

IP Round-up: Recent decisions from the Courts

Anna Kingsbury, Senior Lecturer in Law, University of Waikato

Portacom New Zealand Ltd v Port A Room Ltd (High Court, Auckland CIV 2007-404-2536, 6 December 2007, Keane J)

This was a trade mark case in which the plaintiff, Portacom New Zealand Ltd, sought an interim injunction and orders requiring that the defendants remove "Port A Room" from all marketing materials and that any such branded materials be delivered up.

Portacom was New Zealand's leading supplier of portable buildings for sale and hire with some 65 per cent of the national market. It had used the brand name "Portacom" in New Zealand for 25 years, and it had four registered "Portacom" trademarks. It also traded under the by-line "The Flexible Building Solution Specialists".

The defendant company, Port A Room Ltd, was incorporated in November 2006 but had still to trade. The second defendant, Joseph Partridge, launched the product "Port A Room" in 2005 and had averaged one sale per month since then. The "Port A Room" product name was associated with the byline "Portable Building Solutions".

In November 2006 Portacom's managing director learned about the defendants business from Trade Me. He concluded that it was targeting Portacom's market by adopting a brand and byline deceptively or confusingly similar to its own, and claiming that its product was "also known as ... Portacom Port a corn ... Portacommm." Portacom wrote a cease and desist letter to the defendants, alleging breach of the Trade Marks Act 2002, breach of the Fair Trading Act 1986, and passing off. The defendants replied, denying any infringement and arguing that "Port A Room" was merely descriptive of rooms that are portable, and that the prefix "Port A" was commonplace and used by many brands across a range of products.

On 7 May 2007, Portacom brought this trade mark action for an interim injunction, arguing that "Port A Room" was a deceptive and misleading brand that eroded the distinctiveness of its own mark, "Portacom", and caused damage to its reputation and loss of sales. The defendants opposed the orders sought as unjustifiable and oppressive, arguing that their brand and the plaintiff's mark were quite distinct, as were the respective markets. This was supported by the fact that Portacom did not discover their product until 15 months after its launch and had not been able to point to any instance of confusion. They indicated an intention to counterclaim seeking an order revoking the plaintiff's "Portacom"

trademarks on grounds they had become merely descriptive and generic and were used in the market to describe any building that was portable, regardless of manufacturer, vendor or hirer.

The Judge set out the principles for interim relief.¹ The Judge noted that the interim relief sought was in part mandatory, requiring a fair level of assurance that any such grant of interim relief would be vindicated at trial? The Judge went on to consider the strength of the plaintiff's case in trade mark infringement.

The plaintiff argued trade mark infringement in terms of s 89(1)(c) of the Trade Marks Act 2002, relating to the use of a similar mark in relation to similar goods and services. The Judge first compared the two marks. The plaintiff argued that "Port A Room" was so similar to "Portacom" as to be likely to deceive or confuse. Each had three syllables, the first two of which "port" and "a", were dominant, and the third "corn" and "room" shared a similar vowel sound and the same last consonant. Even though not visually identical, they sounded similar, which was significant as many orders were placed by phone by people unfamiliar with the brand. The plaintiff also contended that "Portacom" and "Port A Room" both dominated their logo and each had an associated byline sharing the words "building solutions".

The defendants argued that while "Portacom" ran the three syllables together, particularly the first and second, "Port A Room" gave each a distinct value, and the third had a different vowel sound. They also disputed the byline point. The Judge held that the comparison favoured the plaintiff to the extent that it raised a serious question to be tried. The Judge also noted that the Assistant Commissioner had recently concluded that "Porta Cube" was so similar to "Portacom" as to be liable to confuse, if not deceive, and that that had to be persuasive, although there were differences from the present case.

The Judge went on to consider whether the dominant element in the two marks, "Porta" or "Port A", had become descriptive or generic, identifying only the feature of portability. The Judge observed that the trade mark register and telephone directories showed that it had wide appeal. There was also evidence that the plaintiffs had produced a brochure in which they stated that the name "Portacom" was often used to describe any modular, transportable building, and also evidence of marketing strategies attempting to counter generic use.

1. Referring to *Klissers Farmhouse Bakeries Ltd v Harvest Bakeries Ltd* [1985] 2 NZLR 129 (CA) at 142.
2. *Locabail International Finance Limited v Agroexport* [1986] 1 All ER 901; [1996] 1 WLR 657.

In relation to the markets in which the two marks were used, the Judge said that the products were in essence indistinguishable and were competing in the same market. However this was not enough to show that it was objectively likely that a significant proportion of consumers in that market could be deceived or confused. The Judge said that, while the plaintiff had 65 per cent of the national hire market, the defendants scarcely had a toe in the market. The plaintiff's fear was not the effect of deception or confusion now but the possibility of one or the other should "Port A Room" products begin to appear in greater numbers, so that its fear was more hypothetical than real.

The Judge concluded that the plaintiff did have an arguable case but it was certainly open to the defendants to argue that, whether or not "Port A Room" was so similar to "Portacom" as to be deceptive or confusing, "Portacom" had ceased to be distinctive and had become generic. As things stood, it was unlikely that a significant number of consumers in the market could, objectively speaking, be deceived or confused by the "Port A Room" mark. The markets in which the two marks figured were still too far apart.

