(a) Are there any limitations on the admissibility of evidence in section 145 proceedings? In particular–
  (i) Does the Administrative Procedure Act require review on the agency record in proceedings pursuant to section 145?
  (ii) Does section 145 provide for a de novo proceeding in the district court?
  (iii) If section 145 does not provide for a de novo proceeding in the district court, what limitations exist on the presentation of new evidence before the district court?

(b) Did the district court properly exclude the Hyatt declaration?

Id. at *14. With input from a half dozen *amici curae*, the full Court considered these questions.

Analysis

In *Hyatt v Kappos*, No. 2007-1006, 2010 US App. LEXIS 23117 (Fed. Cir. 8 Nov. 2010) the Federal Circuit, sitting *en banc*, found that the district court applied the wrong legal standard for admissibility of evidence in a civil action brought under Section 145 and abused its discretion in excluding Mr Hyatt's declaration.

The Court held that the only limitations on the admissibility of evidence in a Section 145 proceeding are those limitations applicable to all civil actions imposed by the Federal Rules of Evidence and Federal Rules of Civil Procedure. In reaching this decision, the Court focused on the language of the statute and the legislative history of Section 145 to determine that the intent of Congress was to allow applicants to introduce new evidence in civil actions brought under Section 145. Specifically, the Court found that the language of Section 145 does not provide any 'unique rules of evidence' and further, 'this civil action does not merely afford judicial review of agency action. Rather, the statute directs that the district court may "adjudge that such applicant is entitled to receive a patent for his invention . . . as the facts in the case may appear." ' *Id.* at *18.

The Court also rejected the Director's argument that an applicant may only 'introduce new evidence that "the applicant could not reasonably have provided to the agency in the first instance." ' *Id.* at *32. The Court found that the Director's reliance on *Morgan v Daniels*, 153 US 120 (1894) was misplaced since *Morgan* does not address the admissibility of new evidence. Instead, the Court relied on US Supreme Court precedent that has 'consistently recognized that new evidence may be introduced in these district court proceedings.' *Id.* at *37.

The Federal Circuit emphasized that this rule is consistent with the district court's right to consider the Patent Office proceedings in determining what weight to afford the applicant's newly admitted evidence. The Court clarified that where no new evidence is admitted in a Section 145 proceeding, the district court must review the case on the same record presented to the agency and must apply the Administrative Procedure Act's substantial evidence standard to the Patent Office's fact findings. However, when new evidence is introduced, the district court 'must make *de novo* fact findings with respect to factual issues to which the new evidence relates.' *Id.* at *47.

Ultimately, the Federal Circuit vacated the judgment of the district court, holding that it was an abuse of discretion to exclude Mr Hyatt's declaration, and remanded for further proceedings.

Judge Dyk, dissenting, cautioned that the majority opinion 'denigrates the important expertise of the PTO' and 'invites applicants to deliberately withhold evidence from the PTO in favor of a more hospitable district court forum.' *Id.* at *65.

Practical significance

Hyatt forced the Court to weigh the risk of applicants deliberately withholding evidence from the PTO in favour of a more hospitable district court forum (at the heavy expense of delay and loss of potentially important patent term), against the risk that the PTO would be overwhelmed with an onslaught of evidence on potentially non-controversial points of fact. Time will tell whether the balance reached by the majority of the Court is correct. In light of these broader evidentiary considerations, more dissatisfied applicants may turn to the District Court to redress an adverse decision of the Board, rather than go straight to the Federal Circuit.

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Trade marks

Sporte Leisure v Paul's International: Shark takes a bite out of parallel importing

Sporte Leisure Pty Ltd v Paul's International Pty Ltd (No 3) [2010] FCA 1162, 29 October 2010

The Federal Court of Australia found that Paul's Retail Pty Ltd ('Paul's Retail') infringed certain Australian registered trade marks owned by Great White Shark Enterprises Inc ('Great White') relating to famous

Australian golfer, Greg Norman, notwithstanding that the merchandise bearing those marks had been manufactured by and purchased from an authorised licensee.

