

Intellectual Property Update

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Bell Gully





Welcome to *Intellectual Property Update*, a regular review of issues and developments in this area of New Zealand law from Bell Gully.

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Read more about Bell Gully's expertise in Intellectual Property online at www.bellgully.com.

 Need more information?

For more information on any of the cases, articles and features in *Intellectual Property Update*, please call [Alan Ringwood](tel:6499168925) on 64 9 916 8925, [Ian Gault](tel:6499168967) on 64 9 916 8967 or [Garry Williams](tel:6499168661) on 64 9 916 8661.

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Confidential information: trade secrets and reverse engineering - the fascinating case of *EPI v Symphony*

Regular readers may recall our article on the High Court judgment in this English case last year. The decision of Peter Smith J has since been appealed by EPI. In this article we outline the decision of the Court of Appeal.

The first matter of interest is the fact that the Court of Appeal provided its judgment to the parties to edit prior to publication so as to exclude all references to matters which are alleged to be trade secrets. Since that reduced the intelligibility of the judgment the court saw no point in setting out background explanatory matter, and the decision deals only with the legal arguments, with substantial editing whenever the judgments deal with issues touching on the composition of the relevant products.

While not set out in the judgment, the key background facts are that between 1997 and 2003, pursuant to various licence and confidentiality agreements, EPI supplied prodegradant additives to Symphony for use in the manufacture of a range of thin film plastic products such as plastic bags. Prodegradants are additives which cause the plastic to oxidise relatively rapidly after it is used and discarded, thereby making the product degradable. This is accordingly a valuable industrial process. The materials which EPI provided to Symphony during their commercial relationship included details of the constituent parts and manufacturing process of EPI's additives. This was regarded by EPI as confidential information falling within the confidentiality provisions of the licence and confidentiality agreements entered into between EPI and Symphony. Symphony then produced its own product, which did not replicate EPI's product identically, but was similar. In a detailed judgment, the High Court judge concluded that Symphony had not copied EPI's product.

On appeal, EPI was seeking to overturn a finding of fact, which meant that it had to establish that the judge was wrong, i.e. had made a material mistake regarding that factual finding. The judgments of the Court of Appeal are notable in the following respects:

The court rejected EPI's argument that there were facts which shifted the evidential burden onto Symphony to establish that it had independently derived its product (rather than copying EPI's product). EPI's argument reasoned by analogy from the approach taken in copyright infringement cases, where a court will be prepared to infer copying in cases where there is a marked objective similarity between the relevant works and the original was available to the alleged copier. While the Court of Appeal accepted that such an approach was sensible when comparing artistic or musical works, the court did not consider it to be appropriate when the issue was whether one industrial product or chemical formula sufficiently resembles another. The court also emphasised that proof of similarity merely places on the defendant an obligation to give an explanation of that similarity, which the court then considers together with all the other facts; and that the burden of proof remains with the plaintiff.

Two aspects of EPI's expert evidence are worth noting:

On the question of copying, EPI's expert witness expressed the view that the degree of replication observable was attributable to a process of substantial copying. The reasons for that view however included various matters which were not technical (e.g. motive), and accordingly went beyond the expert's area of expertise and instead became an opinion on the ultimate question, which was for the judge. This resulted in the court treating that evidence with caution, and the witness as having acted as an advocate.

EPI's expert witness also gave evidence to the effect that Symphony's formulation contained an additive in functionally and numerically similar amounts and proportions to EPI's formulation. EPI submitted that this was expert evidence that Symphony's formula sufficiently resembled EPI's formula to satisfy a test of substantial similarity; and that Symphony's expert had agreed with that analysis (because he had not listed the observation in his reservation from the joint report of the two experts). The court noted that this submission "only goes to demonstrate that if a scientific finding is to be made the basis of a significant legal argument it has to be made clear that that is what is being done, and the experts on the other side be given a fair chance to comment."

In order to argue that the trial judge had been wrong to conclude that there had been no copying, EPI argued that there had effectively been a conspiracy amongst a number of defence witnesses to manufacture evidence and to lie to the court. The court described this as "a bizarre – near fanciful case", and as involving many points which were essentially "speculative inferences". After considering the conspiracy theory, and the various respects in which the trial judge was said to have been wrong, the Court of Appeal rejected it, indicating that not only was the judge not shown to have been wrong, but that had they been considering the matter the appeal judges would have reached the same conclusion as the trial judge.

Although the court concluded that there was no basis for overturning the trial judge's finding that there had been no copying, and the appeal accordingly failed, EPI nevertheless asked the court to rule on two further issues which had become academic. The first was whether the breach of confidence claim would also fail by virtue of the fact that the key features of EPI's recipe had been published, thus destroying anything confidential about them. The second was whether the "no analysis" clause in the licence could prevent an analysis which yielded only public domain information. Unsurprisingly, the court declined to rule on these academic issues. One important reason for not doing so was that such issues might well be fact-sensitive and should not therefore be decided as an academic point.