The Judge then considered the balance of convenience and overall justice, finding that neither favoured the plaintiff. The "Port A Room" product had been on the market for two and a half years and a grant of interim relief after the passing of such a length of time would be incongruous and could have the effect of nullifying a two and a half year investment in a nascent business and prevent the merits being gone into when clearly they should be. The plaintiff was also far better placed than the defendants to answer any claim in damages.

The plaintiff's application for interim injunctive relief, and related orders, was therefore declined and the case was to be set down for hearing as soon as practicable.

Comment

This decision on interim relief appears uncontroversial in outcome, and of course reaches no final decision on infringement. However the judgment raises some potential issues. The first is in relation to the discussion of whether the mark is generic. The Judge appears to equate descriptive and generic trade marks, and suggests that descriptiveness necessarily means that a mark is generic, which is not necessarily always the case. It is also not entirely clear whether the Judge in considering whether the mark had become generic was considering only whether the dominant element "Port A" was generic, or whether the mark as a whole was generic.

The second issue is about the relationship between market share and likely deception or confusion. The Judge almost seems to suggest that the fact that the defendants have a very small market share means that the two products are not in the same market and that there is therefore no likelihood of deception or confusion. The Judge says that the products are "in essence indistinguishable" and that the defendants have entered the plaintiff's market. However, the Judge also says that the markets in which the two marks figure are "still too far apart". It seems likely that the Judge did not intend to suggest that the two products are not in the same market merely because of a large difference in market share. On its own, a small market share does not in itself mean that use of a mark cannot deceive or confuse.

Ministry of Health v HealthTrio Inc (High Court, Wellington CIV 2007-485-1272, 30 January 2008, Clifford J)

This was an unsuccessful appeal by the Ministry of Health and the Accident Compensation Corporation against a decision of the Assistant Commissioner of Patents allowing various amendments to the complete specification of the respondent, HealthTrio's, patent application. The patent application related to a computer system designed to facilitate the use and exchange of health data between originators and users of that data.

Background

HealthTrio filed a complete specification on 24 February 2005, and acceptance was published on 24 June 2005. Four notices of opposition were filed, two of which were from the appellants, and HealthTrio filed counterstatements in answer to that opposition on 9 March 2006. The opponents objected to those counterstatements, claiming they consisted of "bare denials", and did not fully explain the grounds upon which HealthTrio contested the opposition. The Intellectual Property Office of New Zealand (IPONZ) required substitute counterstatements which HealthTrio filed, and at the same time filed a series of proposed amendments to the complete specification, which were claimed to be in the nature of explanation. The amendments were accepted by a patent examiner who considered them allowable, under s 40(1) of the Patents Act 1953, as being by way of "explanation/correction". The appellants objected, contending that the amendments constituted broadening amendments and again submitted that the counterstatement was imprecise. A hearing was held before the Assistant Commissioner to determine the status of the amendments and the adequacy of the respondent's pleadings in its substitute counterstatements. On 21 May 2007 the Assistant Commissioner upheld the respondent's right to make the proposed amendments and held the substitute counterstatements to be sufficient. This was an appeal against the decision to allow the amendments.

Sections 38 to 40 of the Patents Act 1953 provide for the amendment of specifications. Section 38 provides that a patentee, or an applicant for a patent at any time after acceptance of its complete specification, may apply to the Commissioner for leave to amend the complete specification. Subject to s 40, the Commissioner may allow the application, subject to such conditions, if any, he or she thinks fit. Any such application for leave to amend a specification is required to state the nature of the proposed amendments, to give full particulars of the reasons for which the application is made, and to be advertised in the prescribed manner (s 38(3) and (4)). Section 40 contains important restrictions on the extent to which an applicant may amend a specification. First, an amendment to a complete specification can only be made if that amendment disclaims, corrects or explains some aspect of the specification. Second, unless correcting an "obvious mistake", the Commissioner can not allow any such disclaimer, correction or explanation if its effect would be to broaden the scope of the specification. Section 38(6) provides that public advertisement is not required for amendments made during the opposition process. The Judge said that the rationale for s 38(6) appeared to be that, where amendment of a specification was effected in proceedings in

opposition, it was sufficient that participants in the opposition proceedings were aware of, and if necessary could challenge, any such amendment. The issue as regarded s 38(6) was as to the meaning of the phrase "effected in proceedings in opposition".

The Appeal

The appellants appealed on two principal grounds. The first was that the ability to rely on s 38(6) of the Act and make amendments to a specification, pursuant to s 40 and free from the requirements of s 38, was limited to amendments made as a specific response to grounds of opposition, and that the amendments allowed by the Assistant Commissioner did not come within that category. In this the appellants relied on *The Emulsol Corporation's Application*.³ The second ground was that, even if the respondent was entitled to proceed only under s 40, the amendments sought to be made did not meet the criteria set out in s 40(1) as they were not by way of disclaimer, correction or explanation.

The respondent argued that *Emulsol* was not authority for the proposition argued for, that even if it was, the decision did not apply in New Zealand, that in any event the amendments were made in response to issues raised in opposition, and that the amendments clearly came within the category of amendments allowed by s 40(1).

The Judge said that, as an appeal under s 38(5) against a decision of the Assistant Commissioner to allow amendments to a complete specification, s 97(3) provided that the Court had the same discretionary powers as conferred upon the Commissioner. This was an appeal from the exercise of a discretion, and it must therefore be established that the Assistant Commissioner proceeded on a wrong principle, gave undue weight to an irrelevant matter, insufficient weight to a relevant one, or was plainly wrong. If those grounds, individually or collectively, were established then it was for the Court to exercise its discretion in deciding the application.⁴ The Court should, however, pay appropriate deference to the Assistant Commissioner, and IPONZ generally, as they possessed considerable specialist expertise.

