

# IP Round-up: Recent decisions from the Courts

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## ***Tiny Intelligence Ltd v Resport Ltd SC 55/2008*** [2009] NZSC 35

This was a Supreme Court decision on the availability of additional damages for copyright infringement where an account of profits has been awarded.

The respondent, Resport Ltd, had infringed the appellant, Tiny Intelligence's, copyright in artistic works, being designs for a toy sword and toy trumpet, and had marketed infringing copies to supporters of the Crusaders rugby team. The High Court issued an injunction and account of profits, but, although finding that the infringement was flagrant, dismissed a claim for additional damages under s 121(2) of the Copyright Act 1994.<sup>1</sup> This decision was upheld by the Court of Appeal.<sup>2</sup> Tiny Intelligence Ltd was granted leave to appeal the decision of the Court of Appeal on the issue:

Whether the Court of Appeal was correct to decide that "additional damages" under s 121(2) of the Copyright Act 1994 cannot be awarded when the plaintiff elects as its principal relief an account of profits.

Tiny Intelligence argued that additional damages under s 121(2) were a separate and discrete form of relief available in addition to any other relief provided for in s 120. It argued that s 121(2) provided a sui generis remedy of additional damages that could be awarded when an account of profits was elected, as it served a different purpose from, and was not inconsistent with, an account of profits.

The Supreme Court said that the appropriate starting point was the wording of ss 120 and 121, which were inter-related. The Court compared them to provisions dealing with relief in proceedings for infringement of the other intellectual property rights, and said that there was nothing in those statutes indicating a departure from the long-standing principle that damages and an account of profits could not be obtained for the same wrongful act. It was accepted that, under s 24 of the Copyright Act 1962, additional damages could not be regarded as a stand-alone remedy distinct from damages and could not be awarded when an account of profits had been elected.

The Court said that, on the wording of ss 120 and 121, it was difficult to see a justification for construing the word

"damages" in the two sections as having different meanings. The disentitlement to damages against innocent infringers in s 121(1) clearly related to those damages that might otherwise have been awarded under s 120(1). The heading of s 121 indicated that subs (2) was a provision as to damages and the term "additional damages" in its ordinary meaning conveyed the sense of further or more damages, and did not, without explicit words, identify an independent form of relief different from damages. The Court did not accept the argument that s 121(2) must provide for a separate form of relief because damages awarded under s 120 would include aggravated and exemplary damages. The Court found it more likely that, where, as in the present case, there had been included an express provision prescribing considerations that would be relevant to aggravated or exemplary damages, the legislature would not have intended that "damages" in s 120 should include aggravated and exemplary damages. The Court found support for this view in the legislative history, which it reviewed in some detail. The Court found that the United Kingdom legislature in enacting the Copyright Act 1956,<sup>3</sup> on which the New Zealand Copyright Act 1962 was based, did not consider that the prior statutory authority to award damages included exemplary damages. The Court said that the New Zealand legislature must be taken to have proceeded on the same basis. The same wording was retained for s 120(2) of the 1994 Act. The Court therefore did not accept the argument that unless providing a separate further remedy s 121(2) had no work to do. The Court also held that the amendments to the provisions in the 1994 Act, which were based on the United Kingdom 1988 Act,<sup>4</sup> were intended to enhance the additional damages remedy.

The Court then reviewed the authorities. The Court was critical of the decision of Laddie J in *Cala Homes (South) Ltd v Alfred McAlpine Homes East Ltd (No. 2)*.<sup>5</sup> Like the Court of Appeal, the Supreme Court preferred the reasoning of the House of Lords in the *Redrow Homes* case<sup>6</sup> which overruled the *Cala Homes* case.