With the exception of the Appeal Court's rejection of the argument that a copyright approach (i.e. shifting the burden of proof in cases of marked objective similarity) can be applied in a claim for breach of confidence in relation to technical information, the Appeal Court's judgment is mainly of interest on the procedural issues set out above. Having been upheld on appeal, the High Court judgment will remain of interest to any party to the provision of confidential information or know-how who is concerned at the prospect of reverse engineering.

Need more information?

For more information on intellectual property issues please email Alan Ringwood alan.ringwood@bellgully.com or call Alan on 64 9 916 8925.

Copyright: authorising copyright infringement - *Heinz Wattie's Limited v Spantech Pty Limited*

In this latest instalment in the saga of the Spantech potato storage buildings in Hastings, the Court of Appeal dealt with Heinz Wattie's argument that it did not authorise the alleged infringement of copyright involved in the construction of its fourth storage facility.

In 1997 and 1998 Spantech built three potato storage buildings for Heinz Wattie in Feilding. In 1999 Heinz Wattie decided that it needed a fourth, and sought competitive quotes from Spantech and from BPM. BPM's quote was cheaper, and BPM got the job. Heinz Wattie told BPM that the specification for the fourth potato storage building was to be "as per the existing adjacent potato stores".

The building was constructed, and Spantech sued for copyright infringement, asserting that it owned copyright in the plans for the first three potato storage buildings, and that its copyright had been infringed by BPM and others in the construction of the fourth. Spantech's claim against Heinz Wattie alleged that Heinz Wattie was liable for authorising the alleged copyright infringement, by virtue of the instruction that the specifications were to be "as per the existing adjacent potato stores", in breach of s.16(1)(i) of the Copyright Act 1994.

In its defence Heinz Wattie denied authorising any breach of copyright. Heinz Wattie brought an application for a summary judgment upholding that defence on the basis that, on the facts, there was no express or implied grant of authority to BPM to copy Spantech's works, and accordingly no authorisation of infringement.

In the High Court, Judge Gendall concluded that there was a reasonably strong argument that Heinz Wattie *did* authorise the alleged copyright infringement. In doing so, he held that the proper time for ascertaining authorisation was at the time the contract with BPM was entered into and the initial instructions given, and that subsequent events were not relevant.

Heinz Wattie appealed. It persuaded the Court of Appeal that an infringement of copyright by authorisation is not complete until there is in fact an act of infringement of copyright of the kind alleged; and that this meant that all of the relevant communications ought to have been considered (including a meeting between the parties, and a subsequent exchange of correspondence in which Spantech asserted copyright in its design, but BPM denied infringement and asserted its own copyright and that of its consulting engineers in its design).

Heinz Wattie then argued that in these circumstances BPM could not have thought that Heinz Wattie possessed or purported to possess the authority to grant any permission to perform any restricted acts in relation to Spantech's copyright; and that all Heinz Wattie had authorised BPM to do was to use BPM's own alleged copyright. In this regard Heinz Wattie relied on the House of Lords decision in *Amstrad*, in which it had been held that in advertising and selling tape recorders with a high-speed dubbing function Amstrad had not authorised purchasers to infringe copyright (it merely sold a machine, and the purchaser decided the use to which it would be put).

The Court of Appeal did not consider the *Amstrad* decision to be on point, as no directions were given by Amstrad to purchasers of its machine, whereas Heinz Wattie had directed what was to be built through the contractual specifications and accompanying instructions. The Court of Appeal noted that it did not matter whether Heinz Wattie thought that there would be no infringement of copyright, if it were the case that BPM in carrying out Heinz

Wattie's instructions, did in fact infringe Spantech's copyright. An authorisation to copy is sufficient – it need not be a knowing authorisation to infringe copyright.

Heinz Watties appeal accordingly failed. The issue whether the BPM design in fact infringed Spantech's alleged copyright still remains to be decided.

 Need more information?

For more information on piracy, breach of copyright and intellectual property issues please email [Alan Ringwood](mailto:alan.ringwood@bellgully.com) at alan.ringwood@bellgully.com or call Alan on 64 9 916 8925.

Copyright: our commissioning rule computes no longer

The Government is considering law changes that could benefit New Zealand's technology sector.

Lawmakers have in their sights a very real opportunity to back the efforts of New Zealand technology innovators – and they should grab it.

The question over who should own first copyright of a computer program – its original creator or the person who has paid to have the program developed - has long been debated, legislated and litigated.

