

**RECENT DEVELOPMENTS IN  
NEW ZEALAND INTELLECTUAL  
PROPERTY LAW**

The Right Honourable Mr Justice Somers  
Member of the N.Z. Court of Appeal

THE UNIVERSITY OF CHICAGO  
DIVISION OF THE PHYSICAL SCIENCES  
DEPARTMENT OF CHEMISTRY  
5708 SOUTH CAMPUS DRIVE  
CHICAGO, ILLINOIS 60637

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The brief I have is to give an overview of recent developments in intellectual property law in this country. That law nowadays is taken to include the proprietary rights conferred by statute in the Copyright Act, the Designs Act, the Patents Act, the Trade Marks Act, and perhaps the Plant Varieties Act, and also those interests in goodwill, get-up, and trade secrets and confidential information, protected at law or in equity by the actions for passing off, injurious falsehood, and breach of confidence. The very catalogue emphasises the pragmatic and fragmented way in which the law has developed. It is not yet possible to discern any general principle of liability for the appropriation by one man of the fruits of the ingenuity, skill and labour of another. Many products of new technology and the art itself have had to be fitted, albeit often uncomfortably, into an existing framework based largely on well understood concepts about property rights. Technological growth may perhaps lend impetus to acceptance of a wider base such as unjust enrichment or unfair competition.<sup>1</sup>

The field of intellectual property is so wide and the interests protected are so disparate that in the absence of a general principle of liability any synthesis implied by the word overview is likely to be so broad as to be valueless. What I propose to do therefore is to touch on a number of more or less unconnected matters which are the subject of current agitation or of recent decision.

Industrial Design

Industrial design provides a good beginning; the subject is important, existing New Zealand law probably

1. On these matters reference may be made to the article by Ricketson in [1984] 7 U.N.S.W.L.J.1.

gives a wider scope to industrial copyright than that of any other country<sup>2</sup>, and the present law is about to be changed by legislation.

The Designs Act 1953 provides that a new or original design may be registered in respect of any article. Registration gives a monopoly in New Zealand for five years (renewable for two periods of five years each) to make or import for sale or for use for the purposes of any trade or business or to sell, hire or offer to sell or hire any article in respect of which the design is registered. Oddly this monopoly is called copyright. Design is defined to mean features of shape, configuration, pattern or ornament applied to an article by any industrial process or means, being features which in the finished article appeal to and are judged solely by the eye; but does not include a method or principle of construction or features of shape or configuration which are dictated solely by the function which the article to be made in that shape or configuration has to perform.

Thus the Designs Act protects shape unless that shape is solely due to its function. Lord Reid put it this way in Amp Incorporation v. Utilex Proprietary Ltd.<sup>3</sup> - "There must be a blend of industrial efficiency with visual appeal. If the shape is not there to appeal to the eye but solely to make the article work then this provision excludes it from the statutory protection."

Next there is the Copyright Act 1962. Its purpose is to protect an original, that is to say an independently produced, expression of skill, knowledge or creative labour in one of the forms mentioned in the Act from being copied by others without licence. One of those forms is called artistic work and includes paintings, sculptures, drawings,

2. Report of the Committee to consider the Law on Copyright and Designs, 1977, Cmd. 6732 - the Whitford Report - paras. 105-127, 128; W.R. Cornish: Intellectual Property : Patents Trade Marks and Allied Rights, 1981 pp.411-2.
3. [1972] R.P.C. 102, 110.

engravings and photographs irrespective of artistic quality. And drawing includes any diagram or plan. This means that drawings of functional articles such as industrial drawings and designs are artistic works for the purpose of the Copyright Act. But a design in 3 dimensional form such as a model is not an artistic work unless it is a work of artistic craftsmanship which needs to exhibit some aesthetic merit.<sup>4</sup>