The Court also considered the policy arguments. The Court said that it was clear that the appellant's objective was to obtain compensation for loss said to be outside the account

1. *Tiny Intelligence Ltd v Resport Ltd* (High Court Christchurch CIV-203-409-352, 21 November 2005, John Hansen J).
2. *Tiny Intelligence Ltd v Resport Ltd* [2008] NZCA 281.
3. Based on the Report of the Gregory Committee, Copyright Committee, *Report of the Copyright Committee*, (Chairman, H S Gregory), Cmnd 8662, (1952).
4. Based on the Report of the Whitford Committee, *Report of the Committee to consider the Law on Copyright and Designs*, (Chairman, The Honourable Mr Justice Whitford) Cmnd 6732, (March 1977).
5. [1996] FSR 36 (ChD).
6. *Redrow Homes Ltd v Bett Brothers plc* [1999] 1 AC 197.

of profits remedy, contending that in many instances an account of profits would not necessarily be an adequate or fully compensatory remedy. The Court said that this seemed to be advocating a punitive damages remedy to overcome inadequacy of compensation secured through an account of profits, and seemed to be an attempt to secure both compensatory damages and an account of profits. The position under the former statutory provisions and generally in equity, was that the punitive remedy of exemplary damages could not be obtained in addition to an account of profits. Therefore, to reach the result sought by the appellant it would be necessary to find that the legislature intended to effect a significant departure from the basic principle that the remedies of damages and an account were inconsistent. The Court did not accept this interpretation, which was not supported by the legislative history. In addition, the Court said that, if the appellant's approach were correct, an award of additional damages would be available against an innocent infringer, but s 121(1) expressly provided that an award of damages could not be made against an innocent infringer. It would be unusual to give the term "damages" different meanings in the same section, and there was consistent protection for innocent infringers throughout the intellectual property statutes. On the appellant's argument, losses that could not be sought from an innocent infringer because of s 121(1) might be recovered under s 121(2), and that could not be right. The Court also said that there would be practical problems of quantification, as it would be necessary to attempt to assess the extent to which the account of profits compensated the plaintiff for claimed losses before any additional damages could be considered.

The Supreme Court also reiterated two points made by the Court of Appeal, first that the very election of remedy puts the successful plaintiff in the position to determine which remedy will better compensate for losses suffered, and second that any additional damages, if awarded, would not avail a plaintiff should they be treated as an expense for the defendant when accounting for profits.

The Supreme Court said that if there truly was a gap in the available remedies, it had existed for a long time in respect of all of the statutory intellectual property rights. If a change was perceived to be in the interests of justice it should receive consideration as a matter of policy by the legislature. It said that, had it been the intention of Parliament in 1994 to depart from general principle and introduce a new stand-alone remedy, much more explicit language would have been used.

The appeal was dismissed with costs to the respondent of \$15,000.

**Daimler AG (Formerly DaimlerChrysler AG)  
v SANY Group Co Ltd**

(High Court, Wellington CIV 2008-485-2333, 22 April 2009, Miller J)

This was an oral judgment on an application to adduce further evidence on an appeal from a decision of the Assistant Commissioner of Trade Marks. The application was a successful one.

Both parties made trucks and heavy vehicles. The respondent, Sany's, mark was a composite mark of the name "SANY" with associated three-pointed star logo. The appellant, Daimler, contended that the mark was confusingly similar to its three-pointed star mark which was registered with and without the name "Mercedes-Benz".

The evidence sought to be adduced was an affidavit from the appellant's lawyer, with attached images from the Sany website showing the use of the log with and without the word "SANY" on the cabs of its vehicles. Also attached was a photograph of a Sany vehicle, and decisions relating to Sany's applications in other jurisdictions.

The Judge said that High Court Rule 20.16 applied, conferring a general discretion on the Court to be exercised in accordance with the objective of the Rules. The principles were well-established.<sup>7</sup> The Judge accepted that the applicant's task was a little easier in trade mark cases, because a trade mark was a monopoly and there was a public interest in ensuring it was not conferred in error. The onus was on the applicant for the mark to show that it would not cause confusion.

The Judge first put the decisions from tribunals in other jurisdictions aside as not being admissible evidence. To the extent that they were persuasive, they could be cited in argument. The Judge then said that appellant had not shown that the evidence about use of the mark could not have been obtained and called with reasonable diligence, although it did not in fact have the material. However, the Judge held that the Court might find the evidence strongly probative, and that it might show that Sany had used its name in conjunction with the appellant's logo and that it used the logo without the name, contrary to its evidence before the Assistant Commissioner. The evidence was also credible, and it provided pictorial evidence of what was said in evidence.

The Judge adopted the words of Williams J in *Indtex Trading Ltd v The Otago Rugby Football Union*,<sup>8</sup> where the Judge said that the principal basis for granting the application was that the appeal and associated proceedings should be able to be determined with all the appropriate relevant evidence before the Court.