New Zealand law currently applies what is known as the “commissioning rule” to copyright-protected works such as photographs, art pieces and computer programs. That is, where the works or programs are commissioned, the person commissioning them is the first owner of copyright, as opposed to the creator.

But last year the Ministry of Economic Development released a discussion paper called *The Commissioning Rule, Contracts and the Copyright Act 1994*, as a starting point for submissions and possible legislation changes. The paper reaches no firm conclusions but the issues it highlights raises doubts over the rationale for the commissioning rule, particularly as it applies to business products such as commissioned software.

The doubts are well founded. The commissioning rule should be abandoned when it comes to computer programs. But new measures should also be introduced to provide protection to software users who are dependent on third parties for ongoing software support – protection not currently offered under the Copyright Act.

So how does the commissioning rule work in the first place? Under the Copyright Act the author will normally be the first owner of a copyright work unless the work is created in the course of employment, where the first owner will be the employer. There are a number of exceptions to the general rule, including the commissioning rule.

As highlighted earlier, this rule vests first ownership in the person who commissions and agrees to pay for the creation of copyright works. So if you commission a painting or sculpture you are the first owner of the copyright as the person who commissioned that work, not the painter or the sculptor. The rationale is that works such as paintings and sculptures are often commissioned for private businesses or homes and it is not right that the creators should be the first owners in these circumstances.

The same rationale cannot be so easily applied when a commercial organisation commissions another to develop a software program. As the discussion paper points out, in other countries the commissioning rule (to the extent it survives) is normally limited to photographs, portraits, sculptures, engravings and sometimes to films and sound recordings.

Added to this, the commissioning rule is not in fact compulsory. It can be reversed or modified by contract. This means that ownership of new computer programs remains a live and contentious issue when it comes to negotiating technology contracts.

The argument most often used by a commissioning party as to why it should be first owner is “we are paying for it”. If the commissioning rule is followed without qualification this means ownership of the copyright work by the customer from the point of its creation. It also means that the original developer ceases to have any “interest” in the software once it is commissioned even though it is the software developer that is usually best placed to commercialise the product. Special contractual arrangements can be made such as joint ownership of the new software or appointing the software company as the customer’s licensed distributor. But these arrangements raise a whole set of other issues, among

them the sharing of future royalties. Understandably most customers are not keen to take this track.

The obvious alternative is to abandon the commissioning rule and for the software company to assume copyright ownership of newly developed programs. The customer holds a software licence. This is not as bad as it may seem. Most of the benefits of ownership can be conferred by licence in any event – rights to access, to reproduce, to use and even to modify the software product. The arrangement also gives the customer the opportunity to negotiate a discounted price – in return for giving up its statutory right to be first copyright owner.

But problems can arise over the nature and scope of these licence rights. Most suppliers are content to license access and use rights (for the purposes of the customer's business), but are not happy to allow the software to be reproduced or modified since they see this as a threat to future cash flows – money made from selling further licences or the sale of support services for the software once it has been developed, tested and is in production.

It is at this point that contract negotiations often get stalled – partly because the real issues are not about ownership at all but other things. Most customers don't look at software ownership as inherently valuable by itself but very often instead see it as a control mechanism to help users manage their risks. Risks could include over-reliance on the original developer to help with later software adaptations (as the customer's IT environment evolves) and to provide ongoing support for the developed software over time.

The commissioning rule as it applies to computer programs limits opportunities for software to be commercialised – and this is contrary to the Government's declared aim of minimising regulatory barriers to innovation. As well, the rule fails to minimise the wider costs to society of copyright protection. As already noted, the commissioning rule may be overridden by contract. Contract negotiations over software ownership can become more protracted as a result. And the support costs for commissioned software may be higher in a statutory environment that gives little or no protection to the commissioning party or to licensed users where the developer goes out of business or withdraws support from the market.

These kinds of protections are afforded to owners and licensed users in Australia. Australia's copyright legislation was amended in 1999 with the introduction of a set of "statutory licences" which authorise the reproduction of licensed software to allow for the retention of a back up copy. There is a New Zealand equivalent statutory provision already - section 80 of the Copyright Act 1994. However this statutory licence can be overridden by contract in contrast to the Australian position.

The Australian amendments also allow adaptations of licensed software to enable it to inter-operate with other computer programs and for the purpose of correcting errors, including the correction of security flaws.

These statutory licences apply notwithstanding any conflicting contractual term. This means that the parties need not waste time in contract negotiations litigating issues concerning ownership or extended licence terms. And suppliers for their part should not fear being "ripped off" by any misuse of these statutory licences. The rights to modify and reproduce conferred by the statutory provisions are tightly circumscribed by use and purpose limitations. In addition, any adaptation of licensed software without consent has statutory sanction only where the information needed to build the relevant interface or to resolve a security flaw is not readily available from another source.