The Judge considered the *Emulsol* decision, and its relevance. He found that there was more than a little uncertainty as to the propositions *Emulsol* was authority for. However, *Emulsol* might be taken as acknowledgement and approval of a British Patent Office ("British Office") practice to require amendments made during opposition proceedings, but not made in response to a specific ground of opposition, to be advertised. The real issue was the relevance of that practice to New Zealand. The Judge said that that relevance was minimal at the time the practice was first formulated, but that the United Kingdom Patents Act 1949 did introduce a statutory provision (s 29) which was subsequently adopted in New Zealand as s 38 of the Patents Act 1953. The practice of the British Office continued despite the new legislation, which might be taken to suggest that the new legislation codified the previous, apparently extra-statutory, practice. It was arguable, given the history, that the New Zealand Act should be applied in a like manner, so that the requirement that an amendment be a response to a specific ground of

opposition would be read into the s 38(6) phrase "effected in proceedings in opposition". However the Judge found that the legislative intention was not clear, and concluded that adoption in New Zealand of the United Kingdom provision need not be taken as legislative approval of the practice of the British Office in this area. The Judge said that it was open to Parliament to expressly include this practice of the British Office in s 38(6), but it appeared that Parliament chose not to do so. The Judge said that the wording of the provision was clear, and that without some persuasive basis, the simple phrase, "effected in proceedings in opposition", allowed for little other than a literal interpretation. The Judge was not persuaded that what appeared to be an extra-statutory practice of the British Office was intended to be read in to the legislation when introduced in New Zealand. The Judge was also unpersuaded that the phrase should be interpreted in a manner other than that which was apparent from the clear wording. In addition, the Judge said that the clear wording did not require that the amendments meet a specific ground of opposition. The relevance of the practice to New Zealand was therefore minimal at best, and the appellants' argument that any amendment "effected in opposition proceedings" must respond to a point of opposition, rather than being a matter which, subject to s 40, the applicant considers appropriate to make, was not contemplated by the legislation and was not a practice adopted by the Commissioner.

The Judge also found that, should this conclusion be wrong, the amendments could nevertheless be regarded as having been made in specific response to a ground of opposition, specifically the ground that the complete specification did not sufficiently and fairly describe the invention or the method by which it was to be performed. That broad ground allowed the finding that the proposed amendments, being made as they were to explain or correct elements of the respondent's complete specification, were intended by the respondent to meet the opposition by ensuring the specification sufficiently and fairly described the invention.

The Judge did not consider that the Assistant Commissioner had erred in concluding that each amendment fell within a category of disclaimer, correction, or explanation. The Assistant Commissioner carefully considered each proposed amendment, and was mindful of all relevant legal principles. The appeal was dismissed.

Lennox Hearth Products Inc v Burley Appliances Ltd (High Court, Auckland, CIV 2001 4044302020, 23 November 2007, Keane J)

This was a case about the interpretation of a technology licensing agreement, and about liabilities for royalty payments under that agreement.

Factual Background

The plaintiff, Lennox Hearth Products, was a United States company which had acquired rights to gas heater technology invented and developed by a New Zealand man, John Fleming ("Fleming"). The technology enabled the manufacture of gas heaters that did not require an exterior flue, because the

3. 57 RPC 256.

4. *Amadeus Global Travel Distribution SA v Sabre Inc* (High Court, Wellington AP1 6/02, 14 March 2003, Ronald Young J).

heaters consumed their fuel and toxic emissions completely. The defendant and licensee, Burley Appliances ("Burley"), was an English manufacturer and distributor of electric and gas heaters.

Burley was initially licensed by Fleming's company to use the technology in October 1995. The rights were then assigned to the Queenstown Trust, which was also a vehicle for Fleming, and the Queenstown Trust granted Burley the license in issue to run from January 1997 to January 1999. The licence enabled Burley to manufacture and sell in Europe a range of gas heaters from New Zealand, some of which were then unique, and to manufacture such heaters in housings of its own design. The Queenstown Trust terminated the primary licence on 22 April 1999. The case concerned what royalties, if any, remained payable by Burley. Burley had paid the primary royalties owed under the license in relation to the manufacture and distribution of the New Zealand product range. The issue was the lesser royalties provided for in the agreement relating to the manufacture by Burley of heaters in housings of its own design, incorporating the three interrelated elements that enabled complete combustion, the burner, the catalyst and the control element.

Clause 5.2 of the licence provided:

In the event that the Licensee sells a product comprising a burner assembly, catalytic technology and control element in accordance with the products and housings and other portions of the appliance solely of the design for the licensee, the licensee shall pay to the licensor a royalty at the rate of 5% of the United Kingdom list price for the entire product less 34% less 20%.

Burley therefore remained liable to pay the lesser royalty for any product it manufactured and sold that had at its core the technology that set the products licensed apart, "a burner assembly, catalytic technology and control element in accordance with the products". Clause 1.1 provided that the products were:

Gas heating appliances or parts thereof incorporating any and all aspects of the designs and/or inventions embodied in G2000, G4000, G9000 and G10,000 models of the licensor.