The amount or degree of skill, labour or judgment required to give originality cannot be defined. In the case of the form mentioned - paintings, drawings etc. irrespective of artistic quality - the level is low. But the period of copyright is long - normally expressed as the life of the author plus fifty years. One form of infringement is to produce a 3 dimensional form from a 2 dimensional form which has copyright - to produce an article or object from a copyright drawing. But if the 3 dimensional object would not appear to non-experts to be a reproduction of the 2 dimensional work there is no infringement - this probably means that if you have to be an expert to see that the object is a reproduction from the drawing there is no infringement<sup>5</sup>. This extraordinary test has few supporters - it works fortuitously and, according to the Whitford Report, para. 159, encourages the addition of pictorial drawings having no relevance to production.

Finally there is the Patents Act 1953. This gives a monopoly for 16 years for inventions. But it requires registration and public disclosure of the invention.

What is the effect of these enactments on industrial designs? Section 30(1) of the Copyright Act 1913 provided that the Copyright Act did not apply to designs capable of registration under the Patents Designs and Trade Marks

4. There is debatable ground here: see e.g. Laddie Prescott & Vittoria The Modern Law of Copyright paras. 3.21-3.24.
5. The argument of Hillyer Q.C. in P.S. Johnson & Associates Ltd v. Bucko Enterprises Ltd [1975] 1 N.Z.L.R. 311, 319.

Act 1908 (and later the Designs Act 1953) except designs not used or intended to be used as models or patterns to be multiplied by any industrial process<sup>6</sup>. This provision was deliberately omitted from the Copyright Act 1962<sup>7</sup>. The consequence is that in the case of a registered design there is double protection during the term of design registration and at its expiry continuing copyright protection<sup>8</sup>.

It has been suggested that by obtaining a patent the patentee elects the monopoly period only and that on expiry the patent drawings and all equivalent drawings are impliedly licensed to be used by the world<sup>9</sup>. This view has not gone unchallenged<sup>10</sup>. Whichever may be thought the better view there can be no doubt which is the safer.

The conceptual difficulties in the present law about industrial designs are readily apparent. Because it is an infringement to make an article from a copyright drawing the Copyright Act is affording protection for articles which are solely functional. This is really the object of the Patents Act. And the protection - albeit from copying only and not a monopoly - is given without the novelty required for an invention and for a period that far exceeds that given to an invention.

These points and the views of those practically and technically concerned are expanded in the valuable reports of the Industrial Property Advisory Committee of 1 August 1983 and 20 February 1984 which led to the introduction of the Copyright Amendment Bill introduced in October 1984 and presently before a select committee.

6. S.30(2) and Reg. 78 of the Designs Regulations 1952 elaborate on this phrase.
7. Report of the Copyright Committee 1959 - the Dalglish Report; paras. 300-310.
8. That protection could be duplicated under the 1913 Act also is shown by King Features Syndicate Inc. v. Ward M. Fleeman Ltd. [1941] A.C. 417.
9. Catnic Components Ltd. v. Hill & Smith [1978] F.S.R. 405, 427 per Whitford J.
10. Laddie Prescott & Vittoria, op.cit., paras. 10.88 to 10.92.

The Bill proposes to introduce new provisions into the Copyright Act to deal with the industrial application of literary and artistic work with effect as from 1 October 1986. Section 20B(1) as introduced provides -

"(1) No act infringes the copyright in a literary or artistic work if, at the time the act was done, that literary or artistic work had been applied industrially in New Zealand or in any other country by or with the licence of the owner of the copyright more than 16 years before the act was done."

It will be noticed that the industrial application may be in New Zealand or elsewhere and must be lawful, that is, by or with the licence of the owner of the copyright.

The meaning of industrial application is defined as follows -

"20(2) For the purposes of subsection (1) of this section, an artistic work is applied industrially if

- (a) More than 50 reproductions in 3 dimensions are made of it, other than by hand, for the purposes of sale or hire; or
- (b) It is reproduced in 3 dimensions in 1 or more articles manufactured in lengths, other than by hand, for the purposes of sale or hire.