The Judge held that, for the purposes of Rule 20.16, there were special reasons to grant the leave to file the evidence, once amended to exclude the overseas decisions. Leave was granted, and Sany had leave to file evidence in reply.

**Giera Real Estate Ltd v Sim & Anor**

(High Court, Christchurch, CIV 2007-409-000310, 20 May 2009, French J)

This was an oral judgment in a proceeding where there was no appearance on behalf of either defendant.

The plaintiff was a real estate agent with a property management division, by which the first defendant was employed for much of 2006. The second defendant was also a property management company, incorporated in November 2006 by a man who was former sales manager for the plaintiff company, and who was in a personal relationship with the first defendant. The plaintiff claimed that the first defendant,

7. The Judge referred to *Telecom Corporation of New Zealand v Commerce Commission* [1991] 2 NZLR 557.

8. High Court, Auckland AP 23-SW 01, 1 June 2001, Williams J.

before leaving its employment, had downloaded and copied virtually all of the plaintiff's database and computer records and made these available to the second defendant. The plaintiff also alleged that the first defendant encouraged clients of the plaintiff to use her personal cell phone number. Evidence of the allegations was provided.

Against the first defendant, the plaintiff pleaded breach of the implied contractual duty of fidelity owed by an employee to an employer, breach of confidence, and infringement of copyright. Against the second defendant the plaintiff pleaded infringement of copyright, knowing receipt of confidential information, and deliberate interfering with trade by unlawful means. The plaintiff sought a final injunction and damages.

The Judge said that the matter could properly proceed by way of formal proof. The Judge was satisfied that plaintiff had proved the allegations to the requisite standard. The Judge ordered that the interim injunctions previously granted be made final, and delivery up of copies of the copyright works. The Judge also entered judgment against the first defendant of \$106,039 with interest. Orders were also made for costs and disbursements, including indemnity costs which were held to be appropriate on the facts because of evidence of flagrant misconduct.

### ***Stallion Plastics Ltd v McInnes***

(High Court, Wellington CIV 2008-485-002250, 29 April 2009, Dobson J)

This was a successful appeal against an interlocutory decision of an Assistant Commissioner of Patents, under s 97 of the Patents Act 1953.

The respondent, Mr McInnes, was the applicant for a patent for a claimed invention for a mobile animal feeder. He was not represented at the High Court hearing. The appellant, Stallion Plastics, opposed the patent application.

The appeal, and the interlocutory decision of the Assistant Commissioner, was on two issues: (1) the appropriate scope of pleading of grounds of opposition, particularly references to "common general knowledge"; and (2) the entitlement of the opponent to have access to documents in the possession of IPONZ relating to antecedent patent applications relied upon for ante-dating the priority date for the patent subject of the proceedings.

#### **(1) The appropriate scope of pleading of grounds of opposition, particularly references to "common general knowledge".**

In the course of the opposition process,<sup>9</sup> the opponent filed a notice of opposition and statement of case and the applicant filed a counterstatement. The applicant's lawyers then requested that paragraphs in the statement of case be struck out. These paragraphs related to the ground of opposition that the application was obvious and lacked any inventive step. The opponent had pleaded 10 particulars alleged to have been common general knowledge at the priority date, and also

made further reference to what constituted common general knowledge, such as publications.

The Hearings Office of IPONZ twice rejected requests to delete all of these references to common general knowledge, and had confirmed that the opponent's pleadings did not need to be amended in any way, because the opponent was not seeking to assert common general knowledge as a ground of opposition in its own right. Instead, it was cited to reflect the state of knowledge of the skilled addressee, providing a contextual framework within which the claims were to be assessed against prior use and prior publication material to determine if what was claimed was indeed obvious. The Assistant Commissioner, however, upheld the applicant's objection to all of these references to common general knowledge, and ordered that all of those references be struck out of the statement of case. The appellant/opponent now challenged that ruling, seeking the reinstatement in the statement of case of the references to common general knowledge.