Liability under cl 5.2 survived the licence ceasing in its primary sense as a result of cl 11.3 which provided on termination for:

... an ongoing non-exclusive licence for products as defined in clause 5.2 in return for royalties and payment as provided for in clauses 5.2 and Section 6 of this Agreement.

Issues

The Judge said that the principal issue was to what extent the three interrelated elements licensed had to be "in accordance with the products". The first question was whether the

licence encompassed any components that Burley used serving the same functions, or only the very or substantially similar components. The second related question was in what sense, if at all, did the elements licensed need to embody "designs and/or inventions". Did these last words confirm any more than that the parties then assumed that the three elements were novel or inventive, or did they incorporate into the licence as a further point of reference Fleming's patents then existing or claimed? Also did they mean that the three elements were only capable of licence if they were inventive or novel? The Judge said that however these issues were answered, the products licensed must be compared with those Burley now manufactured independently of the licence and as of right.

The Judge said that there was no issue that the licence was of technology not of any patent (although aspects of the technology were the subject of patent protection). The Judge said that, like any agreement commercial in character, it was to be construed objectively, as the parties would then have understood it, against the context in which it was entered.⁵ To the extent that the licence incorporated any concept or term deriving from related patents or claims, the words used still carried their objective meaning; a meaning that may be fixed with the help of a skilled reader.⁶

The Judge said that Burley's liability, if any, sprang only from the agreement and turned on its evident idiosyncrasies. The Judge referred to *AB Consolidated Ltd v Europe Strength Food Co Pty Ltd*⁷ as authority that a licence might be of known technology in a new interrelation. The Judge said that the agreement did not incorporate Fleming's patents and registered designs either expressly or as an implicit point of reference. Their place in the analysis was, at most, contextual.

Arguments

The plaintiff argued firstly that what was licensed was a novel process for the complete combustion of gas and toxic emissions, then embodied in the three interrelated elements in the products primarily licensed: the burner assembly, the catalytic technology and the control element. The licence embraced any use by Burley of the three element concept deriving from the licensed products. Secondly, the plaintiff argued that though what was licensed was a concept embodied in the products primarily licensed, described abstractly as "designs and/or inventions" that did not mean that each element had to be novel or inventive and worthy of patent or registration as a design. Only some of the components were novel or inventive. What was novel or inventive was their relation one to another and that was what Burley wished to have the right to use, a right that it continued to exercise and for which it remained liable.

Burley argued that the licence was of particular technology, the three elements in the products primarily licensed, in

5. Citing *Investors Compensation Scheme Ltd v West Bromwich Building Society* [1998] 1 All ER 98 at 114-5; *Boat Park Ltd v Hutchinson* (1999) 2 NZLR 74; *Pyne Gould Guinness Ltd v Montgomery Watson (NZ) Ltd* [2001] NZAR 789; and *Cambridge Antibody Technology v Abbott Biotechnology Ltd* 6 *Abbott GmbH a- Co KG* [2004] EWHC 2974 (Pat).
6. *Peterson Portable Sawing Systems Ltd (in liq) & Peterson v Lucas & G W Lucas & Sons Pty Ltd* [2006] NZSC 20; *Catic Components Ltd v Hill & Smith Ltd* [1982] RPC 183 at 243; and *Kirin-Amgen Inc v Hoescht Marion Roussel Ltd* [2004] UKHL 46 at para 78.
7. [1978] 2 NZLR 515 (CA) at 522.

their fixed relation, each incorporating their distinguishing "designs and/or inventions". The process, to which three such elements serving their respective functions were generic, was not the subject of the licence. Burley said it could only be liable if the three critical components in its heaters were either identical to, or practically indistinguishable from, those in the licensed products. Secondly, Burley argued that each of the components had to be novel or inventive, and that, although the licence may not have been of Fleming's then existing or claimed patents or registered designs, it did incorporate them to define what was licensed. Burley argued that this had two consequences, first, that it could only be liable if the critical components in its heaters were identical to, or practically indistinguishable from, not just those in the licensed products, but their equivalents in the process for complete combustion claimed and depicted in Fleming's United Kingdom patent, and second, that what was licensed was, in essence, Fleming's "designs and/or inventions" embodied in the components in the licensed products. To the extent that those components were neither novel nor inventive, they were incapable of licence, and Burley here identified relevant prior art.

Decision

The Judge concluded that there was a single threshold for Burley's liability and that was not, as the plaintiff contended, whether the critical technology in Burley's products embodied the process for complete combustion, to which generically the three elements were integral. Neither did it depend, as Burley contended, on whether each was individually inventive or novel nor on Fleming's patents. The Judge said that Burley's liability depended on whether the three components in the Burley products were to the same design, or a design deriving from, those in the products licensed.

The Judge said that this was a licence of products and parts, which happened also to enjoy some patent protection. The Judge referred to cl 1.2 of the license agreement which defined Fleming's intellectual property rights:

All inventions (subject to letters patent, pending applications or otherwise), designs (whether or not subject to a design application or registered design) or any copyright vesting in any works relating to the G2000, G4000, G9000 and G10,000 models of the licensor.

Clause 1.3 defined proprietary data:

All inventions, designs, methods, techniques, formulae, specifications, copyright subsisting and (sic), published or unpublished material in the nature of plans, drawings, sketches, photographs, models, three-dimensional reproductions of the products or the like, data and information which are, or at any time after the date of the agreement come to be, owned by the licensor and which relates to the products or their design, manufacture, installation, commissioning or operation.