Legal context

Sporte Leisure considers, in circumstances of parallel importing, the application of section 123(1) of the Trade Marks Act 1995 (Cth), which provides a defence to a claim of trade mark infringement made under section 120 on the grounds that the mark has been applied to, or in relation to, goods, by or with the consent of the mark's registered owner.

Facts

Great White (the second applicant) owned two registered trade marks in respect of apparel, footwear and headwear, for the words 'Greg Norman' and a device in the form of a stylised depiction of a shark, respectively. Under an agreement between head licensor Greg Norman Collection, Inc (GNC) and BTB Marketing PVT Ltd, BTB was licensed to use the trade marks in connection with the manufacture and sale of 'licensed products' in the Union of India. BTB was, however, prohibited from selling licensed products outside the Union of India without GNC's prior written approval.

On or about 18 August 2008, Paul's Retail placed a purchase order for 'Greg Norman' garments with Singapore-based PT International Corporation Pte Ltd. The evidence established that the managing director of PT International informed the sole director of Paul's Retail, Mr Paul Dwyer, that the garments to be supplied were genuine goods manufactured by licensed manufacturer, BTB. Pakistan-based Sunsports (BVI) Limited, which was affiliated with PT International, then issued a 'Purchase Order' to BTB. Importantly, BTB notified Sunsports that the garments would only be manufactured *after* a letter of credit was established. BTB manufactured the garments after the letter was established, and the associated shipping and invoice documentation indicated that the garments would be shipped to Sunsports from India to Pakistan via Singapore. However, upon their arrival in Singapore, Sunsports sold the garments to PT International. The evidence established that in February or March 2009, PT International shipped the garments to Sydney, where they were acquired and subsequently offered for sale by Paul's Retail.

Analysis

Infringement by Paul's Retail

Justice Nicholas held that Paul's Retail (among other respondents) infringed Great White's registered trade marks by importing, distributing and/or offering or exposing for sale, the garments bearing the marks (section 120) ([2010] FCA 1162 at [91]–[92]).

The evidence established that, before BTB received the Purchase Order, Mr Rahul Singh, the managing director of BTB, was aware that Sunsports might acquire the garments from BTB for supply to, but not outside, the Pakistan market. The Court also concluded that BTB was unauthorised to manufacture the garments for sale to Pakistan under the licence agreement, notwithstanding that subsequent correspondence from Mr Singh to GNC indicated both that BTB considered itself a distributor of products in 'the Indian sub continent' and that BTB had been supplying Greg Norman products to Sunsports in Pakistan. The Court accepted that GNC informed Mr Singh that BTB needed to submit a business plan for GNC's approval in order to service markets outside India, and that the royalty reports submitted by BTB under the licence agreement did not account for the products supplied to Sunsports.

As a defence to the alleged trade mark infringement, Paul's Retail contended that BTB manufactured and applied the trade marks to the garments shipped to Sunsports with GNC's consent (section 123(1)). In concluding that Paul's Retail's defence did not succeed, Nicholas J stated ([2010] FCA 1162 at [78]):

> [w]here a registered owner consents to another person applying the registered mark to goods on condition that the goods must not to (sic) be supplied outside a designated territory, the registered owner would not usually be regarded as having consented to the application of the mark to goods which the other person knows at the time he or she applies the mark are to be supplied by him or her outside the territory.

The Court emphasized that the garments supplied by BTB to Sunsports were specifically manufactured by BTB for supply outside India, which was prohibited by the terms of the licence agreement. Further, in *obiter dictum*, notwithstanding that his Honour found that BTB did not pay royalties in respect of the garments shipped to Sunsports, his Honour was ([2010] FCA 1162 at [89]):

> . . . not . . . prepared to infer that products manufactured by BTB in respect of which GNC had received royalty payments were products to which the second applicant's marks had been applied without the second applicant's consent in the absence of convincing evidence to that effect.