The Court said that argument on a challenge to the grant of a patent on the ground of obviousness is conventionally assessed through the eyes of a skilled reader, deemed to be imbued with the "common general knowledge" in the relevant field in which the claimed invention arises.<sup>10</sup>

The Court discussed the decision in *Benz & Another's Application for a Patent*,<sup>11</sup> concluding that it focused on reference to common general knowledge as an independent ground of opposition, rather than as a contextual aid to other, statutorily recognised, grounds of opposition. The Judge treated *Benz* as requiring the striking out from the notice of opposition of references to common general knowledge because of a concern that it was indeed being set up as an apparent ground of opposition, intended to stand on its own.

The Judge said that the Assistant Commissioner saw nothing in the distinction between the references in the *Benz* case being in the notice of opposition, rather than as here in the statement of case. However, the Judge said that reg 48 required that the statement of case should set out fully the facts upon which the opponent relied, fairly informing the applicant of the detail of the grounds of opposition to be argued. The Judge said that a fair and adequate process ought to provide for adequate warning of the opposing cases, to enable orderly preparation of the evidence on relevant issues. Here, the extent of references to common general knowledge in the statement of case that had been struck out foreshadowed the nature and extent of common general knowledge upon which the opponent intended to rely, and clearly fell short of pleading matters of evidence.

The Judge also accepted that the contemporary approach to pleading was to avoid "trial by ambush", and this was consistent with at least allowing (if not requiring) some outline of the way in which common general knowledge would be called in aid, as was pleaded here.<sup>12</sup> In addition, full pleadings assisted the Intellectual Property Office of New Zealand (IPONZ) in situations where the opponent might not ultimately contest the grant of patent, but where IPONZ was

9. Patents Act 1953, s 21 and Patents Regulations 1954, reg 48(1).

10. Referring to *Windsurfer International Inc v Tabur Marine* [1985] RPC 59 at 79.

11. [1958] RPC 78.

12. Referring to *Donovan v Graham* (High Court, Auckland CP1908/89, 22 May 1990, Eichelbaum CJ) and *Ratiopharm v Napp* [2008] EWHC 3070 (Pat).

still charged with assessing the application from the standpoint of the public interest. The Judge said that undertaking the assessment where an opponent does not appear was likely to be improved by a statement of case that pleaded fully the grounds of opposition, and the factual matters to be relied on in support of those grounds. The Judge said that the Assistant Commissioner misconceived the purpose of pleadings, in holding that statements of what was the common general knowledge must be left to the evidence stage. The Judge said that, as with all factual allegations in pleadings, the assertion of what constituted the common general knowledge did not give that assertion any status as being the truthful or unquestionable state of the relevant knowledge. Rather, it was the opponent's contention of what would be found, on evidence to be adduced, to be the state of knowledge. If an opponent's argument on one or more grounds of opposition was to be supported by reference to common general knowledge, then as a matter of pleading the opponent should commit to an outline of the respects in which common general knowledge would be claimed to be relevant, and the applicant was entitled to know that in considering its response. It was useful for it to be signalled as a matter of pleading to enable the applicant to consider the strength of evidence available to challenge that assertion.

The Judge held that there was every reason for inclusion of the references to common general knowledge, and no countervailing justification for their being excluded. The Judge allowed this first aspect of the appeal, and directed that the opponent's statement of case was to be reinstated in its original form.

**(2) Access to documents relating to antecedent patent applications relied upon for ante-dating the priority date for the patent subject of the proceedings.**

The patent application subject of proceedings was a divisional of the parent, which in turn was a divisional of the grandparent application, so that the patent application now opposed was antedated to the priority date of the grandparent application. IPONZ had published the opposed patent after acceptance, but not the parent or grandparent applications which had not proceeded. As a result, potential opponents could not verify for themselves whether IPONZ had correctly relied on grounds for the extent of backdating accepted.

