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## Kiss Goodbye to MS – Watermark Sponsors Sydney to Hobart Yacht

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Watermark's offices will be closed for the holiday period from 26 December 2011, and will reopen on 3 January 2012.

We wish you a safe and happy festive season and we look forward to working with you in the New Year.

## Tobacco Plain Packaging and Trade Mark Control

Plain packaging of cigarettes in Australia is one step closer, with the Senate passing the Tobacco Plain Packaging Bill 2011. That Bill, previously passed by the House of Representatives in August 2011, seeks to impose requirements and restrictions on the retail packaging of tobacco products in Australia. Most notably, it places significant limitations on the use of trade marks on tobacco packaging.

In brief, the plain packaging legislation imposes requirements including:

- that all surfaces of the packaging must have a matt finish and be in a colour to be prescribed by regulations (likely to be a drab olive-brown colour)
- that the packaging must be of a uniform prescribed size, and not have any decorative ridges, embossing or embellishments
- that the packaging must not include any trade mark, other than the brand or company name and any variant name, which may only appear in prescribed locations, sizes and fonts on the packaging.

Not surprisingly, this plain packaging legislation has been strongly opposed by tobacco companies,

who argue that the restriction on the use of their trade marks is contrary to Australia's obligations under various intellectual property treaties and free trade agreements. It is also argued that these restrictions amount to an acquisition or appropriation of intellectual property, which would trigger compensation under the Constitution.

The legislation itself includes measures aimed at addressing these issues, such as provisions to ensure:

- that a trade mark application for tobacco products will not be refused either on the basis that an applicant does not intend to use the trade mark if the applicant would have intended to use the mark but for the operation of the legislation, or on the basis that the use of the trade mark would be contrary to law
- that a registered trade mark for tobacco products is not vulnerable to removal for non-use if the owner would have used the trade mark in relation to tobacco products but for the operation of the legislation
- that there is no restriction on the registration of trade marks or the maintenance of existing registered trade marks as a result of this legislation.

Furthermore, the legislation states that if preventing the use of trade marks in relation to tobacco products does result in an acquisition of property then, notwithstanding the remainder of the legislation, the trade marks may be used, subject to any restrictions that maybe prescribed by regulations. This provision seems squarely aimed at avoiding having to compensate tobacco companies if the restrictions on the use of their trade marks are found to constitute an acquisition of property, by allowing the restrictions on the use of these trade marks to be eased in these circumstances.

The Bill was scheduled to come into effect in July 2012, however, in passing the Bill, the Senate delayed its introduction until December 2012. Tobacco companies have foreshadowed a vigorous legal challenge to the legislation, once it ultimately passes, and the progress of this legislation will continue to be keenly watched both in Australia and around the world.

**Rob McMaster**



## Patenting Stem Cell Technologies

The field of stem cell research has long been controversial. While stem cell research has the potential to lead to life saving applications in human health there is the ethical dilemma of conducting experiments with cells that may have the potential to develop into a human being, or 'parts' thereof.

Working with cells derived from human stem cells provides conclusive data as to the generation of specific cell and tissue types when compared to data generated using animal cells. This data provides a foundation for a better understanding of human disease, including cancer and infectious diseases, and new drug development. Bringing new therapies and drugs to the marketplace that are derived from stem cell research requires large investment from the public and private sectors. The patent system represents one mechanism by which returns on this investment can be made.

### Australia

The Australian Patents Act 1990 provides a broad scope for patentable subject matter which includes methods of treatment of humans. However, 'human beings' and the biological processes for their generation are not patentable inventions.<sup>1</sup> The Patents Act is unclear when it comes to the patentability of stem cell technology, as it does not provide a definition of 'human being'.