Fleming's intellectual property rights were recognised in reciprocal warranties given in the agreement, and there were provisions imposing a duty on the licensor to pursue patent protection and imposing duties to notify of any threats to intellectual property rights. However the Judge found that the definition of proprietary data served no identifiable function in the agreement.

The Judge said that this was a licence of technology. It did not licence Burley to manufacture to its own design gas heating appliances embodying an inventive concept pro-

tected, or capable of being protected by patent. It licensed Burley to manufacture specified models, or heaters with derivative elements, to which the patents and any proprietary data related. The Judge said that Fleming's intellectual property rights may have underpinned the products licensed but those rights were not critical. They were neither the subject of the licence, nor incorporated expressly or necessarily implicitly to define what was licensed. To the extent that the plaintiff's claim to the residual royalty now rested on any allied claim to proprietary data given to Burley and never returned, that had no support in the agreement.

The Judge held that Burley's liability under cl 5.2 had to be assessed by comparing the critical elements in the Burley models, for which the lesser royalty was claimed, against the products then or last licensed, which happened still to be those specified in cl 1.1. Burley's products would be "in accordance with the products" only if they were identical or plainly derivative. The Judge compared the critical elements, and held that the Burley products were neither identical to the licensed products, nor substantially similar. In those critical respects the Burley products did not derive from the licensed products except to the extent that they used the same or similar proprietary components, and that was inevitable and of no moment. The Burley products were, in all the respects that counted, truly distinct, and they did not attract the royalty in cl 5.2. Burley was therefore under no liability to pay to the plaintiffs the secondary royalty claimed.

Comment

This case centred on the interpretation of a licensing agreement. The Judge took the approach that this was a licence of technology not of any intellectual property right, saying that intellectual property rights may have underpinned the products licensed but those rights were not critical. They were neither the subject of the licence, nor incorporated expressly or necessarily implicitly to define what was licensed. This distinction between the technology and the intellectual property rights in the technology is potentially confusing in the context of a licensing agreement, as it leaves open the question as to exactly what property or rights are the subject matter of the licence. Indeed, if the licence is not a licence of intellectual property rights, or of confidential information, there is scope for uncertainty as to the necessity or rationale for the licence agreement and the payment of royalties.

Inverness Medical Switzerland GmbH v MDS Diagnostics Ltd (High Court, Auckland CIV 2007-404-00748, 21 December 2007, Potter J)

This is an ongoing copyright infringement case about drawings relating to pregnancy testing devices. The plaintiff, Inverness Medical Switzerland GmbH, alleges that the defendants, MDS Diagnostics Ltd, imported into New Zealand devices that were copied, or substantially copied, from the plaintiff's copyright works when it knew or ought to have known of the existence of the plaintiff's copyright.

This judgment concerned two interlocutory applications. The plaintiff had applied for particular and further and better discovery, and confidentiality orders in respect of some documents. The defendant had applied for further and better discovery and setting aside the plaintiff's claim to confidentiality in respect of certain documents.

The Judge considered the applications in turn. The Judge granted the plaintiff's application for further and better

discovery, and declined, (except to an extent stated), the defendant's application for further and better discovery. The Judge made determinations pursuant to r 307 in relation to specific documents. The defendant's challenge to the plaintiff's claim to confidentiality was, except to an extent stated, dismissed.

Sintes v W H Harris Ltd (High Court, Christchurch CIV 2006-409.001402, 27 February 2008, Fogarty J)

This was a patent infringement action, and the defendant, W H Harris Ltd, counterclaimed seeking to revoke the patent.

The plaintiff, Paul Sintes, had designed a wood-burning stove that allowed wood to combust more completely than earlier stoves. His stove complied with the strict regulatory standards for air quality imposed by Environment Canterbury. The plaintiff lodged a patent application for his stove in April 2002, and the patent was subsequently granted.

The defendant was a manufacturer of wood fuelled stoves, and in February 2004 it began selling a new stove, the DVI-165. The plaintiff claimed that the DVI-165 infringed his patent. The defendant counterclaimed claiming that Claims 1 and 10 were invalid and seeking an order revoking the patent.

Novelty

The defendant contended that Claims 1 and 10 were not new, and were known and used before the priority date, referring to s 41(1)(e) of the Patents Act 1953. They argued that the essential integers were disclosed in three prior publications, and that the invention was used in New Zealand before the priority date in four specified ways. The Judge first considered the prior publications, and said that counsel agreed that each publication was to be taken separately, and that the test was whether the prior publication contained a clear description of, or clear instructions to do or make, something that would infringe a claim in the patent if carried out after the granting of the patents. The Judge considered each of the prior publications, and concluded that no prior publication disclosed all of the integers of the claimed invention, so that the s 41(1)(e) claim that the invention lacked novelty did not succeed.