Introducing these kinds of reforms, together with abandoning, the commissioning rule will go some way to establishing a better balance between the interests of New Zealand's technology sector in its drive to commercialise new software products - and the interests of

the software end users whose self-help efforts should not be thwarted by an overly restrictive copyright regime.

 Need more information?

For more information on the commissioning rule please email Stephen Revill at stephen.revill@bellgully.com or call Stephen on 64 4 915 6997.

Copyright: *Henkel v Holdfast*: Supreme Court pronounces on copyright in compilations

In the first copyright case to reach the Supreme Court, the court considered when copyright will subsist in a collocation of works and to what extent. The court's judgment contains both a lesson in the importance of accurate pleading in copyright cases and very helpful guidance in this difficult area of the law.

The Supreme Court's judgment makes interesting reading.

The background to the appeal was as follows. The appellant, Henkel, claimed that the respondent, Holdfast, had infringed its copyright in the design of the packaging for Henkel's SuperAttak product when it (Holdfast) designed the packaging for its UltraBonder product. The packaging in both cases comprised a multicoloured card on which the bottle of adhesive was contained in a clear plastic blister pack. The High Court had upheld Henkel's claim but Holdfast's appeal to the Court of Appeal had succeeded.

The first issue that the Supreme Court considered was one related to pleading.

Holdfast argued that Henkel's claim for indirect copying of the SuperAttak drawing was not open to it because of the way Henkel's case had been pleaded and advanced in evidence and submissions in the High Court. Holdfast claimed that, despite its admission of having previously copied SuperAttak, Henkel never relied on the SuperAttak drawing in its pleadings and that, as a result, Henkel was not entitled to advance an argument based on that drawing.

After carefully considering this argument the Supreme Court held that the pleadings and the course of evidence and submissions at trial did not permit reliance by Henkel on the SuperAttak packaging or any drawing which underlay that packaging.

The court held:

[31] In the present case Henkel's failure to plead the copyright work on which it is was ultimately seeking to rely, must result in its inability to rely on that work. Henkel's pleading fell well short of being sufficient to inform the court and Holdfast that its cause of action relied on the graphic work underlying the SuperAttak packaging. The submissions and the course of evidence at trial did nothing to signal that Henkel was seeking to expand the scope of its pleading in such a major and material way.

[32] Holdfast conducted its case in the High Court on the basis of Henkel's pleadings and the way it had presented its case and was entitled to do so. It would be quite unfair to Holdfast to allow Henkel to present a materially different case on appeal. Henkel's appeal to this court must therefore be dismissed on the basis that its pleadings and the course of the trial in the High Court do not permit it now to rely on any copyright work associated with the SuperAttak packaging.

What this finding really emphasises is that in copyright infringement cases, it is vital to identify and plead the copyright works upon which you intend to rely. This of course, sounds obvious but it can often be difficult to identify all relevant works either because relevant underlying works are not brought to your attention, or due to the fact that their existence is not necessarily apparent to someone new to the matter. These problems can also be exacerbated with the passage of time.

Despite this finding, the court went on to consider the substantive issues raised by the appeal. Although, strictly unnecessary to do so, the court indicated that it was in the interests of the parties and there was some public interest in clarifying the legal points in question.

The court indicated that the case involved copyright which was said to be derived from a collocation or arrangement of features which were not original in themselves. Copyright can subsist in such a compilation. For example, a graphic work may qualify for copyright protection because its originality lies in the way in which a number of features, which have no originality in themselves, have been arranged or co-located.

The following passage from the judgment in of the Court of Appeal in *Bonz Group (Pty) Ltd v Cooke* recognised this. In that case the Court of Appeal stated:

“As Lord Reid emphasised, the correct approach is first to determine whether the plaintiff's work as a whole is original and protected by copyright. The second step is to see whether such part as may have been taken by the defendant is a substantial part of the plaintiff's work. It is not correct to subdivide the plaintiff's work into its component parts and ask whether copyright might attach to the individual parts. Copyright, if it exists at all, exists in relation to the work as a whole. For example, an author may have taken six different components for his work by copying from six different sources. The combination of the six components may nevertheless have sufficient originality to attract copyright in the whole.

Where, as in this case, the plaintiff relies for its copyright on a collection of individual features, none of which on their own would attract copyright, this has ramifications when it comes to infringement. To infringe in such circumstances the defendant must have used the same or a substantially similar arrangement or collocation of the individual features. If the defendant has copied the individual features but has made its own arrangement of them, this will not represent an infringement. That is because the plaintiff has no monopoly in the individual features as such but only in their arrangement or collocation. Because the plaintiff's copyright resides in the arrangement or collocation the defendant, to infringe, must have copied the arrangement or collocation or a substantial part thereof.”