(3) For the purposes of subsection (2) of this section, 2 or more reproductions in 3 dimensions which are of the same general character and intended for use together are a single reproduction."

The general effect of the proposed new section is clear. Copyright will be limited to 16 years from the time at which industrial application as defined is first achieved.

This period corresponds to the term of a patent. But the differences between patent and copyright remain. The Patents Act gives a monopoly. It requires novelty and registration. The Copyright Act affords protection against copying to works of original expression in which the concepts of novelty or an inventive step form no part. Registration is not required.

One of the practical questions which arises is how an intending copier can know whether copyright has lapsed by reason of industrial application. A simple way would be to require the copyright owner or licensee to mark each article produced with the date of industrial application. But Article 4(2) of the Berne Convention (Brussels Text 1948)<sup>11</sup> provides that the enjoyment and exercise of the rights recognised shall not be subject to any formality.

The Bill therefore seeks to give an incentive to mark articles by giving an evidentiary advantage to those who do so. It is provided by the proposed new s.27A that in the case of an action for infringement of artistic copyright of which 3 dimensional reproductions have been made available to the public by or with the licence of the owner of the copyright, the marking of the reproductions with the copyright symbol together with the name of the owner or exclusive licensee and the year that reproduction was made available to the public give rise, in the absence of evidence to the contrary, to the presumption that the defendant knew that copyright existed, that the named person was the owner of the licensee and that the reproduction was made available in the year specified. This will apply to all future actions and all actions commenced before the Bill becomes law the substantive hearing of which has not begun.

Next it is to be noted that a proposed addition to the definition of artistic work of the word 'models' will mean that a design created in 3 dimensional form will attract copyright protection regardless of artistic quality.

The non expert test in infringement actions for reproduction of 3 dimensional articles from drawings is also abolished. The infringer will not now be able to excuse himself by saying only experts would know I have copied.

11. Laddie Prescott & Vittoria: 688



The last matter in the Bill which may affect industrial designs is a provision (generally retrospective) whose general purpose is to enable literary or artistic work open to public inspection in respect of expired or ineffective patents or designs to be reproduced with impunity.

### Remedies for Copyright Infringement

Under this head there are several matters worthy of mention.

(1) Conversion Damages: Section 25 of the Copyright Act provides that the owner of any copyright shall be entitled to all such rights and remedies in respect of the conversion and detention by any person of any infringing copy (a defined term which includes reproductions other than of films) or of any plate used or intended to be used for making infringing copies as he would be entitled to if he were the owner of every such copy or plate and had been since it was made.

This means the owner of the copyright is deemed the owner of the infringing articles and when at trial the defendant is not in possession of the goods their conversion will sound in damages measured as the value of the copies at the time of conversion, which will usually be the market value when they were sold. The Whitford Report, para. 702, considered that such damages might be out of all proportion to the injury suffered and recommended they be abolished. The Industrial Property Advisory Committee thought such damages might often be unjust and inappropriate and recommended that conversion damages should only be available when the Court concludes that ordinary damages would be an insufficient remedy.

The 1984 Bill proposes a new section 25 of the Copyright Act. It substantially re-enacts the present provisions about conversion damages but then qualifies the right of recovery in this way -

"Notwithstanding subsection (1) of this section, a plaintiff shall not be entitled to the rights and remedies referred to in that subsection in respect of infringing copies which are reproductions in 3 dimensional form of any artistic work, or which are reproductions in 2 dimensions necessary or incidental to the making of the reproduction in 3 dimensions, unless the Court orders otherwise having regard to -

- (a) The flagrancy of the infringement:
- (b) Any benefit shown to have accrued to the defendant by reason of the infringement:
- (c) The sufficiency of the remedy of damages for infringement:
- (d) Any other matters the Court thinks fit."