Obviousness

The defendants also argued that the invention was obvious and did not involve an inventive step, in terms of s 41(1)(f) of the Patents Act 1953. The Judge said that the test for obviousness was that set out in *Ancare New Zealand Ltd v Cyanamid NZ Ltd*,⁸ which was approved by the Supreme Court in *Lucas v Peterson Portable Sawing Systems Ltd*:

...the test is well-established. It postulates a person (or, where appropriate, a team) skilled in the field but not inventive, invested with the common general knowledge available in the field at the priority date, presented with the prior knowledge or prior use relied upon. Prior documents may be looked at together if that is what the skilled person or team would do. It asks whether to that person

or team the alleged inventive step would be obvious and would be recognized, without bringing to bear any inventiveness, as something that could be done or is at least worth trying. That is a question of fact. If any embodiment within the scope of the claim is obvious the claim is invalid ...¹⁰

The Judge reviewed the evidence, and particularly the evidence of expert witnesses, as to obviousness. The Judge concluded that the claimed invention consisted of a combination of known elements, and said that such inventions posed problems when addressing whether or not they were obvious. The Judge referred to the Supreme Court decision in *Lucas v Peterson*, and said that two inventions do not become one invention because they were included in the same hardware. However, if the two interact on each other so that there is a synergy between them they may constitute a single invention having a combined effect, and the statutory test of obviousness was then applied to the idea of combining integers. The difficulty in this case was that all of the elements of the stove interacted in a synergistic fashion, but it was also argued that these reactions were predictable, and also that a process of experimentation was involved. The Judge also said that it was appropriate to consider the motivation of a person skilled in the art to use the knowledge available to build a better stove.

The Judge found that aspects of the invention were the result of trial and error and not predictable. The Judge said that policy required him to be cautious in the case of combination patents. The Judge found that what the plaintiff did was use knowledge general in the art and of prior use in the Kent Log Fire when placing the exhaust duct adjacent to the front of the firebox. He was also using knowledge general in the art when combining all elements of the firebox together with the element known since August 2002, the use of the double vent flue. The Judge said that what he did was not predictable, and it could not be said confidently that it was obvious, but it did not require a degree of invention, it was the result of trial and error. Without the policy of caution the Judge might have found it was obvious. However, the Judge also found that an additional integer, the air intake via the flue, was disclosed in a newspaper article in August 2001, with the result that Claim 1 and Claim 10 were obvious. Leave was reserved for counsel to agree or file submissions as to whether it followed that the whole of the patent should be declared invalid as a result.

Infringement

The Judge went on to consider infringement. The plaintiff argued that the DVI-165 infringed every integer of Claim 1 and 10 of the Sintes patent. However, after consideration, the Judge concluded that the DVI-165 did not infringe Claim 1 because it did not have an exhaust duct at the top of the firebox adjacent to the front of the firebox, and it did not infringe Claim 10 principally because its firebox was not fitted with heat dissipating fins.

8. Citing *Lucas v Peterson Portable Sawing Systems Ltd* [2006] 3 NZLR 721 at 724.

9. [2000] 3 NZLR 299 at 309, upheld on appeal to the Privy Council at *Ancare New Zealand Ltd v Fort Dodge New Zealand Ltd* [2002] UKPC 8.

10. [2006] 3 NZLR 721 at 724.

Outcomes

The action for infringement failed. The counterclaim succeeded as Claims 1 and 10 were found to be obvious, but the application for a declaration of invalidity was reserved.

Steelbro NZ Ltd v Tidd Ross Todd Ltd (Court of Appeal, CA7/06, [2007] NZCA 486, 2 November 2007, Hammond, Arnold and Wilson JJ)

This was an unsuccessful appeal by Steelbro against a finding of Chisholm J in the High Court that Steelbro had infringed Tidd Ross Todd (TRT)'s copyright in the drawings of a sideloading trailer called the TRT Triple.

Facts

Sideloading trailers (or sidelifters) were used to self load and unload shipping containers using hydraulic cranes fixed to the chassis of the trailer. TRT had developed its TRT triple trailer which used a third folding crane in the middle of the trailer and could handle two 20 foot containers separately. TRT was successful in marketing and selling its TRT triple.

In September 2000 the managing directors of TRT and Steelbro entered into discussions about the possibility of Steelbro selling TRT triples in New Zealand and overseas. During the course of these discussions TRT supplied Steelbro with specifications, a drawing and a brochure relating to the TRT triple. No agreement was reached, and discussions were abandoned late in 2000.

Steelbro went on to produce its own triple crane sidelifter. It developed specifications and then used a "geometry optimisation" computer program to design its unit, ultimately producing its own sideloader in late 2003. Steelbro maintained that its sideloader reflected its independent design, testing and manufacturing process and did not involve copying the TRT unit in whole or in part, even though it accepted that it had measured a TRT unit.

TRT sued for infringement of copyright, claiming that the Steelbro unit was an altered copy of the TRT triple, which took its essence and infringed copyright in its drawings. It alleged that the shape and configuration of the individual components of the centre crane and stabiliser, the centre crane/stabiliser assembly and the v-shaped chassis arrangement had been taken, and that the parts taken constituted a substantial part of the copyright work.

High Court Decision

In the High Court, the Judge concluded that copyright infringement had been established. He found that striking similarity between the shape and configuration of, and inter-relationship between, the centre crane, base, stabiliser and chassis of the two units. He said that the complex functional inter-relationship between those components went well beyond the idea or concept of incorporating a central folding crane into a sideloader so that it could transport two empty 20 foot containers as well as an empty 40 foot container. The idea was one thing, but it was quite another thing to convert the idea into a functional product with the requisite folding and lifting capabilities. He did not accept the view that to the extent that the similarities went beyond the overall concept they were the natural consequence of design constraints. Amongst other things, the evidence indicated that the incorporation of the centre crane into a v-shaped recess in the chassis was not the only way that the objective of a third flat

folding crane could have been achieved. He also noted that there was some flexibility in terms of overall length and height, and that an in line stabiliser was not necessarily the only option. He found that the similarities could not be explained away on the basis of constraints. In relation to differences, the Judge held that, while there were differences, in the overall context of the case they did not justify a finding of independent design. They arose more from modifying a TRT design rather than from an independent design process. The Judge also found that the parts taken from the plaintiff's work represented a substantial part. Causal connection was established as the defendant had repeated access to the plaintiff's product. The defendant used the TRT triple design as its springboard and thereby appropriated TRT's time, skill and judgment, even though it contributed its own skill and judgment in refining some features and components.