Applying this analysis to the facts before them, the Supreme Court, as a matter of qualitative impression did not consider Holdfast's UltraBonder packaging to have indirectly copied a substantial part of Henkel's SuperAttak drawing. In this regard the court stated:

Holdfast has not appropriated to itself a substantial part of the skill and labour which went into the authorship of Henkel's drawing. In a field where the level of originality is low on both sides, we consider Holdfast's work is sufficiently distinct that it cannot fairly be said to be a copy of a substantial part of Henkel's work. The level of similarity between these two works of low originality is such that, despite the opportunity to copy, we are not persuaded that there has actually been a copying by Holdfast of the essence of Henkel's copyright work. In short, we do not consider infringement has been established and we would have been of the view that Henkel's appeal should fail on that basis also.

Thus, in essence, the court would have held (had it been required to in the absence of the court's finding in relation to the pleading point), that Henkel's appeal should fail because the amount of skill and labour in effecting the arrangement that was Henkel's design, was relatively low and in those circumstances, the amount of skill and labour required on Holdfast's part to effect a non-infringing departure from Henkel's arrangement was relatively low.

Need more information?

For more information on copyright or any other intellectual property issues please email Garry Williams at garry.williams@bellgully.com or call Garry on 64 9 916 8661.

Copyright: infringement of industrial designs - *Tidd Toss Todd v Steelbro New Zealand Limited*

A recent case from Christchurch highlights the danger of copying aspects of a competitor's product.

Background facts

Tidd Ross Todd and Steelbro both manufacture sideloading trailers used for transporting empty 20 foot and 40 foot shipping containers. In the early to mid-1990s, TRT began developing a sideloading trailer which could load and unload two 20 foot containers independently. Previous trailers could handle individual 20 or 40 foot containers, or two 20 foot containers secured together, so that they effectively formed a 40 foot container. This innovative design was called the TRT triple, and TRT was very successful in marketing and selling the product as it represented a significant advance on the existing technology.

In 2000, TRT and Steelbro discussed the possibility of Steelbro selling TRT triples in New Zealand and overseas. During this process, TRT supplied Steelbro with specifications, a drawing and a brochure.

While the negotiations came to nothing, Steelbro later released the SB121, which was a sideloading trailer with similar features to the TRT triple. Steelbro asserted that its sidelifter reflected its own independent design, testing and manufacturing process. TRT alleged that the SB121 infringed its copyright in the TRT triple.

Arguments of the parties

Steelbro argued that similarities between the two units related to the overall concept, or were a natural consequence of design constraints (functional or regulatory).

However, TRT's expert witness found that Steelbro had probably used the TRT triple as the starting point for its project rather than independently designing the SB121. This was based on a lack of clear evidence of a logical progression of ideas and sketches, which would be expected for a project of that magnitude.

The law

The court found in favour of TRT.

As the judge noted, the idea of a low storing crane which makes a sidelifter more versatile does not attract copyright. TRT's expression of that idea is, however, protected by copyright. In the present case Steelbro reproduced a number of the elements which TRT used to put its idea into effect, and went beyond using the simple idea of incorporating a central folding crane into a sidelifter.

In examining whether copying has taken place, the court will begin by looking at similarities between the products and whether the defendant has had access to the plaintiff's product.

Copyright law does not give an inventor a monopoly over their idea, no matter how novel that idea is. Patents can be used to protect such ideas, although this requires on full disclosure of the idea being made in the patent application and depends on registration before the idea is disclosed to any third party.

Wider application

Copyright cases are, by their nature, very fact dependent. The key lessons from the case are:

- Keep good records of all stages of development, so that you can evidence any claims against third parties or refute any suggestions of copying by proving independent development of a product or design.
- Avoid the temptation of taking a shortcut by copying a competitor's work without permission.

 Need more information?

For more information on copyright infringement or any other intellectual property issues please email Kevin Glover at kevin.glover@bellgully.com or call Kevin on 64 9 916 8323.

Copyright: *Radford v Hallenstein Bros Ltd* – of sculptures and t-shirts

The High Court has ruled on the ambit of s73 of the Copyright Act 1994 and assessed the extent to which a work of sculpture displayed in a public place can be reproduced in two dimensions for profit.

The High Court recently ruled on the true construction of s73 of the Copyright Act 1994.

Section 73 has always appeared to be intended to exempt from being an infringement the copying of a sculpture that is permanently situated in a public place (or in premises open to the public), so long as the copy made is a graphic work, or a photograph or film of the sculpture in question. In other words, s73 appeared to condone the copying of such sculptures in two-dimensional form even if the copies made are sold commercially.