The Australian courts have made it clear that issues of morality and public policy are the jurisdiction of Parliament, and not the courts nor

the Patent Office, and that it is the role of Parliament to define law regarding patents.<sup>2</sup> However, Parliament has been slow to define law regarding the patentability of stem cell inventions. In response to this, the Patent Office has developed some examination guidelines based on recent Patent Office decisions<sup>3</sup> summarised as follows:

- stem cell technologies are to be examined in the same light as other technical inventions
- human embryonic stem cells that are pluripotent, and do not have the capacity to develop into an entire human being, and processes for their generation, are patentable
- human embryos are considered to be 'human beings', and consequently human embryos and processes for their generation are not patentable
- as adult stem cells are derived from non-embryonic tissues, both adult stem cells per se and processes for their isolation from non-embryonic tissues and organs are patentable
- a totipotent cell that can be derived from fertilized oocytes, or cells of embryo up to about the 8 cell stage, and have the inherent capacity to generate an entire human organism, and methods or processes of obtaining human totipotent cells, are not patentable
- a totipotent cell derived from an inter-species hybrid that may have 'human being' characteristics, and methods of generating such a cell, are not be patentable.

A patent application may also be refused if the invention disclosed is considered 'contrary to

law'.<sup>4</sup> Hence, patent applications for inventions relating to stem cells derived from human embryos may also be refused if in breach of the Prohibition of Human Cloning Act 2002 and/or the Research Involving Human Embryos Act 2002. This legislation provides that a human embryo may only be created by fertilization of a human egg by a human sperm, and that the creation of embryos by other means constitutes an offence.



### Conclusions

Patentability exclusions will not prevent basic research into stem cells. However, it is a significant disincentive to biotechnology and pharmaceutical companies to invest in basic stem cell research without the possibility of obtaining a patent and a return on investment. The repercussions of strict patentability requirements in the field of stem cell technologies in a particular country may lead to loss of scientific effort and relocation of companies in that country as well as loss of commercial potential.

### Dr Chris Vindurampulle

<sup>1</sup> Section 18(2) of the Patents Act 1990.  
<sup>2</sup> *Anaesthetic Supplies Pty Limited v Rescare Limited* (1994) AIPC 91-076, 23 IPR 383.  
<sup>3</sup> Australian Patent Office Patent Manual of Practice & Procedure, Section 2.9.5.1: Stem Cells  
<sup>4</sup> Section 50(1)(a) of the Patents Act 1990.

## Personal Property Securities Reform

The Personal Property Securities (PPS) reform establishes a single national system for registering security interests (SIs) in personal property (generally, any form of property other than land or buildings and including intellectual property (IP)) on a new PPS Register and implements rules for determining the priority of those SIs.

PPS reform brings under one system what is currently spread over 70 different Commonwealth, State and Territory Acts that regulate personal property securities, as well as numerous registers. Expected to be implemented in early 2012, SIs will need to be recorded on the PPS Register to be effective and preserve priority. Under transitional arrangements, the priority of SIs will automatically be protected for two years from implementation.

### PPS Reform and Intellectual Property

PPS reform includes both registered IP (patents, trade marks, designs and plant breeder's rights) and IP not capable of registration (copyright and circuit layouts). Further, transactions involving physical assets that incorporate IP, for example, equipment containing embedded software, machinery covered by patents, or patented pharmaceuticals, will also need attention under PPS reform.

In a practical sense, intangible assets such as patents, trade marks, designs and plant breeder's rights will be described on the PPS Register by serial number and therefore searchable under this number. For assets such as copyright which is not registered and allocated a serial number, it is assumed that there will be a written description and it remains to be seen how easy it will be to search for this property.

An IP security interest can continue to be recorded under relevant IP legislation, for example, registering an interest on the Trade Mark Register after the go live time, however, recordal of an interest on the IP register that is a PPS SI will have no effect on the rights of the registered owner when determining attachment, enforceability or perfection. Moreover, although the Trade Marks Act, Patents Act and Designs Act provide that equities in relation to the relevant IP may be enforced against the registered owner, these provisions will not apply to the equities that are PPS security interests. Priority conflicts between IP registers and the PPS Register will thus be avoided.

While an IP licence is not an SI for which one can register a financing statement, an entity can grant a security interest in an IP licence. If an SI is granted over an IP licence and the IP is sold with the licence still in place, the SI will continue to bind the new owner. Consequently, careful attention is needed when using an IP licence as collateral.

Contrast IP licences with an assignment of IP, which if in substance secures payment or performance of an obligation, automatically creates an SI and a requirement to record on the PPS register.

It is important to understand the PPS reform and its commercial implications. More detail will be revealed once the reform is in place but companies should be thinking about any security interests they have in any IP and the attendant obligations.