Thus it is proposed that conversion damages will be discretionary and dependent on the existence of circumstances similar to those justifying additional damages under s.24(3). The relation between these two provisions may still give rise to difficulties as will the measure of conversion damages (if appropriate) where the infringing copy is but a part of some whole article <sup>12</sup>.

(2) Additional Damages: Section 24(3) of the Copyright Act 1962 provides that if the Court, having regard to the flagrancy of the infringement and any benefit accruing to the infringer as a result and all other circumstances, is satisfied effective relief would not otherwise be available to the plaintiff it may award such additional damages as it considers appropriate. When this provision first reached the Court of Appeal in England in 1960 it was thought to justify an award of exemplary damages <sup>13</sup>. There are also suggestions in that and subsequent cases that aggravated or exemplary damages are justified apart from statute <sup>14</sup>.

- 12. Conversion damages are conveniently discussed in the article in [1984] 8 E.I.P.R. 227 by Keith Hodgkinson.
- 13. Williams v. Settle [1960] 2 All E.R. 806.
- 14. Williams v. Settle at 812F; Rookes v. Barnard [1964] A.C. 1129, 1225; Cassell & Co. Ltd. v. Broome [1972] A.C. 1027, 1080-81, 1134.

The two landmark cases on exemplary damages, Rookes v. Barnard<sup>15</sup> and Cassell & Co. Ltd v. Broome<sup>16</sup> have led to a number of cautious statements in England about the effect of the copyright provision<sup>17</sup>. In New Zealand we do not regard the award of exemplary damages as limited to the circumstances suggested by the two cases in the House of Lords.

And so when recently in New Zealand a plaintiff established that a newspaper had flagrantly copied his car price guide and no other relief was available Sinclair J. awarded damages which were punitive. The cases were reviewed and his decision upheld in the Court of Appeal: see Wellington Newspapers Ltd v. Dealers Guide Ltd<sup>18</sup>.

(3) Limitation: A neat illustration on limitation arose in Lincoln Industries Ltd v. Wham-O MFG. Co.,<sup>19</sup> the lengthy judgment in which contains much of interest on copyright. It was found that Lincoln was in breach of copyright in dies or moulds (which were held to be engravings) and of the product of the dies which were discs, called frisbees, (being an image produced from an engraved plate, the die, and hence an engraving also). It was contended for Lincoln that all discs produced were but instances of the original conversion more than 6 years before the action was commenced and hence were statute barred by s.5 of the Limitation Act. It was held that whatever may have been the position as to the die there could be no conversion of the discs before they came into being, and that manufacture and possession of them by Lincoln did not of itself amount to a conversion; that occurred when they were dealt with in a manner inconsistent with Wham-O's immediate right to possession.

15. [1964] A.C. 1129.

16. [1972] A.C. 1027

17. see e.g. Beloff v. Pressclaim Ltd. (1973) 1 All E.R. 241, 264, 267; Ravenscroft v. Herbert & New English Library Ltd. [1980] R.P.C. 193.

18. unreported C.A. 47/83; judgment 17 August 1984.

19. unreported C.A. 163/81; judgment 26 June 1984; leave given to appeal to the Privy Council.

(4) Anton Pillar Orders: As is widely known the video world, as well as providing a new and popular subject matter of burglary, theft and receiving, has led to a demonstration of the flexibility of the remedies provided by the Courts. In the present state of its development the sophisticated Anton Pillar order is commonly used against infringers of the copyright of cinematographic films by means of video cassettes. The order is obtained ex parte before service of the writ upon proof that there is a serious risk that evidence may be destroyed. The order is intended to preserve property and for that purpose to permit entry on the defendant's premises to search for and seize the same; to obtain discovery of documents and to interrogate as to other parties involved; and to restrain further infringement pending trial.