The background to the case was as follows. Hallensteins sold a number of t-shirts which featured on their front a photograph of two large sculptures produced by Mr Radford in 1998 and displayed in a park in Ponsonby, Auckland.

Mr Radford brought a claim based on three causes of action. First, he claimed, Hallensteins had breached his copyright in the sculptures by reproducing them on the t-shirts. Second, he claimed Hallensteins had imported into New Zealand copies of his sculptures, intent on selling them knowing or having reason to believe they infringed copyright. This cause of action was based on the importation of t-shirts from China bearing the relevant photographs. Third, he claimed a breach of his moral rights. Under this cause of action, he asserted that Hallensteins had set his sculptures on the t-shirts and that was "incongruous, distorting and derogatory".

The claim had initially been brought in the District Court and on 17 July 2006 a District Court Judge struck out Mr Radford's first two causes of action. He did so on the basis of s73 of the Copyright Act 1994.

Mr Radford appealed to the High Court and asserted that s73, while permitting copying of sculptures in the public domain, in spite of copyright in certain circumstances, did not permit the indirect copying of underlying works, such as drawings or models.

Justice Keane in the High Court carefully reviewed the history, provenance and purpose of s73. In doing so, he accepted that the section when literally read, did not explicitly exclude from the protection of copyright underlying works created in the course of making a sculpture (for instance elevations or drawings). In this regard, he said "on a literal reading they lie beyond s73."

Notwithstanding this finding, he went on to hold that to construe s73 in such a limited way would lead to an absurdity and undermine the intent and purpose of the section. For that reason, Keane J held that s73 must condone indirect copying of such underlying works whether in two or three dimensions and whether or not they too are in the public domain.

This is obviously a sensible construction of s73 as a literal reading of the section would not marry with the obvious intentions of the legislature and would also result in a section that was thoroughly impractical.

As far as we are aware Mr Radford's moral rights claim has yet to be determined.

Need more information?

For more information on copyright or any other intellectual property issues please email Garry Williams at garry.williams@bellgully.com or call Garry on 64 9 916 8661.

Copyright: *Sony Computer Entertainment v van Veen* - suing in New Zealand for breach of foreign intellectual property rights ok in some circumstances

The High Court has held that Sony Computer Entertainment was entitled to sue in the New Zealand Courts for breaches of the copyright legislation of England and Hong Kong. This is potentially a significant case for those seeking to enforce their rights against global infringers.

In an important decision for intellectual property and conflict of laws practitioners, MacKenzie J has held that foreign copyright laws (and therefore foreign intellectual property rights), may be enforced in New Zealand in certain circumstances.

The case involved the enforcement of the anti-circumvention device provisions of the Copyright Act 1994 (NZ) (i.e. those which are aimed at devices which can be used to circumvent copy-protection measures on such things as DVDs and CDs), but as the anti-circumvention device in question had been sold internationally on a commercial basis, Sony Computer Entertainment also sought to have the New Zealand Court find the defendant (van Veen) liable under the equivalent provisions of the Copyrights, Designs and Patents Act (UK) and the Copyright Ordinance (HK).

This required the court to consider whether these foreign causes of action were justiciable in the New Zealand Courts.

In a careful and considered judgment, MacKenzie J held that these causes of action were justiciable in New Zealand. In doing so, he disagreed with a prior decision of Tipping J which held the contrary (*Atkinson Footwear Ltd v Hodgskin International Services Ltd* (1994) 31 IPR 186).

MacKenzie J was clearly persuaded to do so by the reasoning of the English Court of Appeal in *Pearce v Ove Arup Partnership Limited* [1999] 1 All ER 769.

This decision is an important one and may allow plaintiff's to sue in New Zealand for infringements which have taken place in other jurisdictions.

However, there are limitations on the High Court's willingness to deal with foreign intellectual property rights. For instance, it will not do so where the validity of those rights is in issue. *Forum non conveniens* issues will also be relevant.

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Passing off: the get-up of magazines – how close is too close? - *Healthy Food Media Ltd v Healthy Options Limited*

This decision of Justice Asher demonstrates that in some circumstances it is possible to rely on the tort of passing off and/or breach of the Fair Trading Act to obtain an interim injunction to prevent the publication of a magazine which has a confusingly similar name or get-up to one already on the market.

While the courts are generally slow to give protection to a trader that chooses to use a descriptive title for its magazine, this case gives some guidance as to what types of conduct in this context may be restrained.

The facts of this case were straightforward. The plaintiff was the publisher of the *Healthy Food Guide* and sought an injunction to prevent the defendant from distributing, circulating and/or selling a competing magazine. That magazine was to be entitled *Health Food A Nutritional Guide*. The plaintiff's application came on before Justice Asher on an *ex parte* basis. Accordingly he directed that a full set of the pleadings be served on the defendant, together with a copy of his minutes which recorded that the application would be heard the following day. The plaintiff served the defendant but despite this, there was no appearance by the defendant.