Arguments on Appeal

On appeal, Steelbro submitted that Chisholm J erred in finding infringement of copyright and that the Steelbro unit did not reproduce the TRT Triple or a substantial part of it and there was no causal connection. Steelbro also argued that the Judge's decision was inimical to the doctrines of competition and progress which were important policy considerations in copyright law. Steelbro submitted that the Judge made errors of principle and errors of primary fact. The Judge's alleged errors of principle were:

1. Finding that a substantial part of the work was copied because of a failure to properly distinguish between "concept" and "expression of design".
2. Finding that there was an objective resemblance between the two designs because:
 - he did not properly analyse the similarities relied upon by TRT, and failed to adequately address the appellant's explanations for similarities, in particular the design, engineering and regulatory restraints; and
 - he focussed on the concepts and preliminary sketches rather than the working drawings and concepts.
3. Finding that there was a causal connection between the TRT Triple and the Steelbro unit because he relied on the idea of a "springboard", which had no place in copyright law.

Steelbro also argued that the Judge made five identified errors of primary fact.

Steelbro submitted that the Judge's first error of principle was in finding copying of a substantial part, because the Judge failed to distinguish between an "idea" or "concept" on one hand, and an "expression of design" on the other. Steelbro argued that the idea was the concept of a flat folding crane fitting within a drop frame chassis, and took issue with Chisholm J's finding that, when viewed collectively, the individual components of the TRT Triple central section (crane/base/stabilisers/chassis) that had been taken represented a substantial part of the plaintiff's work. Steelbro submitted that these were features of the concept, and not the copyrighted expression, and that the Judge failed to distinguish between the unprotected concept and the protected expression of design. Steelbro argued that the Judge focused on the similar concepts and overlooked significant differences between the Steelbro and TRT units, and that the effect of the judgment was to ban any competitor from producing a sidelifter with a flat folding centre crane which stowed below deck.

TRT argued that Chisholm J clearly reminded himself of the need to distinguish between idea and expression, and that it was not appropriate for an appellate Court to supplant its own view in circumstances where the trial Judge clearly turned his mind to the issue and reached a reasoned decision based on the evidence available to him at the conclusion of an eight day trial. TRT submitted that the idea was having a third crane and stabiliser, and the expression of design was the particular shape and configuration of the TRT Triple's third crane and stabiliser assembly and the associated design of the chassis to incorporate those components. TRT argued that, even if the sideliner with a flat folding crane was merely an idea, Steelbro's expression of design was unaccountably similar to the TRT design, and that Steelbro's failure to explore alternatives, coupled with the fact that it had access to the TRT Triple during the design process, lead to an inference of copying that Steelbro had failed to rebut.

Steelbro argued that the Judge made a second error of principle in finding objective similarity between the Steelbro unit and the TRT Triple because he failed to properly analyse the similarities, and overlooked the importance of the differences, and he focussed on the geometry optimisations and the Appendix B sketches, rather than the working drawings. Steelbro submitted that the Judge gave no, or insufficient, weight to a range of factors which dictated that there would be a resemblance between the two sidelifters, and that he did not undertake a careful analysis of the similarities alleged by TRT, and if he had done so he would have recognised that they were confined to the overall concept, not the expression of design, were the result of external constraints, or were commonly used by other manufacturers. Steelbro also submitted that the Judge failed to consider the similarities in the context of the differences, and wrongly concluded the differences arose from modifying the TRT design, rather than as the result of an independent design process, and particular differences were identified.

TRT said that the Steelbro unit was an "altered copy", that it was not an identical reproduction of the copyright works, but took their essence, and that the effort to subsequently modify the work was irrelevant.¹¹ TRT argued that the importance of similarities was that they showed whether something had been copied, and differences were only relevant to determine whether sufficient changes had been made to avoid infringement. The ultimate test was whether the appellant appropriated part of the time, labour, skill and judgment contributed by TRT in creating the copyright works. TRT submitted that the Judge turned his mind to the question of differences and similarities, reminded him as to the need for caution in cases involving industrial design, and undertook a meticulous analysis of the evidence.

Steelbro also submitted that the Judge failed to focus on the plaintiff's drawings, and that this omission may have been instrumental in leading the Judge into the error of focussing unduly on the geometry optimisation process and the Appendix B sketches. TRT argued that the Judge did base his findings on a comparison between the copyright works and the alleged infringing product via the comparison made by the expert witnesses, and that this was a legitimate approach. Steelbro submitted that the Judge made a third error of

principle in relation to causal connection, Steelbro said that the Judge formulated an alternative "springboard" test unsupported by authority or principle, and that the key factors identified by the Judge in support of his conclusion were illusory. Steelbro submitted that the fact that a defendant had inspected a plaintiff's product, and even used it as a point of reference, did not of itself justify the finding of copying. Steelbro argued that causation was not established and that a substantial part had not been taken.