The order to discover and to disclose the names of others involved does not expressly provide for protection against self-incrimination. In this area a conspiracy to defraud may well exist. The House of Lords has held that the defendant might make such an objection to disclosure<sup>20</sup> but the privilege was removed in England by statute which provides that it may not be invoked in civil proceedings for infringement or passing off of intellectual property but that statements made are inadmissible against the maker in proceedings for a related offence<sup>21</sup> .

This issue has been considered in New Zealand by the Court of Appeal in Busby v. Thorn EMI Video Programmes Ltd<sup>22</sup> which decided that as the law about privilege against self-incrimination was judge-made it could be amended by the Judges to do justice. It was held that a defendant could not rely on the privilege against self-incrimination as a ground to decline to make discovery or answer interrogatories but that the documents or information might not be used

20. Rank Film Distributors Ltd v. Video Information Centre [1982] A.C. 380.  
21. s.72 Supreme Court Act 1981 (U.K.).  
22. [1984] 1 N.Z.L.R. 461.

against him for the purpose of prosecuting him. The way in which this is to be achieved is set out at [1984] 1 N.Z.L.R. at p.474.

### Patents

There have been two cases recently in the Court of Appeal in which, to some extent, the fundamental concept of a patent has had to be considered. The more important of these is Wellcome Foundation Ltd v. Commissioner of Patents<sup>23</sup>.

The Foundation's principal claim was to a patent for a method of treating or preventing meningeal leukemia or neoplasms in the brain of man or mammal by the use of known compounds previously used to treat malaria and for patents for the use of the compounds whenever used in such treatment.

A re-reading of the judgments, always a useful and often a salutary process, still suggests the case justifies a number of significant propositions in New Zealand patent law. Of prime importance is the acceptance of the view that the new use of a known substance may support a patent where the discovery involves ingenuity or novelty. That a new and useful effect, and not necessarily a new substance or article, is patentable carries with it a shift in emphasis in the necessary characteristics or description of what may be patented from vendible produce to little more than some artificially created economic advantage. Neither of these notions was new in patent law. Both flowed from the Australian landmark case National Research Development Corporation v. Commissioner of Patents<sup>24</sup>. These are now recognisable foundations of the modern law about patentability

23. [1983] N.Z.L.R. 385.

24. [1959] 102 C.L.R. 252. An earlier New Zealand case which follows the N.R.D.C. decision is Swift & Co. v. Commissioner of Patents [1960] N.Z.L.R.775.

and illustrate that the term 'manner of manufacture' in the Statute of Monopolies of 1623 upon which the whole edifice is built is treated as having no constant meaning.

Logically these propositions suggest that the Wellcome application should have succeeded. It did not do so for two reasons. So far as it rested upon a new use the case was considered not to have been made out. The prior use had itself been therapeutic. It was a case not of a new drug but a new use for an old drug.

To the extent the case was one for a patent for a method of treating human beings there were a number of considerations. No authority favoured patentability and several English cases were against it. So far as English and European legislation touched on the point it too was against recognition. The Patents Act itself showed distinct care taken by the Legislature in the case of substances intended for medicinal use. These features might not alone have been sufficient to rebut the logic of the claim but when as well the practical difficulties in protecting such a monopoly and the impact, not measurable by a Court, on the health of the community and the economics of health care were brought to account the proper conclusion seemed to be that the issue was one for Parliament. And so it was held.

The other case is Beecham Group Ltd v. Bristol-Myers Co.<sup>25</sup> As is well known this was part of a world wide patent dispute between Beechams and the American company Bristol-Myers about a monopoly for a semi-synthetic penicillin called Amoxycillin. The making of Amoxycillin entailed no inventive step. It was indeed chemically predicted and prior claimed as an invention in Beecham's own earlier patent for a class of drug which would have some medicinal quality. But the invention of Amoxycillin arose from the discovery of its particular properties after the compound

25. [1981] 1 N.Z.L.R. 600.

was actually made. So in New Zealand we have accepted that when a compound has not been previously made and its properties cannot be predicted the invention has not been prior published.