### Ward Olivete



# Replica Rage

The name Eames is synonymous with iconic 20th century modernist designs for furniture reflecting the work of US designers Charles and Ray Eames.



Herman Miller Inc, a US company and owner of the word trade mark EAMES which is registered in Australia for chairs (furniture) has reportedly settled a Federal Court dispute with the Matt Blatt furniture company. The legal battle revolved around Matt Blatt's use of the term 'Eames' in the context of advertising replica furniture.

Matt Blatt sells a range of reproduction furniture. Amongst its 'replica' range, are reproductions of the famous high-end Eames branded furniture. Matt Blatt markets these products as 'replica Eames'. Herman Miller argued that this use of the term 'Eames' amounted to, amongst other things, an infringement of the registered EAMES trade mark.

Not all uses of a registered trade mark constitute infringement. To infringe, the allegedly infringing mark must be used 'as a trade mark', i.e. as a badge of origin. It is a defence to an infringement action to show that a mark is used in good faith in a descriptive sense or to indicate some quality or characteristic of the relevant products.

The term replica is generally understood to describe an exact copy of an original. On one view, Matt Blatt's use of the term 'replica Eames' describes a characteristic of Matt Blatt's product, i.e. that it is a copy of the original Eames product. The opposing view is that use of 'replica Eames' constitutes infringing use of the mark EAMES, as it is used to distinguish Matt Blatt's products. It also arguably takes unfair advantage of the reputation of the Eames design. If Matt Blatt's products are not a genuine replica of the original Eames products (for example if they are made using different materials), use of the term 'replica Eames' may also be misleading, in which case

it would breach Australia's consumer protection laws.

It is common for manufacturers of replica products to use terms such as 'replica', 'compatible with', 'similar to' or 'if you love (registered mark) then you will love this product'. There have been very few cases in Australia which consider the issue of trade mark infringement in this context.

However, we will not be able to look to the Federal Court's view for guidance on this issue in the Eames case, as Herman Miller and Matt Blatt have reportedly settled their dispute. The Court Order ('unentered' at the time of writing) includes an undertaking by Matt Blatt that it will not use the term Eames "*unless such description incorporates... the qualification 'replica' or words or expressions synonymous with that word, expressed in the same manner as the 'Eames' expression and of at least equal prominence to the 'Eames' expression...*".

If the Federal Court had ruled in favour of Herman Miller, this would have armed Herman Miller to replicate (pardon the pun) its court action against other traders who also use Eames in a similar manner on replica Eames furniture. Ironically, this would include Matt Blatt's own competitors, who promote replica Eames pieces.

It remains to be seen whether Herman Miller will take action against other local retailers who use the EAMES trade mark in a similar manner to Matt Blatt.

## Peter Hallett & Roanne De Menezes

Roanne De Menezes joins the Watermark team as a Senior Associate and will be working as a Lawyer and Trade Marks Attorney. Contact Roanne at [r.demenezes@watermark.com.au](mailto:r.demenezes@watermark.com.au)

## Kiss Goodbye to MS

While you are reading this journal, Watermark's Associate Ian Lindsay will be competing in the Rolex™ Sydney to Hobart yacht race starting in Sydney on 26 December and ending in Hobart, Tasmania on 30 December – it's one of the biggest yacht races in the world and certainly, one of the most famous. Ian and his crew are partnering with MS Research to raise awareness of multiple sclerosis and their yacht, usually named Beyond Outrageous, is being renamed 'Kiss Goodbye to MS' for the race.

Watermark understands the importance of raising awareness and funding for research into multiple sclerosis, and is very proud to sponsor the yacht. In the lead up to the race, Ian and his crew had a photo shoot with Simon McKeon (executive chairman of the Melbourne Office of Macquarie Group, chairman of CSIRO and 2011 Australian of the year), who is the patron of the campaign.

We wish Ian and the crew of 'Kiss Goodbye to MS' the very best of luck for the race and congratulations on their wonderful fundraising initiative.