Burden of proof of consent

Obiter, the Court rejected Paul's Retail's submission that the burden was on Great White to demonstrate that the trade marks had been applied to the garments without its consent (section 123(1)). Justice Nicholas considered that, as a matter of construction, because section 123 creates an exception to infringement, the person invoking the defence bears the burden of proof. However, in certain circumstances, it may take little for the burden to shift to the registered owner.

Further, contrary to Paul's Retail's submission, Great White was not also required to establish that Paul's Retail had engaged in 'infringing use' in relation to the trade marks.

Liability of joint tortfeasor

The Court rejected the applicants' submission that Mr Dwyer was involved in the trade mark infringements and therefore liable for those infringements as a joint tortfeasor. Mr Dwyer's 'close' involvement in the infringement was in his capacity as Paul's Retail's executive director, and the Court was satisfied that, as stated above, he genuinely believed the garments were 'genuine goods'.

In considering the competing tests in *Performing Right Society Ltd v Ciryl Theatrical Syndicate Ltd* [1924] 1 KB 1 and *Mentmore Manufacturing Co Ltd v National Merchandising Manufacturing Co Inc* (1978) 89 DLR (3d) 195 concerning the liability of a director as a joint tortfeasor, Nicholas J concluded that, for the director to be liable, more than a finding that the director caused or directed the company to perform infringing acts is required. In the Court's view, the extent of a director's personal involvement and his or her state of mind is important, and whether the director held an honest belief that the acts which he or she directed or procured were not unlawful is also a significant (and in this case, the decisive) consideration.

Practical significance

The facts of *Sporte Leisure* may support the conclusion only that a registered owner of a trade mark would not usually be regarded as having consented to the application of its mark to goods where the licensee knows when the marks are applied that the goods will be supplied outside the designated territory. Importantly, BTB only manufactured the infringing garments *after* Paul's Retail placed the order and the relevant letter of credit was established, and BTB did not pay royalties in respect of those garments. It is doubtful that the Court would have reached the same conclusion if BTB was instead unaware of the destination of the garments or if it filled the order from an existing stockpile of merchandise.

Further, while the decision confirms that the burden of proof to demonstrate that a trade mark has been applied to goods with the owner's consent rests on the party relying on the defence in section 123(1), the burden of proof may shift to the owner, for example, as Nicholas J noted, where the owner is best placed to know whether the mark has been applied with its consent.

Sporte Leisure also demonstrates the increased difficulty that an owner may face in proving that a director of a company is liable for trade mark infringement as a joint tortfeasor, where the director has merely caused or directed the company to perform the infringing acts in the normal course of business and honestly believes the relevant goods are genuine.

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Initial interest confusion recognized by the English courts

Och-Ziff Management Europe Ltd and Anor v Och Capital LLP & Ors [2010] EWHC 2599 (Ch), 20 October 2010

Confusion *prior* to sale of services or goods has been recently accepted by the High Court of England and Wales as actionable in passing off and trade mark infringement, materially expanding the scope of these causes of action in English law.

Legal context

Under Article 9(1)(b) of the Community Trade Mark Regulation (207/2009/EC) (CTMR), holders of a Community trade mark (CTM) can prevent others from using a similar sign for similar goods or services to those for which the CTM is registered and which causes a likelihood of confusion among the relevant public. The CTMR also provides for infringement to be established under Article 9(1)(a) where a sign identical to a CTM is used for identical goods, and under Article 9(1)(c) which provides for owners of CTMs with a reputation to prevent use of a similar sign for any goods or services where such use without due cause among other things is detrimental to the distinctive character or the repute of the CTM. There are various defences to infringement, including under Article 12(a) where a defendant uses its own name or address in accordance with honest commercial practices.

Further, under the English law tort of passing off, goodwill can be protected where the following three elements are established (*Reckitt & Colman v Borden* [1990] 1 WLR 491, 499):

(i) Goodwill: the claimant must establish that he has goodwill in the market in respect of his goods and services and that he has established that goodwill through the use of distinguishing feature(s).