A policy consideration - the encouragement of medical research - is apparent in the finding that there was an inventive step. The pursuit of an obvious line of research may culminate in an invention which is not obvious and which involves an inventive step if the advantage found is sufficiently distinctive or unexpected. This is the foundation of selection patents. But while Beecham claimed the compound itself the Court limited the patent to its use in a composition for oral administration to human beings - that is to say to the area in which the claim was not obvious and involved an inventive step. This kind of statement has not it seems hitherto been expressly made about a selection patent but clearly matches the aims of patent law.

### Trade Marks

Perhaps the most interesting recent case in this field is Villa Maria Wines Ltd v. Montana Wines Ltd<sup>26</sup> which had to do with what I understand is called comparative advertising. In this case colour plate advertisements by Villa Maria showing its wines and wines of Montana, the later displaying registered marks, together with a text suggesting there was nothing to choose between them.

When fifty years ago a herbal dispensary labelled a preparation as 'Yeast Tablets - a substitute for Yeast-Vite' it was held that there was no infringement of the mark Yeast Vite for it was used to indicate the preparation of the owner of the mark and not to indicate the origin of the goods in the herbal dispensary<sup>27</sup>.

26. (unreported C.A. 46/84; judgment 8 November 1984 - application made for leave to appeal to the Privy Council).
27. Irving's Yeast-Vite Ltd v. E.A. Horsenail (trading as The Herbal Dispensary) (1934) 51 R.P.C. 110.

This was thought unfair and the Trade Marks Acts were amended in the United Kingdom and in New Zealand to make it an infringement to use another's mark in a public advertisement in a manner likely to be taken as importing a reference to the proprietor or registered user of the mark or to goods which such proprietor or user is connected in the course of trade<sup>28</sup>. In the result when a manufacturing chemist called Amblins advertised its Magnesia tablets and referred in its advertisement to tablets put out by Bismag Ltd. by reference to the latter's trade mark it was held they had infringed<sup>29</sup>.

The Villa Maria/Montana case however had a twist to it. Montana's marks were registered in Class B. The infringer of such a mark can escape the consequences if he can establish to the satisfaction of the Court that his use of the mark was not likely to deceive or cause confusion or be taken as indicating a connection in the course of trade between his goods and the proprietor of the mark. It was held in the High Court that Villa Maria's use of the marks was not likely to deceive or cause confusion and the Court of Appeal held that the use was not a trade mark use - it did not indicate that Montana was associated with the production or preparation for the market of Villa Maria's wines.

Those are all the topics I wish to mention. Most of the material illustrates the continuing debate as to the balance between two competing desiderata, the desirability of a free and useful flow of ideas and information and the protection of ingenuity, skill and labour - between the interest of the public in obtaining the benefit of creative work and thought and the private interest in its exploitation.

28. s.8(1) Trade Marks Act 1953. Australia has not adopted this provision: see Ricketson, Law of Intellectual Property, 702-3.
29. Bismag Ltd v. Amblins (Chemists) Ltd [1940] 1 Ch. 667.



Thus the main thrust of the Copyright Bill is to abridge an author's protection in certain limited areas. The adjustment of the law about self-incrimination in Busby v. Thorne EMI was to aid the discovery of tortious activity, and in so doing give more effective protection to the owner of copyright. The Wellcome Foundation case may be said to favour the public interest; both it and the Amoxycillin case clearly demonstrate the importance of policy considerations in patent law.

The decisions reached and the reasons given by Busby v. Thorne EMI and the Wellcome case have a further interest. In the first a principle of the common law, technically adjectival but in substance of great significance, was abridged on conditions effectively safeguarding the protection the principle was designed to afford. The Court was able to further one of the objects of the law, namely the discovery and prevention of its breach, without requiring the person making discovery to place himself in criminal jeopardy. The Wellcome case involved the construction of a statute and illustrates the limitations in policy areas where the Court has not the information necessary for an informed decision and no means of acquiring it.