TRT submitted that the Judge was correct to draw an inference of copying from inspection of the TRT Triple, and that the authorities showed that similarity, combined with proof of access to the copyright works, leads to a rebuttable inference of copying and that Steelbro's evidence did not rebut the inference.

Steelbro also submitted, and TRT disputed, that the Judge had made a number of errors of primary fact, and the Court of Appeal reviewed these.

Steelbro also made policy arguments. Steelbro argued that, particularly in the area of industrial design, a certain degree of copying and comparison was inevitable and desirable in a competitive market, and innovation based on prior design should not be unduly constrained. TRT submitted that New Zealand's treatment of industrial designs was at odds with some major trading partners, and should therefore be seen as deliberate. If a change was to be made, it should be implemented by the legislature, not the courts. TRT also said that it was necessary to draw a line between copying leading to unfair competition, and innovation leading to technological progress, and that Steelbro's conduct fell on the impermissible side of that line.

Court of Appeal Decision

On the policy questions, the Court of Appeal said that if on the facts Steelbro substantially copied the design of TRT, there were no valid policy reasons for upholding that conduct, and conversely, if Steelbro's design represented an innovative development drawing upon but further developing existing technology, it should be welcomed and encouraged. The Court said that there was a difficult issue in New Zealand as to whether the so-called copyright/design overlap, which allowed potential copyright protection in this sort of area, was appropriate. However there was no doubt as to the present state of the law, and it was not argued that the Court should endeavour to deal with this issue judicially, by somehow recasting the appropriate boundaries of copyright and design law.

The Court said that it came down to a question of fact as to whether Chisholm J was correct in finding that Steelbro had illegitimately crossed the line into copying not only the concept of TRT but also the expression of that concept. Steelbro had the burden of persuading the Court that the trial Judge was wrong, and this was particularly difficult as the Judge had made findings of credibility adverse to Steelbro. The Court of Appeal referred to *Designers Guild*¹² as authority that a finding of copying was for the trial judge and that finding should only be reversed where the Judge had erred in principle.

11. See *Bleirnan v News Media (Auckland) Ltd* [1994] 2 NZLR 673 (CA) at 679; and *Designers Guild v Russell Williams (Textiles) Ltd* [2001] 1 All ER 700 (HL) at 714.

12. *Designers Guild Ltd v Russell Williams (Textiles) Ltd* [2001] 1 All ER 700.

The Court said that in considering whether expression rather than just ideas had been taken, and in whether there had been copying of a substantial part, the factors the Court would commonly have regard to included the "starting point" of the defendant's work; the extent of the defendant's alteration (that is, whether a substantial part of the plaintiff's work survived in the defendant's so as to appear to be a copy of the original work); and generally the way in which the defendant had taken advantage of the plaintiff's work. Whether there had been a substantial copying was thus "a major tool for giving expression to the Courts' sense of fair play"¹³ or, "where the courts find that a work B is not an infringement of the copyright in a work A because it is 'original' what they really mean is that B owes so little to A that it ought not to count as piracy".¹⁴

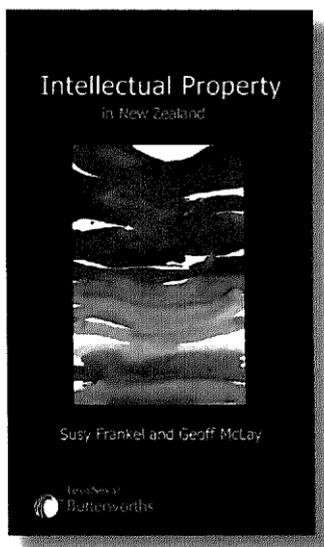
The Court said that Steelbro had cast its net wide in attempting to establish one or more material errors of fact in the judgment under appeal, and had approached, if not

reached, the position of coming to an appellate Court in the hope that the impression of at least two members of the court would differ from that of the trial judge. Steelbro had not persuaded even one member of the Court that Chisholm J was in error, but to the contrary, the Court was impressed by the careful way in which he analysed the complex factual background and came to well-reasoned conclusions on all the issues which arose. Steelbro had started with TRT's product distinctly in mind, and then endeavoured to replicate the TRT model, in the sense of building a better model of that kind. From time to time Steelbro "checked back" against what TRT had done. In fairness, there was no question Steelbro did a great deal of work itself, but an inference of copying was possible, indeed probable, unless Steelbro could negative it by establishing that the similarity was not due to the copying. The Judge had not erred in principle in his approach, and it was open to Chisholm J to find that Steelbro had "copied" the TRT product in the relevant legal sense. The appeal was dismissed.

13. Cornish and Llewellyn, *Intellectual Property* (Sed 2003) at [11-06].
14. Laddie, Prescott and Vittoria, *The Modern Law of Copyright* (3ed 2000) at 135.

Intellectual Property in New Zealand

Frankel and McLay



Authors:	Susy Frankel & Geoff McLay
ISBN:	9780408715065
Format:	Soft Cover
Published:	August 2002
Price:	\$117.60 + GST

Intellectual Property in New Zealand covers traditional intellectual property law topics such as the laws of copyright, patents, registered designs and trade marks. This book also offers a discussion of the emerging law applying to computer technology and the internet, and considers issues of particular importance to New Zealand, such as the intellectual property rights of Maori.

Order your copy now for only

\$117.60 excl. GST / \$132.30 incl. GST

To place an order or obtain further information please contact the Customer Service Team on 0800 000 000 or email: customer.service@lexisnexis.co.nz