

Intellectual Property – an infringement overview

Introduction

This short comment is directed to identifying some key issues common to the various Intellectual Property (IP) regimes. In broad terms these are:

- The nature of the IP;
- Title to the IP;
- Infringement;
- Defences, and
- Damages.

Growth of interest in IP

IP laws have gained some interest in recent years. Interest has been in part attributable to products, services or entities, with which members of the public recognise an association.

Some cases which have brought the public's attention to IP issues are:

- The copyright case involving Men at Work's iconic song Down Under and its use of another iconic round, the Kookaburra song;
- The Apple v Samsung litigation regarding the introduction into Australia of the Galaxy tablet computer known as the "Galaxy Tab 10.1";
- The challenge to the validity of the Tobacco plain packaging legislation, and
- The liability of internet service providers in respect of sites using their server which offered infringing products.

In the small to medium enterprise (SME) environment particularly, the ease with which commercially sensitive information (which are often copyright works) may be emailed, transported by a memory stick or posted to a cloud network, presents a very real threat to the survival of many businesses.

Nature of IP

Initial consideration should be given to the type of IP, if any, in issue.

Some areas may appear clear enough, such as the subject of granted letters patent or the infringement of a registered trade mark. However, the four main IP areas (patents, trade marks, copyright and designs) have degrees of overlap, and for that reason a mental scanning of the IP involved is essential. For example:

- A shape (trade) mark for a sports shoe may overlap conceptually with a registered design for the shoe.
- A composite mark of image and word/s may constitute at the same time an artistic work

within the meaning of the *Copyright Act* 1968 (Cth) s 10.

- A T-shirt may have a design which is deceptively similar to your solicitor's client, but it is being used as a design, not 'as a trade mark' or badge of origin: s 120 of the Trade Marks Act. However, the same design may be a copyright infringement.
- A database of clients may be copyright as a compilation but also give rise to contractual or equitable obligations of confidence.

Drawings accompanying a patent application are copyright, however any reproduction or communication of a literary or artistic work in a prescribed document open for public inspection has a defence under the Patents Act.

Title to the IP

The starting point is generally that the IP rights are given to the creative, that is, the author, the inventor, the designer or registrant of a trade mark.

Having said that, the question must be asked whether the matter which attracts IP rights were created by one person or as a result of a collaboration. Assuming, the simplest situation of a single creative, these 'prima facie' positions are then considered in context and subject to three variables which may alter the initial assessment:

- The prima facie position is subject to any agreement to the contrary between the author for example and another party or parties;
- There are in the copyright and designs regimes, identified relationships which may transfer the title.
- In some cases, such as the commissioning of photographs for private or domestic purposes and the painting or drawing of a portrait, the copyright will, in the absence of contrary agreement, move from the person who took the photo or painted the portrait, to the person who commissioned the work/s.

For example, an employee architect completing drawings pursuant to the terms of his or her employment by the architect firm will be the author and owner. However, unless there is an agreement to the contrary, the Copyright Act will intervene to identify the employer as the owner of the copyright in the drawings or plans.

The designs and patent legislations have a similar tiered approach, although an identifiable difference is that, unlike the design legislation, the copyright legislation does not extend that ownership to a matter created by a contractor.

Hence, the client who had a software program written in order to produce a spreadsheet of schedules for his coach transport business could not complain when the author of the work, the programmer, wrote a similar program for his competitor. Generally, payment for those services means the client has a licence (arguably non-exclusive) to use the copyright work for the purpose it was created, but not ownership.

Assignees of the rights are accommodated as are legal personal representatives in the

statutory provisions.

Infringement

IP rights have been described as negative rights. French CJ in the *Tobacco Packaging* case noted that in *Pacific Film Laboratories Pty Ltd v Federal Commissioner of Taxation*, Windeyer J spoke of the essential nature of a copyright:

"It is not a right in an existing physical thing. It is a negative right, as it has been called, a power to prevent the making of a physical thing by copying."