For more information go to:  
<http://www.beyondoutrageous.com>  
and to sponsor Ian, please go to:  
[http://www.everydayhero.com.au/ian\\_lindsay](http://www.everydayhero.com.au/ian_lindsay)



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# The humble potato tests plants breeder's rights legislation in Australia

The development and exploitation of new plant varieties provides an asset to the owner over and above the sale of the variety as a commodity.

The Plant Breeder's Rights (PBR) system in Australia protects valuable intellectual assets in the new variety, and there is commercial advantage to the owner and any licensee for the term of a PBR to extend for as long as possible.

## PBR

PBR's in a new plant variety provides the owner with exclusive rights to deal with the propagating material of the variety, including to produce, sell and export the material. This exclusivity can provide the owner or licensee with control over the production, supply and marketing of the variety in Australia, and where the variety is a staple product, such as a potato, this exclusivity can provide a significant financial return to the owner.

The Plant Breeder's Rights Act 1994 (new Act) came into force on 10 November 1994 and repealed the Plant Variety Rights Act 1987 (old Act). Under the new Act, PBR enjoys a term of 20 years from the date of grant, whereas under the old Act the term is 20 years from the date of acceptance.

In the case of Elders Rural Services Australia Limited v Registrar of Plant Breeder's Rights,<sup>1</sup> the Australian Federal Court considered the issue of the term of exclusivity of plant variety rights (PVR) for the potato variety, Nadine™. In looking at this issue, the court highlighted a drafting oversight in the transitional provisions of the new Act in dealing with a PVR application made and accepted under the old Act but not granted prior to the commencement of the new Act, leading to uncertainty about the length of exclusivity granted and the scope of rights.

## Background

The UK company, Caithness, applied for PVR in Australia under the old Act for the Nadine™ potato variety. This application was accepted under the old Act and was still pending at the time the new Act became operational. On 16 August 1995, the application was granted and the term of the PBR was calculated in

accordance with the provisions of the old Act, therefore expiring on 3 July 2012 (20 years from acceptance). Caithness appointed Elders Rural Services Australia (Elders) as an exclusive licensee for the production and marketing of the Nadine™ potato in Australia. Elders challenged the term of the PBR asserting that it should expire on 16 August 2015 (20 years from the date of grant), as if granted under the new Act. Elders's motivation is obvious, as the longer term would provide the company with extended exclusivity and advantage in the Australian market with greater financial return.

## The decision

The court considered the transitional provisions of the new Act. Section 82 deals with the situation where PVR's have been granted under the old Act and were in force at the commencement date of the new Act. It is clear that these rights remain valid and the duration of term is 20 years after the date of acceptance.

Section 83 deals with the situation where PVR's made under the old Act have not been granted at the commencement date of the new Act, relevant to the facts of this case. This transitional provision is less clear, and after analysis of the construction of both Acts, Lander J concluded that the application must be decided by reference to the old Act and that what is granted is rights under the old Act and not PBR's under the new Act. The effect being that PBR for the Nadine™ potato would expire on 3 July 2012.

## Is it fair?

Transitional provisions in any legislation must navigate between the old and new Act. The Nadine™ application was made under the old Act and it does not seem "unfair" that the duration of exclusivity be determined under the old Act.

Elders and others caught by this transition may lobby government for legislative change in an attempt to obtain an extended PBR term to leverage their intellectual asset. However, this is unlikely to be a high priority for government.

## Amanda Jones

<sup>1</sup> Elders Rural Services Australia Limited v Registrar of Plant Breeder's Rights [2011] FCA 384.



## Meet David Perkins

"There's nothing more fascinating than daily contact with an endless range of engineering solutions, be it for underground excavation or wireless communication.

IAM

Part of your team

As a patent attorney, I have the privileged position of looking over the inventor's shoulder, with a weather eye on the commercial environment. While my technical background focused on electrical and computer engineering, my practice encompasses a considerable range of engineering technologies. Any given week may involve developing protection strategies for simple engineered components through to military-grade encryption techniques.

In recent years, there has been growing appreciation of the importance of protecting intellectual assets, and for technology companies, often their IP is the key value driver.

I see my role in this equation as being fundamental to building value and maximizing return on investment for clients by helping them protect and leverage their valuable intellectual assets".

David Perkins is a Patent & Trade Marks Attorney. Contact David at d.perkins@watermark.com.au