In outlining the background circumstances, Justice Asher described how the solicitors acting for the plaintiff had written to the defendant requesting undertakings not to publish the magazine but had not received any substantive response.

In the absence of the defendant, Justice Asher approached the application on the usual basis of considering whether:

- (a) there was a serious question to be tried; and
- (b) that the balance of convenience and the overall justice of the case favoured the granting of an injunction.

In the course of his judgment, Justice Asher referred to the orthodox position in relation to the use of descriptive words by traders to promote their products:

[18] The title of the plaintiff's magazine *Healthy Food Guide* is a descriptive title using ordinary words in common parlance. Indeed, the words exactly describe what the magazine sets out to do. It is clear that a party that chooses to use such words as a trade name must accept that it has no right to those words individually or in combination, and that competitors may use them also. That position was well expressed in *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 140 CLR 216; (1978) ATPR 40-067, (quoted with approval in *Independent Newspapers Ltd v Australian Consolidated Press NZ Ltd* [1996] 3 NZLR 722 and 725):

There is a price to be paid for the advantages flowing from the possession of an eloquently descriptive trade name. Because it is descriptive it is equally applicable to any business of a like kind, its very descriptiveness ensures that it is not distinctive of any particular business and hence its application to other like businesses will not ordinarily mislead the public.

But Justice Asher considered that the defendant had gone a lot further than just using descriptive words that were also used by the plaintiff. He outlined various factors which led him to conclude that there was a serious question to be tried in relation to the passing off and Fair Trading Act causes of action. Some of the similar features which led him to this conclusion were:

- the magazines were of similar size;
- the names were similar: *Healthy Food Guide* and *Health Food A Nutritional Guide*;
- the defendant's proposed magazine had "Health Food" at the top of the magazine in a very similar position to the plaintiff's "Healthy Food";
- the lettering used was similar; and
- the colouring of the letters used was similar.

He then turned to consider the balance of convenience. Here Justice Asher reached the conclusion that damages would not be an adequate remedy for the plaintiff if it made out its case. In reaching this conclusion he took into account the plaintiff's submissions that its goodwill would be damaged by the defendant's publication through loss of sales; the possibility that readers might be put off the plaintiff's publication because of their experience in reading and using the defendant's publication believing it to be that of the plaintiff; a loss of distinctiveness of get-up; and the potential for the loss and/or diversion of advertising revenue which might result if readership numbers declined.

Justice Asher then turned to consider the overall justice of the case. In this context, in addition to the usual factors taken into account, Justice Asher considered the defendant's cavalier response to the plaintiff's letters counted against it. In this regard, he stated:

"The plaintiff's letters were responsibly written expressing an obvious and legitimate concern and warranted a substantive response. None was forthcoming. It was quite unsatisfactory to suggest that the plaintiff should wait until a particular person returned to New Zealand after publication and distribution of the defendant's magazine. It is significant that absolutely no attempt has been made by the defendant to justify its actions, and that no attempt has been made to arrange an appearance this afternoon."

Against this background, and noting that the multiplicity of coincidences between the two magazine's get-ups gave rise to the possibility that the defendant's adoption of the relevant features was deliberate, Justice Asher granted the injunction sought.

The important thing to take from this decision is that while the courts are usually slow to allow traders to monopolise descriptive terms, adopting a get-up consisting of a number of features identical or similar to a competitor's publication can lead to significant trouble. This was an illustration of one publisher "sailing too close to the wind" and promptly paying the consequences for doing so.

The case also illustrates that it is most unwise to decline an opportunity to be heard at an interim injunction application when it is directed to be served on you on short notice (i.e. when the application is served on a *Pickwick* basis).

Need more information?

For more information on passing off or any other intellectual property issues please email Garry Williams at garry.williams@bellgully.com or call Garry on 64 9 916 8661.

Patents: statements made before Assistant Commissioner do not found estoppel in High Court patent infringement proceedings: *NJ Phillips Pty Ltd v Forlong & Maisey Ltd*

The recent procedural decision of Associate Judge Faire in NJ Phillips Pty Ltd v Forlong & Maisey Ltd is interesting for the approach which was adopted to the defendant's pleaded defence of estoppel by representation.

The defendants had pleaded that submissions which had been made by the plaintiff's counsel at a hearing before the Assistant Commissioner of Patents (which related to opposition to the grant of the Letters Patent in suit) raised an estoppel by representation which they could rely upon as a defence in the High Court proceeding for patent infringement.

It was alleged that the plaintiff's former counsel, a Mr Hopkins, had made representations on behalf of the plaintiff as to the significance of a piece of prior art, namely a hand-held fluid dispenser.