The IP statutes preserve the exclusive right rather than grant a right to:

- Exploit the invention and to authorise another person to exploit;
- Use the trade mark and authorise others to use it;
- Do all or any of the acts set out in the provision including reproducing, communicating and publishing;

They have been referred to as negative rights because, for example, the inventor does not need the Patents Act to be able to make, sell or hire the invention as that is a right the inventor has in any event. Similarly, an artist is not prevented from publishing the artistic work and does not acquire such a right by the legislation. It is the exclusivity which the legislations preserve for the term.

Infringement therefore is the unauthorised doing of an act reserved for the owner or their authorised person/s. Following this general statement, each regime has its own idiosyncrasies and tests. In this regard, the starting points are:

- For trade marks, s 120 of the Trade Marks Act;
- For copyright, s 36 of the Copyright Act;
- For designs, s 71 of the Designs Act.

Infringement is not defined in the Patents Act, however the common law identifies this to mean the doing of all of the essential features of any claim in the patent.

Limitations are generally 6 years from the day the infringement occurred. However, the relevant provisions for the rights involved must be considered carefully, as there are variations as to the commencement of the period.

Defences/Cross-claims

In broad terms the response is usually one of three approaches:

- No, I am not doing what has been specifically reserved as your statutory monopoly;

- Yes, I am doing what has been specifically reserved as your statutory monopoly, but I don't think you are entitled to such a monopoly;
- I don't think I am doing what you have had exclusively reserved by the rights, but even if it is found that I am, I don't think you are entitled to such a monopoly;

The majority of IP cases do not simply defend the claim as in the first scenario. Rather they challenge by cross-claim the IP rights seeking revocation of the rights. For example in:

- Copyright, it may be argued the work is not an original work within the meaning of s 32 of the Copyright Act;
- patents, the patent may lack novelty under s 18 of the Patents Act, where there has been a published disclosure of the invention before the filing date of the patent application;
- trade marks, that the respondent may claim it has a prior registered mark substantially identical with, or deceptively similar to the applicant's mark;
- designs, the respondent may claim that the design is not new and distinctive when compared with the relevant prior designs published before the filing date.

There is an allowance not by way of defence but in terms of relief in the case of innocent infringement. Although there are some specific defences, the general rule is that you identify the rights reserved for the owner and identify if the respondent is doing what was reserved only for the owner.

The Federal Court Rules are very particular that the grounds upon which invalidity of the IP rights are claimed be articulated clearly in a document or as part of the pleading at an early stage of the proceeding.

Damages

Compensatory loss is often problematic in IP cases. The approaches are usually a licence fee approach where an amount which might have been charged to authorise the use is appropriate or loss based on lost sales. In the alternative, there is usually an election for an account of profits.

It should not be problematic where the sale by the respondent might reasonably be considered to be a lost sale to the applicant/plaintiff. For example, the IP owner conducts an eBay store selling cycle parts and uses photographs and detailed descriptions corresponding to those parts in the advertisement offering the products for sale. The respondent allegedly copies the photographs and descriptions on its own eBay online store. As these parties are the only two offering such products with the same photographs and almost identical descriptions, it is indeed arguable that a sale by the respondent/defendant equates to a lost sale by the applicant/plaintiff if infringement is found.

In a design infringement case involving a registered design for a ladies dress, Jessup J was not prepared to find sales to the respondent equated to a lost sale to the applicant.

Regardless however of an assessment of compensatory loss, the patent, copyright,

design and trade mark regimes permit an award of additional damages in the nature of punitive damages in certain circumstances. The patent, trade mark and copyright provisions identify an inclusive set of considerations (including flagrancy) relevant to such an assessment. The designs legislation however identifies the flagrancy of the infringement as a matter for consideration in the assessment as well as 'all other relevant matters'.

An award under these sections is of course discretionary, and its award is not calculated as a proportion of the compensatory damages awarded.

Conclusion

The above is a short overview of the considerations which will arise in cases where IP rights are sought to be enforced. The varied circumstances will usually involve an application of these fundamentals to the circumstances of the case.

The exercise does involve a consideration of infringement. However, as stated, the infringement case falls away if there is a successful challenge to the validity of the rights. It is therefore essential to be aware of the linchpins which may undermine the infringement action.

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