The opponent here sought access to the relevant documents, and this was considered by the Assistant Commissioner. The opponent argued that the Official Information Act 1982 applied unless there was a specific statutory restriction, and this was accepted by the Assistant Commissioner. The applicant argued that challenge to the priority date allocated on acceptance of an application was not a ground for opposition to registration of a patent under s 21 of the Patents Act 1953, so that challenge to the priority date could not be relevantly argued in opposition proceedings, and the documents that might be sought to challenge the allocation of the priority date were therefore irrelevant to any valid grounds of opposition. The Assistant Commissioner accepted that the opponent could not challenge the priority date allocated as an aspect of its argument on opposition to the application, and treated the decision to accord divisional status to an application, and the consequent backdating of the priority date, as the exercise of a discretion that an opponent who later appears cannot question. The Judge,

however, held that this was an incorrect approach to the scope of grounds of opposition, and that in circumstances such as these, an opponent seeking to challenge the priority date allocated by IPONZ was not doing so as a ground of opposition. Rather, it was a contextual fact that was extremely important to the strength of arguments open to the opponent on some, at least, of the statutory grounds of opposition recognised in s 21.

The Judge said that the purpose of opposition proceedings included appropriate testing of the entitlement to the statutory monopoly afforded by a patent, and that it was in the public interest that that testing be undertaken on a fully informed basis, to ensure that a full contest preceded the decision to recognise the statutory entitlements that followed. The Judge did not accept that opponents must in all circumstances run their opposition on terms inevitably accepting the correctness of the priority date nominated by IPONZ, as this deprived the process of the appropriate rigour and afforded applicants the opportunity for unintended advantage. The Judge therefore held that it was not the case that lack of relevance of these documents to an opponent constituted a ground for resisting their disclosure.

The Assistant Commissioner also held that provisions of s 91 of the Patents Act restricted disclosure of the applications and any specifications for the parent and grandparent applications. The Judge considered s 91, in light of the positive obligation to advertise in s 20(2). Interpretation of the phrase "the specification or specifications filed in pursuance thereof ..." in s 20(2) of the Act was central to the argument, the issue being whether the phrase encompassed the documents of the parent and grandparent applications as part of the accepted application. The Assistant Commissioner said that it did not. The Judge said that the consequence of this approach was that less was publicised in relation to a divisional application than was the case for an original application, and that potential opponents were not in the same position. For an original application, the basis of attribution of the priority date was clear from the terms of the provisional and complete specifications, but for a divisional application, the Assistant Commissioner's approach would prevent access to the documents establishing the chain of entitlement back to whatever priority date had been accepted by IPONZ. The Judge said that, conceptually at least, that led to the undesirable notion of applicants attempting to "bury the trail" by which they sought to refer back to the earliest possible date, by insisting that there not be publication of the antecedent applications, the existence of which was critical to an entitlement to an earlier priority date than that which would be achieved if the currently opposed application had to stand on its own. That was an undesirable inconsistency.

The Judge also considered the statutory context for s 91, particularly the preceding sections, and reg 129(e) of the Patents Regulations 1954. The Judge held that these provisions supported a broader reading of the scope of what would be the specifications filed "in pursuance" of a particular application. The Judge concluded that, in circumstances such as the present, it was difficult to conceive any material prejudice to an applicant for a patent arising from publication of the parent and grandparent applications on which a divisional application depends for backdating of the priority date. The entitlement to reach back in that way depended on the subsequent applications being in the same terms as the preceding ones. The practice on this was confirmed in Patent

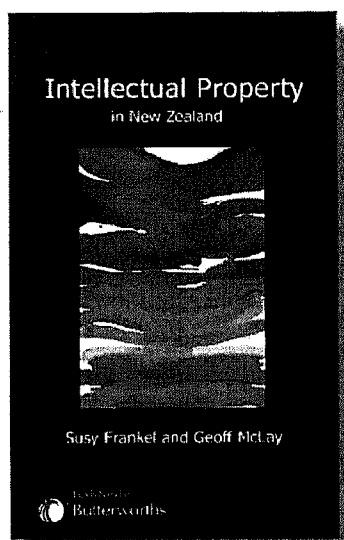
Office Practice Note No 8. It followed that, if the latest application was entitled to ante-dating, then the contents of the prior applications would not reveal anything that is not inevitably publicised on publication of the current application.

The Judge held that the Assistant Commissioner erred as a matter of law in coming to the conclusion that IPONZ was

constrained by the terms of s 91(1) or otherwise, from including within the material able to be disclosed, once the patent application was advertised, the comparable documents in respect of preceding applications, and the Judge itemised the documents to which the opponent was entitled. The appellant or opponent therefore succeeded on both aspects of appeal and was entitled to costs.

# Intellectual Property in New Zealand

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*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.

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