It was also alleged by the defendants that Mr Hopkins's representations before the Assistant Commissioner had included a submission that the positioning of the valve *in* the piston of the invention was an essential integer of the patent and prior art cited by the second defendant was not relevant prior art because it failed to have a valve in the piston.

The defendants pleaded that the decision of the Assistant Commissioner had expressly accepted that a one-way valve in the piston was part of one of the essential integers of the alleged invention.

It was alleged that the defendants had relied on the plaintiff's counsel's representations in adopting its design for its Ezi-Squeeze applicator (the item alleged to infringe the patent) in which the valve is not in the piston. And it argued that the plaintiff was therefore estopped in the High Court infringement proceedings from denying that the positioning of the valve in the piston was an essential integer of the patent and, as a consequence, from alleging that the Ezi-Squeeze applicator infringed the patent.

This amounted to a defensive pleading which alleged estoppel by representation.

The plaintiff sought to have this pleading struck out.

The question for Associate Judge Faire was whether submissions made by counsel in the course of a hearing can amount to a representation which, if acted upon by a party in receipt of the representation, cannot be resiled from by the party whose counsel made the submission.

Neither counsel were able to locate any authority to the effect that a counsel's submissions at a hearing amounted to a representation on behalf of that counsel's client in circumstances where, if the submission was relied upon by a party, counsel's client would then be estopped from acting inconsistently with what counsel had submitted.

After considering the law in New Zealand relating to estoppel by representation, Associate Judge Faire came to the conclusion that the submissions put forward by Mr Miles QC on the matter were decisive. Those submissions were that the submissions of Mr Hopkins did not amount to representations which could give rise to an estoppel. Mr Miles submitted that submissions of counsel:

- are simply arguments advanced to persuade a judicial authority that a particular position should be accepted;

- are addressed to the hearing officer, not the other party;
- are not a statement of fact but are simply counsel's opinion;
- can be abandoned, altered or resile from; and
- are fundamentally different from formal undertakings which are intended to be relied upon by the parties.

On the basis of these submissions Associate Judge Faire held that the submissions made before the Assistant Commissioner were not representations and therefore could not found a defence based upon estoppel by representation. Having reached that conclusion, he struck out the relevant pleading.

 Need more information?

For more information on patents or any other intellectual property issues please email Garry Williams at garry.williams@bellgully.com or call Garry on 64 9 916 8661.

The United Kingdom Artist's Resale Right Regulations 2006

A new UK law on resale rights (the Artist's Resale Right Regulations 2006) came into force in 2006 to give artists a royalty, calculated as a percentage of the sale price, each time their work is sold.

The regulations implement Directive 2001/84/EC of the European Parliament on the resale right for the benefit of the author of an original work of art and apply only to European Economic Area nationals.

The creation of this new intellectual property, the artist's resale right, is an attempt to put artists on an equal footing with other authors of copyright works such as writers and recording artists, by ensuring they receive a royalty on sales of their work.

It's not exactly a new concept - Resale Royalty Rights already exist in over 30 countries worldwide. The concept originates from the French 'Droit de Suite' introduced after the First World War to benefit the families of destitute artists.

The Regulations apply to works of "graphic or plastic art [the term applied to shaping or modelling, carving and sculpture]". A non-exhaustive list of such works is set out in the Regulations. These include paintings, drawings, pictures, collages, engravings, prints, lithographs, sculptures, tapestries, ceramics, glassware and even photographs. Copies of such works do not qualify for a resale right unless limited in quantity and made by or with the authority of the author.

The author of a work of art will have a 'resale right', entitling them to a royalty on any sale of the work following on from the initial sale or transfer. The right will exist from the time the work of art is created until 70 years after the death of the artist (the same duration as copyright).

Recently, the New Zealand Government has foreshadowed that they will be looking at artists' resale rights and a number of other efforts to protect and improve the incomes of artists.

Although many New Zealand artists have advocated adopting a similar legislative model, saying it will bring artists' rights more closely in line with those of musicians and writers, there is genuine concern within the wider UK art community that the new legislation will inadvertently encourage owners of original works of art to instead sell their works in overseas markets such as Switzerland and the US, where sales are not subject to any resale right. Alternatively, more sales may take place privately, as the royalty does not apply to private sales.

Vincent Van Gogh only sold one painting in his lifetime and died in poverty, whereas his paintings now sell for millions. It is hoped that despite its detractors, the UK's new legislation will enable a new generation of Van Gogh's to share in the economic success of their works.

Need more information?

For more information on artist's resale rights in the UK or any other intellectual property issues please email Kristy Newland at kristy.newland@bellgully.com or call Kristy on 64 9 916 8785.

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