC).

communication to the public are targeted at the public in the UK. In considering this question, it appears from the judgment of the CJEU in *Football Dataco v Sportradar* that it is relevant to take into account, by analogy, criteria which the CJEU has treated as relevant to the issue of targeting in a number of other contexts.

In *Pammer and Hotel Alpenhof* the Court of Justice held at [93] as follows:

The following matters, the list of which is not exhaustive, are capable of constituting evidence from which it may be concluded that the trader's activity is directed to the Member State of the consumer's domicile, namely the international nature of the activity, mention of itineraries from other Member States for going to the place where the trader is established, use of a language or a currency other than the language or currency generally used in the Member State in which the trader is established with the possibility of making and confirming the reservation in that other language, mention of telephone numbers with an international code, outlay of expenditure on an internet referencing service in order to facilitate access to the trader's site or that of its intermediary by consumers domiciled in other Member States, use of a top-level domain name other than that of the Member State in which the trader is established, and mention of an international clientele composed of customers domiciled in various Member States. It is for the national courts to ascertain whether such evidence exists.

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